ČAKOVEČKI MLINOVI INC.

ANNUAL CONSOLIDATED REPORT
FOR 2023

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ČAKOVEČKI MLINOVI INC.

CONSOLIDATED MANAGEMENT REPORT FOR 2023

1. BASIC ACTIVITY AND GENERAL DATA

ABOUT THE GROUP ČAKOVEČKI MLINOVI

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

Čakovečki mlinovi Inc. as at 31 Decembar 2023 have 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 2022, the subsidiary Trgostil Inc. was also consolidated and merged with Trgovina Krk Inc. on 3 October 2022. Čakovečki mlinovi Inc. in addition to the non-consolidated reports of the Companies, they also prepare the consolidated reports of the Group separately.

In 2023, the Čakovečki mlinovi Group achieved consolidated total revenues of EUR 201 million based on consolidated total assets in the amount of EUR 110 million and employed 2.112 employees on average based on working hours (2022: 2,351). According to the Accounting Act, the Čakovec Mlinovi Group belongs to a large group of entrepreneurs.

Shares of Čakovečki mlinov 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.

HISTORICAL DEVELOPMENT

The Čakovečki mlinovi Group is characterized by a 130-year tradition of milling and continuous and pronounced acquisition growth in the trade and bakery segments.

1893. Foundation of the company Čakovečki mlinovi Inc. in Čakovec;
Construction of the Čakovec mill

1946. Nationalization of the company Čakovečki mlinovi Inc.

1961. Construction of a bakery plant in Čakovec

1973. Takeover of the bakery Konjščina

1975 Takeover of Oroslavje bakery

1985. Construction of an industrial bakery in Čakovec

1992. Conversion of the social enterprise Čakovečki mlinovi into a joint-stock company;
Privatization

1994. Takeover of the company Radnik Opatija Inc. Lovran

1996 Takeover of Primorac Ltd. Rijeka;
Reconstruction and increase in the production capacity of the Čakovec mill to 200 tons/day

1999. Takeover of the company Trgovina Krk Inc. Malinska

2001. Introduction of the frozen program in the Čakovec bakery

2003	Takeover of Trgocentar Inc. Čakovec; Establishment of the company METSS Ltd. Čakovec ; Listing of CKML shares on the Zagreb Stock Exchange
2007.	Takeover of the company Vražap Inc. Zadar; Takeover of Pogača Babin Kuk Ltd. Dubrovnik
2010.	Takeover of Trgostil Inc. Donja Stubica
2011.	Takeover of Trgocentar Inc. Virovitica
2017	Takeover of the company Kvarner Punat Ltd. Punat; Reconstruction and increase in the production capacity of the Čakovec mill to 300 tons/day
2021	Merger of METSS Ltd. to Trgovina Krk Inc. ; The division of the company Radnik Opatija Inc. and the merger of the trading segment with the company Trgovina Krk Inc.; Splitting of CKML shares
2022	Merger of Trgostil Inc. to Trgovina Krk Inc.

BUSINESS SEGMENTS AND OPERATIONS

Čakovečki mlinovi Group is organized into two strategic business segments:
- Trade, which includes retail and wholesale trade of food and non-food assortment, and
- Food, which includes the production of flour, bakery products and oils.

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

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

Trade

KEY OPERATIONAL INDICATORS	31.12.2023.	31.12.2022.
Number of trade stores	434	435
Store sales area (in m2 net)	55,104	54,057
Average area per store (in m2 net)	127	124
Share of owned retail store space	64%	65%
Area of distribution warehouses (in m2 gross)	11,343	11,343
Average number of employees	1,831	1,995

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

The Trade segment is organized in two business areas:
- retail – trade of mainly food and to a lesser extent non-food assortment, and
- wholesale – trade of food, non-food and construction assortment.

Retail sales account for 97% of the sales revenue of the Trade segment. As at December 31, 2023, Trade managed 434 retail stores located in northwestern Croatia, Kvarner and the island of Krk. The total net sales area was 55.104 m2, of which about 64% is owned by the Group. The main factors of the offer of the Trade segment are the proximity of the stores and the local assortment, which is why the Group's retail stores are mostly located in smaller settlements or residential districts and have an average net sales area of up to 400 m2. This type of store format in Croatia is defined as a market or convenience store, and internationally it is better known as a proximity format due to its characteristic proximity to customers.

The basic factors of the offer of the Trade segment are:
- proximity or accessibility of stores to customers
- a wide assortment that includes the best-selling food and non-food brands and quality private brands and is additionally adapted to the microlocation of the store
- favorable prices with regular promotions
- shopping experience in modern stores with helpful sales staff.

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

Food

KEY OPERATIONAL INDICATORS	**31.12.2023.**	**31.12.2022.**
Annual processing capacity of mills (in tons)	80,000	80,000
Cereal processing (in tons)	51,738	54,183
Average capacity utilization of mills	65%	68%
Grain storage capacity (in tons)	22,000	22,000
Flour storage capacity (in tons)	2,000	2,000
Annual production capacity of the bakery (in tons)	12,599	12,599
Production of bakery products (in tons)	7.685	7.636
Average capacity utilization of the bakery	61%	61%
Oil production (in tons)	33[1]	83
Average number of employees	281	285

1 Lower oil production in 2023 is a consequence of reduced service processing of olives.

The Food segment covers food production and is organized into three business areas:
- milling – production of flour and other milling products and to a lesser extent porridge and feed flour,
- bakery – production of mainly bread, pastries and cakes and to a lesser extent dough, and
- oil production – own production of pumpkin and service production of olive oil.

As at 31 December 2023, the Food segment managed two mills (Čakovec, Donji Kraljevec) with a total production capacity of 80,000 tons per year, four bakeries (Čakovec, Oroslavje, Lovran, Malinska) with a total production capacity of 12,599 tons per year and two oil mills (Čakovec, Punat).

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.

On March 22, 2024, Vanja Kutnjak was appointed to the Supervisory Board of the Company for a term of 4 years, starting from March 22, 2024, instead of Lidija Posavec.

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 Society 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
Chairman of the Supervisory Board (until March 7, 2024)
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.

The Audit Committee 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 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 COMPANIES

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 revenues and expenses with related companies and the balance of the Company's receivables and liabilities from and to related companies, see note 31 – Relationships with related parties in the attached financial statements.

3. BUSINESS RESULTS IN 2023

KEY EVENTS IN 2023

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

- Sales revenue in the amount of EUR 193,1 million (+5.8% compared to 2022);
- Normalized profit before interest, taxes and depreciation (EBITDA) in the amount of EUR 15,8 million (+10.4% compared to 2022), growth of the normalized EBITDA margin from 7.8% to 8.2%;
- Net profit in the amount of EUR 7,3 million (+2.5% compared to 2022), slight decrease in net profit margin from 3.9% to 3.8%

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

After the merger of Trgostil Inc. share of Čakovečki mlinovi Inc. in Trgovina Krk it was reduced from 100% to 98.13%, after which the process of squeezing out the minority shareholders of Trgovina Krk Inc. was initiated, which was concluded on April 17 2023 by entry into the court register of the Commercial Court in Rijeka.

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

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

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

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

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

KEY FINANCIAL INDICATORS OF THE GROUP

INCOME STATEMENT (millions of euros)	2023.	2022.	2023./ 2022.
Sales revenue	**193,1**	**182,6**	**5.8%**
Operating expenses, net [1]	178,2	168,0	6.1%
EBITDA [2]	14,9	14,6	2.3%
Normalized EBITDA [3]	**15,8**	**14,3**	**10.4%**
Amortization	7,7	7,7	0.6%
EBIT [4]	7,2	6,9	4.1%
Net financial result [5]	1,6	1,2	27.5%
Net profit (loss)	**7,3**	**7,1**	**2.5%**

Profit margins [6]			
EBITDA margin	7,7%	8,0%	-0.3 pb
Normalized EBITDA margin	**8,2%**	**7,8%**	**0.4 pb**
EBIT margin	3,7%	3,8%	0.0 pb
Net profit margin	**3,8%**	**3,9%**	**-0.1 pb**

Balance sheet (millions of euros)	31.12.2023.	31.12.2022.	31.12.2023./ 31.12.2022.
Net debt (cash) [7]	(15.7)	(6.4)	147.8%
Net debt (cash) / Norm . EBITDA (TTM) [8]	(1.0x)	(0.4x)	(0.6x)
Capital and reserves	81.7	75.3	8.4%
Return on average equity (ROAE) [9]	9.6%	9.2%	0.5 pb
Net working capital [10]	23.0	25.2	-8.8%

CASH FLOWS (millions of euros)	2023.	2022.	2023./ 2022.
Net cash flows from business activities.	17.2	8.2	109.9%
Capital investments (CapEx) [11]	6.3	7.5	-16.0%
Monetary expenses for the payment of dividends	-	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 cash and cash equivalents, as well as loans and deposits.
8 Net debt (cash) / normalized EBITDA (TTM, eng. trailing twelve months) reflects the Group's ability to repay financial Liabilities; calculated as net debt (cash) divided by normalized EBITDA realized in the last 12 months before the reporting date.
9 ROAE (eng. return on average equity) represents the return on average capital; calculated as net profit divided by the average of capital and reserves between the beginning and the end of the year.
10 Net working capital includes inventories increased by short-term accounts receivable and reduced by short-term accounts payable.
11 CapEx (eng. capital expenditures) represents monetary expenditures for the purchase of long-term tangible and intangible assets.
Note: Amounts in this section as in the rest of the report are rounded to one decimal place.

SUMMARY OF GROUP RESULTS

In 2023, the Čakovečki mlinovi Group achieved EUR 193,1 million in sales revenue, EUR 15,8 million in normalized EBITDA and EUR 7,3 million in net profit.

The Group's operations were marked by an increase in sales revenue of 5.8% or 10.5 million euros compared to the previous year, as a result of a 7.5% increase in the revenue of the Trade segment and a decrease in the revenue of the Food segment of 4.8%. The growth of the Trade's income is the result of the integration of retail operations into one company, internal optimization and an active approach in both the purchasing and sales segments of the business. The decrease in Food's income is a consequence of the movement of the stock market prices of key raw materials, or the decrease in sales prices as a result of the drop in cereal prices.

The Trade business segment, as the largest segment of the Group, achieved EUR 168,1 million or 87% of the Group's sales revenue and EUR 12,7 million or 80% of the Group's normalized EBITDA.

Revenues from the sale of Retail, as the Group's largest business area, grew by 7.9% or 11.9 million euros, or by 7.0% or 10.1 million euros on a comparative (hereinafter: "LFL") basis. The mentioned increase in income is primarily the result of an increase in the selling prices of trade goods due to price increases by suppliers.

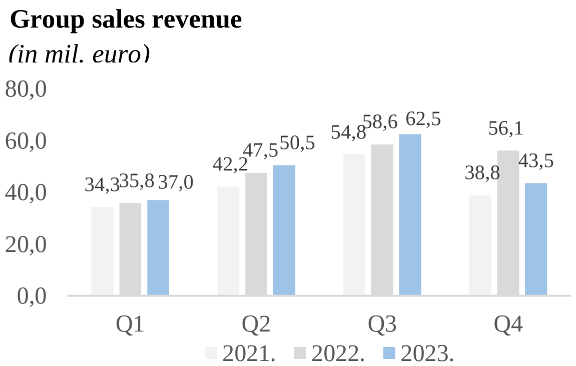
The Group's net operating costs increased by 6.1% or EUR 10.2 million, mainly as a result of the increase in net costs of goods sold (by EUR 9.3 million) and personnel costs (by EUR 3.4 million). Net cost of goods sold increased due to growth in the Trade segment's revenue, while personnel costs increased due to the increase in the minimum wage as well as the improvement of workers' material income due to inflation and labor shortage.

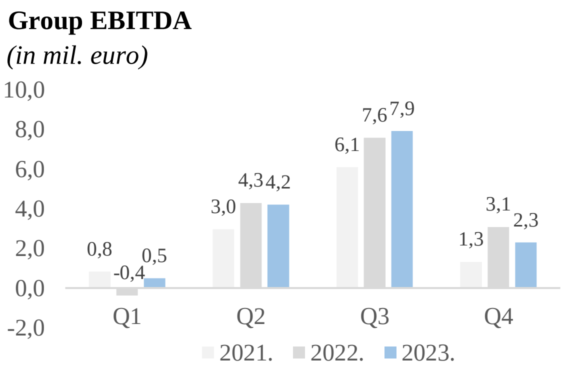
In 2023, the Group's normalized EBITDA increased by EUR 1.5 million, and net profit increased by EUR 0.2 million. The group achieved growth in the normalized EBITDA margin to 8.2% (2022: 7.8%) and a slight decrease in the net profit margin from 3.9% to 3.8%.

The net financial result of the Group amounted to EUR 1.6 million and is EUR 0.4 million higher than the previous year.

As at December 31, 2023, the Group had a net cash position of EUR 15.7 million.

QUARTERLY PERFORMANCE OVERVIEW OF THE GROUP





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

The operations of the Group, or the largest segment of Trade, are significantly dependent on the tourist season in Croatia. The Retail segment on the coastal operations in Kvarner and on the island of Krk manages 30% of the total net sales area of the stores, realizes more than 40% of the total retail revenues and about 45% of the total price difference. The group therefore achieves the highest revenues and EBITDA in the third quarter of the year. Considering the successful tourist season in 2023, in the third quarter of 2023 the Group achieved the highest quarterly revenues in the amount of EUR 62.5 million, as well as a record quarterly EBITDA in the amount of EUR 7.9 million.

SALES REVENUE

SALES REVENUE BY SEGMENT [1]					
(in millions of euros)	**2023.**	**% of sales revenue**	**2022.**	**% of sales revenue**	**2023./ 2022.**
Trade	168.1	87.1%	156.4	85.6%	7.5%
Food	25.0	12.9%	26.2	14.4%	-4.8%
Consolidated sales revenue	**193.1**	**100.0%**	**182.6**	**100.0%**	**5.8%**

Note: Data are presented on a consolidated basis.

LFL [1] RETAIL GROWTH			
(in millions euros)	**2023.**	**2022.**	**2023./ 2022.**
Revenue from the sale of goods – Trade	167.5	155.5	7.7%
Revenue from the sale of goods - Retail	161.9	150.0	7.9%
Revenue from the sale of goods - Retail - LFL[1]	**154.1**	**143.9**	**7.0%**

1 Revenues on a comparative basis (eng. like -for- like , LFL) refer to stores that operated throughout both comparative periods.
Note: Data refer to sales revenue before eliminations.

In 2023, the Group achieved sales revenues in the amount of EUR 193.1 million, which is 5.8% or EUR 10.5 million more compared to the previous year, as a result of the growth of the Trade segment's revenues of 7.5% and stagnation of revenues of the Food segment.

Sales of the Trade segment amounted to EUR 167,5 million or 87% of the Group's sales and increased by 7.6% or EUR 11.9 million compared to the previous year. Revenue growth is the result of the integration of retail operations into one company, internal optimization and an active approach in both the purchasing and sales segments of the business. Revenue growth was achieved despite the negative effects of weakening consumer purchasing power, government price control measures, non-working Sundays, unfavorable weather conditions and one-shift operation of some stores due to lack of manpower. Revenues from the sale of goods in Retail increased by 7.9% or EUR 11.9 million, or by 7.0% or EUR 10.1 million on an LFL basis. Wholesale generated revenues in the amount of EUR 5,3 million, which is 3.2% of the revenues from the sale of goods in the Trade segment and represents a decrease of -5.6% or EUR 0.3 million compared to the previous year.

The Food segment's sales revenue amounted to EUR 25.0 million or 12.9% of the Group's sales revenue and decreased by 4.8% or EUR 1.3 million compared to the previous year. The decrease in income is a consequence of the movement of stock market prices of key raw materials, or a decrease in sales prices as a consequence of the drop in grain prices. The revenues of Milling decreased by 13.2% as a result of government price control measures and the reduction of revenues due to the drop in grain prices, while the revenues of Bakery increased by 17.2% due to the optimization of the assortment, new products and new customers.

OPERATING COSTS

(in millions eura)	2023.	% of sales revenue	2022.	% of sales revenue	2023./ 2022.
Cost of raw m., energy and production mat., and changes in value of inventory	25.1	13.0%	28.2	15.5%	-11.0%
Cost of goods sold, net [1]	109.5	56.7%	100.2	54.9%	9.3%
Other costs	6.7	3.4%	6.9	3.8%	-3.8%
Personnel costs [2]	33.6	17.4%	30.2	16.5%	11.3%
Other costs	2.4	1.2%	2.1	1.1%	14.2%
Value adjustments and provisions	0.3	0.2%	0.3	0.2%	4.3%
Other business expenses (income) [3]	0.6	0.29%	0.1	0.0%	-
Operating expenses, net	**178.2**	**92.2%**	**168.0**	**92.0%**	**6.1%**

1 Cost of goods sold less income from subsequently approved rebates and marketing services.
2 Personnel costs include net salaries, taxes and contributions from salaries, contributions to salaries and non-taxable income paid to employees.
3 Other business expenses less: paid non-taxable income of employees, other business income without income from subsequently approved rebates and marketing services and for income based on the use of own products, goods and services.

