



ČAKOVEČKI MLINOVI D.D.

ANNUAL REPORT
FOR THE YEAR 2023
(unaudited)



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ČAKOVEČKI MLINOVI D.D.

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

1. BUSINESS RESULTS IN 2023

ABOUT THE COMPANY

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

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

In 2023, Čakovečki mlinovi d.d. they achieved 29 million euros in total revenue based on total assets in the amount of 31 million euros and employed 195 employees on average based on working hours. According to the Accounting Act, the company Čakovečki mlinovi d.d. belongs to medium-sized entrepreneurs.

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

BUSINESS SEGMENT

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

KEY FINANCIAL INDICATORS OF THE COMPANY

INCOME STATEMENT (millions of euros)	1.-12. 2023.	1.-12. 2022.	1.-12. 2023. / 1.-12. 2022.
Sales revenue	28,5	30,5	-6,3%
Operating costs, net ¹	26,3	27,1	-3,0%
EBITDA²	2,2	3,4	-33,2%
Normalized EBITDA³	2,6	3,3	-20,5%
Depreciation	1,2	1,0	15,2%
EBIT ⁴	1,1	2,3	-54,4%
Net financial result ⁵	0,0	0,7	-102,3%
Net profit (loss)	0,9	3,0	-71,4%

Profit margins⁶			
EBITDA margin	7,8%	11,0%	-3,2 pb
Normalized EBITDA margin	9,2%	10,9%	-1,6 pb
EBIT margin	3,7%	7,7%	-3,9 pb
Net profit margin	3,0%	9,8%	-6,8 pb

Balance sheet (millions of euros)	31.12.2023.	31.12.2022.	31.12.2022. / 31.12.2022.
Net debt (cash) ⁷	-5,4	1,1	-
Net debt (cash) / Norm. EBITDA (TTM) ⁸	-2,1x	0,3x	-2,4x
Capital and reserves	28,6	27,7	3,1%
Return on Average Equity (ROAE) ⁹	3,1%	10,2%	-7,1 pb
Net working capital ¹⁰	6,9	13,2	-47,7%

CASH FLOWS (millions of euros)	1.-12. 2023.	1.-12. 2022.	1.-12. 2023. / 1.-12. 2022.
Net operating cash flows	8,0	-1,3	-
Capital expenditures (CapEx) ¹¹	0,5	1,6	-69,5%
Dividends paid	0,0	6,8	-

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

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

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

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

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

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

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

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

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

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

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

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

2. EXPECTED BUSINESS DEVELOPMENT IN 2024

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

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

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

General economic environment

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

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

The impact of the war in Ukraine and in Israel

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

As of the date of issuing this report, the Company has no relationship with, nor is it exposed to, companies from Russia, Belarus or Ukraine. The company maintains all business operations in Croatia, where it generates 99% of its revenue. The Company's foreign revenues refer to Slovenia, BiH and Hungary. Also, the parent company Čakovečki mlinovi d.d. does not have any shareholders from Russia or Belarus nor does it directly or indirectly hold ownership interests in entities in those countries.

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

State price control measures

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

Outlook for the Company in 2024

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

Strategic guidelines

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

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

Key business factors

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

Prices and sources of raw materials: Cereal and energy prices (electricity) are key inputs for the Company. In September 2021, the electricity price until September 2024 was successfully negotiated. Most of the necessary quantities of grain are procured during the harvest in July (wheat and rye) and October (corn) when the price is usually the lowest. The company operates with strategically dispersed and stable suppliers, realizes more than 75% of grain procurement in Croatia and is dedicated to the development of domestic suppliers. Also, mostly first-class cereals are procured, which encourages high-quality production. Accordingly, in the wheat harvest of 2023, Čakovec mills offered the highest purchase prices.

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

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

ČAKOVEČKI MLINOVI D.D.

**FINANCE REPORTS
FOR THE YEAR 2023**

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

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


To the best of our knowledge:

- The financial statements for the fourth quarter of 2023, and for the year 2023, have been compiled with the application of appropriate financial reporting standards, and provide a true and objective presentation of the issuer's assets and liabilities, financial position, profit or loss.
- The management's interim report for the fourth quarter of 2023, and for the year 2023, contains an objective presentation of the development and results of the issuer's operations and position, along with a description of the most significant risks and uncertainties to which it is exposed.


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

In Čakovec, February 28, 2024.

For Čakovečki mlinovi Inc.:



Nino Varga
President of the Management Board



Marijan Sršen
Member of the Management Board

	1.-12. 2023.	1.-12. 2022.	10.-12. 2023.	10.-12. 2022.
	u '000 EUR	u '000 EUR	u '000 EUR	u '000 EUR
Sales revenue	28.542	30.476	6.730	8.084
Other revenue	282	406	83	88
Operating revenue	28.825	30.882	6.813	8.172
Changes in inv. of work in progress and f. goods	(99)	57	2	(82)
Costs of raw material	(18.553)	(20.371)	(4.462)	(5.349)
Cost of goods sold	(578)	(458)	(131)	(171)
Other external costs	(1.956)	(2.065)	(531)	(854)
Staff costs	(4.194)	(3.660)	(983)	(937)
Depreciation, amortisation	(1.178)	(1.022)	(315)	(303)
Other costs	(1.060)	(927)	(325)	(287)
Value adjustments	(4)	(83)	(4)	(83)
Reservations	(89)	-	(89)	-
Other business expenses	(52)	(21)	(29)	14
Operating expenses	(27.762)	(28.550)	(6.866)	(8.053)
Operating profit	1.062	2.332	(52)	119
Financial income	71	815	39	5
Financial expenses	(88)	(83)	(23)	(38)
Net financial result	(16)	732	16	(33)
Profit before tax	1.046	3.064	(36)	86
Income tax expense	(189)	(69)	5	10
Net profit	856	2.995	(31)	95
Other comprehensive income	-	-	-	-
Total comprehensive income	856	2.995	(31)	95
Earnings per share (in euros)				
- basic	0,08	0,29	(0,00)	0,00
- diluted	0,08	0,29	(0,00)	0,00

