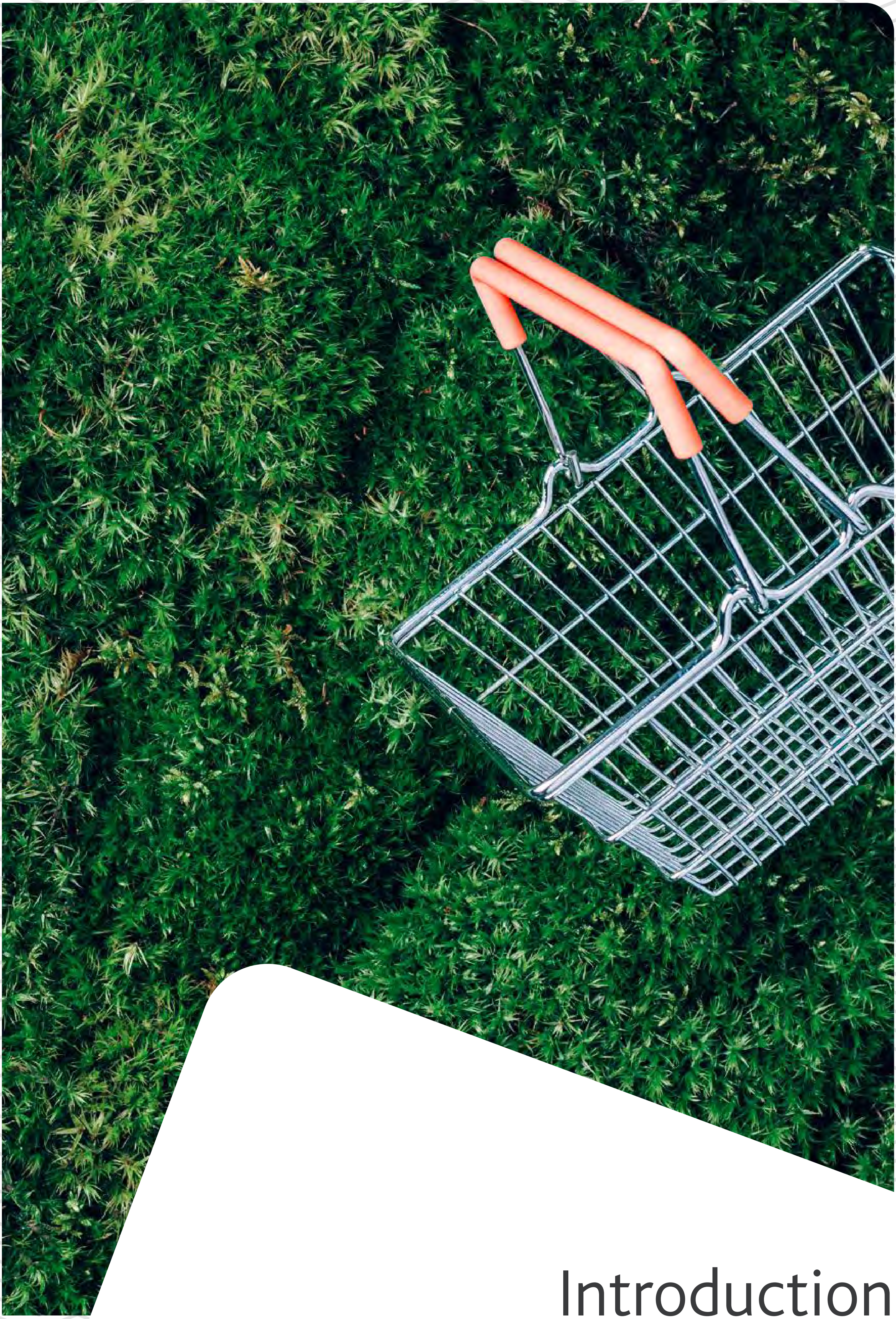
ANNUAL REPORT

for the business year 2024

KONZUM

Contents



Introduction

Foreword by the President of the Management Board

In 2024, a year once again marked by strong inflationary pressures, Konzum, Croatia's leading retail chain and a part of the Fortenova Group, reaffirmed its role as a reliable partner to its customers, partners, employees, and the community in which it operates.

We successfully navigated a range of challenges that impacted our operations. Domestically, new Trade Act affecting the allocation of working Sundays came into full force, while globally, the war in Ukraine and security disruptions in the Red Sea continued to strain supply chains. Additionally, Croatia was hit by severe flooding in September 2024, caused by heavy rains and rising river levels.

Despite these challenges, we ensured uninterrupted market supply and responded to the product availability disruptions through careful planning and agile logistical responses, which in return secured a high level of customer service. Supporting customer needs is also the goal of the Government of Croatia's anti-inflation measures, which we at Konzum, as in previous years, have reinforced with our own investments in price stability efforts that our customers recognize and value.

In financial terms, we surpassed EUR 2 billion in total revenues in 2024, achieving an 8.2 percent increase compared to the previous year. This growth was primarily driven by higher sales volumes and new product introductions. We recorded an additional EUR 41 million in EBITDA - an increase of 27.7 percent compared to 2023 while improving our EBITDA margin by 1.5 percent. In parallel, we repaid a significant amount of loans, reducing our loan exposure by EUR 63 million and lowering our net debt-to-EBITDA ratio by 0.6x, bringing it down to 2.6x. We invested over EUR 10 million in network expansion and modernization during 2024, with eleven new stores opened across Croatia, strengthening our local presence exactly where our customers need us most.

Strategically, we are focused on digitalization, establishing us as a technological leader in retail. We are developing omnichannel services, making technological advances, and creating innovative solutions that offer customers a more convenient and seamless shopping experience, while also making daily operations easier for our employees.

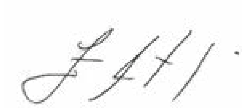
We closed the year with around 11,000 employees, making us the largest company within the Fortenova Group in Croatia and one of the leading employers in the country. Our human resources practices continue to be recognized externally: this year, we once again renewed the Employer Partner Certificate with improved scores and retained both the Best Places to Work and Health-Friendly Company certifications. We remain committed to investing in our people, with continuous focus on development programs and nurturing our corporate culture, which we regard as one of our key competitive advantages. However, like many companies, we are facing workforce shortages in Croatia and have therefore expanded our teams with international employees. We pay particular attention to their onboarding, education, integration in work processes, and mentorship.

In addition to caring for our employees and customers and leading technological innovation, we are mindful of our societal role - supporting athletes, helping young talents reach their full potential, caring for the environment, and donating to those in need. We are particularly proud to hold the title of "Top Donor" - Croatia's largest food donor - since 2017. We are the only company in the country to have received this recognition every year since the award's inception.

Over the years, we have proven our strength, knowledge, and ability not only to overcome challenges but also to grow and evolve - sustainably. We remain committed to this path, focusing on price competitiveness, maintaining strong partnerships with Croatian producers, offering a range of high-quality domestic and fresh products, our proven good private label brands, and promoting everything that represents "the best from Croatia".

Zoran Mitreski

President of the Management Board



Basis of Preparation

Pursuant to Articles 21 and 24 of the Accounting Act (Official Gazette "Narodne novine" No. 85/24, 145/24) and Article 250.a of the Companies Act (Official Gazette "Narodne novine" No. 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, 136/24), the Management Board of KONZUM plus d.o.o. (hereinafter: the Company or Konzum) has prepared this Management Report (hereinafter: the Report). The Report outlines the achievements and performance of the Company during 2024, using a range of financial and non-financial indicators. It provides a comprehensive overview of the Company's strategic direction, financial and operational results, and contribution to socially responsible and sustainable business practices.

Scope of the Report

This report covers the period from 1 January to 31 December 2024, and addresses topics that comprehensively present Konzum as a company, including a summary of key financial and operational results and a review of the most significant events during the year. The financial section offers a concise analysis of the financial statements, while the non-financial section highlights Konzum's achievements and efforts toward achieving sustainable development goals across environmental, social, and governance (ESG) areas.

Alternative Performance Measures

In the preparation of this Report, certain additional performance measures have been used which are not prescribed by the International Financial Reporting Standards (IFRS). These measures provide enhanced insights into the Company's operations and enable a clearer and more comprehensive interpretation of the presented information. An overview of the alternative measures used, along with the methods for their calculation and the rationale for their disclosure, is provided on pages 26-28 within the Business Report section.

Management Board Authorisation

The Management Board and Supervisory Board of Konzum continuously monitor and analyse the Company's financial, operational, and sustainability performance. The Management Board authorised the issuance of this Annual Report, as detailed in the *Responsibility for Annual Financial Statements* section.

Corporate Governance

Konzum plus d.o.o. is a limited liability company for trade incorporated under the relevant laws and regulations of the Republic of Croatia and the European Union. The sole incorporator and owner of the Company is Fortenova grupa d.d. (hereinafter: the Group), Zagreb, Marijana Čavića 1, with a 100 percent share. The registered office of the Company is in Zagreb, Marijana Čavića 1a. Ultimate parent of the Company as at 31 December 2024 is Sustainable Solutions Holding AG, Switzerland, while the ultimate controlling party as at 31 December 2024 is Mr. Pavao Vujnovac. According to the Register of Beneficial Owners (Financial Agency, FINA) on 31 December 2024, in Fortenova grupa d.d., Zagreb, Marijana Čavića 1, the ultimate beneficial owners of Konzum plus d.o.o. are:

- Mr. Pavao Vujnovac (indirect ownership of 65.66 percent)
- Mr. Josip Jurčević (indirect ownership of 18.76 percent)
- Mr. Damir Spudić (indirect ownership of 9.38 percent).

The governing bodies of the Company are the **Management Board**, the **Supervisory Board**, and the **Assembly**. The Management Board and the Supervisory Board act independently and are accountable to the Company's Assembly.

The Company Assembly consists of the sole member, Fortenova grupa d.d. Since the Company has only one member, all Assembly decisions are replaced by written decisions of the sole Company member in accordance with the Companies Act. The Assembly decides on matters specified by the Company's Incorporation Statement. It is convened by the Management Board at least once per year.