In 2023, the Group recorded an increase in net operating costs by 6.1% or EUR 10.2 million compared to the previous year.

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

Personnel costs together with non-taxable receipts paid amounted to EUR 33.6 million and increased by 11.3% or EUR 3.4 million, as a consequence of the increase in the minimum wage as well as the improvement of the material income of workers due to inflation and labor shortage. In 2023, the Group employed an average of 2,112 employees based on working hours (2022: 2,351), or 2,249 employees on December 31, 2023 (2022: 2,305).

EBITDA

EBITDA BY SEGMENTS	2023.			2022.		
(in millions of euros)	GROUP	TRADE	FOOD	GROUP	TRADE	FOOD
Consolidated sales revenue	**193.1**	**168.1**	**25.0**	**182.6**	**156.4**	**26.2**
EBITDA	14.9	12.3	2.6	14.6	11,5	3.0
EBITDA margin	7.7%	7.3%	10.5%	8.0%	7.4%	11.6%
Normalized EBITDA[1]	**15.8**	**12.7**	**3.1**	**14.2**	**11.3**	**2.9**
Normaliz. EBITDA margin	**8.2%**	**7.5%**	**12.5%**	**7.8%**	**7.3%**	**11.2%**

1 Normalization implies adjustment for one-off items; a detailed calculation is shown under Normalization of EBITDA of this part of the report.
Note: Data are presented on a consolidated basis.

In 2023, the Group achieved normalized EBITDA in the amount of EUR 15.8 million, which is EUR 1.6 million more than the previous year. Reported EBITDA was EUR 14.9 million (2022: EUR 14.6 million).

Normalized EBITDA of the Trade segment amounted to EUR 12.7 million and increased by EUR 1.4 million compared to the previous year, as a result of an active purchasing policy and the achievement of synergies after the merger and strict cost control. The normalized EBITDA margin of the Trade segment was 7.5% (2022: 7.3%).

Normalized EBITDA of the Food segment amounted to EUR 3.1 million and increased by EUR 0.2 million compared to the previous year, as a result of an active pricing policy and strict cost control. The normalized EBITDA margin of the Food segment was 12.5% (2022: 11.0%).

Normalized EBITDA

NORMALIZED EBITDA	2023.			2022.		
(in millions of euros)	**GROUP**	**TRADE**	**FOOD**	**GROUP**	**TRADE**	**FOOD**
EBITDA	**14.9**	**12.3**	**2.6**	**14.6**	**11.5**	**3.0**
Costs of intellectual services	0.3	0.1	0.2	0.6	0.6	0.0
Bonuses under contractual arrangements	0.5	0.2	0.3	0.2	0.2	0.0
Other one-off expenses (revenue), net	0.1	0.1	0.0	-1.1	-1.0	-0.1
Normalized EBITDA	**15.8**	**12.7**	**3.1**	**14.3**	**11.3**	**2.9**

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

In addition to reporting on alternative (non-IFRS) business performance measures such as EBITDA, the Group discloses the impact of one-off items in order to achieve a higher level of transparency of its normal business activities. One-off items are those items that do not appear regularly and have a significant impact on the result. In the first nine months of 2023, the Group recorded EUR 0.3 million of one-off expenses for intellectual services related (2022: EUR 0.6 million), EUR 0.5 million of bonuses paid under contractual arrangements (2022: EUR 0.2 million), and EUR 0.1 million of net other one-off revenues (2022: EUR -1.1 million).

NET PROFIT

In 2023, the Group achieved a net profit in the amount of EUR 7.3 million, which is EUR 0.2 million more than in the same period of the previous year, mainly as a result of higher EBITDA.

NET DEBT

(in millions of euros)	**31.12.2023.**	**31.12.2022.**	**31.12.2023./ 31.12.2022.**
Long-term liabilities on loans received	0.0	0.0	-
Long-term liabilities by lease	3.0	3.7	-20.5%
Short-term liabilities on loans received	4.2	4.2	-
Short-term liabilities by lease	1.4	1.5	-5.2%
Days of loans, deposits and the similar	(0.6)	(4.1)	-85.6%
Cash and cash equivalents	(23.8)	(11.7)	102.3%
Net debt (cash)	**(15.7)**	**(6.4)**	**147.8%**

As at 31 December, 2023, the Group recorded a net cash position in the amount of EUR 15.7 million (31.12.2022: EUR 6.4 million), of which EUR 4.2 million related to credit and loan liabilities. (31.12.2022: EUR 4.2 million), on lease liabilities EUR 4.4 million (31.12.2022: EUR 5.3 million), and on cash and deposits given EUR 24.3 million (31.12.2022 .: EUR 15.8 million). Credit and loan liabilities refer to the related company Trgocentar Inc. in which the Group holds 52.03% of the voting rights, but consolidates it in its entirety.

CASH FLOWS

In 2023, the Čakovečki mlinovi Group generated net cash flows from business activities in the amount of EUR 17.6 million, which is more than the achieved EBITDA, primarily as a result of the reduction of net working capital.

NET WORKING CAPITAL			
(in millions of euros)	**31.12.2023.**	**31.12.2022.**	**31.12.2023./ 31.12.2022.**
Inventory	26.4	30.1	-12.5%
Short-term receivables from customers	9.0	8.4	7.2%
Short-term liabilities to suppliers	(12.4)	(13.3)	-7.0%
Net working capital	**23.0**	**25.2**	**-8.8%**

The Group's net working capital decreased by 8.8% or EUR 2.2 million, while inventories decreased by 12.5% or EUR 3.7 million. Receivables from customers increased by 7.2% or EUR 0.6 million due to the increase in income, while short-term liabilities to suppliers decreased by 7.0% or EUR 0.9 million.

The Group's capital investments in 2023 amounted to EUR 6.3 million and are lower than in the same period of the previous year (2022: EUR 7.5 million), given that the previous multi-year investment cycle in Trgovina ended in 2022. In the Retail segment, EUR 5.6 million was invested in opening new and renovating existing stores. Capital investments in the Food segment amounted to EUR 0.7 million and refer to the purchase of vehicles for the transport of bakery products and equipment in mill and bakery production.

VALUATION OF THE ČAKOVEČKI MLINOVI GROUP

KEY INDICATORS OF CKML SHARE VALUATION			
(in millions of euros)	**31.12.2023.**	**31.12.2022.**	**31.12.2023./ 31.12.2022.**
Price per share (PPS, in euro)[1]	10.4	9.8	5.9%
Market Capitalization[2]	107.0	101.1	5.9%
EV[3]	87.4	91.8	-4.8%
EV / Sales Revenue[4]	0.45x	0.50x	-0,05x
EV / Normalized EBITDA[4]	**5.9x**	**6.9x**	**-1.0x**
Earnings per share (EPS, in euros)[5]	0.7	0.7	0.9%
Dividend per share (DPS, in euros)[6]	0.00	0.66	-
Dividend yield[7]	0.0%	6.8%	-

1 The price per share (eng. price per share, PPS) is represented by the reference price on the Zagreb Stock Exchange, i.e. the average price weighted by the volume of traded shares as a better representative of the price considering the low liquidity of the CKML share.
2 Market capitalization represents Trade value of share capital on the stock exchange; calculated as the product of the number of shares (105,000) and the price per share.
3 EV (enterprise value) represents the value of business; calculated as market capitalization + net debt (cash) + minority interest.
4 Valuation indicators were calculated on the basis of fundamentals achieved in the last 12 months before the reporting date (TTM, eng. trailing twelve months).
5 Earnings per share (EPS) represents net profit per share calculated on the basis of net profit attributed to the owners of the capital of the parent company.
6 Dividends per share (DPS) is calculated as the ratio of cash expenses for the payment of dividends and the number of shares.
7 Dividend yield is calculated as the ratio of dividend per share and price per share.

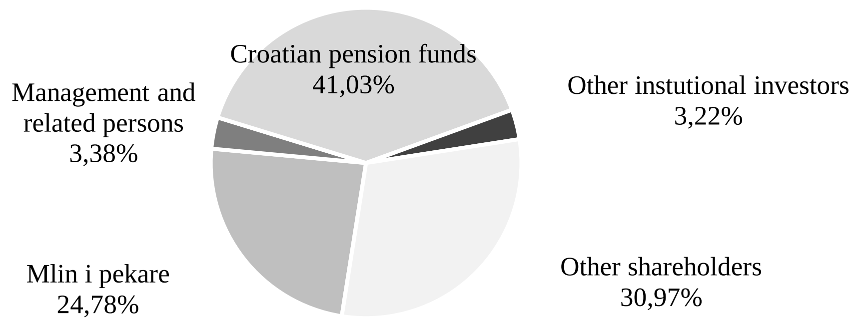
4. OWNERSHIP STRUCTURE AND PERFORMANCE OF THE CKML SHARE

On December 31, 2023, Čakovečki mlinovi Inc. they had 10,290,000 approved, issued and listed ordinary shares without nominal value.

Top 10 shareholders on the 31 December 2023

Number	Shareholder	Number of shares	Share in share capital
1.	MLIN I PEKARE 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-VRIJEDNOSNICE 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%

Ownership structure by investor group as of 31 December 2023

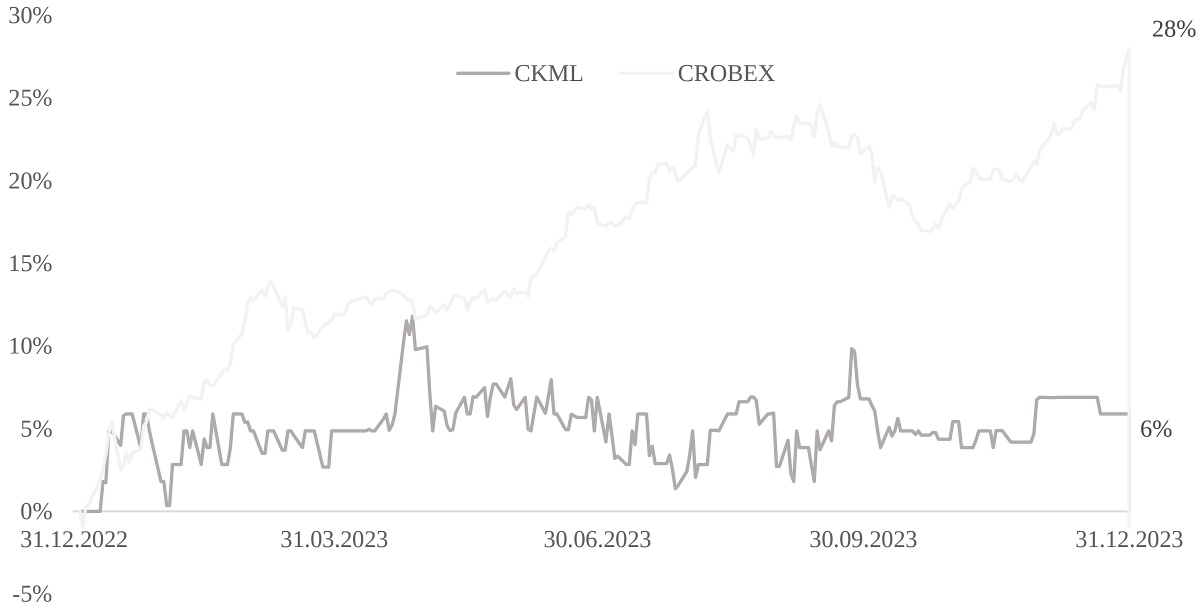


* For the purposes of this presentation, management includes members of the Management Board and the Supervisory Board and their related persons.

Čakovečki mlinovi Inc. have a stable ownership structure, within which the most significant share is held by Croatian pension funds (41.03%) and Mlin i pekare Ltd. (24.78%). As at December 31, 2023, the Company had 395 shareholders. 75.22% of shares were distributed to the public (eng. free float *).

* Distribution to the public (eng. free float) is calculated as the total number of shares minus the Company's own shares and shares held by holders who dispose of 5% or more of the total number of shares, not including investment and pension funds.

Performance of the CKML share price in relation to the CROBEX index



COMPARISON CKML vs CROBEX	31.12.2023.	31.12.2022.	2023./2022.
CKML (in euro) [1]	10.40	9.82	5.89%
CROBEX (in points)	2,533.92	1,979.88	27.98%

1 The price per share is represented by the average price weighted by the volume of traded shares as a better representative of the price considering the low liquidity of the CKML share.

In 2023, the CKML share price grew by 5.9% compared to the comparable CROBEX stock index, which also grew in value by 28%

5. SIGNIFICANT EVENTS AFTER THE END OF THE BUSINESS YEAR

In 2024, the Company continues to operate in an environment of geopolitical tensions and the accumulated effects of monetary policy tightening.

Apart from the above, after the end of 2023, no business events or transactions occurred in the Group that would have a significant impact on the Group's operations or the disclosures in this report.

6. EXPECTED BUSINESS DEVELOPMENT IN 2024

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

The Group's operations in 2024 are subject to the macroeconomic environment, economic opportunities and trends in economic activity. In case of more significant unfavorable economic conditions, the Group could have additional difficulties in expanding its operations as well as in possible access to the capital market, which could affect the existing level of income and profitability. In such conditions, the management will continue to manage the price policy with the aim of maintaining Trade share in each business segment.

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

General economic environment

According to HNB data, inflation in Croatia is expected to slow down to 4.0% in 2024, from 8.8% recorded the previous year, which is largely a consequence of the disappearance of the base effect of inflation. An additional easing of energy and food price inflation should contribute to the slowdown of inflation, continuing their continuous reduction through most of 2023.

Real GDP in Croatia grew by 1.6% in the first quarter, 2.6% in the second, or 2.8% (estimated) in the third quarter of 2023, and the HNB expects this trend to continue and grow by 3.0% in 2024. year. Growth in real GDP is expected on the basis of a strong tourist season and growth in personal consumption in 2024. The risks to the realization of the above estimates are the present geopolitical tensions as well as the accumulated effects of the tightening of monetary policy.

The impact of the war in Ukraine and in Israel

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

As of the date of this report, the Group does not have any relationship with, nor is it exposed to, companies from Russia, Belarus or Ukraine. The group maintains all business operations in Croatia, where it generates 99% of its revenue. The Group's foreign revenues refer to Slovenia, BiH and Hungary. Also, the parent company Čakovečki mlinovi 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 portion of the Group's material costs relate to the cost of procurement of grain and energy, which are managed as described in the rest of this section of the report. Management continuously considers all risks associated with external geopolitical movements and assesses that these risks do not threaten the stability of the Group's operations.

State price control measures and non-working Sundays

In the Trade segment, state measures aimed at controlling the prices of certain food products have a negative impact on the Group's operations since its introduction in early September 2022 (9 products) and its expansion in mid-September 2023 (to 30 products), in the form of a decrease in income and super rebates and loss part of the margin on these products. In addition, state measures aimed at limiting the highest retail prices of petroleum derivatives have a negative impact on the operations of the gasoline category since their introduction in October 2021. Also, from July 2023, a ban on working on Sundays for traders (except for 16 Sundays a year) is in effect, which has a negative effect on revenues, as it turned out that the spillover of traffic to other working days is very mild. The management manages the mentioned negative effects through an active pricing policy on the entire assortment and through the adjustment of store operations on Sundays. In the Food segment, state price control measures have limited the prices of small packages of smooth and sharp flour from the beginning of September 2022, which makes it impossible for them to have an active pricing policy and indexation of costs that affect the price of the final product. In addition, from the second half of 2022, a significant and uncontrolled import of flour and corn grits from Ukraine has been noticed in Croatia, which limits the active price policy on the entire milling program.

Outlook for the Trade segment in 2024

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

Strategic guidelines

The management has defined the following key strategic guidelines for 2024 in the Trade segment:
- recovery of the number of invoices issued,
- management of operational costs,
- maintaining the growth of LFL revenue from sales,
- opening of new and renovation of existing stores,
- targeting acquisitions that strategically correspond to the existing model of the Trade segment..

Key business factors

Pricing: It is expected to continue to offer customers a quality assortment at prices and promotions that follow local competition with the aim of maintaining market share, along with quality management of the difference in price margin of the Trade segment.

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

Personnel costs : The management expects significant investments in improving the material income of workers due to the current market trends, inflation and labor shortage.

Capital expenditures : Five new retail stores are planned to open in 2024.

Outlook for the Food segment in 2024

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

Strategic guidelines

For 2024, management has defined the following key strategic guidelines in the Food segment:
- strengthening the position of the brand Čakovečki mlinovi in Croatia,
- expansion of the sales channel of mill products.

Key business factors

<u>Pricing:</u> 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.

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

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

<u>Capital expenditures :</u> 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.