	31.12.2023. u '000 EUR	31.12.2022. u '000 EUR
Assets		
Fixed assets		
Intangible assets	1	2
Tangible assets	3.804	4.432
Real estate investment	2.946	3.003
Investments accounted for using equity method	10.537	9.420
Financial assets	1	28
Trade and other receivables	2	5
Deferred tax assets	118	90
	17.408	16.980
Current assets		
Inventories	3.895	9.425
Trade and other receivables	4.148	5.604
Financial assets	104	3.769
Cash and cash equivalents	5.389	365
	13.535	19.164
TOTAL ASSETS	30.943	36.144
Capital and reserves		
Share capital	13.657	13.657
Reserves	3.132	3.132
Fair value reserves	11.762	10.906
	28.551	27.695
Non-controlling interests	-	-
Total equity	28.551	27.695
Liabilities		
Non-current liabilities		
Provisions	361	272
Lease liabilities	2	5
	363	277
Current liabilities		
Liabilities to group enterprises	54	268
Lease liabilities	3	5.218
Borrowings	11	5
Trade payables	1.059	1.483
Employee benefits payables	242	231
Taxes, contributions and other duties payable	514	415
Liabilities from equity share in profit	33	32
Other payables	114	519
	2.029	8.172
TOTAL EQUITY AND LIABILITIES	30.943	36.144

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2023

	Share capital	Legal reserves	Other reserves	Retained earnings	Total
	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR
Balance on 1.1.2022.	13.657	683	2.449	14.740	31.528
Profit/(loss) of the business year				2.995	2.995
Other comprehensive income				-	0
Total comprehensive income/(loss)	0	0	0	2.995	2.995
Dividend				(6.829)	(6.829)
Other changes in equity					
Balance on 31.12.2022.	13.657	683	2.449	10.906	27.695
Balance on 1.1.2023.	13.657	683	2.449	10.906	27.695
Profit/(loss) of the business year				856	856
Other comprehensive income				-	-
Total comprehensive income/(loss)	0	0	0	856	856
Dividend					
Other changes in equity					
Balance on 31.12.2023.	13.657	683	2.449	11.762	28.551

	1.-12. 2023. u '000 EUR	1.-12. 2022. u '000 EUR
CASH FLOW FROM BUSINESS ACTIVITIES		
Profit before tax	1.046	3.064
Adjustments:	-	-
Depreciation, amortization	1.178	1.022
Gains and losses from the sale and value adjustments of long-term tangible and intangible assets	(42)	(51)
Gains and losses from sales and unrealized gains and losses and value adjustment of financial assets	19	-
Income from interest and dividends	(71)	(806)
Interest expenses	67	70
Reservations	89	(4)
Exchange differences (unrealized)	1	2
Other adjustments for non-cash transactions and unrealized gains and losses	(24)	83
Increase or decrease in cash flows before changes in working capital	2.263	3.382
Changes in working capital	5.839	(4.541)
Increase or decrease in current liabilities	(1.181)	486
Increase or decrease in current receivables	1.490	(596)
Inventory increase or decrease	5.531	(4.431)
Other increases or decreases in working capital	-	-
Cash generated from operations	8.102	(1.159)
Interest paid	(67)	(10)
Income taxes paid	(34)	(91)
NET CASH FLOWS FROM BUSINESS ACTIVITIES	8.001	(1.260)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Cash receipts from the sale of long-term tangible and intangible assets	42	76
Cash receipts from the sale of financial instruments	-	54
Cash receipts from interest	71	7
Cash receipts from dividends	4	799
Cash receipts based on the return of loans and savings deposits	3.705	2.935
Other cash receipts from investment activities	-	2
Cash expenditures for the purchase of long-term tangible and intangible assets	(492)	(1.612)
Cash expenditures based on loans and savings deposits for the period	-	-
Other cash expenditures from investment activities	(1.090)	-
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	2.241	2.260
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Cash receipts from principal of loans, loans and other loans	-	5.309
Cash expenditures for the repayment of principal of loans, loans and other loans and debt financial instruments	(5.180)	(250)
Cash expenses for the payment of dividends	-	(6.829)
NET CASH FLOWS FROM FINANCIAL ACTIVITIES	(5.218)	(1.770)
TOTAL NET CASH FLOW	5.024	(769)
Cash and cash equivalents at the beginning of the period	365	1.134
Cash and cash equivalents at the end of the period	5.389	365

NOTE 1 – GENERAL INFORMATION

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

The share capital of the Company on the date of issue of this report amounts to 13.657.177.00 euros and is divided into 10.290.000 shares without a nominal amount. Shares of Čakovečki mlinovi d.d. are listed on the Official Market of the Zagreb Stock Exchange under the symbol CKML.

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

PRINCIPAL ACTIVITIES

The company generates the majority of its income from the production and sale of food products (flour, bread, pastries, biscuits, waffles, pasta, porridge, edible oils).

CORPORATE GOVERNANCE

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

Management board:

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

Supervisory board:

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

Audit committee:

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

Nominating committee:

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

Remuneration committee:

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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



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