Pursuant to the Konzum plus d.o.o. Incorporation Statement, amended as of 5 September 2024, **the Supervisory Board** consists of three members with a four-year mandate, appointed and dismissed by the Company Assembly. Previously, under the Incorporation Statement dated 27 March 2019, which has now been entirely replaced, the Supervisory Board had five members.

The Supervisory Board supervises the management of the Company's operations, including reviewing the annual financial statements, proposing auditors to the Assembly, submitting supervisory reports to the Assembly, and convening the Assembly if necessary. Each Supervisory Board or Management Board member may request that the Supervisory Board President convene a Supervisory Board meeting, stating the reasons and objectives. The Supervisory Board makes decisions primarily at meetings by a simple majority vote of the Supervisory Board members present.

SUPERVISORY BOARD MEMBERS IN 2024

Fabris Peruško
member and President until 5 September 2024; continued as member from 5 September 2024, and President from 9 September 2024

James Pearson
member and Deputy President until 30 June 2024

Hido Lajtman
member until 5 September 2024; continued as member from 5 September 2024

Gordana Fabris
member until 5 September 2024

Damir Spudić
member from 5 September 2024 and Deputy President from 9 September 2024.

Management Board

In accordance with the Incorporation Statement, the Management Board consists of one to five members, with one appointed as the President. Members are appointed and dismissed by the Assembly, with a term of up to four years.

The Management Board manages the Company's operations independently and on its own responsibility, according to the privileges and restrictions defined by the applicable regulations of the Republic of Croatia, the Company Incorporation Statement, the decisions of the Supervisory Board and the Company Assembly and in accordance with the Management Board Rules of Procedure. Any act of the members of the Management Board in this capacity is considered as management of the Company's business operations.

Through managing the Company business activities, the Management Board represents the Company and undertakes other actions resulting from business activities and within the scope of regular Company management. If the Statement prescribes that the Management Board may make certain decisions only with prior consent of the Company Assembly, the Management Board is authorized to make such a decision after having obtained the consent.

Management Board as the Company's governing body usually makes decisions during formal sessions, in the manner defined by the Management Board Rules of Procedure. The Management Board has also, for the purpose of facilitating operations and increasing efficiency, delegated part of the authority for representation to lower organizational levels within the Company through an internal act. Board members are required to act with due care and diligence and undertake all necessary measures to mitigate risks related to the Company business.

The Company is represented by the Management Board in accordance with the Incorporation Statement. The Company is jointly represented by two members of the Management Board when acting as its legal representative.

MANAGEMENT BOARD MEMBERS IN 2024

Uroš Kalinić

member since 11 January 2019

Zoran Mitreski

member since 11 January 2019; President since 8 May 2020

Tomislav Bagić

member from 1 August 2023 to 29 October 2024

Business Compliance

The Company has established a dedicated Business Compliance Function, responsible for:

- Monitoring and implementing applicable laws and regulations in the Company's operations
- Ensuring the Company's business practices are aligned with legal requirements and internal policies
- Overseeing the implementation of additional standards relevant to the Company's business activities
- Conducting risk assessments and proposing best practice solutions
- Advising management and all employees on compliance obligations.

The Compliance Officer (CO) is a Company employee whose primary task is to ensure business compliance through their activities. To avoid potential conflicts of interest, the CO must maintain sufficient independence from operational activities in order to perform their duties objectively and appropriately and reports directly to the Company's management.

Konzum bases its business operations on responsibility and strict adherence to legal frameworks. The Compliance team ensures that operations are aligned with relevant laws, regulations, and internal policies, mitigating regulatory risks and strengthening operational security.

About Us

About us

Our retail network and online store are recognized for customer satisfaction, supply chain reliability, service availability, and a wide range of domestic products. Konzum's success is built on responsible business practices across all areas. As one of the largest companies in Croatia, we are fully aware of our impact and believe it is our responsibility to contribute to building a better and more prosperous society.

As Croatia's leading retail chain, we welcome approximately half a million customers every day. With over 600 stores across more than 300 cities and towns - on the mainland, coast, and islands - we proudly continue a tradition of more than 65 years. Our consistent market leadership and ability to create new retail trends reaffirm our mission and vision.

MISSION
To help our customers improve their quality of life by offering a selection of food products.

VISION
To be the undisputed market leader and the first choice for both employees and customers while promoting our corporate values.

Retail

Our retail network consists of 636 stores in 2024, operating under three different formats: Super, Maxi, and Small. Throughout 2024, our retail network underwent significant changes aimed at improving our offerings, modernizing stores, and enhancing the overall shopping experience.

We are particularly proud of the opening of eleven new stores, further strengthening our market presence and ensuring greater product accessibility for our customers. Of these, ten stores were opened in the Istria region, while one Super format store was opened in Vodice.

636
Konzum stores

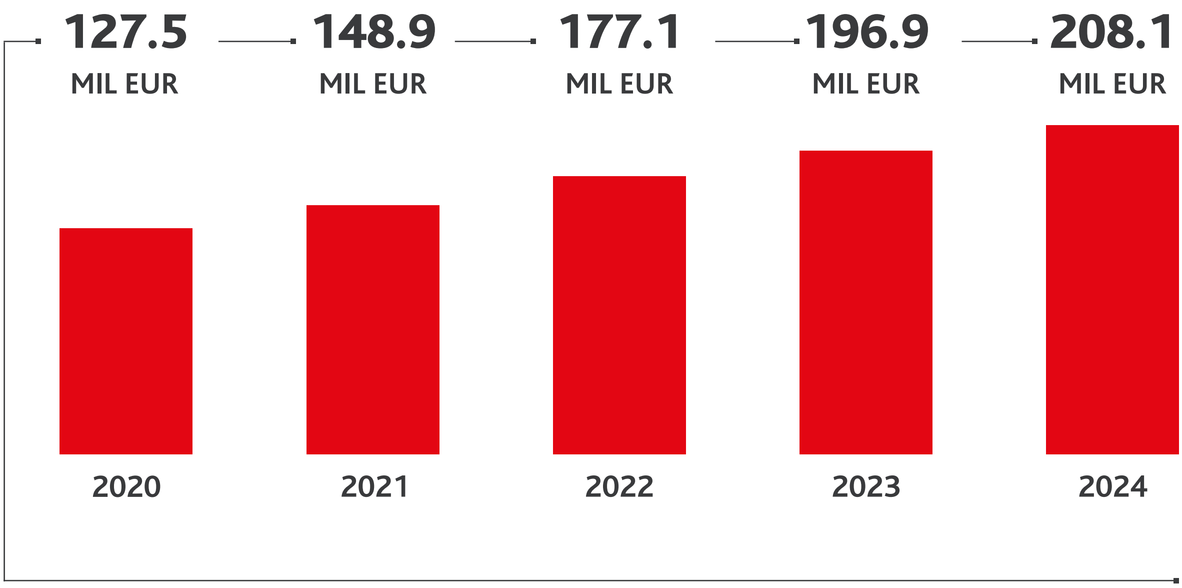
11
new stores

KONZUM | KONZUM maxi | KONZUM super

In addition to expanding our retail network, we placed special emphasis on modernizing existing stores. In line with global trends and the evolving needs of our customers, a total of fifteen stores were renovated, with five undergoing complete visual and functional transformations. Our main focus was on upgrading store interiors to offer a broader and higher-quality assortment of products and create a more pleasant shopping atmosphere. Beyond aesthetic and functional improvements, we aimed to enhance shopping efficiency by implementing innovative technological solutions, including new discount label templates without perforations and with QR codes instead of 2D barcodes to facilitate faster scanning and checkout. We also introduced self-service bakeries designed to meet the highest standards, offering customers fresh and warm baked goods at any time. In addition, to reduce waiting times at checkout and enable faster shopping, we have implemented self-service checkouts, providing customers with greater flexibility and convenience during their shopping experience. In stores with pronounced seasonality, combined display cases (service/self-service) have been implemented to provide greater sales flexibility and better tailor the product offering to customer needs throughout different times of the year. All these changes are the result of our commitment to continuous development and adaptation to our customers' needs, with the goal of creating a modern, efficient, and pleasant shopping environment.

Wholesale

To further enhance the efficiency of the existing food and beverage distribution platform in Croatia and place an even stronger focus on improving customer service, Fortenova Group initiated a demerger process at the end of 2024, under which the Velpro division was separated from Konzum and transferred to the management of Roto dinamic d.o.o. Konzum, as the leading domestic retail chain, remains focused on retail, while Roto, by taking over the distribution of the food portfolio, strengthens its position as a national distributor in the wholesale sector.



Gross wholesale revenue

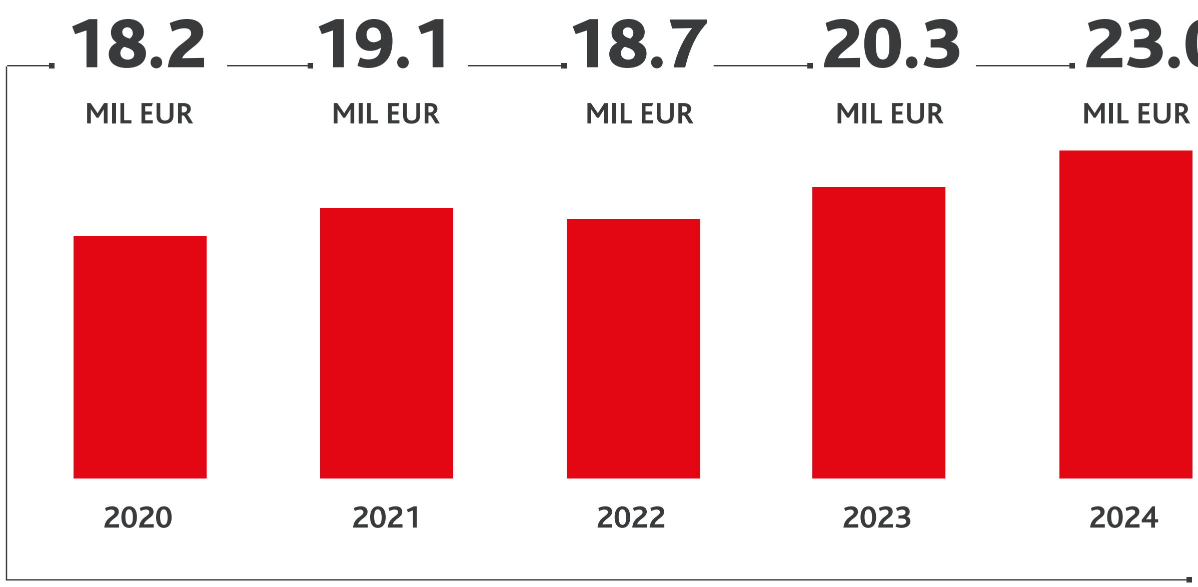
Online Sales

Konzum is a pioneer in online retail, being the first retail chain to introduce online grocery shopping in Croatia, allowing customers to conveniently order groceries, household items, and personal care products from a selection of over 12,000 products, all from the comfort of their home. Following the growing trend of digital transformation and changes in consumer behavior favoring online shopping for its convenience, speed, and flexibility, our online store now attracts over 35 thousand customers.