7. RISKS AND RISK MANAGEMENT

In its operations, the Group is exposed to the risks listed in note 32 – Risk exposure and risk management in the attached financial statements, which can be divided into the following groups:

- financial risks, which include: capital risk, credit risk, liquidity risk, cash flow interest rate risk and interest rate fair value risk;
- risks of regular business, 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 that are not covered by insurance;
- general risks, which include: the risk of the business environment and the risk of changing the legal framework.

Risk management at the Group level consists of the following steps:

- identification of potential risks in business,
- analysis and assessment of identified risks,
- defining goals and risk management policies,
- supervision and monitoring of risk management activities and
- reporting on the results of risk management.

The group does not use any financial instruments with the aim of protecting against the aforementioned risks.

8. DATA ON THE ACQUISITION AND RELEASE OF OWN SHARES

On December 31, 2023, the parent company Čakovečki mlinovi Inc. did not hold its own shares, nor did it acquire or sell them during 2023. Also, none of the affiliated companies of Čakovečki mlinovi Inc. or persons acting on their behalf, and on behalf of these companies, held shares of the parent company.

9. RESEARCH AND DEVELOPMENT ACTIVITIES

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

In the Trade segment, the competition is continuously monitored and Trade is researched with the aim of developing and optimizing the product range that meets the needs of the target customers. In addition, activities aimed at organic growth of sales revenue are launched and business processes are introduced with the aim of reducing business costs. Also, potential acquisitions that would strategically fit the business model of the Store are continuously monitored and analyzed.

At the end of 2023, the Group managed 434 stores, of which about 3/4 were renovated, while the rest are being renovated continuously. During 2023, 6 stores were opened and 8 were closed, including seasonal ones.

In the Food segment, special emphasis is placed on the Group's tradition in the production of high-quality mill and bakery products and oils, as well as on continuous market analysis and development of a locally-specific assortment. In 2023 in accordance with the optimization of the bakery assortment, 22 new bakery items were introduced, and 54 items were discontinued.

The Group's mill facilities were completely renovated in 2017 and are one of the most technologically advanced facilities in Croatia and the wider region. The plan is to modernize the bakery facilities after creating a new bakery strategy and related studies.

10. EMPLOYEE STRUCTURE

During 2023, the group had an average of 2,290 employees. The employee structure is presented in the table below.

Group	**2023.**
Čakovečki mlinovi Inc.	205
Trgovina Krk Inc.	2,001
Radnik Opatija Inc.	83
Trgocentar Inc.	-
Total	**2,290**

11. CONSOLIDATED NON-FINANCIAL REPORT

The Čakovečki mlinovi Group prepares a non-financial report based on the Accounting Act, the Non-Financial Reporting Directive (2014/95/EU), the Taxonomy Regulation (2020/852) and related delegated regulations and acts, as well as the currently valid guidelines of the Croatian Financial Services Supervisory Agency for the preparation and publication of ESG relevant information of the issuer.

The consolidated non-financial report will be published by June 30, 2024 on the Čakovečki mlinovi website: www.cak-mlinovi.hr.

ČAKOVEČKI MLINOVI INC.

CONSOLIDATED STATEMENT ON THE APPLICATION OF THE GROUP
CORPORATE GOVERNANCE CODE
FOR 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

CONSOLIDATED 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 Liabilities 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. num ber	Shareholder	Number of shares	Share in share capital
1.	MLIN I PEKARE 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 Liabilities 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 shall 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.

ČAKOVEČKI MLINOVI
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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. years.

On March 22, 2024, Vanja Kutnjak was appointed to the Supervisory Board of the Company for a term of 4 years, starting from March 22, 2024, instead of Lidija Posavec.
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 have been appointed to the Nomination Committee and the Remuneration Committee.

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 is a separate section and an integral part of the consolidated annual report on the state of the Company 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.

CONSOLIDATED FINANCIAL STATEMENTS
FOR 2023

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

For each financial year, the management Board of the Čakovečki mlinovi Inc. Group is responsible for the preparation of consolidated financial statements in accordance with the 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 the Čakovečki mlinovi Group ("Group") for that period.

The Management Board has a reasonable expectation that the Group 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 consolidated financial statements.

The Management Board's responsibilities in preparing the consolidated financial statements include the following:

- selection and consistent application of appropriate accounting policies;
- making justified and prudent judgments and estimates;
- acting in accordance with the applicable accounting standards, and
- compilation of financial statements under the going concern basis.

The Management Board of the Group is responsible for preparing the consolidated 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 Group's operations, and is obliged to compile consolidated 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The consolidated annual report and consolidated financial statements presented on the following pages were approved by the Group's Management Board.

In Čakovec, 26 April 2024.

For Čakovečki mlinovi Inc.:

Krešimir Kvaternik
Deputy President of the Management Board

Marijan Seršen
Member of the Management Board

STATEMENT OF PERSONS RESPONSIBLE
FOR COMPILING CONSOLIDATED FINANCIAL STATEMENTS

Based on the provisions of Article 462 of the Capital Market Act, the Deputy President of the Group's Management Board, Krešimir Kvaternik, and the member of the Group's Management Board, Marijan Seršen, make a statement:

To the best of our knowledge:

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

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

In Čakovec, 26 April, 2024.

For Čakovečki mlinovi Inc.:

Krešimir Kvaternik
Deputy President of the Management Board

Marijan Sršen
Member of the Board

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SWIFT: ESBCHR22

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Čakovečki mlinovi d.d.

Report on the audit of the consolidated financial statements

Opinion

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

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated 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 consolidated financial statements* section of our report.

We are independent of the Company and the Group 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 matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 consolidated financial statements section of our report, including in relation to that matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements.

Key Audit Matter	How we addressed Key Audit Matter
Revenue recognition and management override of controls *Refer to Note 2.16 Revenue recognition and Note 4 Revenue of the consolidated financial statements.* The Group has revenues totaling EUR 193,148 thousand as at 31 December 2023. Two main	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.

revenue streams for the group are retail and wholesale. 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 Group 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 Group's customers. Revenue recognition and valuation therefore involves estimates related to such agreements or actions. The Group 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 Group measures its performance, among the other key performance measures. The Group focuses on revenue, which could create an incentive for revenue to be recognized before control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group 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 consolidated financial statements, including notes, in accordance with the applicable financial reporting framework. Due to the significance and complexity of revenues in the consolidated financial statements, we have concluded revenue recognition to be a key audit matter for our audit.	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 Group'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 also assessed the adequacy of relevant disclosures (Note 2.16 Revenue recognition and Note 4 Revenue) in the consolidated financial statements as well as their compliance with IFRS EU.

Other matter

The consolidated financial statements of the Group 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 and Corporate Governance Statement included in the Group's Annual Report, but does not include consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information.

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

With respect to the Management 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 and 24 of the Accounting Actand whether the Corporate Governance Statement includes the information specified in Article 22 and 24 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 consolidated financial statements;

2. the enclosed Management Report is prepared in accordance with requirements of Article 21 and 24 of the Accounting Act;

; and

3. the enclosed Corporate Governance Statement includes the information specified in Article 22 and 24 of the Accounting Act.

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

Responsibilities of management and Audit Committee for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.
Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

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 consolidated 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.

- 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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:

Report on Other Legal and Regulatory Requirements (continued)

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 consolidated 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.

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 and its controlled undertakings within the European Union. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements in accordance with ESEF Regulation.

Furthermore, management is responsible for maintaining an internal control system that reasonably ensures the preparation of consolidated 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 consolidated 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 consolidated 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 consolidated 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.

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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)

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.

The aim of our procedures was to assess whether:

- the consolidated financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the consolidated 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 consolidated 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 consolidated 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 '000 EUR	2022 in '000 EUR Restated
Sales revenue	4	193,148	182,570
Other income	4	6,470	7,825
Operating revenue		**199,618**	**190,395**
Change in the value of work-in-progress and finished goods inventory	5	(99)	57
Costs of raw materials, energy, and production material	6	(25,101)	(28,380)
Cost of goods sold		(115,102)	(106,560)
Other costs	7	(6,655)	(6,918)
Personnel costs	8	(28,889)	(26,146)
Amortization	15,16,17,18	(7,707)	(7,659)
Other costs	9	(7,056)	(6,104)
Value adjustments	10	(191)	(280)
Provisions	11	(101)	-
Other expenses	12	(1,506)	(1,479)
Operating expenses		**(192,407)**	**(183,469)**
Operating profit		**7,211**	**6,926**
Financial income	13	422	145
Financial expenses	13	(166)	(203)
Net financial result		**256**	**(58)**
Share of net profit of associates accounted for using equity method	19	1,336	1,306
Profit before tax		8,802	8,174
Income tax expense	14	(1,547)	(1,097)
Net profit		**7,255**	**7,077**
Attributable to :			
Owners		7,248	7,184
Non-controlling interests		7	(107)
Earnings per share (in euros)			
- basic		0.71	0.69
- diluted		0.71	0.69

The notes below form an integral part of these financial statements.

	Note	2023 in '000 EUR	2022 in '000 EUR Restated
Net profit		**7,255**	**7,077**
Other comprehensive gain:			
Items that will not be reclassified to the income statement			
Fair valuation of shares		113	79
Total other comprehensive income for, net of tax		**113**	**79**
Total comprehensive income for		**7,368**	**7,156**
Attributable to :			
Owners		7,361	7,263
Non-controlling interests		7	(107)

The notes below form an integral part of these financial statements.

	Note	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR Restated
Assets			
Non-current assets			
Intangible assets		33	74
Property, plant and equipment	16	33,989	33,794
Right-of-use assets	17	4,294	5,128
Investments property	18	481	402
Investments accounted for using equity method	19	8,604	8,076
Financial assets	20	1,664	1,568
Receivables and other receivables	23	2	6
Deferred tax asset	21	308	297
		49,375	**49,345**
Current assets			
Inventories	22	26,382	30,140
Receivables and other receivables	23	9,709	9,392
Financial assets	24	625	4,174
Cash and cash equivalents	25	24,754	11,740
		60,470	**55,446**
TOTAL ASSETS		**109,845**	**104,791**

	Note	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR Restated
Capital and reserves			
Share capital	26	13,657	13,657
Reserves	26	3,246	3,132
Fair value reserves	26	2,869	2,756
Retained earnings	26	65,766	58,664
		85,538	78,209
To owners of non-controlling interests	26	(3,865)	(2,877)
		81,673	**75,332**
Liabilities			
Non-current Liabilities			
Provisions	27	861	861
Lease liabilities	28	2,974	3,740
Borrowings	28	-	10
Deferred tax liability	29	630	605
		4,465	**5,216**
Current liabilities			
Provisions	27	131	118
Lease liabilities	28	1,438	1,516
Borrowings	28	4,187	4,187
Trade payables	30	12,391	13,443
Employee benefit obligations	30	1,838	1,695
Income tax payable	30	782	608
Taxes, contributions and other duties payable	30	2,167	1,553
Liabilities for advances	30	43	72
Liabilities from equity share in profit	30	32	32
Other short-term liabilities	30	698	1,019
		23,707	**24,243**
TOTAL EQUITY AND LIABILITIES		**109,845**	**104,791**

	Note	2023 in '000 EUR	2022 in '000 EUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		8,802	8,174
Adjustments:			
Amortization		7,707	7,659
Impairment losses and (gains)/losses on disposal of assets		7	(74)
Value reconciliation of accounts receivable and inventory		19	(174)
Share in the profit of the associated company		(1,336)	(1,306)
Income from interest and dividends		(481)	(130)
Interest expenses		213	175
Provisions		13	(834)
Exchange differences (unrealized)		-	91
Other adjustments for non-monetary transactions		894	15
Increase in cash flows before changes in working capital		15,838	13,596
Changes in working capital		2,345	(4,700)
(Decrease) / increase in liabilities		(1,597)	(452)
Decrease / (increase) in receivables		184	2,796
Decrease / (increase) in inventory		3,758	(7,044)
Cash generated from operations		18,183	8,896
Interest paid		(213)	(26)
Income tax paid		(804)	(691)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**17,166**	**8,179**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Cash proceeds from the sale of non - current assets		71	99
Cash proceeds from the sale of financial instruments		-	54
Cash proceeds from interest		357	19
Cash proceeds from dividends		123	-
Cash proceeds from loans and deposits		3,705	14,073
Other cash paid from investment activities		(157)	-
Other cash proceeds from investment activities		27	-
Cash paid for squeezing out of minority shareholders		(1,117)	-
Purchase of non current assets		(6,284)	(7,479)
NET CASH FLOWS FROM INVESTMENT		**(3,275)**	**6,766**
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Repaying the principal of loans and credits	26	(10)	(10)
Repayment of leases liabilities principal amount	28	(1,867)	(1,830)
Dividend paid	26	-	(6,829)
NET CASH FLOWS FROM FINANCIAL ACTIVITIES		**(1,877)**	**(8,669)**
TOTAL NET CASH FLOW		**12,014**	**6,276**
Cash and cash equivalents at the beginning of the period		11,740	5,464
Cash and cash equivalents at the end of the period	25	**23,754**	**11,740**

The notes below form an integral part of these financial statements.

	Attributable to the equity holders of the parent							
	Share capital in '000 EUR	**Legal reserves in '000 EUR**	**Other reserves in '000 EUR**	**Fair value reserves in '000 EUR**	**Retained earnings in '000 EUR**	**Total in '000 EUR**	**Non-controlling interests in '000 EUR**	**Total in '000 EUR**
Balance on 1.1.2022.	**13.657**	**683**	**2.449**	**2.677**	**57.761**	**77.227**	**(2.248)**	**74.979**
Profit of the business year				-	7.184	7.184	(107)	7.077
Other comprehensive income	-	-	-	79	-	79	-	79
Total comprehensive income	-	-	-	79	7.184	7.263	(107)	7.156
Dividend	-	-	-	-	(6.829)	(6.829)	-	(6.829)
Other changes in equity	-	-	-	-	548	548	(522)	26
Balance on 31.12.2022.	**13.657**	**683**	**2.449**	**2.756**	**58.664**	**78.209**	**(2.877)**	**75.332**
Balance on 1.1.2023.	**13.657**	**683**	**2.449**	**2.756**	**58.664**	**78.209**	**(2.877)**	**75.332**
Profit of the business year	-	-	-	-	7.248	7.248	7	7.255
Other comprehensive income	-	-	-	113	-	113	-	113
Total comprehensive income	-	-	-	113	7.248	7.361	7	7.368
Other changes in equity	-	-	114	-	(25)	90	-	90
Squeezing out minority shareholders	-	-	-	-	(122)	(122)	(995)	(1.117)
Balance on 31.12.2023.	**13.657**	**683**	**2.563**	**2.869**	**65.766**	**85.538**	**(3.865)**	**81.673**

The notes below form an integral part of these financial statements.

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.

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 2022 includes the consolidated subsidiary Trgostil Inc., which was merged with Trgovina Krk Inc. on October 3, 2022.In addition to the separate financial statements of the Company, Čakovečki mlinovi Inc. prepares consolidated financial statements for the Group.
The annual consolidated financial statements of the 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

The Group 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 Society 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, independent member
- Damir Metelko, Deputy Chairman of the Supervisory Board, independent member
- Katarina Varga, Member of the Supervisory Board
- Igor Komorski, Member of the Supervisory Board, independent member
- Lidija Posavec, member of the Supervisory Board, representative of workers.

Audit Committee

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

NOTE 1 – GENERAL INFORMATION (CONTINUED)

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 Remuneration Committee, 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.

On March 22, 2024, Vanja Kutnjak was appointed to the Supervisory Board of the Company for a term of 4 years, starting from March 22, 2024, instead of Lidija Posavec.

RELATED PARTY RELATIONS

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%

On August 2, 2021, in the register of the Commercial Court in Rijeka, a division of separation with takeover was entered in which parts of the assets of the company Radnik Opatija Inc., as a company that is divided and not terminated, were transferred to the company Trgovina Krk Inc., as the acquiring company, based on the Decision General Assemblies of both companies dated July 13, 2021 on the approval of the Agreement on division and takeover dated June 11, 2021. The division of assets was carried out in such a way that the Trade segment within the company Radnik Opatija Inc. was transferred to the company Trgovina Krk Inc., while the company Radnik Opatija Inc. retained the Bakery segment. Neither Trgovina Krk Inc. nor Radnik Opatija Inc. has increased or decreased its share capital. The 100% owner of both companies is the company Čakovečki mlinovi Inc., and there is no financial effect on the consolidated level.

RELATED PARTY RELATIONS (CONTINUED)

On November 2, 2021, the Commercial Court in Rijeka issued a decision that entered the merger of the related company METSS Ltd. into the court register with the acquiring company Trgovina Krk Inc.. The merger agreement between METSS Ltd. and Trgovina Krk Inc. was concluded on September 3, 2021. , and was previously approved by the General Assemblies of both companies. In the contract in question, the contracting parties agreed on the merger of the merged company with the acquiring company, by transferring all the assets of the company being merged. The merger was carried out in such a way that the merged company ceased to exist on the date of registration of the merger in the court register of the Commercial Court in Rijeka. On the day of the merger, all assets and all rights and Liabilities of the merged company are transferred to the acquiring company. Since the company Čakovečki mlinovi Inc. is the only member of the merged company, and at the same time the only shareholder of the acquiring company, and therefore the registration of the merger does not increase the share capital of the acquiring company, in exchange for its share in the merged company, the issuer, as the sole member of the merged company, acquires new shares in the acquiring company. At the consolidated level, there is no financial effect of this merger.