In 2024, we recorded a remarkable 13.2 percent increase in online sales revenue, completing 229,000 orders, confirming the growing demand for this service.

To further facilitate shopping, Konzum offers doorstep delivery with a fleet of 50 specialized vehicles. Delivery services are available in Zagreb, Split, Rijeka, Osijek, and Zadar, with deliveries possible as early as 10 hours after order confirmation. Additionally, Konzum Express Delivery offers delivery within one hour in ten cities. Customers can also pick up their orders at Super Konzum locations across Croatia or opt for the Drive-in service, available at a dedicated location in Zagreb, for even greater convenience and speed.

Online sales revenue



13.2 %
revenue increase
compared to previous year

7.2 %
higher number of receipts
compared to previous year

5.5 %
basket value increase
compared to previous year

KONZUM

Business Report

Key Achievements

Our experience, best practices, and commitment to excellence across all business processes have enabled us to successfully adapt and overcome challenges, as evidenced by our strong business results. We ended the year with an impressive **8.1 percent increase in sales revenue of goods sold.**

An absolute EBITDA growth of 27.7 percent compared to the previous year contributed to a reduction in the net debt-to-EBITDA ratio from **3.2x to 2.6x.**

2023

1,833 MIL EUR
Sales revenue

637
Number of retail stores*

480,189 m^2
Average gross sales area

308,514 m^2
Average net sales area

16
Number of VELPRO centres

69,984 m^2
Gross sales area

5
Number of online stores

20 MIL EUR
Digital business sales revenue

16
New stores opened

552 MIL EUR
Financial liabilities

25.5 MIL EUR
Capital expenditure

20.3 MIL EUR
Net profit before tax

8.0 %
EBITDA margin

147.331 MIL EUR
Normalised EBITDA

3.2 x
Net debt/EBITDA

256.206 MIL EUR
New Value Created

2024

1,981 MIL EUR
Sales revenue
↑ 8.1% compared to previous year

636
Number of retail stores*

484,449 m^2
Average gross sales area

311,129 m^2
Average net sales area

15
Number of VELPRO centres

65,315 m^2
Gross sales area

5
Number of online stores

23 MIL EUR
Digital business sales revenue
↑ 13.2% compared to previous year

11
New stores opened

526 MIL EUR
Financial liabilities
↓ -4.8% compared to previous year

22.3 MIL EUR
Capital expenditure
↓ -13% compared to previous year

63.3 MIL EUR
Net profit before tax
↑ 213% compared to previous year

9.5 %
EBITDA margin

188.164 MIL EUR
Normalised EBITDA
↑ 27,7% compared to previous year

2.6 x
Net debt/EBITDA
↓ -18.8% compared to previous year

324.275 MIL EUR
New Value Created
↑ 26.6% compared to previous year

* The number of retail stores refers to operational stores that generated revenue in 2023 and 2024.

Financial Overview

Financial Performance

Presented below are the operating results achieved for the period ending 31 December 2024, compared to the period ending 31 December 2023. Certain items from the presented income statement will be analyzed in more detail later in the following sections.

In 2024, Konzum achieved **normalised EBITDA of EUR 188.2 million**, representing a growth of EUR 40.8 million or 27.7 percent compared to 2023. The increase in EBITDA was primarily driven by **higher sales revenues** across both the retail and wholesale segments, mostly from **volume growth** and to a lesser extent from inflation, coupled with **higher relative gross margins and effective cost control.**

EUR '000	2024	2023	% Δ
Operating income**	2,025,717	1,872,644	8.2%
Sales revenue	1,981,289	1,832,787	8.1%
Other income	44,428	39,858	11.5%
Operating expenses**	(1,837,553)	(1,725,313)	6.5%
Normalised EBITDA	188,164	147,331	27.7%
EBITDA margin %*	9.5%	8.0%	1.5 p.p.
EBIT	100,045	57,061	75.3%
EBIT margin %*	5.0%	3.1%	1.9 p.p.
Profit before tax	63,324	20,258	212.6%
Net profit margin %*	3.2%	1.1%	2.1 p.p.

In 2024, Konzum achieved EUR 63.3 million in net profit before tax, a 212.6 percent improvement over 2023, driven by revenue and gross margin growth.

To provide readers with a deeper understanding of the Company's financial and operational performance, certain alternative performance measures are used. Definitions, relevance explanations, comparative data, and reconciliations with the annual financial statements are available in the *Alternative Performance Measures section*.

** Percentage margins are calculated relative to Sales Revenue.*

*** Operating income and expenses have been adjusted for one-off items, with a detailed breakdown provided in the Alternative Performance Measures section.*

Sales Revenue

In 2024, Konzum achieved an **8.1 percent increase in sales revenue compared to 2023**, with strong growth recorded in both the retail and wholesale segments. Daily efforts to ensure the best product selection for customers, a successful tourist season, innovative and socially responsible marketing campaigns, and the global increase in consumer prices all contributed to an **EUR 134 million or 8.2 percent rise in retail revenues compared to 2023**. Positive contributions also came from 11 new stores opened during 2024 and strong performance by existing stores throughout the year.

The **wholesale segment** recorded a **6.8 percent** increase in revenues.

Digital business revenues increased by **13.2 percent** compared to the previous year, primarily due to continued investment, the introduction of new digital channels, and labour market stabilization.

EUR '000	2024	2023	% Δ
Retail revenue	1,769,081	1,635,377	8.2%
Digital business revenue	22,971	20,297	13.2%
Wholesale revenue	189,237	177,113	6.8%
Sales revenue	**1,981,289**	**1,832,787**	**8.1%**

Other Operating Income

Konzum also generates significant income from services, most notably rental and sublease services. In 2024, rental and sublease income increased by **EUR 2.1 million**, while other operating income increased by **EUR 2.2 million**, mainly due to IFRS 16 lease accounting effects. Other income related to Konzum's business activities remained consistent with 2023 levels.

EUR '000	2024	2023	% Δ
Sublease income	20,225	17,835	13.4%
Rent income	13,773	14,084	(2.2)%
Recharged costs	2,479	2,398	3.4%
Warehousing services	2,443	2,437	0.2%
Other operating income	5,508	3,104	77.4%
Other income	**44,428**	**39,858**	**11.5%**

Operating Expenses adjusted for One-off Items

In 2024, operating expenses increased by EUR 112 million or 6.5 percent compared to 2023, aligned with an 8.2 percent increase in annual revenue and higher costs of goods sold.

Staff costs increased by 11.8 percent compared to 2023. As in previous years, Konzum continues to increase employee salaries and award bonuses and incentives for achieved work results. **In 2024, we increased investments in total employee compensation by more than EUR 22 million compared to the previous year.**

Service costs increased by EUR 8 million or 6.9 percent compared to the previous year, mainly driven by higher marketing, transportation, and utility costs. As in previous years, students and agency workers have been hired to meet the increased demand for labor caused by higher revenue.

Other cost increases were primarily due to higher transaction costs, donations, sponsorships, employee accommodation expenses, and property insurance premiums.

EUR '000	2024	2023	% Δ
Cost of goods sold	(1,417,023)	(1,329,077)	6.6%
Staff costs	(210,901)	(188,684)	11.8%
Service costs	(120,500)	(112,707)	6.9%
Material and energy costs	(68,147)	(75,019)	(9.2)%
Other costs	(20,193)	(19,754)	2.2%
Impairment and value adjustments	(789)	(72)	990.7%
Operating expenses	**(1,837,553)**	**(1,725,313)**	**6.5%**
% of sales revenue	**92.7%**	**94.1%**	**(1.4)p.p.**

Normalised EBITDA

In 2024, Konzum achieved a **27.7 percent increase in earnings before interest, tax, depreciation, and amortization (EBITDA)** compared to the previous year. This growth was driven by significant revenue growth, stable margins despite price and margin constraints throughout the year, and effective cost control.

EUR '000	2024	2023	% Δ
Operating income	2,025,717	1,872,644	8.2%
Operating expenses	(1,837,553)	(1,725,313)	6.5%
Normalised EBITDA	**188,164**	**147,331**	**27.7%**
EBITDA margin %	**9.5%**	**8.0%**	**1.5 p.p.**
Depreciation and amortization	(92,946)	(90,334)	2.9%
Sale of assets, net	174	291	(40.2)%
One-off items	4,654	(228)	(2,137.2)%
EBIT	**100,045**	**57,060**	**75.3%**
EBIT margin %	**5.0%**	**3.1%**	**1.9 p.p.**
Finance income	1,645	1,254	31.1%
Finance costs	(38,366)	(38,057)	0.8%
Profit before tax	**63,324**	**20,258**	**212.6%**
Net profit margin %	**3.2%**	**1.1%**	**2.1 p.p.**

One-off Items

In 2024, one-off items had a positive effect of EUR 4.7 million compared to 2023, mainly resulting from the sale of non-core properties, reversals of provisions, changes in inventory impairment methodology, and corrections of prior period misstatements.

EBIT

EBIT amounted to **EUR 100 million** in 2024, representing a **75.3 percent increase compared to 2023**, primarily due to higher normalised EBITDA and positive effects from one-off items, as detailed in the Alternative Performance Measures section.

Financial Position

In 2024, total assets decreased by 3.8 percent or EUR 41.3 million compared to the previous year.

Non-current assets decreased mainly due to a EUR 12.5 million decrease in loans, deposits, and other financial assets, resulting from the return of long-term lease deposits. Property, plant, equipment, and intangible assets did not change significantly, increasing by EUR 7.7 million or 1.0 percent. Deferred tax assets decreased by EUR 10.3 million, as reflected in the tax notes.

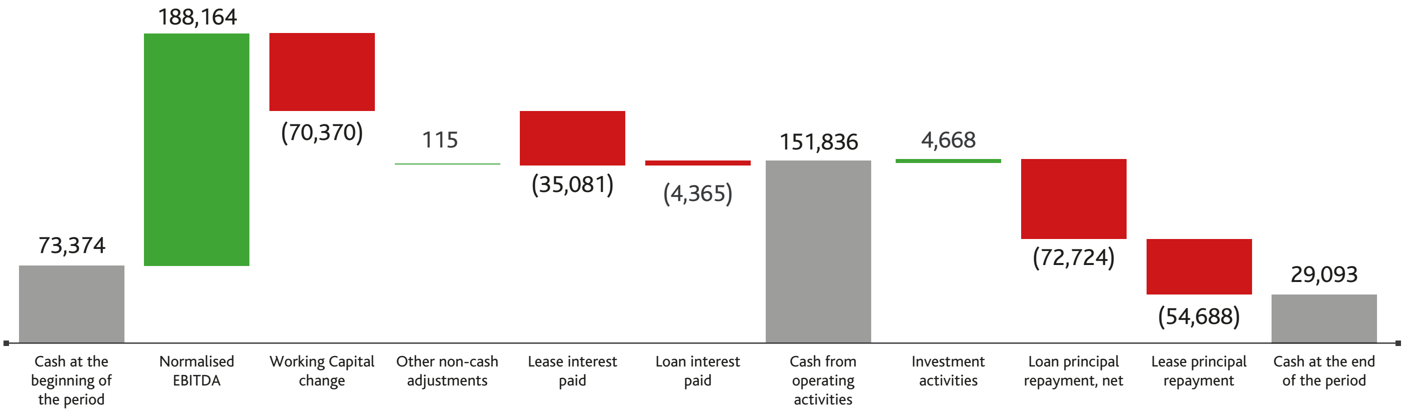
Regarding current assets, inventories and trade receivables increased, driven by revenue and business growth. Cash and cash equivalents decreased by EUR 44.2 million year-over-year.

It is important to highlight the reduction in loans and borrowings by a total of **EUR 62.9 million**, which resulted from **EUR 72.7 million** in net principal repayments, offset by a new related party loan arising from a merger of company A007 plus d.o.o. Trade payables also decreased by EUR 50.2 million driven by more efficient and faster weekly supplier payments.

The reduction in financial liabilities and borrowings, combined with EBITDA growth, enabled a significant **reduction of the net debt-to-EBITDA ratio from 3.2x to 2.6x**.

EUR '000	31 Dec 2024	31 Dec 2023	Δ
Non-current assets	797,940	813,047	(15,108)
Current assets	241,085	267,329	(26,244)
TOTAL ASSETS	**1,039,025**	**1,080,376**	**(41,352)**
Capital and reserves	170,601	134,021	36,580
Non-current liabilities	446,250	407,415	38,835
Current liabilities	422,174	538,940	(116,766)
TOTAL EQUITY AND LIABILITIES	**1,039,025**	**1,080,376**	**(41,352)**
Total financial debt	**67,490**	**130,455**	**(62,965)**
Short-term borrowings	53,371	113,257	(59,886)
Long-term borrowings	14,119	17,197	(3,079)
Lease liabilities	458,024	421,305	36,719
Cash and cash equivalents	29,093	73,374	(44,281)
Net financial debt	**496,421**	**478,386**	**18,036**
Normalised EBITDA	188,164	147,331	40,833
Net debt / EBITDA	**2.6x**	**3.2x**	

Cash Flows



	Normalised EBITDA	Working Capital change	Other non-cash adjustments	Lease interest paid	Loan interest paid	Cash from operating activities	Investment activities	Loan principal repayment, net	Lease principal repayment	Cash at the end of the period
Δ 2023	+40,833	(121,907)	+416	+4,277	(678)	(60,676)	+27,557	(11,093)	(70)	(44,281)

Cash and cash equivalents decreased by EUR 44 million compared to the previous year. The largest **cash inflows** were generated from **operating activities** in the amount of **EUR 188.2 million**, while the biggest outflows stemmed from changes in working capital in the amount of EUR 70.4 million, loan principal and interest repayments amounting EUR 77.1 million, and lease principal and interest repayments amounting EUR 89.8 million.

The main negative impact on working capital was a EUR 50.7 million decrease in trade payables due to faster payments to suppliers compared to previous years, while negative effects from an EUR 8.3 million increase in inventories and an EUR 11.4 million increase in trade receivables are linked to revenue and business growth.

Other non-cash adjustments relate to non-cash transactions that did not generate cash inflows or outflows, such as asset impairment adjustments and changes in provisions.

We achieved a EUR 27.6 million better result in investment activities compared to 2023, mainly due to a positive effect of EUR 13.1 million from the sale of property, plant, and equipment, as well as a reduction in deposits and loans granted by EUR 14.8 million.

Risk Management

Fair Value of Financial Assets and Liabilities

Fair value represents the amount at which an asset could be exchanged, or a liability settled on an arm's length basis. As it is not possible to reach the reference market prices of a significant part of the Company's assets and liabilities, fair values are based on Management estimates with respect to the type of assets and liabilities. Management believes that the fair values of financial assets and liabilities (unless otherwise stated) are not significantly different from their carrying values and are categorised in Level 2 and Level 3 fair value hierarchy.

The Company used the following methods and assumptions in estimating the fair value of financial instruments:

Trade receivables, trade payables, deposits and other financial assets and liabilities
For assets that mature and trade payables with a due date within 3 months, the carrying value approximates their fair value due to the short maturities of these instruments. For longer-term assets, the interest rate does not deviate significantly from the current market rates and, consequently, the fair value approximates the carrying value.

Loans and lease deposits given
Since almost all loans are due within the next two years, the Management Board is of the opinion that their fair value is not materially different from their carrying value. As for lease deposits, the discounted value of deposits is calculated, and the Management Board has concluded that fair value is not materially different from their carrying value.

Loans and borrowings
Since most of the borrowings are current and are provided by the owner with a fixed interest rate which changes every year according to the statutory interest rate approved by the Ministry of Finance, the Management Board is of the opinion that their fair value is not materially different from their carrying value.

Non-financial assets

The valuation techniques used for fair value valuation of investment property and assets held for sale are predominantly the market method and income method.

Objectives and Risk Management Policies

The main risks arising from the Company's financial instruments are credit risk, and interest rate risk. Management reviews and agrees policies for managing each of these risks which are listed below. The Company is exposed to international markets. As a result, the Company may be affected by changes in foreign exchange rates. The Company also extends credit terms to its customers and is exposed to risk of default. The significant risks, together with the methods used to manage these risks, are described below. The Company does not use derivative instruments either to manage risk or for speculative purposes.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Company is applicable to share capital comprising subscribed capital, reserves and retained earnings. At present there are no externally imposed capital requirements.

Credit Risk

Credit risk is the risk that one of the parties to a contract may default on its duties under such contract and that consequently a financial loss may be inflicted on the counterparty. The Company has adopted a policy of doing business only with creditworthy and guarantee-secured companies, which reduces the possibility of financial losses occurring as a result of default. The Company uses information and opinions obtained from specialized credit rating agencies and from the Chamber of Economy, as well as publicly available information on the financial position of companies. It also uses its in-house database in order to appropriately rank the most significant customers. The impact of credit risk on the Company as well as changes in credit ratings of its partners are constantly monitored and measured, with the total value of concluded contracts being appropriately distributed among creditworthy partners. The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. A significant portion of credit risk arises from the Company's operations (primarily trade receivables) and from its financial activities, including deposits and loans.

The Company has the following types of financial assets that are subject to the application of the expected credit loss (ECL) model:

- **Trade receivables arising from the sale of goods and services**

The Company applies a simplified approach to measuring expected credit loss, which is based on lifetime expected credit losses for all trade receivables.

In order to measure the expected credit loss, trade receivables are grouped based on days past due. The expected credit loss rates are based on the past payment profiles, as well as the corresponding historical credit losses experienced within this period.

The Company has considered the impact of future macroeconomic factors affecting the customers' ability to settle their liabilities and it has concluded that they do not significantly affect the expected credit loss rates.

- **Debt instruments at amortised costs**

Other financial assets at amortised cost include deposits and guarantees, investments in securities, loans to related and unrelated parties and other receivables. The most significant part of financial assets comprises deposits relating to lease contracts which could be offset with the lease liability and hence do not represent a significant credit risk.

The expected credit loss has been calculated according to the European Banking Authority default rate for Croatia and with probability of default for financial and non-financial institutions.

Although cash and cash equivalents are also the subject of impairment based on the requirements of IFRS 9, the identified value impairment in this context is insignificant and thus was not recorded.

The Company has no derivative financial instruments or any financial instruments that could potentially subject the Company to concentrations of credit risk. The Company does not expect to be exposed to material credit losses on financial instruments.

In order to manage credit risk more efficiently, the Credit Risk Management Policy came into force on 9 November 2022, and on 24 September 2024, the Policy was replaced by the Customer Credit Risk Management Policy and Principles for Managing Credit Risk of Contractual Partners, the implementation of which is currently underway.