On December 23, 2021, the Commercial Court in Zadar issued a Decision based on which bankruptcy proceedings were opened against the related company Vražap Ltd.. On the day the bankruptcy proceedings were opened, the company Čakovečki mlinovi Inc. lost control over the company Vražap Ltd.. In accordance with the above, the items of the statement of comprehensive profit/loss and statement of cash flows of the company Vražap Ltd. from January 1, 2021 to December 22, 2021 are included in the consolidated statement of comprehensive profit and statement of cash flows for 2021. The items of the report on the financial position of the company Vražap Ltd. are not included in the consolidated report on the financial position as of December 31, 2021. The total assets of the company Vražap Ltd. as of December 23, 2021 are HRK 127,602.

On January 10, 2023, the Commercial Court in Zadar issued a decision closing the bankruptcy proceedings against Vražap Ltd..
On October 3, 2022, the Commercial Court in Rijeka, as the court of the seat of the acquiring company, issued the Decision final . no. Tt - 22/6112-3, by which the merger of the related company TRGOSTIL, Inc. with the acquiring company TRGOVINA KRK Inc. was entered in the court register
Given that Čakovečki mlinovi Inc. was the 76.78% owner of Trgostil Inc., for the purpose of the merger, the share capital of Trgovina Krk Inc. was increased by HRK 25.2 million, with the issue of 13,575 new shares that were replaced with the existing Trgostil Inc. shares owned of its minority shareholders. After the exchange of shares, the share of Čakovečki mlinov Inc. in Trgovina Krk Inc. was reduced from 100% to 98.13%, after which the process of squeezing out the minority shareholders of Trgovina Krk Inc. was initiated, which is concluded at 17.04.2023 by registration in the court register of the Commercial Court in Rijeka.

NOTE 2 - SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

2.1. BASICS OF COMPOSITION AND DECLARATION OF CONFORMITY

The Group has prepared these consolidated financial statements in accordance with Croatian legislation that requires financial statements to be prepared in accordance with International Financial Reporting Standards approved by the EU (IFRS). The Group's financial statements are prepared on the basis of historical cost, except for 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

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

Standard	Title and description
IFRS 17	Insurance Contracts, published May 18, 2017; includes amendments to IFRS 17, issued on 25 June 2020, (effective date for annual periods beginning on or after 1 January 2023).
Amendments to IFRS 17	Insurance contracts, first-time application of IFRS 17 and IFRS 9 – Comparative data, issued on 9 December 2021 (effective date for annual periods beginning on or after 1 January 2023).
Amendments to IAS 12	Income tax: Deferred tax related to assets and liabilities arising from an individual transaction, published on 7 May 2021 (effective date for annual periods beginning on or after 1 January 2023).
Amendments to IAS 12	Income tax: International tax reform – second pillar model rules, published on 23 May 2023 (effective date for annual periods beginning on or after 1 January 2023).
Amendments to IAS 1	Presentation of Financial Statements and IFRS Guidance 2: Disclosure of Accounting Policies, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, issued on February 12, 2021 (effective date for annual periods beginning on or after January 1, 2023).
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, issued on February 12, 2021 (effective date for annual periods beginning on or after January 1, 2023).

Their adoption did not have any significant impact on the disclosures or on the amounts shown in these financial statements, except for the application of the amendments to IAS 1.

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

2.1. BASICS OF COMPILATION AND DECLARATION OF CONFORMITY

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

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

Standard	Title and description	EU adoption date
Amendments to IAS 1	Presentation of financial statements: Classification of liabilities as current or non-current, issued on January 23, 2020 and amended on July 15, 2020 (effective date for annual periods beginning on or after January 1, 2024).	1.1.2024
Amendments to IFRS 16	Leases: Leaseback Rent Obligation, issued on September 22, 2022 (effective date for annual periods beginning on or after January 1, 2024).	1.1.2024

The Group do 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 at the date of issuance of these financial statements:

Standard	Title and description	Adoption status in the EU
Amendments to IAS 21	Effects of Changes in Foreign Currency Exchange Rates: Lack of Exchangeability (issued August 15, 2023).	Not adopted yet
Amendments to IAS 7	Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosure - Supplier Financial Arrangements (issued 25 May 2023).	Not adopted yet

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

Below is a description of the key accounting policies.

2.2. BASICS OF CONSOLIDATION

The consolidated financial statements of the Group include the financial statements of Čakovečki mlinovi dd ("the Company") and companies over which Čakovečki mlinovi dd has control (subsidiaries) as of and for ended 31 December 2023. The investor controls the company in which he invests if he is able to control, or has rights to shares in the earnings of another company and can influence the amount of distributed earnings by using his power over that company.

(a) Investment in subsidiaries and associates

Investment in subsidiaries
Subsidiaries are all companies over which the Group has control if, based on its participation in it, it is exposed to a variable return, that is, it has rights to them and the ability to influence the return through its dominance in that company. The existence and effect of potential voting rights that can be currently exercised or exchanged are considered when assessing whether the Group controls another entity. Investments in subsidiaries are stated at cost less impairment losses. The group has a share in the associated company (25% ownership).
Investment in associates
The Group recognizes its share in the associated company using the equity method. The assessment of the value of investments in the Group's associated companies is made in the case when there is an indication that this value has been reduced or there are no longer any impairment losses recognized in previous periods.

(b) Equity method

Under the equity method, investments are initially recognized at cost and subsequently adjusted to recognize the Group's share of the entity's post-acquisition profit or loss, and the Group's share of movements in the entity's other comprehensive income. Dividends received from associated companies are recognized as a reduction in the carrying amount of the investment. If the Group's share of losses in an equity investment is equal to or greater than its interest in the entity, including all other unsecured long-term receivables, the Group does not recognize further losses, unless it has assumed Liabilities or made payments on behalf of another entity. Unrealized gains from transactions between the Group and its affiliates are eliminated to the extent of the Group's interest in those entities. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred.

(c) Business Combinations

The Group uses the purchase accounting method for the accounting treatment of business combinations. The consideration transferred for the acquisition of the subsidiary is the fair value of the given assets, issued capital instruments, and incurred or assumed liabilities on the date of purchase. The consideration transferred includes the fair value of each item of asset or liability resulting from the contingent consideration agreement. Acquisition-related costs are recognized in the statement of comprehensive income as incurred. Acquired identifiable assets, liabilities and potential liabilities in a business combination are initially measured at fair value on the date of acquisition. The excess of transferred compensation, above the fair value of the Group's share in the acquired identifiable net assets, is reported as goodwill . If it is less than the fair value of the net assets of the acquired subsidiary, the difference is reported directly in the statement of comprehensive income.

2.2. BASICS OF CONSOLIDATION (continued)

(d) Loss of control over subsidiaries

When the Group loses control over a subsidiary, the assets and liabilities of the subsidiary and all related non-controlling interests and other capital items cease to be recognized. Gains or losses are recognized in the income statement. The retained interest in the former subsidiary is measured at fair value when control is lost.

(e) Transactions eliminated in consolidation

Balances and transactions between members of the Group and all unrealized profits from transactions between members of the Group were eliminated during the consolidation of the financial statements.

2.3. REPORTING ON BUSINESS SEGMENTS

A business segment is a component of the Group that deals with business activities from which it can generate income and in connection with which it bears costs (including income and costs related to transactions with other components of the same entity), whose business 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 evaluated its business results, and for which separate financial data is available. The Group operates in the trade business segment as the dominant business segment, and in the food production segment (milling and bakery), which are not so dominant in the overall business of the Group. The companies within the Group are each divided into their own segment, with the exception of the parent company, which has one unit that belongs to the store segment. An overview of the Group's companies is given in note 1. An overview of the financial indicators of the segments is given in note 4.

2.4. FOREIGN CURRENCIES

(a) Functional and reporting currency

The items included in the Group's financial statements are stated in the currency of the primary economic environment in which the Group operates (functional currency).

Since as of January 1, 2023, the Republic of Croatia introduced the euro as the official currency, in accordance with the Law on the Introduction of the Euro as the Official Currency in the Republic of Croatia, the Group, for the purpose of preparing the financial statements for ended December 31, 2023, changed the presentation currency from Croatian kuna to euros, and the financial statements for ended December 31, 2023, were first prepared in euros. As of January 1, 2023, the euro is also the functional currency of the Group (until January 1, 2023, it was the Croatian kuna).

Although the change in the presentation currency in the financial statements represents a change in accounting policy that requires retroactive application, the Group did not disclose a third balance sheet in the financial statements for ended December 31, 2023, in accordance with International Accounting Standard 8 (IAS) Accounting Policies, Changes in Accounting Estimates and Errors, as it determined that the change in the presentation currency does not have a significant impact on the Group's financial statements due to the stable HRK/EUR exchange rate over the past few years.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are translated into the functional currency by using the exchange rate on the transaction date. Gains or losses from exchange rate differences, arising from settling these transactions and translating monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement.

2.5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are shown in the balance sheet at historical cost less accumulated depreciation. Historical cost includes the cost that is directly related to the acquisition of the asset.
Subsequent expenses are included in the book value of the asset or, if necessary, are recognized as a separate asset only if the Group will have future economic benefits from the said asset, and if the cost of the asset can be reliably measured. All other investment and ongoing maintenance costs are charged to the profit and loss account in the financial period in which they were incurred.
Land and assets under construction are not depreciated. Depreciation of other assets is calculated using the 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 full depreciation of the asset or until the residual value of the assets if it is significant.

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

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

In the event that the book value of the asset is greater than the estimated recoverable amount, the difference is written off up to the recoverable amount. Gains and losses arising from the sale are determined by comparing the income and the book value of the asset and are included in other gains - net in the income statement.

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 the Group 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 are 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 expenditure is capitalized only when it is probable that the Group will derive 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.

2.7. FINANCIAL ASSETS

The Group 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 amortized cost:

- financial assets are held within a business model whose goal is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset cause cash flows that are solely the payment of principal and interest on the remaining principal balance on specific dates.

Checking whether the contractual terms of the financial asset contain cash flows that are exclusively payments of the principal and interest on the remaining amount of the principal on certain dates is done exclusively at the initial recognition of the financial asset.
If the contractual terms of the financial asset change significantly or a partial or complete write-off of the contracted cash flows occurs, the financial asset is derecognised, and a new financial asset is initially recognized that is subject to a retest.
The significance of the change in contractual terms is calculated by applying the original effective interest rate to the cash flows due to the change in contractual terms. The difference resulting from the original contracted cash flows and those calculated in this way is recorded in the statement of comprehensive income if it is insignificant, while if it is significant, it is carried out derecognition as previously stated. The group defines the significance of the change in contractual conditions on a qualitative and quantitative level for each change in the conditions of an individual contract.
Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVOSD):

- financial assets are held within a model whose goal is achieved by collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset cause cash inflows that are solely the payment of principal and interest on the remaining principal amount on a certain date

All other financial assets are by default subsequently measured at fair value through profit or loss.

At the initial recognition of financial assets, the Group uses the possibility of irrevocably determining the following:

- The Group may irrevocably opt for subsequent changes in the fair value of equity investments in other comprehensive income if certain criteria are met (see (ii) below); and
- The Group may irrevocably designate a debt instrument, which meets the criterion of measurement at amortized cost or the criterion of measurement under FVOSD, measurement at fair value through profit or loss if this eliminates or significantly reduces the accounting mismatch (see (iii) below).

2.7. FINANCIAL ASSETS (CONTINUED)

Assets are classified and measured as shown below:

Description	Classification and Measurement
Cash and cash equivalents (deposits, commercial papers)	Held to maturity / Amortized cost
Trade receivables and other receivables	Held to maturity / Amortized cost
Other financial assets	Held to maturity / Amortized cost
Loans granted and other receivables	Held to maturity / Amortized cost
Equity instruments	Fair value through profit or loss

2.7. FINANCIAL ASSETS (CONTINUED)

(i) Amortized cost and effective interest rate method

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

For financial assets, except for purchased or created credit-impaired financial assets (i.e. assets that are credit-impaired at initial recognition), the effective interest rate is the rate that accurately discounts the estimated future cash receipts (including all fees and points paid or received that form an integral part effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, over the expected life of the debt instrument, or, where appropriate, a shorter period, on the gross book value of the debt instrument at initial recognition. For purchased or originated credit-impaired financial assets, the effective interest rate matched to the loan is calculated by discounting estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument at initial measurement.

Amortized cost of a financial asset is the amount at which a financial instrument is measured at initial recognition less principal repayments and increased by cumulative amortization, using the effective interest rate method of any difference between that initial amount and the maturity amount, adjusted for any loss. The gross carrying amount of a financial asset is the amortized cost of the financial asset before adjusting for any loss.

Interest income is recognized using the effective interest rate method for debt instruments that are subsequently measured at amortized cost and FVOSD. For financial assets, except for purchased or created credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross book value of financial assets, except for financial assets that later became credit-impaired.

For financial assets that later become credit impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on a credit-impaired financial instrument improves so that the financial instrument is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross book value of the financial asset.

For purchased or created credit-impaired financial assets, the Group recognizes interest income by applying the effective interest rate adjusted for credit risk to the amortized cost of the financial asset at initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.
Interest income is recognized in the income statement and is included in the item Financial income (note 13).

2.7. 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 fair value gains or losses recognized in the statement of comprehensive income. The net gain or loss recognized in profit and loss includes any dividend or interest earned on the financial asset and is included in the item other gains and losses (note 13). The fair value is determined in the manner described in note 33.

2.8. LEASES

a) The group is the 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 Group is the lessor are classified as business leases. A lease is classified as a finance lease if it transfers to the lessee almost all the risks and benefits associated with the ownership of the asset in question. All other leases are classified as business leases.

When the Group is an intermediate lessor, it calculates the main lease and sublease as two separate contracts. When classifying a lease, the intermediary lessee classifies the sublease as a finance or operating lease, as follows:

(a) if the head lease is a short-term lease, the sublease is classified as an operating lease;
(b) otherwise, the sublease is classified on the basis of the right of use arising from the underlying lease and not on the basis of the underlying asset (for example, the property, plant or equipment that is the subject of the lease).

Income from rents based on business leases is recognized on a straight-line basis over the period of the lease in question. Initial direct costs incurred in the phase of negotiating and contracting the terms of the business lease are attributed to the book value of the leased item and are recognized on a straight-line basis over the lease period. Receivables based on financial leases are recorded as receivables in the amount of the Group's net investment in the lease. Income from finance leases is spread over accounting periods to reflect a constant periodic rate of return on the open balance of the Group's net investment under leases.
When a contract includes both lease-related and non-lease-related components, the Group applies IFRS 15 to allocate consideration in accordance with the contract for each component.

b) The group is a lessee

Assets with the right of use are included in the same item in which the corresponding asset would be shown if it were owned, and lease liabilities are shown under long-term and short-term liabilities to suppliers.

The group assesses whether it is a lease agreement or whether the agreement contains a lease, at the beginning of the agreement. The Group reports right-of-use assets and related lease Liabilities in respect of all leases in which it is the lessee, except for all short-term leases (defined as leases with a term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, office furniture and telephones in the amount of up to 500 euros). For such leases, the Group recognizes lease payments on a straight-line basis as an operating expense during the term of the lease, unless some other systematic basis better reflects the time dynamics of the consumption of economic benefits from assets held under lease.
The lease liability is measured for the first time in the amount of the present value of lease payments that have not been settled on the commencement date, reduced by using the rate resulting from the lease. If it is not possible to determine that rate, the lessee usually uses his own borrowing rate. Lease payments included in the measurement of the lease liability include:

- fixed lease payments (including lease payments that are essentially fixed), less lease incentives received;
- variable lease payments that depend on an index or rate, initially measured using the index or rate in effect on the lease commencement date;
- the amount for which the lessee is expected to pay them based on guarantees for the residual value;
- the price of exercising the purchase option if it is certain that the lessee will use this option; you
- paying penalties for termination of the lease if the lease period reflects that the lessee will exercise the option to terminate the lease.

2.8. LEASES (CONTINUED)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.
The Group re-measures the lease liability (and makes appropriate adjustments to the related right-of-use assets) when:

- the lease period changes or a significant event occurs or a significant change in circumstances occurs, which causes a change in the assessment of the execution of the purchase option, and in that case the lease liability is remeasured so that the revised lease payments are discounted using the revised discount rate,
- lease payments change due to changes in the index or rate, i.e. a change in the expected payment of the guaranteed residual value, in which case the lease liability is remeasured so that the revised lease payments are discounted using unchanged discount rates (unless the change in lease payments is the result of a change in variable interest rates rate, in which case the revised discount rate is applied).
- lease change agreements, and the change of lease is not calculated as a separate lease, in which case the lease liability is remeasured based on the period of the changed lease so that the revised lease payments are discounted by applying the revised discount rates on the effective date of the change.