The Policy prescribes the fundamental principles and rules for managing credit risk to provide a flexible framework that enables the achievement of sales targets while minimizing the risk of receivables collection. It defines the activities, responsibilities, authorities, and timelines related to credit risk management and the collection of receivables arising from the sale of goods and services to customers under deferred payment terms. It also prescribes the measures for managing customer credit risk, monitoring customer operations, the collection measures to be undertaken for overdue receivables, and the criteria and conditions for impairment and/or write-off of overdue and uncollected receivables arising from the sale of goods, provision of services, and/or other legal grounds.

The goal of credit risk management is the continuous monitoring and minimization of collection risks and providing expert financial support to the sales and receivables collection processes for goods and services.

The purpose of this Policy is to establish a framework for credit risk management and to define the receivables collection process from customers, including:

- defining the key steps of business processes before establishing a business relationship with a customer
    - setting credit limits
    - defining financial performance indicators for customers and receivables collection performance
    - defining acceptable payment security instruments
- defining continuous customer business monitoring:
    - through analysis of the customer's financial operations
    - through the customer's historical payment behavior
- defining key steps in the receivables collection process:
    - through the dunning process
    - suspension of deliveries
    - the possibility of negotiating installment payments for overdue receivables
    - and through forced collection by activating payment security instruments and initiating legal enforcement proceedings against the debtor's assets
- defining key steps in cases of pre-bankruptcy or bankruptcy proceedings against the debtor
- establishing inter-organizational activities, cooperation, competences, and responsibilities of individual organizational units involved in all of the aforementioned business processes

all with the aim of increasing the Company's liquidity by ensuring the collection of receivables as much as possible in accordance with their due dates.

Interest Rate Risk

Most of the interest-bearing assets and liabilities of the Company represent loans and borrowings. Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rates which apply to the financial instrument. Interest rate risk related to cash flow is the risk that the financial instrument interest expense will fluctuate over time. The Company has borrowings acquired mostly from related companies, specifically from Fortenova grupa d.d. These loan facilities have a fixed interest rate which changes every year according to the statutory interest rate approved by the Ministry of Finance.

There is a smaller portion of non-current debt related to borrowings from unrelated companies which was transferred to the Company through the Settlement Plan and also has a fixed interest rate. Due to these factors the Company is not significantly exposed to interest rate risk.

Foreign Currency Risk

Most of the Company's assets are denominated in EUR. Considering the adoption of EUR in Croatia as of 1 January 2023, the Company does not consider this risk to be significant. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities in other currencies are not material.

Liquidity Risk

The Company is exposed to liquidity risk since most of the liabilities are current. Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close market positions. Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows and balance sheet liquidity ratios against internal regulatory requirements and maintaining debt financing plans.

Alternative Performance Measures

Certain alternative performance measures have been used to analyse the financial data presented in this report. These measures provide more detailed and accurate insights into operations and allow for clearer and more comprehensive interpretation of the presented information. Although not prescribed by International Financial Reporting Standards (IFRS), they are useful indicators for measuring and evaluating actual performance based on specific criteria and methodologies relevant to the Company's industry. Below is an overview of the alternative performance measures used, along with an explanation of their calculation based on data published in the audited financial statements.

Normalised EBITDA

Earnings before interest, tax, depreciation, and amortization, excluding the effects of one-off business events. One-off items are excluded to provide a more accurate view of regular operations. EBITDA serves as a measure of operational performance and is a close approximation of cash flow from operating activities.

EUR '000	2024	2023
Operating profit	100,045	57,060
Depreciation and amortisation	92,946	90,334
Sale of assets, net	(174)	(291)
One-off items	(4,653)	228
Normalised EBITDA	188,164	147,331

EBITDA Margin

Calculated as the ratio of normalised EBITDA to sales revenue. This indicator provides a realistic profitability measure and facilitates comparison with competitors and across industries. Improvements indicate greater profitability of the Company.

EUR '000	2024	2023
Normalised EBITDA	188,164	147,331
Sales revenue	1,981,289	1,832,787
EBITDA margin %	9.5%	8.0%

EBIT

Earnings before interest and taxes, presented in financial reports as operating profit before financial income, financial expenses, and income taxes.

"Like-for-Like"

Represents stores that operated for the same number of days in both the current and previous year. This metric excludes the effects of closed stores, new openings, and stores with different operating periods, offering a clearer view of organic Company growth.

%	2024/2023	2024/2022
Like-for-like revenue growth in retail sales	7.16%	25.58%

One-off Items

Transactions resulting from the operations of the former company Konzum d.d. prior to the transfer of the business unit to Konzum plus d.o.o., along with other extraordinary restructuring costs, non-recurring value adjustments, out-of-court settlements, merger effects, and compliance projects.

By excluding these items, a more accurate comparison of regular operations over the years is enabled, disregarding one-off effects that will not recur in future periods.

EUR '000	2024	2023
Sale of non-core assets	4,316	840
Income from release of provisions	2,063	-
Guarantee provisions	1,653	799
Impairments, write-offs of liabilities, and collection of receivables	367	(39)
Prior period expenses	(995)	(1,324)
Severance pay and other restructuring costs	(709)	(373)
Effect of changes in inventory impairment methodology	(2,042)	-
EURO implementation	-	(131)
One-off items	**4,653**	**(228)**

Net (Financial) Debt

Long-term and short-term borrowings and lease liabilities, less cash and cash equivalents. This indicator measures the Company's indebtedness and its ability to meet financial obligations if immediately due.

Net (Financial) Debt / Normalised EBITDA

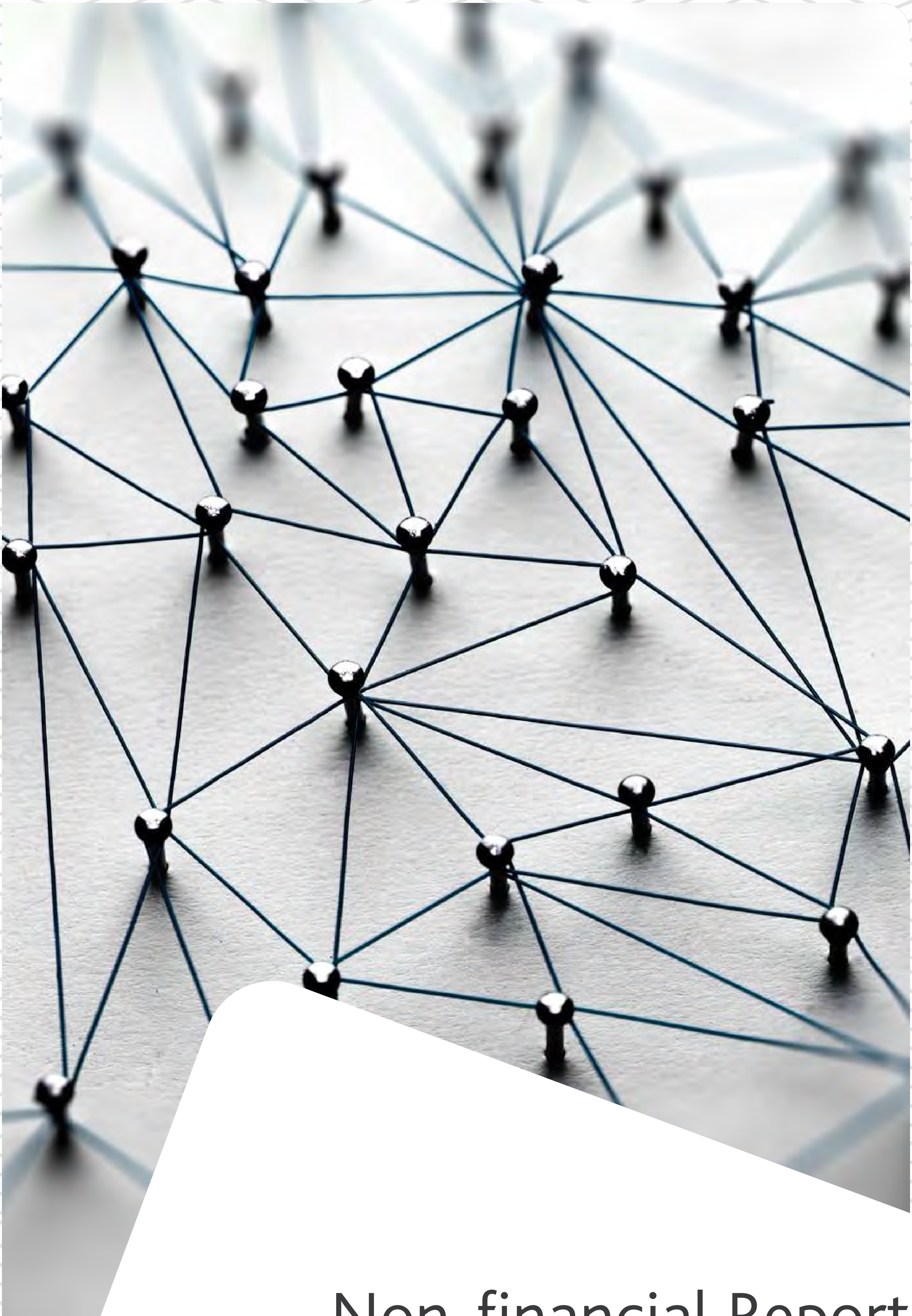
The ratio of net financial debt to annual normalised EBITDA. It measures the ability to repay financial debt from existing liquidity sources and operating cash flows, showing the number of years needed to repay total financial obligations.

The calculation of net (financial) debt and the debt-to-EBITDA ratio was presented as part of the financial position analysis.

New Value Created

Methodology for calculating this indicator is provided in the following section.

EUR '000	2024
Net profit for the current year	50,766
Income tax	12,559
Staff costs	210,901
One-off employee expenses	706
Other investments in employees	10,992
Interest expenses	38,351
New Value Created	**324,275**



Non-financial Report

Konzum in 2024

In 2024, Konzum achieved an 8.1 percent increase in revenue compared to 2023, with the average basket value rising from EUR 11.69 to EUR 12.66. Throughout the year, we faced multiple challenges, including legislative changes, global economic disruptions, and adverse weather conditions. Following the enactment of the new Trade Act on 1 July 2023, retailers were allowed to operate on only 16 Sundays per year. Considering the effective date of the Act, all working Sundays in 2023 were allocated within a six-month period, allowing initial adaptation of operations. In 2024, we faced the need to evenly distribute 16 working Sundays throughout the entire year, making it necessary to plan store schedules that would enable efficient operations while complying with legal requirements.