The Group did not perform such adjustments during the presented periods. Right-of-use assets include the initial measurement of the subject lease obligation, lease payments on or before the lease commencement date, less incentives received for closing the business lease and all initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.
When the Group bears the costs of disassembling and removing leased assets, restoring the location where the assets are located, or returning the respective assets to the condition required by the terms of the lease, a provision is recognized and measured in accordance with IAS 37. If the costs relate to right-of-use assets, the costs are included in the related right-of-use assets, unless these costs are incurred in the production of inventory.

Right-of-use assets are depreciated over the lease period or useful life, whichever is shorter. If, on the basis of a lease, the ownership of the respective asset is transferred or if the cost of the right-of-use asset reflects that the Group will exercise the option to purchase, the right-of-use asset is depreciated over the useful life of the respective asset. Depreciation starts on the lease start date.
The Group applies IAS 36 to determine whether the value of right-of-use assets has been impaired or whether any impairment losses have been calculated for them, as described in the "Property, plant and equipment" policy.

Variable rents that do not depend on an index or rate are not included in the measurement of lease liabilities and right-of-use assets. Related payments are recognized as an expense in the period in which the event or condition that triggered the payments in question occurred and are included in "Other external expenses" in profit and loss (see Note 8).
As a practical solution, IFRS 16 allows the lessee to unseparate non-lease components and account for lease and non-lease components as a single component. The group did not use this practical solution. For a contract that contains a component related to rent and one or more additional components that are not related to rent, the Group is obliged to distribute the compensation within the contract to each component related to rent based on the relative stand-alone price of that component and the total stand-alone price non-rental components.

2.9. 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 in bringing each product to its current location and condition are calculated as follows:

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

Trade goods in stores are reported at sales prices with the difference in price and value added tax included (the so-called retail method).When selling these supplies, the cost of the supplies is determined by deducting the value added tax and the added margin from the sales price. The cost of inventory is recognized as an expense of the period when the related income. Goods that are damaged during handling and storage, as well as goods that lose their useful value, are determined through inventory procedures or special commissions and with the approval of the responsible person, and to the extent of the allowed write-offs prescribed by the Croatian Chamber of Commerce and the approval of the Tax Administration, they are written off at the expense of regular business expenses .

Damaged and non-conforming inventories are checked on each balance sheet day. If necessary, the value of damaged inventories and inventories whose use-by date has passed is corrected.

Small inventory, packaging and car tires in use can be included in the costs when their individual value is lower than 500 euros, and their useful life is shorter than one year, using the one-time write-off method.

2.10. 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 cash 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.

2.11. SHARE CAPITAL

Ordinary shares are shown as principal. Owned shares are shown as treasury shares and are excluded from the capital.

2.12. LOANS

Borrowings are initially recognized at fair value less transaction costs. In future periods, borrowings are reported at amortized cost; and all differences between receipts (minus transaction costs) and redemption value are recognized in the profit and loss account during the term of the loan. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are an integral part of the cost of that asset. Borrowings are classified as short-term liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.13. DEFERRED AND CURRENT PROFIT TAX

The Group calculates its tax liability in accordance with Croatian laws and regulations. The tax expense, which is calculated on the result for, 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 tax liability adjustments from previous periods.
The amount of deferred tax is calculated using the balance sheet liability method, on temporary differences between the tax base of assets and liabilities and their book value in the financial statements. However, deferred tax is not recognized if it results from the initial recognition of assets or liabilities in a transaction that is not a business combination and that at the time of the transaction does not affect accounting profit or taxable profit (tax loss).

2.14. EMPLOYEE BENEFITS

a) Liabilities for pensions and other Liabilities after retirement

In the course of regular operations, when paying salaries, the Group makes regular payments of contributions on behalf of its employees who are members of mandatory pension funds in accordance with the law. Mandatory pension contributions to the funds are reported as part of salary expense when they are calculated. The Group's obligation ends when the contributions are settled. The Group does not have an additional pension plan and therefore has no other Liabilities regarding employee pensions. Furthermore, the Group has no obligation to provide any other benefits to employees after their retirement. When calculating provisions for severance pay, the projected credit unit method is used. The Mortality Tables of the Republic of Croatia 2010-2013 are used for mortality. issued by the State Statistical Office of the Republic of Croatia with a correction factor of 75%. The retirement age is determined for each employee, taking into account their current age and total length of service, as well as the statutory retirement conditions. The annual rate of departures from the company for each company was calculated separately. For workers over 50 years of age, the turnover rate is set at 0%.
An overview of actuarial assumptions is given in note 27.
The defined benefits are related to the rights established by the regulations in each company separately and range in the amount of severance pay for retirement from the minimum obligation for the employer to pay the employee the amount of severance pay upon retirement of EUR 1,327 to the maximum obligation for the employer to pay the amount of severance pay to the employee upon retirement three average net salaries in the last three months before retirement at the level of the Republic of Croatia. For the calculation of the amount for the provision of jubilee awards, the entitlements range from EUR 199 for 10 years of service to 1.6 average net salaries in the Republic of Croatia in the last three months for 40 years of service.

b) Severance pay

Severance pay Liabilities are recognized when the Group terminates an employee's employment prior to the normal retirement date or when the employee decides to voluntarily accept termination of employment in exchange for compensation.The Group recognizes liabilities for severance payments when it has demonstrably undertaken the obligation to terminate the employment relationship with current employees.

c) Short-term benefits of employees

The Group recognizes a provision for bonuses when there is a contractual obligation or past practice on the basis of which a derivative obligation has arisen. A provision is also recognized for unused vacations in the amount expected to be paid as a short-term liability if the Group has a current legal or derivative obligation to pay that amount as a result of past service by the employee and if the obligation can be reliably measured.

2.14. EMPLOYEE BENEFITS (CONTINUED)

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 obligation for defined benefits on the reporting date. The projected credit unit method is used to calculate the present value of the liability. Corresponding revaluation gains or losses are recognized immediately in the statement of profit or loss, except for actuarial gains and losses on revaluation of defined benefit Liabilities that are recognized in the statement of other comprehensive income as items that will not be transferred to profit or loss in subsequent periods.

2.15. PROVISIONS

Provisions for warranty costs and litigation are recognized if the Group has a present legal or constructive obligation as a result of a past event, if it is probable that an outflow of resources will 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 settle the liability, using a pre-tax discount rate that reflects current market assessments of the time value of cash as well as the risks specific to the liability. The provision amount is increased each period to reflect the elapsed time.

2.16. REVENUE RECOGNITION

Revenue is recognized as the amount of the transaction price, where the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for the transfer of promised goods or services to the customer, excluding amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of the product or service to the customer.
Revenues consist of the fair value of fees received or receivables for products, goods or services sold in the Group's regular operations. Revenues are shown in amounts less value added tax, rebates and discounts that are an integral part of contracts with customers. The Group recognizes revenue when the amount of revenue can be reliably measured, when it is probable that the Group will realize future economic benefits and when the specific criteria for all the Group's activities described below are met. Revenues are recognized as follows:

a) Revenues from the sale of products and goods

Revenue is recognized when delivery liabilities are satisfied by transferring control of the promised goods or services to the customer. Control of the goods is transferred when the goods are delivered to the buyer, the buyer has full possession of the goods and there is no outstanding obligation that could affect the buyer's acceptance of the goods. Delivery is made when the goods are shipped to a specific location, and the risks of obsolescence and loss are transferred to the buyer. Control of the goods is usually transferred at a certain point in time.
Revenues from the sale of products and goods to the greatest extent includes income from the sale of flour, bread, pastries, biscuits, waffles, pasta, porridge, edible oils. Revenues from the retail sale of goods are recognized at the time of sale of the goods to the customer. Revenues from retail sales are mostly generated in cash or via credit cards. Reported income includes credit card fees that are reported under other operating expenses. The group has defined payment maturity at 30-60 days.

b) Revenue from services

The services provided by the Group mostly include transport services. Revenues from services are recognized in the period in which the services are performed. If the realization of the service extends over 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 the progress until the final execution. The group has defined payment maturity at 30-60 days.

2.16. REVENUE RECOGNITION (CONTINUED)

c) Interest income

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

d) Dividend income

Dividend income is recognized when the right to dividend payment is established.

2.17. GOVERNMENT GRANTS

Government grant is not recognized until the fulfillment of the conditions for obtaining government grant and the receipt of the grant are realistically certain. Government grant are recognized in profit and loss systematically over the period in which the Group recognizes the costs to be covered by the grant as expenses. Government grants where the basic requirement is for the Group to acquire, build or otherwise acquire fixed assets are recognized in the consolidated statement of financial position as income for future periods and transferred to profit and loss systematically and rationally during the useful life of the asset in question. Receivables based on state grants to compensate for already incurred costs or losses or to provide current financial support to the Group without future related costs are recognized in the profit and loss of the period in which the claim arises.

2.18. DISTRIBUTION OF DIVIDENDS

Distribution of dividends to the Group's shareholders is recognized as a liability in the financial statements in the period in which they are approved by the General Assembly of the Group's shareholders.

NOTE 3 - KEY ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under existing circumstances. The group makes estimates and makes assumptions related to the future. The resulting accounting estimates are, by definition, in rare cases equated with actual results. Below are estimates and assumptions that could cause a significant risk of adjusting the book amounts of assets and liabilities in the next financial year.

a) Impairment of value of non-financial assets

Determining impairment of value (adjustment) of assets involves the use of estimates that include, but are not limited to, the causes, timing and amount of impairment. 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. Recoverable amount and fair value are usually determined using a discounted cash flow method that incorporates reasonable market assumptions.
Determining indicators of impairment, as well as estimating future cash flows and determining the fair value of an asset (or group of assets) requires management to make significant judgments in identifying and evaluating indicators of impairment, expected cash flows, applicable discount rates, useful lives and residual values. For details see notes 4, 10, 15, 16, 18 and 22.

b) Useful life of the assets

Determining an asset's useful life is based on historical experience with similar assets, as well as anticipated technological developments and changes in broader economic and industry factors. The adequacy of the estimated useful life is reviewed annually, or whenever there is an indication of significant changes in assumptions. We believe this is an important accounting estimate, as it involves assumptions about technological development and is significantly dependent on the Group's investment plans. For details, see notes 15, 16, 17 and 18.

c) 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 Group uses a simplified approach for the allocation of receivables in Level 2 and Level 3 according to the requirements of IFRS 9. For loans granted, the Group uses a general approach. Receivables due over 365 days are allocated to Level 3. 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 Management. For details, see Notes 10, 24.

d) Provisions

The cost of defined benefit plans is determined using actuarial estimates. Actuarial estimates include making assumptions about discount rates, mortality or turnover rates. Due to the long-term nature of these plans, these estimates contain an element of uncertainty. For details, see note 27.

NOTE 3.1. - RESTATEMENTS OF THE PREVIOUS PERIOD

The Group has reclassified other business income related to supplier approvals and used calculated costs of unused vacation days for 2023 and the corresponding comparative data to 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 Group decided to revise the initial balances related to supplier approvals for reductions in the amount of other business income, salary costs, cost of goods sold, receivables from customers and liabilities to suppliers.
The Group reclassified short-term deposits with banks with a maturity of less than three months from short-term financial assets to cash and cash equivalents in accordance with the provisions of IAS 7.

Consolidated statement of comprehensive income in 2022	**31.12.2022.**		**31.12.2022.**
(in TEUR)	**Before restatements**	**Restatement**	**After restatements**
Other revenue	**15,162**	**(7,492)**	**7,825**
Supliers bonuses	12,125	(6,797)	5,328
Revenues from provisions reversed	1,272	(695)	577
Costs of goods sold	113,357	(6,797)	106,560
Payroll expenses	26,841	(695)	26,146
Profit before tax	**8,174**	**-**	**8,174**

Statement of financial position	**31.12.2022.**		**31.12.2022.**
(in TEUR)	**Before restatements**	**Restatement**	**After restatements**
Current assets	**57,255**	**(1,808)**	**55,446**
Trade receivables	11,195	(1,802)	9,392
Financial assets	9,550	(5,376)	4,174
Cash and cash equivalents	6,369	5,371	11,740
Total assets	**106,599**	**(1,808)**	**104,791**
Current liabilities	**26,051**	**(1,808)**	**24,243**
Trade payables	15,251	(1,808)	13,443
Total equity and liabilities	**106,599**	**(1,808)**	**104,791**

NOTE 4 – REVENUE

Sales revenue by category

	2023 in '000 EUR	2022 in '000 EUR
Revenue from the sale of goods	168,109	156,016
Revenue from sale of products	24,384	25,725
Rental income	377	524
Revenue from other services	176	225
Other revenue from sales	102	80
Total revenue from sales	**193,148**	**182,570**

	2023 in '000 EUR	2022 in '000 EUR
Revenues from sales - retail	152,997	143,257
Revenues from sales - wholesale	40,151	39,313
Total revenue from sales	**193,148**	**182,570**

	2023 in '000 EUR	2022 in '000 EUR
Revenue from sales on the domestic market	191,284	180,909
Revenue from sales on the foreign market	1,864	1,661
Total revenue from sales	**182,570**	**182,570**

Income from rental services on the domestic market

These revenues include income from renting real estate, parts of real estate, and through short-term and long-term contracts. Contracts concluded with a maturity date of 2024 and beyond, and their annual inflow are given below:

	2023 in '000 EUR	2022 in '000 EUR
Up to one year	538	478
Between one and two years	494	316
Between two and three years	313	228
Between three and four years	230	180
Between four and five years	147	155
Over five years	130	20
Total gross	**1,852**	**1,377**

Lease amounts recognized through profit or loss

	2023 in '000 EUR	2022 in '000 EUR
Income from operating lease	377	774
Total gross	**377**	**774**

NOTE 4 – REVENUE (continued)

Other business revenue

	2023 in '000 EUR	2022 in '000 EUR
Fees for assortment, position and advertising of goods, etc.	4,778	4,686
Surplus income	329	361
Income from subsequently approved discounts, rebates, etc.	324	225
Income from rentals	317	240
State grants, donations, awards, subsidies, etc.	182	10
Damage compensation - insurance	147	236
Income from provisions reversal and value adjustments	107	732
Income from the sale of assets and raw materials	73	71
Income from collected written-off receivables, etc.	37	155
Income from write-off of liabilities	31	23
Income based on the use of own products, goods and services	20	25
Other income	125	1,061
Total other income	**6,470**	**7,825**

Income from reversal of provisions and value adjustments
The most significant part of the income from the reversal of long-term accruals refers to the addition of provisions for annual vacations in the amount of EUR 15 thousand and reversal of provisions for jubilee awards and severance pay in the amount of EUR 76 thousand.
Apart from that, the Group had a decrease in inventory value correction of EUR 21 thousand due to a significant improvement in the age structure of the inventory.

Basic business information by segment
For management purposes, the group is organized into business units, which basically consist of two segments: Trade and Food. Reporting segments are an integral part of internal financial statements. The internal financial statements are regularly reviewed by the Group's Management, which is also the main business decision-maker and which, based on them, evaluates the performance of the business and makes business decisions.
Below is basic information about the Group's segments on a consolidated basis of the Group by reporting segments. Shown sales revenues refer to revenues generated by total sales, while sales between reporting segments are eliminated during consolidation.

NOTE 4 – REVENUE (continued)

Overview by segments

	2023 in '000 EUR			
	Trade	**Food**	**Eliminations**	**Consolidated**
Operating revenues	176,421	34,015	(10,818)	199,618
Operating profit before depreciation by segment	12,989	2,626	(697)	14,918
Amortization	7,199	1,131	(623)	(7,707)
Financial revenue				422
Financial expenses				(166)
Share in the profit of the associated company				1,336
Profit before tax				**8,802**
Profit tax				(1,547)
Profit of the current year				**7,255**

	2022 in '000 EUR			
	Trade	**Food**	**Eliminations**	**Consolidated**
Operating revenues	167,088	35,895	(12,588)	190,395
Operating profit before depreciation by segment	11,958	3,269	(642)	14,585
Amortization	7,392	950	(683)	(7,659)
Financial revenue				145
Financial expenses				(203)
Share in the profit of the associated company				1,306
Profit before tax				**8,174**
Profit tax				(1,097)
Profit of the current year				**7,077**

Segments assets

	2023 in '000 EUR	**2022 in '000 EUR**
Trade	92,430	76,731
Food	17,415	28,060
Total assets	**109,845**	**104,791**

Segment liabilities

	2023 in '000 EUR	**2022 in '000 EUR**
Trade	26,988	26,157
Food	1,184	3,302
Total liabilities	**28,172**	**29,459**

NOTE 5 – CHANGES IN THE VALUE OF PRODUCTION INVENTORIES AND FINISHED PRODUCTS

Changes in the value of work in progress and finished goods stocks as of December 31 compared to January 1 of the current year affect costs in such a way that, to the extent of the increase in the value of stocks, a portion of the costs of the current year is retained in stocks, while a decrease in the value of stocks increases costs for the period. These stocks decreased by EUR 98.931 in 2023 (they increased by EUR 56.840 in 2022).

NOTE 6 – COSTS OF RAW MATERIALS, ENERGY AND PRODUCTION MATERIAL

	2023 **in '000 EUR**	**2022** **in '000 EUR**
Raw materials and production material	19,023	22,038
Energy	5,886	6,163
Spare parts and small inventory	192	179
Total cost of raw materials	**25,101**	**28,380**

NOTE 7 – OTHER EXTERNAL COSTS

	2023. **u '000 EUR**	**2022.** **u '000 EUR**
Transport and telecomunication services	1,516	1,576
Maintenance and service services	1,658	1,216
Utilities	1,142	1,027
Intellectual services and education	652	1,053
Advertising	582	751
Rental costs	362	511
Student services	256	174
Asset protection services	141	341
Other services	346	269
Total other external costs	**6,655**	**6,918**

Intellectual services

Within the cost of intellectual services fees for the statutory audit of the financial statements of the Group and subsidiaries are shown, contracted in the total amount of EUR 75 thousand (2022: EUR 105 thousand, while fees for other services amounted to 19 thousand euros. Other services relate to ISAE 3000 (R) Assurance report on Remuneration report of members of the Supervisory board and the Management board and Related party reports.

Other expenses relate to the maintenance cost of the information system, intellectual services related to potential acquisition, various business consulting services and legal services.

Other services

Other services also include the costs of service packaging of goods and products, current occupational health and safety services, and other similar services.

NOTE 8 – STAFF COSTS

	2023 in '000 EUR	2022 in '000 EUR
Net salaries	18,945	17,097
Contributions and taxes from salaries	6,032	5,405
Contributions on salary	3,912	3,644
Total staff costs	**28,889**	**26,146**

As at December 31, 2023, the Group had 2,249 employees (2022: 2,305).

NOTE 9 – OTHER EXPENSES

	2023 in '000 EUR	2022 in '000 EUR
Reimbursement of employee expenses, gifts and assistance	4,632	4,013
Banking services and payment transaction costs	931	847
Contributions, membership fees and taxes that do not depend on the business result	656	303
Insurance cost	277	295
Supervisory fees	97	126
Adversiting costs	39	34
Daily allowances and other costs of business trips	67	57
Legal costs, fees and dunning costs	16	-
Other miscellaneous costs	338	429
Total other costs	**7,056**	**6,104**

Other non-material costs

Within the scope of other non-material costs of business, to the greatest extent, there are expenditures for health supervision and control examinations of products, costs of environmental protection and similar fees, and other similar costs.

NOTE 10 – VALUE ADJUSTMENTS

	2023 in '000 EUR	2022 in '000 EUR
Value adjustment of current assets	191	280
Total	**191**	**280**

The expenses of value adjustment of current assets consists of value adjustment of receivables from customers in the amount of EUR 191 thousand (2022: EUR 280 thousand).

NOTE 11 – PROVISIONS

	2023 in '000 EUR	2022 in '000 EUR
Provisions for jubilee awards	89	-
Accruals for unused vacations	12	-
Total provisions	**101**	**-**

This year, the group had a significant reduction in the amount of provisions, which is described in more detail in note 4.

NOTE 12 – OTHER EXPENSES

	2023 in '000 EUR	2022 in '000 EUR
Deficiencies, calo, decay, breakdown and breakage and write-offs	1,007	1,058
Intermediation	373	158
Costs from the sale of assets, raw materials and materials, etc.	6	-
Other business expenses	120	263
Total other business expenses	**1,506**	**1,479**

The cost of mediation is the cost of the franchise model that the Group has established with several stores. Other business expenses primarily refer to gifts and fines for misdemeanors.

NOTE 13 – NET FINANCIAL RESULT

Financial income

	2023 in '000 EUR	2022 in '000 EUR
Exchange differences and other financial income	2	16
Other income from interest	296	19
Other financial income	124	110
Total financial income	**422**	**145**

Other financial income mainly refers to income from interest on deposits and income from dividends from shares in unrelated companies.

Financial expenses

	2023 in '000 EUR	2022 in '000 EUR
Release lease discount interest expenses	123	149
Unrealized losses (expenses) from financial assets	19	-
Expenses based on interest and similar expenses	16	26
Exchange differences and other expenses	8	27
Other financial expenses	-	1
Total financial expenses	**166**	**203**

NOTE 14 – PROFIT TAX

	2023 in '000 EUR	2022 in '000 EUR
Current tax	1,558	906
Deferred tax	(11)	191
Total cost of income tax	**1,547**	**1,097**

	2023 in '000 EUR	2022 in '000 EUR
Profit / (loss) before tax	**8,802**	**8,174**
Income tax at 18% (domestic rate)	1,584	1,471
Expenditure not deductible for tax purposes	264	486
Tax-free income	(301)	(860)
Profit tax	**1,547**	**1,097**
Effective tax rate	**17.6%**	**13.4%**

The majority of non-deductible expenses for tax purposes relate to unrecognized inventory shortages of subsidiary companies in the trading sector. The most significant reduction in the tax base, i.e., non-taxable income is: from received dividends, from trade receivables provisions per IFRS 9, and from government subsidies for education and training.

In accordance with local regulations, the tax administration may at any time inspect the books and records of the Group, and may impose additional tax Liabilities and penalties..

NOTE 15 – BASIC EARNINGS PER SHARE

	2023 in EUR	2022 in EUR
Net profit	7,255,348	7,076,965
Average weighted number of shares	10,290,000	10,290,000
Basic and diluted earnings per share	**0.71**	**0.69**

Basic earnings per share are calculated by dividing the Group's net profit by the weighted average number of ordinary shares.

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plants, equipment, tools, operating inventory and transport assets	Property under construction	Other tangible assets	In total
	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR
Purchase value						
On January 1, 2022	10,489	78,345	42,863	2,397	830	134,924
Additions	-	-	-	7,444	-	7,444
Transfer	1,185	4,608	2,943	(8,736)	-	-
Disposal	-	-	(427)	-	-	(427)
On December 31, 2023	**11,674**	**82,953**	**45,379**	**1,105**	**830**	**141,941**

	Land	Buildings	Plants, equipment, tools, operating inventory and transport assets	Property under construction	Other tangible assets	In total
	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR
Accumulated depreciation						
On January 1, 2022						
Disposal	-	63,136	38,784	-	830	102,750
Transfer	-	-	(403)	-	-	(403)
Depreciation charge	-	3,141	2,659	-	-	5,800
On December 31, 2023	**-**	**66,277**	**41,040**	**-**	**830**	**108,147**
Net book value as of December 31, 2023	**11,674**	**16,676**	**4,339**	**1,105**	**-**	**33,794**

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Buildings	Plants, equipment, tools, operating inventory and transport assets	Property under construction	Other tangible assets	In total
	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR
Purchase value						
On January 1, 2023	11,674	82,953	45,379	1,105	830	141,941
Additions	69	9	437	3,625	2,041	6,181
Transfer	(79)	5,582	(2,824)	(2,344)	(335)	-
Disposal	(2)	(5,170)	(441)	(26)	-	(5,639)
On December 31, 2023	**11,662**	**83,374**	**42,551**	**2,360**	**2,536**	**142,483**

	Land	Buildings	Plants, equipment, tools, operating inventory and transport assets	Property under construction	Other tangible assets	In total
	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR
Accumulated depreciation						
On January 1, 2023	-	66,277	41,040	-	830	108,147
Transfer	-	180	-	-	-	180
Disposal	-	(252)	(5,130)	-	-	(5,562)
Depreciation charge	-	2,919	2,810	-	-	5,729
On December 31, 2023	**-**	**68,124**	**38,540**	**-**	**830**	**108,494**
Net book value as of December 31, 2023.	**11,662**	**14,430**	**3,831**	**2,360**	**1,705**	**33,989**

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

As of December 31, 2023 and as of December 31, 2022, the Group has pledged tangible assets as a means of securing loan repayments in amount EUR 1,837 thousand (December 31, 2022 EUR 1,848 thousand).

The book value of temporarily unused proprety, plant and equipment as of December 31, 2023 is EUR 825 thousand (December 31, 2022 EUR 1,162 thousand).

The purchase value of fully depreciated property, plant and equipment that is still in use as of December 31, 2023 is EUR 72,991 thousand (December 31, 2022 EUR 70,344 thousand).

NOTE 17 – RIGHT OF USE ASSETS

	Buildings in '000 EUR	Tools, plant inventory and transport assets in '000 EUR	In total in '000 EUR
Purchase value			
On January 1, 2022	9,145	205	9,350
Additions	1,487	3	1,490
Disposals	(1,850)	-	(1,850)
On December 31, 2022	**8,782**	**208**	**8,990**

	Buildings in '000 EUR	Tools, plant inventory and transport assets in '000 EUR	In total in '000 EUR
Accumulated depreciation			
On January 1, 2022.	3,034	108	3,142
Sales and expenditure	(966)	(65)	(1,031)
Depreciation of the current year	1,659	91	1,750
On December 31, 2022	**3,727**	**134**	**3,861**
Net book value on December 31, 2022.	**5,055**	**74**	**5,128**

	Buildings in '000 EUR	Tools, plant inventory and transport assets in '000 EUR	In total in '000 EUR
Purchase value			
On January 1, 2023	8,782	208	8,990
Additions	1,121		1,121
Disposals	(223)	-	(223)
On December 31, 2023	**9,680**	**208**	**9.888**

	Buildings in '000 EUR	Tools, plant inventory and transport assets in '000 EUR	In total in '000 EUR
Accumulated depreciation			
On January 1, 2023.	3,727	134	3,861
Disposals	-	-	-
Depreciation of the current year	1,688	45	1,733
On December 31, 2023	**5,415**	**179**	**5,594**
Net book value as of December 31, 2023.	**4,265**	**29**	**4,294**

The increases primarily refer to the annexes on extending the duration or changing the terms of the contract for existing leased business premises in Trgovina Krk and, to a lesser extent, to contracts for new premises also in Trgovina Krk.

NOTE 18 – INVESTMENT PROPERTY

	Land in '000 EUR	Buildings in '000 EUR	In total in '000 EUR
Purchase value			
On January 1, 2022	402	673	1,075
Additions	-	-	-
Transfers	-	-	-
Disposals	-	-	-
On December 31, 2022	**402**	**673**	**1,075**

	Land in '000 EUR	Buildings in '000 EUR	In total in '000 EUR
Accumulated depreciation			
On January 1, 2022	-	-	-
Disposals	-	-	-
Depreciation charge	-	-	-
On December 31, 2022	**-**	**-**	**-**
Net book value as of December 31, 2022.	**402**	**-**	**402**

	Land in '000 EUR	Buildings in '000 EUR	In total in '000 EUR
Purchase value			
On January 1, 2023	402	673	1,075
Additions	-	79	79
Disposals	-	-	-
On December 31, 2023	**402**	**752**	**1,154**

	Land in '000 EUR	Buildings in '000 EUR	In total in '000 EUR
Accumulated depreciation			
On January 1, 2023	**-**	**673**	**673**
Transfers	-	(180)	(180)
Disposals	-	-	-
Depreciation charge	-	180	180
On December 31, 2023	**0**	**673**	**673**
Net book value as of December 31, 2023	**402**	**79**	**481**

Investment is managed according to the investment cost method. Depreciation is calculated according to the same method as for assets used by the Group for its own activities. The fair value of the investment property at 31 December 2023 is approximately equal to its carrying amount (2022: approximately equal). The Group estimates the fair value of investment property using data from Level 3, in accordance with IFRS 13: Fair Value Measurement. The Group uses the income approach when calculating the fair value of real estate investments.

NOTE 19 – INVESTMENTS IN ASSOCIATED COMPANIES

Name	Group share in ownership and voting rights 31.12.2023.	Group share in ownership and voting rights 31.12.2022.
Narodni trgovački lanac Ltd.	25%	25%

Investments in shares refer to investment in the business share of Narodni trgovački lanac Ltd.
At the end of 2020, the Group acquired an additional stake and has a significant influence of 25% of the said company. Since then, the Group no longer considers the said share as part of IFRS 9 (financial assets at fair value through other comprehensive income-option), which was classified the previous year under other non-current assets, but as an investment in an associated company in accordance with the provisions of IAS 28 outside the scope of IFRS 9 .Also, during 2020, before the acquisition of the additional share in accordance with the provisions of IFRS 9, the Group fairly valued the said share and reported an increase in fair value reserves within other comprehensive income in the amount of EUR 2,888,712.
During 2023, the Group recognized in the statement of comprehensive income a share in the profit of the associated company in the amount of EUR 1,336 thousand (2022: EUR 1,306 thousand), which represents 25% of the profit after tax of the company Narodni trgovački lanac Ltd.
During the year 2023, the company Narodni trgovački lanac Ltd. voted a dividend to the Group in the amount of EUR 808 thousand (2022: EUR 861 thousand). During the year, the dividend was compensated with the existing liabilities towards NTL. The registered office of each entrepreneur and affiliated company is shown in the management report in point 2. Associated companies and branches of the company.

Overview of changes in the book value of investments in the company Narodni trgovački lanac Ltd. is given in the following table:

	2023 in '000 EUR
Investment at the beginning of the period	8,076
Voted dividend (compensated during the year)	(808)
Share in the profit of the associated company	1,336
Investment at the end of the period	8,604

The following is an overview of summarized financial information related to the associated company. The summarized financial information below is the amounts presented in the financial statements of the associated company prepared according to IFRS .

	Narodni trgovački lanac Ltd.	
	31.12.2023.	**31.12.2022.**
	Unaudited	***Unaudited***
	in '000 EUR	**in '000 EUR**
Current assets	37,487	34,251
Non-current assets	17,888	15,001
Short-term liabilities	(18,580)	(20,332)
Long term liabilities	(9,947)	(4,184)
The Group's share in the Company's capital	**6,712**	**6,184**
Share of other owners in the capital of the Company	**20,136**	**18,552**
Revenues	178,339	159,854
Profit for year	**5,318**	**5,223**
Other comprehensive income attributable to the owners of the Company	**-**	**-**
Total comprehensive income	**5,318**	**5,223**
Dividends during the year	**808**	**861**

NOTE 20 – LONG-TERM FINANCIAL ASSETS

	31,12,2023, in '000 EUR	**31,12,2022, in '000 EUR**
Equity instruments	1,560	1,423
Loans, deposits	104	144
Total non-current financial assets	**1,664**	**1,568**

Loans, deposits and the similar

The amount of EUR 104 thousand (for 2022: EUR 145 thousand) shown in this position refers to a loan to unrelated persons and guarantees given to a leasing company related to the operational leasing of a personal vehicle.

Investments in equity instruments

It mostly refers to investments in equity instruments that are not listed on the stock exchange.

NOTE 21 – DEFERRED TAX ASSETS

This position shows the effects of temporary tax differences for expenses that were not tax recognized and increased the tax base in the total amount of EUR 31 thousand. EUR 21 thousand were dismissed during the year due to changes in the positions listed below.

	Liabilities based on employee benefits (jubilee awards and retirement severance pay)	Valuation of financial assets by FV through P&L	Impairment lossess on trade receivables and inventory	Tax losses	In total
	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR
On January 1, 2023	128	35	125	9	**297**
Posting in the profit and loss account	2	4	(6)	11	11
On December 31, 2023	**130**	**39**	**119**	**20**	**308**

NOTE 22 – INVENTORIES

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
Trade goods	22,175	20,471
Raw materials and material	3,591	8,935
Inventory of finished products	616	734
Total inventory	**26,382**	**30,140**

Inventories are stated at the lower of cost or net expected realizable value. Damaged and non-conforming inventories are checked on each balance sheet day.

During the year, the Group carried out a reversal of the value of inventories in the amount of EUR 21 thousand (2022: EUR 451 thousand). For details, see note 4.

NOTE 23 – TRADE RECEIVABLES AND OTHER RECEIVABLES

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
Trade receivables	8,968	8,485
Receivables from the state and other institutions	285	504
Receivables from employees and members of entrepreneurs	115	63
Other receivables	343	346
Total receivables	**9,711**	**9,398**

Trade receivables

	31,12,2023, in '000 EUR	31,12,2022, in '000 EUR
Receivables from customers in the country	10,108	9,581
Receivables from customers abroad	145	198
Adjustment of the value of trade receivables	(1,285)	(1,294)
Total receivables from customers	**8,968**	**8,485**

Receivables from customers are stated in the amount of the net invoiced value corrected for the value adjustment of due and risky receivables, The balance sheet for 2022 shows a correction of the value of receivables from customers in the amount of EUR 1,285 thousand (2022: EUR 1,294 thousand),

Age structure of customer receivables at the balance sheet date:

	31,12,2023, in '000 EUR	31,12,2022, in '000 EUR
Not due	6,251	5,639
Due in 30 days	1,542	1,832
Due from 31-90 days	1,112	1,002
Over 90 days due	1,348	1,306
	10,253	**9,779**

Movement of value adjustments in:

	2023 in '000 EUR	2022 in '000 EUR
Balance on January 1,2023	(1,294)	(1,212)
Impairment expense	(191)	(259)
Write - off	190	23
Doubtful receivables collected	10	154
Balance as of December 31, 2023	**(1,285)**	**(1,294)**

Receivables from the state and other institutions
It primarily refers to claims from HZZO for sick pay and claims from the Environmental Protection Fund for reimbursement.