In addition to legislative changes, global events such as the war in Ukraine continued to have a significant impact on supply chains, causing delivery disruptions, increased energy costs, and inflationary pressures that were also felt at the local level. Security issues in the Red Sea further exacerbated the situation, leading to transport delays and higher insurance and fuel costs, placing additional strain on operating expenses. At the same time, in September 2024, Croatia was hit by floods caused by heavy rainfall and rising river levels, necessitating the urgent activation of flood protection measures.

As one of the measures to curb inflation, the Government of the Republic of Croatia continued implementing a package of measures setting maximum retail prices for certain products, with the aim of preventing the negative effects of price changes on households. Products covered by this decision are marked with a special label on the shelves to clearly inform customers about the maximum price caps.

In the context of these challenges, Konzum responded promptly to ensure an uninterrupted supply to the market, with a special emphasis on the tourist season and key seasonal periods such as Christmas and Easter. Effective planning and logistical adjustments enabled the reduction of product availability issues and an increase in the volume delivered from our own logistics and distribution centers, thereby ensuring a high level of customer service.

Additionally, faced with a labor shortage in Croatia, Konzum expanded its team by hiring new employees from abroad. Special attention was given to their training, integration into work processes, and mentorship, which enhanced operational efficiency and further strengthened teamwork and work culture.

Through ongoing efforts in the digitalization and modernization of operations, Konzum optimized its system for ordering goods from suppliers, reduced write-offs, and improved inventory turnover. System functionalities were enhanced, and process automation was increased, contributing to greater precision and efficiency in inventory management. These strategic steps have enabled Konzum to achieve long-term sustainability and greater competitiveness in the market, while also ensuring a higher quality of service for customers.

Awards and Recognitions

In the “Employer of First Choice” survey conducted by MojPosao, we independently entered the top 20 employers in 2024, achieving 14th place overall and ranking among the top 5 employers in the retail sector. More than 25,000 respondents participated in the survey.

WE ARE PROUD HOLDERS OF THE FOLLOWING CERTIFICATES

Employer Partner
Certified by SELECTIO Group

BEST PLACES TO WORK CROATIA

TVRTKA PRIJATELJ ZDRAVLJA

EMPLOYER PARTNER | **BEST PLACES TO WORK** | **HEALTH-FRIENDLY COMPANY**

Beside certificates, our Company also received numerous awards in 2024:

• Best Buy Award 2024/2025 (Fish and Meat Departments)

• “Chosen by Moms” Award (Bakery Department and Lumpi diapers)

• QADAL 2023/2024 Certificate (Top Quality Online Store)

• QUDAL 2024/2025 Certificate (Retail Chain)

• Top Donor

• Golden Effie in Public Good category (Brands and nonprofits) - “Little Big Talents” campaign

• Bronze Effie Europe in Retail category - “Little Big Talents” campaign

• Silver Effie in Retail and E-commerce categories - “Little Big Talents” campaign

• Silver IdejaX in Best on Market: Retail category - “Little Big Talents” campaign

• Bronze IdejaX in Best of Ad Making - Film category - “Celebrate Christmas Your Way” campaign

• MIXX Awards as best in Best Tech and Innovation category - Virtual Zvjerići digital activation

• HUOJ Grand Prix (Bronze) for the “Little Big Talents” integrated campaign.

Quality Management

Konzum demonstrates its commitment to quality management through the long-standing implementation of the following certificates:

ISO 14001 - As a market leader, Konzum is the first and only retail chain to have implemented and certified an Environmental Management System at all locations since 2010. This certificate confirms that the organization has established a system to monitor and reduce negative environmental impacts. Organizations holding this certificate develop policies and strategies for waste reduction, the use of renewable resources, and sustainable management of natural resources.

ISO 50001 - Since 2017, we have implemented and certified an Energy Management System across all locations, enabling organizations to focus efforts on improving energy efficiency, reducing energy consumption, and lowering CO_2 emissions. By implementing this system, the organization commits to the continuous monitoring, analysis, and optimization of its energy-intensive processes.

ISO 22000 - This international standard ensures that organizations within the food sector implement measures to guarantee food safety. It covers processes from production to distribution, ensuring that all products are safe for human consumption. In all our Super format stores, we have had a fully implemented and certified food safety system since 2014, while the requirements have been implemented in other stores.

ISO 27001 - This certificate verifies that the organization implements appropriate security measures to protect sensitive information and data. ISO 27001 helps mitigate cybersecurity risks and ensures the confidentiality, integrity, and availability of information.

HACCP - In all our wholesale facilities, we have a certified HACCP system that ensures food safety by identifying and controlling potential biological, chemical, and physical hazards at all stages of food production and distribution. The implementation of HACCP helps minimize the risk of food contamination.

IFS LOGISTIC - At our Jankomir Distribution Center, we have certified the standard for food logistics safety and quality. This certification ensures that all logistics processes, from storage to transportation, meet high standards for food safety and quality.

EKO Standard - This certification confirms the organization's commitment to ecological practices. This includes the use of environmentally friendly resources, the reduction of negative environmental impact, and the promotion of sustainable business practices and products.

These certificates not only confirm Konzum's compliance with global standards but also enable continuous development and adaptation to market trends that emphasize the importance of energy efficiency, environmental protection, and product safety. Holding these certifications helps Konzum achieve a competitive advantage, build trust among customers and business partners, and ensure the long-term sustainability of its operations in line with modern market demands.

Konzum's Private Label

The development of our private label began in 2000, when we introduced K plus dairy products to the market for the first time. Since then, our private label assortment has expanded to over 1,400 products across 46 different brands. The creation and development of a private label requires intensive collaboration and coordination among teams from various departments, as well as close cooperation with producers to ensure products of excellent quality and competitive pricing. In 2024, we continued investing in the development of our private label, focusing on keeping pace with contemporary lifestyles and meeting customer needs, particularly in the food segment. We also continually adapt our offering to ensure that all products meet the highest standards of quality and innovation.

New Line: Special Moments

As part of the development of our private label, we launched a new product line called Special Moments during the Christmas season. This line includes over 100 products, featuring delicacies, meal accompaniments, desserts, and festive seasonal assortments. The goal of the Special Moments line is to enrich our customers' holiday experiences by offering premium products carefully selected for celebratory occasions. The products are developed to meet the highest quality standards and satisfy the needs of our customers. The launch of Special Moments marks an important step in the further development of our private label, aiming to expand our assortment to meet the increasingly sophisticated demands of consumers.

Improving Private Label Product Formulations

For customers seeking healthier diets or with specific dietary requirements, we have focused on improving the formulations of our existing products. We expanded our range with 16 new products under the **BIO Zone** brand, further enriching our offering of organic and natural products that provide healthier alternatives. Under the **Active Zone** brand, we developed three new products with no added sugar, as well as seven products with very low or no salt content, offering our customers healthier choices. Within the **Free Zone** line, we developed seven new products, including three lactose-free and four gluten-free products, supporting individuals with specific dietary needs.

In addition, we continued to follow trends in reducing salt and sugar content across other product lines where possible. Products such as pizza dough, fruit yogurt, and mini mozzarella were reformulated with lower salt and sugar content, enabling even healthier and more balanced dietary choices for our customers.

Sustainability

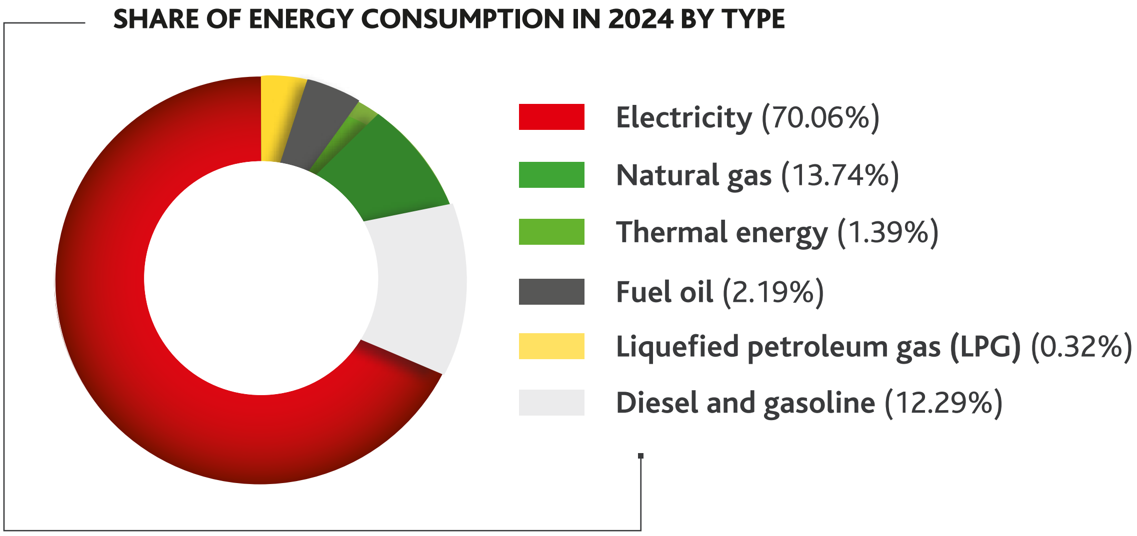
Sustainable business refers to practices that account for economic, social, and environmental aspects to achieve long-term success while minimizing negative impacts on the environment and society. The goal of sustainable business is not solely profit generation but also contributing to broader social and environmental progress. Konzum has long recognized the importance of sustainability, implementing numerous initiatives over the years.