Receivables from employees and members of entrepreneurs
Most of the reported other receivables relate to the claims of subsidiary companies based on deficits for which the persons responsible for the stores are charged. No value correction which charging to the result of the period in 2023 (for 2022: EUR 153 thousand, note 11).

NOTE 23 – TRADE RECEIVABLES AND OTHER RECEIVABLES (continued)

Other receivables

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
Interest deposits	94	-
Receivables from accrued revenues for supplier bonuses	93	79
Receivables from accrued revenues and prepaid costs	36	12
Receivables from given advances	20	201
Receivables from prepaid rent	14	1
Receivables from claims for damage	13	31
Receivables from pre - bankruptcy settlements	2	5
Other miscellaneous receivables	71	17
Total other receivables	**343**	**346**

NOTE 24 – CURRENT FINANCIAL ASSETS

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
Given loans, deposits	500	4,116
Investments in securities	38	58
Other financial assets	87	-
Total short-term financial assets	**625**	**4.174**

Investments in securities

The position of investments in securities refers to investments in shares intended for trading that are recorded according to the fair value method. The gain or loss resulting from the change in the fair value of the financial asset is recognized in the income statement of the current year.

Given loans and deposits granted

Within this position, short-term revolving deposits with banks are shown for the most part. A smaller part of other receivables refers to receivables from given guarantees.

NOTE 25 – CASH AND CASH EQUIVALENTS

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
Cash on hand and balances with banks	2,196	6,255
Foreign currency account	-	109
Time deposits with maturity less than 3 months	21,558	5,376
Total cash and cash equivalents	**23,754**	**11,740**

NOTE 26 – CAPITAL AND RESERVES

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
Share capital	13,657	13,657
Reserves from profit	3,246	3,132
Fair value reserves	2,869	2,756
Retained earnings	65,766	58,664
To owners of non-controlling interests	(3,865)	(2,877)
Total capital and reserves	**81,673**	**75,332**

Share capital

The share capital as of December 31, 2020 amounted to EUR 13,657,177 and it is divided into 105,000 shares with a nominal value of EUR 130,06835.
On September 23, 2021, a change in the articles of the association of the company Čakovečki mlinovi dd was entered in the court register. The share capital as of December 31, 2021 is EUR 13,657,177 and is divided into 10,290,000 shares with a nominal value of EUR 1,32723 per share.
In 2022, there were no changes in the share capital.
The Company's share capital as of December 31, 2023, amounts to 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.

Reserves

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
Legal reserves	683	683
Other reserves	2,563	2,449
Total reserves	**3,246**	**3,132**

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 into legal reserves, until these reserves, together with the capital profit, reach the level of five percent (5%) of the share capital. This reserve is not distributable. On the basis of the Decision on the distribution of profit in 2018, adopted by the Company's Assembly, it was determined that part of the realized net profit for 2017 in the amount of EUR 167.231 will be allocated to legal reserves, in order to, together with the existing legal reserves, which amount to EUR 515.628 reaching the level of 5% of the Company's share capital, which amounts to EUR 682.859 . Other reserves were created during the privatization of the Company and are the result of the exchange rate difference on the day of the privatization decision and the denomination of the Company's capital from the originally nominated value in German marks to Croatian kuna.

Fair value reserves

Fair value reserves refer to the effect of fair valuation of long-term financial assets, of which EUR 2.756 thousand refers to investment in NTL (note 20), while the rest refers to fair valuation of investments in securities (note 21).

Retained earnings or loss carried forward

Based on the decision of the General Assembly of the parent company of the Group, a dividend of EUR 0,66361 per share was paid in 2022, i.e. a total of EUR 6,829 thousand. In 2023, there was no dividend payment.

NOTE 26 – CAPITAL AND RESERVES (continued)

To owners of non-controlling interests
Non-controlling interest refers to:

	31.12.2023.	31.12.2022.
Trgovina Krk Inc.	-	1.87%
Trgocentar Inc.	47.97%	47.97%

The share of minority shareholders in the current year's profit/(loss) amounts to:

	2023. in '000 EUR	2022. in '000 EUR
Trgovina Krk Inc.	-	24
Trgostil Inc.*	-	(61)
Trgocentar Inc.	7	(70)
Total	**7**	**(107)**

*adjusted for the period from October 3, 2023, when Trgostil was merged with Trgovina Krk.

The share of minority shareholders in the capital of subsidiaries amounts to:

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
Trgovina Krk Inc.	-	995
Trgocentar Inc.	(3,865)	(3,872)
Total	**(3,865)**	**(2,877)**

NOTE 27 – PROVISIONS

Provisions for jubillee awards and retirement severance payments

	Jubilee awards and severance pay	In total
On January 1, 2022	**1,161**	**1,161**
Income from reversal of provisions	(182)	(182)
Paid off	-	-
Balance as of December 31, 2022	**979**	**979**
The long-term part	861	861
Short-term part	118	118
On January 1, 2023	**979**	**979**
Expense / (Income from reversal) of provisions	13	13
Payed	-	-
On December 31, 2023	**992**	**992**
The long-term part	861	861
Short-term part	131	131
On December 31, 2023	**992**	**992**

Income from reversal of provisions within other income (note 4)

This provision refers to the estimated long-term earnings of workers related to severance pay and jubilee awards, which is defined by the Collective Agreement. The long-term provisioning amount refers to the estimated accrued rights to severance pay and jubilee bonuses that will be paid after December 31, 2023.

The actuarial estimates are based on the following main assumptions:

	31.12.2023.	31.12.2022.
Discount rate	3.39%	3.56%
Fluctuation rate	7.1% - 14%	7.1%-13.9%

NOTE 28 – LIABILITIES FOR LOANS, LOANS AND LEASE LIABILITIES

Liabilities for credits and loans

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
The long-term part	-	10
Short-term part	4,187	4,187
	4,187	**4,197**

The amount of EUR 20 thousand refers to an approved long-term loan from Erste&Steiermarkische banka in 2014, in cooperation with Primorska Goranska County, as part of the Entrepreneur in PGŽ program - 2014. The loan was approved with an interest rate of 5.90% per year, with the fact that the Primorsko-Goranska County subsidizes the 4.00% interest rate. The loan was granted to the subsidiary Radnik Opatija dd.
The remaining loan of EUR 10 thousand was fully repaid in 2023.

Short-term liabilities in the amount of EUR 4.187 thousand (2022: EUR 4.187 thousand) refers to loans with a maturity period of less than a year and refers to Liabilities for loans received from the subsidiary Trgocentar dd Virovitica, which the company received from companies that are not members of the Čakovečki mlinova Group, but are members of Trgocentar dd Virovitica. The legal interest rate between related parties is calculated on loans in the amount of 2,4% (2022: 2,68%).

NOTE 28 – LIABILITIES FOR LOANS, LOANS AND LEASE LIABILITIES (continued)

Liabilities under lease agreements

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
Long-term part	2,974	3,740
Short-term part	1,438	1,516
	4,412	**5,256**

Maturity of the long-term part:

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
1-2 years	1,396	1,474
2-5 years	1,328	1,797
>5 years	250	469
	2,974	**3,740**

The movement of liabilities for loans and lease liabilities during the year was as follows:

	Credit and loans in '000 EUR	Lease liabilities in '000 EUR
On January 1, 2023.	**4,197**	**5,256**
Cash transactions		
Loan repayment	(10)	-
Repayment of lease liabilities	-	(1,867)
Total monetary transactions	**(10)**	**(1,867)**
Non-monetary transactions		
Release of lease discount	-	123
New lease agreements	-	1,121
Terminations/modifications of lease agreements	-	(221)
Total non-cash transactions	-	1,023
On December 31, 2023	**4,187**	**4,412**

The total outflow of cash from the lease of assets with the right of use to which the Group applies IFRS 16 amounted to EUR 1,867 thousand in 2023 (EUR 1,830 thousand for 2022).

NOTE 29 – DEFERRED TAX LIABILITY

This position shows the effects of tax differences based on the fair valuation of assets through other comprehensive income in the total amount of EUR 630 thousand. The movement of the deferred tax liability during 2023 was as follows:

	Revaluation of financial assets by FV through OCI in '000 EUR
On January 1, 2023.	605
Posting in the profit and loss account	-
Posting in other comprehensive income	25
On December 31, 2023	**630**

NOTE 30 TRADE PAYABLES AND OTHER LIABILITIES

	31.12.2023. in '000 EUR	**31.12.2022. in '000 EUR**
Trade payables	12,391	13,443
Liabilities for taxes, contributions and similar benefits	2,949	2,161
Liabilities towards employees	1,838	1,695
Liabilities for advances	43	72
Liabilities based on the share in the result	32	32
Other short-term liabilities	698	1,019
Total trade payables and other liabilities	**17,951**	**18,442**

Trade payables

	31.12.2023. in '000 EUR	**31.12.2022. in '000 EUR**
Liabilities to domestic suppliers	11,906	12,641
Liabilities to foreign suppliers	197	126
Liability for uninvoiced goods	288	676
Total accounts payable	**12,391**	**13,443**

Trade payables mostly refer to accounts payable based on delivered and invoiced goods, services, fixed assets.
Liabilities for uninvoiced goods mostly refer to the deposit and procurement of grain in the amount of 186 EUR thousand (for 2022: EUR 439 thousand).

NOTE 30 – TRADE PAYABLES AND OTHER LIABILITIES (continued)

Liabilities towards employees

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
Liabilities for net salaries to employees	1,621	1,478
Other Liabilities towards employees	217	217
Total liabilities to employees	**1,838**	**1,695**

Under liabilities to employees, liabilities for net salaries of employees for December 2023, and liabilities for employee benefits for December 2023, which were calculated in the accounting period, and whose payment followed in 2024, are shown.

Liabilities for taxes, contributions and similar benefits

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
Liability for VAT	1,406	782
Income tax payable	782	608
Liabilities for other taxes and contributions	761	771
Total liabilities for taxes, contributions and similar benefits	**2.949**	**2.161**

Other short-term liabilities

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
Vacation accruals	309	301
Accrued income	232	131
Accrual costs	63	453
Other liabilities	94	134
Total other short-term liabilities	**698**	**1.019**

Accruals movements of unused vacations in 2023 was as follows:

	Accrual for vacation
As of 1.1. in 2023	301
Income of unused vacation reversal	(15)
Paid	-
Unused vacations expense	23
Balance on 31.12.2023	**309**

Under the position of other short-term liabilities, a liability for accrued unused vacations in the amount of EUR 309 thousand (2022.: EUR 301 thousand) is shown. Accrualis recognized for unused annual leave that is expected to be paid as a current liability. The Group recognizes the accruals for unused annual vacations on a net basis as the difference between the initial and final balance of liabilities, with the difference recorded as part of income and expenses.

NOTE 31 – RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are its related parties, have been eliminated by consolidation and are not disclosed in this note.

As part of its core business, the Company also performs business with an associated company, which includes the purchase of goods and services, as well as income from dividends.

Key transactions with an associated company

	Narodni trgovački lanac Ltd. in '000 HRK
Receivables on 31.12.2023.	282
Payables on 31.12.2023.	1,249
Purchasing in 2023.	13,089
Sale in 2023.	1,897
Other income	365
Income from dividends	808

Transactions with key management of the Group and members of the Supervisory Board

The key staff of the Group's management consists of the company's Management Board and the Supervisory Board. There are 5 members in the Management Boards of the Group companies. Salaries and fees of the members of the Management Board are shown under personnel expenses, and the fees of the Supervisory Board under other expenses.

In 2023, a total of EUR 974 thousand (in 2022: EUR 752 thousand) was paid to the members of the Management Board and the Supervisory Board in the name of salary expenses with related contributions and allowances. During the year, the Group made transactions with a company whose owner is a member of the Matica Supervisory Board. The aforementioned transactions did not have a significant financial impact on the Group.

NOTE 32 – EXPOSURE TO RISKS AND RISK MANAGEMENT

The term risk refers to all risks to which the Group is exposed or could be exposed in its operations. Risk management includes the determination, measurement or assessment and monitoring of risks, including reporting on the risks to which the Group is exposed or could be exposed during its operations. The Group implements regular risk management measures and acts in accordance with the rules of the business and financial profession, considering the scope and type of work it performs.

32.1 Financial risk management

The Group's activities expose it to various financial risks: currency risk, credit risk, liquidity risk, cash flow interest rate risk and interest rate fair value risk.

	31.12.2023. in '000 EUR	**31.12.2022. in '000 EUR**
Long-term financial assets	104	145
Long-term receivables	2	6
Receivables	9,709	9,392
Short- term financial assets	587	4,116
Cash and cash equivalents	23,754	11,740
Financial assets at amortized cost	34,156	34,339
Investments in securities	38	58
Financial assets at fair value through profit or loss	38	38
Equity instruments	1,560	1,423
Financial assets at fair value through other comprehensive income – equity instruments	1,560	1,423
Total financial assets	**35,754**	**26,880**

	31.12.2023. u '000 EUR	**31.12.2022. u '000 EUR**
Lease liabilities	4,412	5,256
Loan liabilities	4,187	4,197
Liabilities towards suppliers	12,391	13,443
Liabilities towards employees	1,838	1,695
Liabilities for taxes, contributions and similar benefits	2,949	2,161
Liabilities for advances	43	72
Liabilities based on the share in the result	32	32
Other short-term liabilities	698	1,019
Financial liabilities at amortized cost	26,550	27,875
Total financial Liabilities	**26,550**	**27,875**

NOTE 32 – EXPOSURE TO RISKS AND RISK MANAGEMENT (continued)

a) Capital risk management

The primary objective of the Group's capital management is to ensure business support and maximize shareholder value.
The capital structure of the Group refers to the share capital, which consists of subscribed capital, reserves and retained earnings and as of December 31, 2023, amounts to EUR 81,673 thousand (December 31, 2022: 75,332).
The Group manages capital and makes adjustments in light of changing economic conditions. In order to maintain or adjust the capital structure, the Group may adjust dividend payments to investors or return of capital to investors. The Group 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 indicator

	31.12.2023. in '000 EUR	**31.12.2022. in '000 EUR**
Loans and lease liabilities	(8,599)	(9,453)
Cash and cash equivalents and deposits	24,254	15,856
Net debt	15,655	6,403
Capital	81,673	75,332
Net debt equity ratio	**19.2%**	**8.5%**

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

c) Credit risk

The Group's short-term assets that may lead to credit risk consist mainly of cash, trade receivables and other receivables. The group does not have a significant concentration of credit risk. The Group's sales policies ensure that sales are made to customers who have an adequate credit history. The rest of the receivables from customers is not significant due to dispersion among a very large number of customers, individually small balances, and strict collection and delivery measures by the Group. Part of the Group's receivables is secured by debentures. In order to minimize this risk, the Group's sales policy ensures sales to verified customers with whom there are long-term relationships and payment security. Strict collection measures are implemented for new customers. The Group considers that its maximum exposure is reflected in the amount of receivables less the value adjustment recognized at the date of the statement of financial position

NOTE 32 – EXPOSURE TO RISKS AND RISK MANAGEMENT (continued)

c) Credit risk (continued)

Furthermore, the Group is exposed to credit risk through cash deposits in banks. Risk management is focused on doing business with the most respectable banks in the country, with regular monitoring of available statistical reports of banks and capital adequacy at the CNB.