As a testament to our successful sustainable business practices, the Croatian Chamber of Economy awarded Konzum a **very high ESG rating** in May 2024, based on a detailed assessment. We are ranked among the top 10 percent of companies with the highest ESG scores. Additionally, in the Croatian Sustainability Index (HRIO) competition organized by the Croatian Business Council for Sustainable Development, we achieved over 80 percent of the possible points among large companies. Compared to 2023, we have significantly improved results across all surveyed areas, thanks to the collective efforts at all levels of the company.

We continuously monitor and align our operations with new legal regulations. Although we are not yet subject to the CSRD Directive, in 2024 a double materiality analysis was conducted at the Fortenova Group level to identify material topics. An EU Taxonomy compliance analysis was also carried out. The conclusions for 2024 are presented in the consolidated report of the Fortenova Group.

Environmental Management (E)

Konzum uses various energy sources in its operations, with electricity representing the largest share. Electricity is used for most processes (cooling systems, lighting, retail operations, etc.).



In order to reduce energy consumption, we have implemented numerous initiatives:

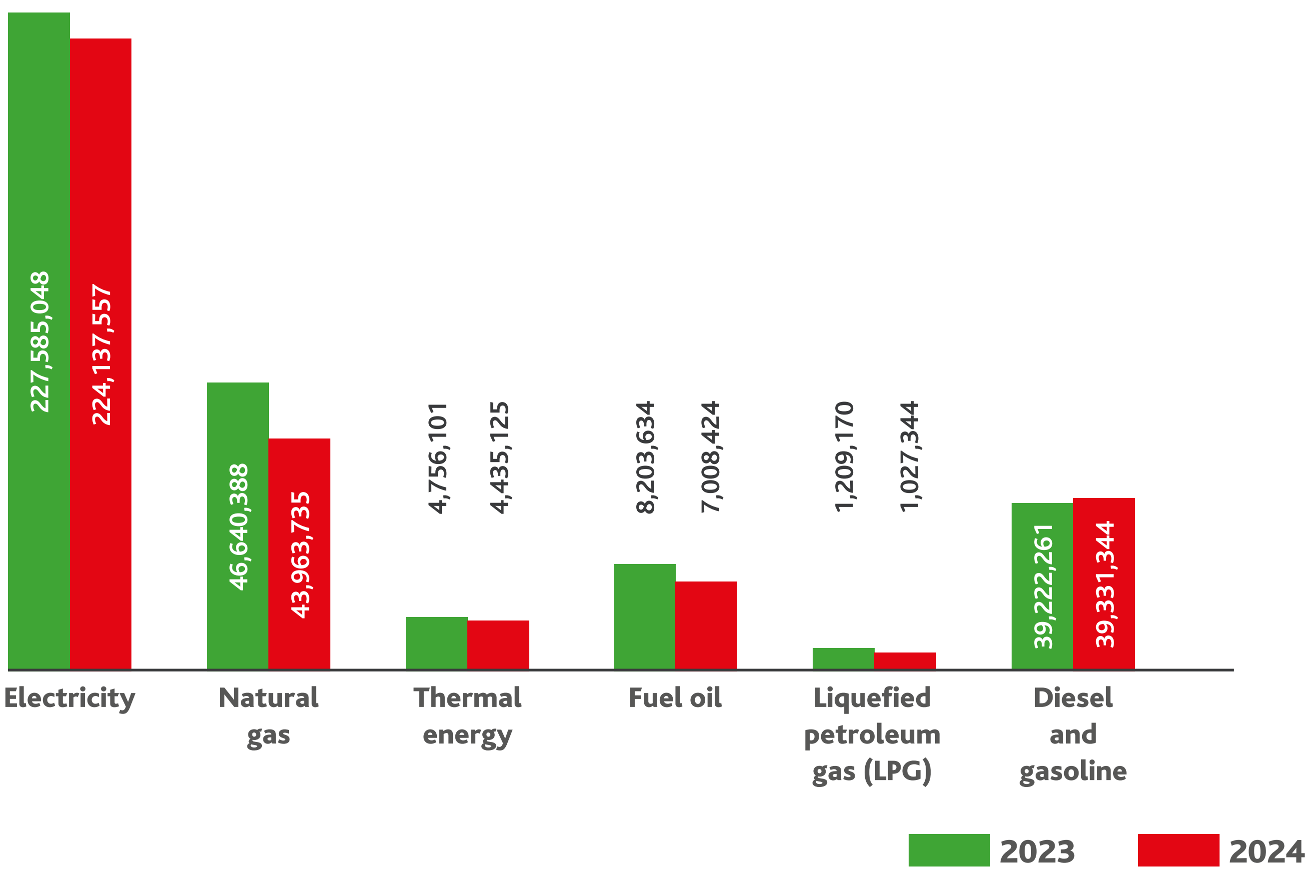
• **Centralized Monitoring and Control Systems (CNUS)** have been installed in 14 stores to oversee heating, cooling, ventilation, refrigeration, lighting, and retail processes. The system allows for centralized management and control of processes via two platforms. Integration of CNUS across other Konzum stores is ongoing. A project to integrate refrigeration temperature monitoring systems into the ISO 22000 food safety management system in Super format stores has also been initiated.

• To promote the use of renewable energy sources, we launched a project to install **solar power plants** at our facilities with the aim of harnessing solar energy. To date, five solar power plants have been installed in Dalmatia and Slavonia, and the project is ongoing.

• New **LED lighting** has been installed in all our retail stores, and when ordering new energy-consuming equipment, one of the main selection criteria is the energy efficiency of the devices.

• **Continuous employee training** in accordance with ISO 50001 standards, along with adherence to internal house rules, has contributed to the reduction of overall energy consumption.

ENERGY CONSUMPTION BY TYPE (kWh)



According to temperature deviations from the norm (1991-2020), the year 2024 was extremely warm across Croatia. Despite the increased need for cooling during the summer and heating in November and December, a decrease in electricity consumption and other heating energy sources was recorded, while a slight increase was observed in fuel consumption for logistics and the use of personal vehicles.

The energy savings achieved in 2024 clearly demonstrate that energy-saving initiatives and the promotion of energy efficiency are delivering positive results.

Logistics

When it comes to logistics, 2024 was marked by continued investment in the renewal of the vehicle fleet and work equipment. A total of 22 new trucks with EURO 6 engines were acquired for the distribution of goods to retail locations, ensuring consistent fleet renewal and thereby enhancing transport reliability and environmental efficiency. The transition to Li-Ion forklift technology was finalized at the logistics and distribution center in Zagreb, with the procurement of 60 new Li-Ion forklifts. In total, 67 new forklifts and 39 electric pallet trucks were acquired in 2024, significantly facilitating goods handling during deliveries and in stores.

Special emphasis was placed on the implementation of **Eco Drive modules** within transport departments, aimed at improving both ecological and operational efficiency. Through driver and manager training, we are promoting a more economical and responsible driving style, which reduces vehicle wear and tear, optimizes fuel consumption, and enhances traffic safety. This initiative further supports long-term sustainable business operations and environmental care. In addition, continuous efforts are made to improve truck route planning and fleet utilization, with a particular focus on reverse logistics, which is crucial across the entire supply chain.

Konzum experts actively participated in development projects within the Fortenova Group, contributing to the enhancement of logistics processes and operational efficiency in retail companies. Through knowledge and best practices exchange projects, significant synergy effects were achieved, while advanced software solutions were implemented and prepared to optimize key logistics operations. Among these, the WMS (Warehouse Management System) and OSM (Order Splitting Management) systems stand out, along with a range of other innovative projects that further enhance the flexibility and efficiency of the supply chain.

Waste Management and Materials on Fresh Lines

At all locations, waste is continuously sorted to separate recyclable types of waste. In 2024, baling machines for cardboard packaging waste were installed at 20 new locations, facilitating the temporary storage and preparation of cardboard for transport. In addition to reducing the required storage space for waste, the number of waste collections was also reduced, resulting in lower fuel consumption. The level of food waste increased compared to the previous year, primarily due to the rise in the number of locations with separate bio-waste collection.

WASTE CATEGORY	2023 (t)	2023 (%)	2024 (t)	2024 (%)
Cardboard packaging	11,647	64.99	12,233	62.95
Animal tissue waste	2,439	13.61	2,990	15.39
Plastic packaging	1,128	6.29	980	5.04
Biodegradable waste	1,958	10.93	2,350	12.09
Fats and oils from separator	281	1.57	173	0.89
Other non-hazardous waste	324	1.81	582	2.99
Edible waste oils	129	0.72	109	0.56
Batteries and accumulators	4	0.02	6	0.03
Electrical and electronic waste	12	0.07	9	0.05
TOTAL	**17,922**	**100%**	**19,432**	**100%**

The project to expand waste sorting in warehouses proved to be a successful practice, leading to the decision to extend it to administrative buildings. The main goal of this project is to reduce the total amount of municipal waste and improve the existing waste separation system.

In line with global trends aimed at reducing the use of plastic packaging, the fresh product departments are now using packaging made from recycled materials or containing recycled content. Additionally, we have introduced the use of alternative materials in packaging: bakery departments have adopted paper bags that no longer contain the plastic "window", rather it is now replaced with a transparent paper (parchment).

Water Consumption

Water is one of the Earth's fundamental natural resources, essential for the survival of life, necessary for biological processes, food production, industrial activities, and everyday human life. Without water, our business processes would not be possible either. Through regular maintenance of plumbing systems, the use of floor-cleaning machines that optimize water consumption, and systematic monitoring with prompt responses to any deviations, we achieved a **7 percent reduction in water consumption** in 2024 compared to the previous year.

Digital Transformation of Business

As part of the modernization of operations and the optimization of business processes with a long-term focus on sustainable business practices, we are continuously working on the digitalization of our operations, with two key processes standing out: the implementation of electronic invoice exchange (eInvoices) with business partners and the digital archiving of physical documentation.

The introduction of eInvoices enables faster and more secure invoice exchange, reduces administrative costs, eliminates the need for paper documents - thus contributing to environmental protection - minimizes the risk of errors, and ensures compliance with future regulatory requirements (the "Fiscalization 2.0" project supported by the Ministry of Finance). The implementation of eInvoices is not merely a technical upgrade - it is a key step toward a more modern, efficient, and sustainable way of doing business.