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
Trade receivables	8,968	8,485
Loans and deposits - short-term	500	4,116
Cash and cash equivalents	23,754	11,740
Total financial liabilities	**33,222**	**24341**

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
Receivables from customers - domestic	10,108	9,581
Receivables from customers - abroad	145	198
Total receivables from customers (gross)	**10,253**	**9,779**

Impairment losses and maturity

	31.12.2023. in '000 EUR	31.12.2022. in '000 EUR
Receivables from customers - domestic	10,108	9,581
Receivables from customers - abroad	145	198
Value adjustment of trade receivables	(1,285)	(1,294)
Total receivables from customers	**8,968**	**8,485**

	Gross amount 31.12.2023. in '000 EUR	Value adjustment on 31.12.2023. in '000 EUR	Gross amount on 31.12.2022. in '000 EUR	Value adjustment on 31.12.2022. in '000 EUR
Not due	6,251	(96)	5,639	(101)
Due in 30 days	1,542	(66)	1,832	(158)
Due from 31-90 days	1,112	(81)	1,002	(43)
Over 90 days due	1,348	(1,042)	1,306	(992)
	10,253	**(1,285)**	**9,779**	**(1,294)**

NOTE 32 – EXPOSURE TO RISKS AND RISK MANAGEMENT (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	0.3% - 1.8%	0.4% - 4.6%	1.8 % - 8%	3.9 % - 16.6%	6.6 % - 30.2 %	9.4 % - 44 %	-
Estimated total gross carrying amount at default	7,296	1,819	1,071	264	146	86	10,682
Expected credit loss	96	66	79	40	33	20	334

31.12.2022. Trade receivables	Not due	0-30	31-60	61-90	91-120	>121	TOTAL
Expected credit loss rate	0.4% - 1.4 %	0.6% - 3,3 %	2.5 % -5,5 %	7.3% -10,4 %	10.3 % - 20.1 %	30.6% - 97.9%	-
Estimated total gross carrying amount at default	6,800	1,780	1,002	234	124	30	9,970
Expected credit loss	66	36	44	24	22	9	201

The movement of value adjustment of trade receivables during the year was as follows:

	2023 in '000 EUR	2022 in '000 EUR
Balance on January 1, 2023	(1,294)	(1,212)
Value adjustment expense	(195)	(259)
Write - off	194	23
Doubtful receivables collected	10	154
Balance as of December 31.12.2023	**(1,285)**	**(1,294)**

NOTE 32 – EXPOSURE TO RISKS AND RISK MANAGEMENT (continued)

d) Liquidity risk

Liquidity risk management implies maintaining a sufficient amount of cash, ensuring the availability of financial resources with an adequate amount of contracted credit lines and the ability to meet all Liabilities. The Group's goal is to maintain financing flexibility in such a way that contracted credit lines are available. The finance department regularly monitors the level of available sources of funds. Exposure to liquidity risk is reduced by maintaining a sufficient amount of own funds needed to settle all Liabilities, and by securing appropriate credit lines in the event of a lack of own funds through planning known and potential cash outflows and inflows with regard to the regular course of business, regular monitoring and management of liquidity, determination of appropriate measures to prevent or eliminate the causes of insolvency and identify other possibilities.

Liquidity risk analysis

The tables below show the contractual maturities of the Group's financial liabilities and financial assets presented in the statement of financial position at the end of each reporting period.
The liquidity risk analysis attached below does not indicate the possibility of a lack of Group liquidity in the short term.

Undiscounted value of contracted cash flows on 31.12.2023:

	i.r.	up to 1 year	1-5 years	> 5 years	In total
Trade receivables		8,968	-	-	8,968
Receivables from employees and members of entrepreneurs		115	-	-	115
Receivables from the state and other institutions		285	-	-	285
Other receivables		343	-	-	343
Loans and deposits		625	-	-	625
Cash and cash equivalents	0.01% -2.86%	23,754	-	-	23,754
Total financial assets		**34.090**			**34.090**

	i.r.	up to 1 year	1-5 years	> 5 years	In total
Lease liabilities	2.50%	1,517	2,975	265	4,757
Loan liabilities	2.4%-2.68%	4,187	-	-	4,187
Trade payables		12,391			12,391
Liabilities for taxes, contributions and similar benefits		2,949			2,949
Liabilities towards employees		1,838	-	-	1,838
Liabilities for advances		43			43
Liabilities based on the share in the result		32	-	-	32
Other short-term liabilities		698	-	-	698
Total financial Liabilities		23,655	2,975	265	**26,895**

NOTE 32 – EXPOSURE TO RISKS AND RISK MANAGEMENT (continued)

Undiscounted value of contracted cash flows as of 31.12.2022.:

	i.r.	up to 1 year	1-5 years	> 5 years	In total
Trade receivables		8,485	-	-	8,485
Receivables from employees and members of entrepreneurs		63	-	-	63
Receivables from the state and other institutions		504	-	-	504
Other receivables		346	-	-	346
Loans and deposits	0.01 % - 2.86%	4,174	-	-	4,174
Cash and cash equivalents	0.01 % - 2.86%	11,740	-	-	11,740
Total financial assets		**25,312**	**-**	**-**	**25,312**

	i.r.	up to 1 year	1-5 years	> 5 years	In total
Lease liabilities	2.50%	1,554	3,522	544	5,620
Loan liabilities	1.9%-2.68%	4,299	10	-	4,309
Trade payables		13,443			13,443
Liabilities for taxes, contributions and		2,161			2,161
Liabilities towards employees		1,695			1,695
Liabilities for advances		72			72
Liabilities based on the share in the result		32	-	-	32
Other short-term liabilities		1,019	-	-	1,019
Liabilities based on the share in the result		**24,275**	**3,532**	**544**	**28,351**

e) Interest rate risk

The Group has significant assets on deposit, so the change in the interest rate is directly related to the realized interest income, the Group's income and cash flow from business activities can be significantly dependent on changes in market interest rates. The Group's exposure to the risk of changes in the interest rate market is related primarily to loans granted, cash and cash equivalents and cash deposits of the Group, as well as credit and loan Liabilities.

Deposits are subject to interest rate changes, as decided by the Bank.

NOTE 32 – EXPOSURE TO RISKS AND RISK MANAGEMENT (continued)

Analysis of sensitivity to changes in the value of the interest rate

The following table analyzes the sensitivity of the Group to a change in the interest rate of 0.5%. The sensitivity rate of 0.5% is a rate that represents the management's assessment of realistically possible changes in the interest rate on loans and deposits contracted with a variable interest rate. Reduction of ks . would result in the same amounts, but with the opposite sign.

	31.12.2023.		31.12.2022.	
	Book value	**Increase in i.r. by 0.5%**	**Book value**	**Increase in i.r. by 0.5%**
	in '000 EUR	**in '000 EUR**	**in '000 EUR**	**in '000 EUR**
Loan liabilities	(4,187)	(19)	-4,197	-21
Lease liabilities	(4,412)	(22)	(5,256)	(26)
Loans and deposits given	22,058	31	9,492	47
Net amount	**13,459**	**(10)**	**39**	**-**

32.2. Risks of regular business

Market risk

Market risk is related to the appearance and realization of our products on Trade. In order to successfully deal with the competition, we reduce the risk through quality preparation and careful selection of an appropriate market strategy, which is the result of an analysis of Trade, customers and competition. We fully devote ourselves to the demands and needs of our customers, cultivate good relationships with key customers and business partners, and constantly explore 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 (increase in the number of tourists and food consumption in the hospitality industry; growth in production in the confectionery and bakery industry), social (changes in the standard of living and eating habits of the population), political (membership in the EU, which enables unimpeded exports to European Union countries, but also increased competition on the domestic market due to the arrival of producers from other member states).

Operational risk

Operational risk is the risk of loss due to errors, interruptions or damages caused by inadequate internal processes, people, systems or external events, including the risk of changes in legal regulations. Business activities are planned based on the plans specified in the HACCP system application procedures. Planning activities
it also includes the HACCP plan that is created as a result of the HACCP study. Hazard analysis and determination of critical control points is part of quality planning. This includes improving and encouraging actions that prevent the occurrence of inappropriate work activities during the performance of regular business activities.
Flour production could be adversely affected by extraordinary events such as earthquakes, fires, explosions, failure and breakage of production equipment, extended or extraordinary maintenance. The Group uses insurance to cover damage to these facilities and equipment, as well as insurance and agreed compensation for damage in the event 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 Group may be subject to costs that are not covered by insurance.

NOTE 32 – EXPOSURE TO RISKS AND RISK MANAGEMENT (continued)

Operational risk (continued)

The Group relies on IT systems that enable it to effectively manage the Group, communicate with customers and suppliers, and collect all the necessary information that management could rely on in making decisions. The Group's business is becoming more and more dependent on the use of such systems, and any disruptions in the operation of the IT system 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 Group's business and financial condition. The Group actively implements the policy of protecting its systems from these risks through the IT department of each company, and through external support.

Industry risks

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

Risks of procurement of raw materials and delivery of products

The production of wheat 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 affects the production and movement of the price of flour.
An important domestic source of raw materials is 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 raw materials. It is possible that due to climatic influences, the raw material does not have the satisfactory or required quality.
The risk of raw material procurement is reduced by the fact that the Group can, for the time being, at any time, procure a sufficient quantity of wheat at the currently valid market price on international commodity markets. With the accession to the European Union, all administrative obstacles for 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 stopping production due to a breakdown in the milling plant. The risk of production stoppages is minimized by the fact that the Group employs employees at the mill location who are adequately trained to solve malfunctions within a reasonable time. The risk of non-delivery of the product due to the cancellation of the contract with the flour transporter tends to be reduced by the fact that the Group has a large base of transporters and in terms of the volume of use of transporter services, it is not dependent on any one.

Competition risk

The group sells its products and goods mainly on the domestic market. Croatia's accession to the European Union made it administratively easier to enter Trade of other member countries, as well as the entry of foreign competition into the domestic market.
The flour market tends towards greater concentration, i.e. the reduction of the total number of flour producers (by consolidating or shutting down small mills) in order to achieve the lowest possible production costs per product unit through economies of scale and thereby strengthen the competitive position on Trade
Croatia's accession to the European Union. The group no longer only faces domestic competition, which is why the need to strengthen competitiveness is even more pronounced.

With the investment of the parent company in 2016, all existing equipment for cleaning and grinding grains as well as equipment for peeling grains was replaced. The latest generation of mill equipment for processing wheat and rye has been installed, which ensures an increase in processing capacity and supports the intention that the parent company has the highest standards in product quality and health, and thus a greater competitive advantage.

NOTE 32 – EXPOSURE TO RISKS AND RISK MANAGEMENT (continued)

The 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 parent company's production. which is a commodity. The volatility of wheat prices can be the result of bad weather, disease, political instability and other external factors. General economic conditions, unanticipated 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 parent company can satisfy all its needs for wheat on the domestic market, the price movement on the domestic market is influenced by the movement of the wheat price on the world commodity exchanges. Based on the historical operations of the parent 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 adjust to changes in the price of wheat, which in certain shorter periods has a negative impact on the parent company's margin in the event of an increase in the price of wheat. Regardless of the historical indicators that indicate the correlation of the prices of flour and wheat, the parent company cannot guarantee that in the future it will be able to fully compensate for the possible increase in wheat prices by the increase in flour prices in such a way as to maintain historical margins.

The risk of changes in wheat prices The parent company tried to reduce its access to futures markets, but was unable to find an adequate financial product that could ensure satisfactory quality in case of maturity.

The parent company further reduces the risk of price fluctuations by purchasing larger quantities of raw materials in the harvest price, and depending on the price itself.

Risk of legal proceedings against the Group

The Group, like any economic entity, is subject to the risk of conducting proceedings before courts, regulatory or other competent authorities, within the framework of regular business operations. Such disputes primarily refer to disputes with debtors or suppliers. In the future, the risk of potential lawsuits by customers and other stakeholders against the Group due to damage caused by the consumption of products cannot be ruled out. The Group cannot provide any guarantees that the results of future legal and regulatory disputes or measures will not significantly affect the Group's operations and financial condition. Part of the risk is reduced by the Group with liability insurance policies.

Risk of liabilities or losses not covered by insurance

The Group undertook activities, through the engagement of specialists in insurance, to identify key risks and threats to the operations of the Group's company. In addition to the usual risks for the industries in which the Group operates, the insurance policies concluded and the risks they cover also cover risks due to earthquakes and downtime due to earthquakes, fires, explosions. However, it is not possible to cover all potential liabilities and losses with insurance, and thus the Group 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 Group's operations and financial condition.

NOTE 32 – EXPOSURE TO RISKS AND RISK MANAGEMENT (continued)

32.3. General risks

Business environment risk

Business environment risk includes political, legal and macroeconomic risks of the environment in which the Group operates, which primarily refers to the Croatian market where the Group generates its total revenue, and the remaining part to Bosnia and Herzegovina and Slovenia. Previous governments implemented economic reforms with the aim of developing and stabilizing a free market economy. Although Croatia has made significant efforts towards the establishment of a market economy, it will take several more years and a number of additional investments to achieve the level of infrastructure of Western European countries. The Group cannot provide any guarantees that Croatia will achieve the intended reforms or that the political environment will be conducive to the implementation of reforms. The Group cannot give any guarantees that the Government will not introduce new regulation, fiscal or monetary policy, including regulation or policy on 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. The group could find itself in a situation where it is unable to successfully exercise or protect some of its rights.

The Group's operations are subject to the macroeconomic environment, economic opportunities and the movement of economic activity. In periods of unfavorable economic conditions, the Group could have difficulties in expanding its business. The continuation of the current economic situation could make it difficult for the Group, as well as for its customers and suppliers, to access the capital market, which could affect the existing level of income and profitability.
The Group is also affected by international developments, considering that wheat, which is the basic raw material for production in the parent 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 previously indicated, the Group can fully meet its raw material needs from domestic sources.

The risk of changing the legal framework

As a manufacturer of food products, the Group is subject to strong regulations related to human nutrition, product safety, employee safety and working conditions, safety and environmental protection (including those related to wastewater, air cleanliness, noise, waste disposal, environmental cleaning, etc.), product composition, packaging, labeling, advertising and market competition. Food production results in the creation of waste, the release of harmful substances into the atmosphere and water, and the Group is therefore obliged to obtain various permits and comply with various regulations.

Regulations related to health, safety and environmental protection in Europe and other developed regions are becoming more and more strict, and implementation is becoming more pronounced. The group tries to monitor and anticipate all such changes, but any failures of this type could result in various penalties. The Group believes that it is currently in compliance with existing rules and regulations and the deadlines prescribed by various regulators.

The Group 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 Group's operations and financial condition. Also, it is possible that in the future additional regulations will be introduced and the current legislation (or its interpretation) will change, which could affect the Group's operations and products. The Group cannot give any guarantees that in the future the cost of complying with such initiatives will not have a significant impact on the Group's operations and financial condition.

NOTE 33 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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 according to prices quoted on Trade
- the fair value of other financial assets and other financial liabilities is determined in accordance with pricing models, based on the analysis of discounted cash flows using prices from known market transactions and prices offered for similar instruments

As of December 31, 2022 and December 31, 2021, the stated amounts of cash, 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 assets and liabilities.

Fair value indicators recognized in the statement of financial position

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

- 1st indicator level – fair value indicators are derived from (unadjusted) prices quoted on active markets for similar assets and similar liabilities
- 2nd level of indicators – fair value indicators are derived from other data on assets or liabilities that are not quoted prices from level 1, either directly (i.e. as prices) or indirectly (i.e. they are derived from their prices)
- 3rd level of indicators – indicators derived by applying valuation methods in which data on assets or liabilities that are not based on available market data were used as input data.

In 2022, the company transferred part of its investments to the first level, given that these are shares listed on the Zagreb Stock Exchange. In addition, shares traded on the alternative market are transferred to level 2.

31.12.2023.	**1st level in '000 EUR**	**2nd level in '000 EUR**	**3rd level in '000 EUR**	**In total in '000 EUR**
Investing in shares	99	1,452	47	1,598
	99	**1,452**	**47**	**1,598**

31.12.2022.	**1st level in '000 EUR**	**2nd level in '000 EUR**	**3rd level in '000 EUR**	**In total in '000 EUR**
Investing in shares	96	1,317	68	1,481
	96	**1,317**	**68**	**1,481**

Management believes that the book values of financial instruments that are not measured at fair value are approximately equal to fair values, because the Group recognizes impairment provisions for expected credit losses for financial assets that are measured at amortized cost, i.e. those financial assets that are not measured at fair value. Also, taking into account the maturity of the financial instruments, the Management believes that the book value is reasonably close to the fair value.

NOTE 34 – COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

As of the balance sheet date, the Group does not have any assumed Liabilities that are not disclosed in the financial statements.

Contingent liabilities and litigation

In the course of its regular operations, the Group entered into various court cases.
The group has carried out all value adjustments and provisions for them in accordance with the loss assessment, and we have no other knowledge as of the date of this report.

As of the balance sheet date, the Group has an open dispute as the defendant initiated by Allianz Hrvatska Inc. as the plaintiff on 28/07/2022, related to the fire at the building at I. Novaka 42, Čakovec in the value of the subject of the dispute of EUR 716.703.In accordance with the opinion and assessment of the lawyer that there is little probability of the defendant's success in the dispute, no provision was made for the said lawsuit.

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 35 – EVENTS AFTER THE BALANCE SHEET DATE

In 2024, the Group continues to operate in a challenging economic environment characterized by inflation and the activity of central banks and geopolitical risks due to the war in Ukraine.

Apart from the above, after the end of 2023, no business events or transactions occurred in the Group that would have a significant impact on the Group's operations or the announcements in this report.

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

NADZORNI ODBOR
Ur. br. 01-05-236-5/2024
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.8.
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 Grupu Čakovečki mlinovi.

2. Nadzorni odbor Čakovečkih mlinova d.d. daje suglasnost i utvrđuje Godišnja izvješća za 2023. godinu za Grupu Čakovečki mlinovi.

3. Odluka stupa na snagu danom donošenja.

Zamjenik predsjednika Nadzornog odbora
Damir Metelko

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