In 2024 alone, we received **880,000 eInvoices** and fully digitalized 65 million documents, totalling approximately 200 million pages.

This achievement was made possible through extensive scanning of old physical documentation and the digitalization of existing records from business systems. A particularly noteworthy project involved the conversion of transactional data from legacy ERP systems into digital documents, allowing the original ERP servers to be successfully decommissioned. This ensured long-term data storage without the need to maintain outdated infrastructure, resulting in significant reductions in energy consumption and a lower carbon footprint.

Digital archiving further optimizes the operations of all business areas. Instead of physical documents, we now use secure digital archive systems, enabling faster data access, easier searchability, and improved control over archived documentation.

We continue to invest in digitalization to ensure greater agility and optimize our business processes.

GHG Emissions

In collaboration with the Hrvoje Požar Institute, since 2022 we have been actively monitoring greenhouse gas emissions across our operations. Given the complexity of tracking all relevant data required for accurate calculations, we continuously work on improving our monitoring system to ensure the highest possible accuracy and reliability.

Although current data shows an increase in emissions despite our numerous initiatives aimed at reducing them, this growth can be attributed to an improved monitoring system that enables more precise measurement and tracking of emissions. Specifically, we are reducing emissions in Scope 1 and Scope 2, which relate to emissions directly generated by our processes, through various initiatives and projects focused on enhancing energy efficiency, transitioning to renewable energy sources, and optimizing business processes.

However, the majority of emissions originate from Scope 3, which covers emissions associated with purchased goods and services. This area is unfortunately more challenging to control, but we continue to work, within our capabilities, with suppliers and partners to reduce emissions across the entire supply chain. In the future, we plan to continue investing in the development of our data monitoring system and in the implementation of new measures that will contribute to reducing overall emissions, with the aim of having a positive impact on the environment and lowering the company's carbon footprint.

	2022 (tCO_2e)	2023 (tCO_2e)	2024 (tCO_2e)
Scope 1	72,740	72,179	68,395
Scope 2	32,736	31,271	33,703
Scope 3	1,359,194	1,394,072	1,852,580

Social Governance (S)

Konzum is made up of its people. Through their work, dedication, and passion, we create a positive working environment that contributes to our success. Every team member brings their knowledge, experience, and innovative ideas, making Konzum a place where we grow and develop together. We proudly invest in the personal and professional development of our employees, as we believe that their motivation is the key to our long-term growth and success.

EMPLOYEES

OUR VALUES

DETERMINATION

We are proactive, we take initiative. We are focused on finding solutions and making decisions. We deliver beyond our promises. We learn from our mistakes and understand responsibilities at all levels.

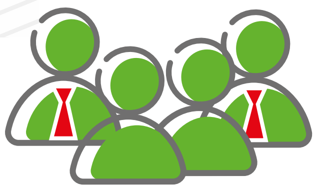
INTEGRITY

We act credibly, with honesty and loyalty. We treat our customers, colleagues, and business partners with great respect and consideration. Our actions and communication are transparent. We are consistent in managing people and processes. We believe that "doing good" is the right way, both in business and in the community.

PROFESSIONALISM

We continuously seek new ways to improve, create value, and achieve better results. We emphasize finding the simplest solutions using innovative methods. We are dynamic, confident, and free to do our best. We do not hesitate to ask for help or offer it when needed. We aim for professional development and eagerly pursue new knowledge and experiences.

TEAMWORK



We care about our work and enjoy doing it. We trust and support each other. We act as true ambassadors of our company and treat one another like family. We measure success by customer satisfaction and celebrate it together.

11,171 employees

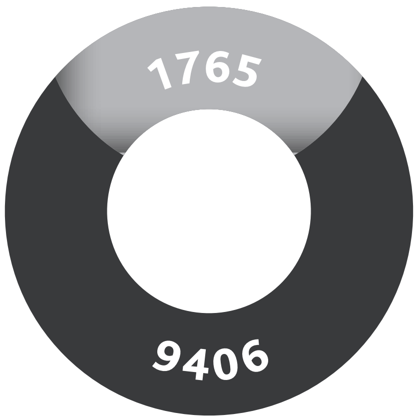
WOMEN	MEN
68%	32%

EMPLOYEE STRUCTURE BY AGE

<30	30-50	>50
1872	5568	3731

AGE STRUCTURE BY CONTRACT TYPE - FIXED-TERM / INDEFINITE

	Indefinite	Fixed-term
<30 years	**1081** (11%)	**791** (45%)
30 to 50 years	**4917** (52%)	**651** (37%)
>50 years	**3408** (36%)	**323** (18%)

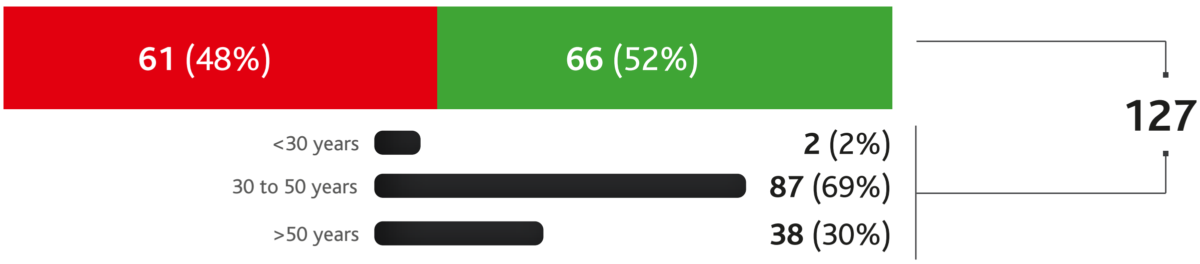


INDEFINITE
FIXED-TERM

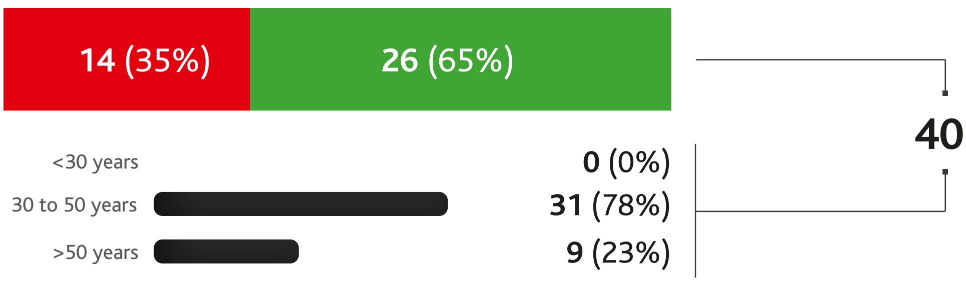
MANAGEMENT STRUCTURE BY GENDER

WOMEN MEN

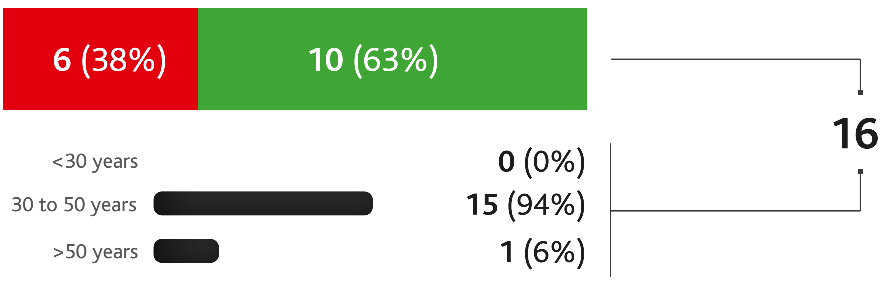
OPERATIONAL MANAGEMENT

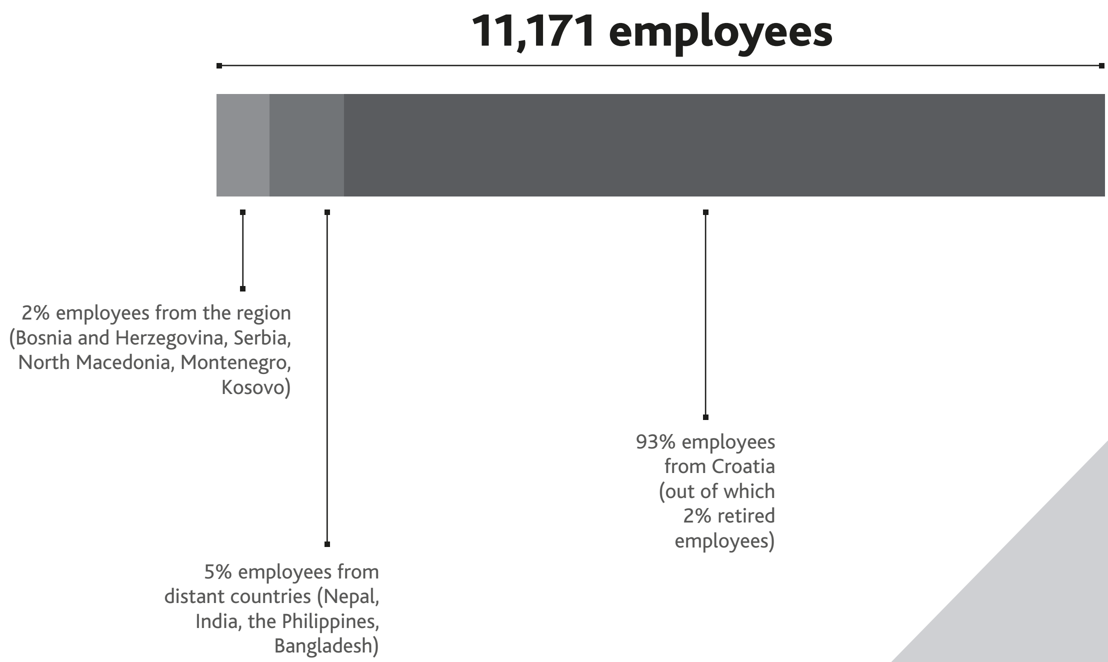


MIDDLE MANAGEMENT



TOP MANAGEMENT





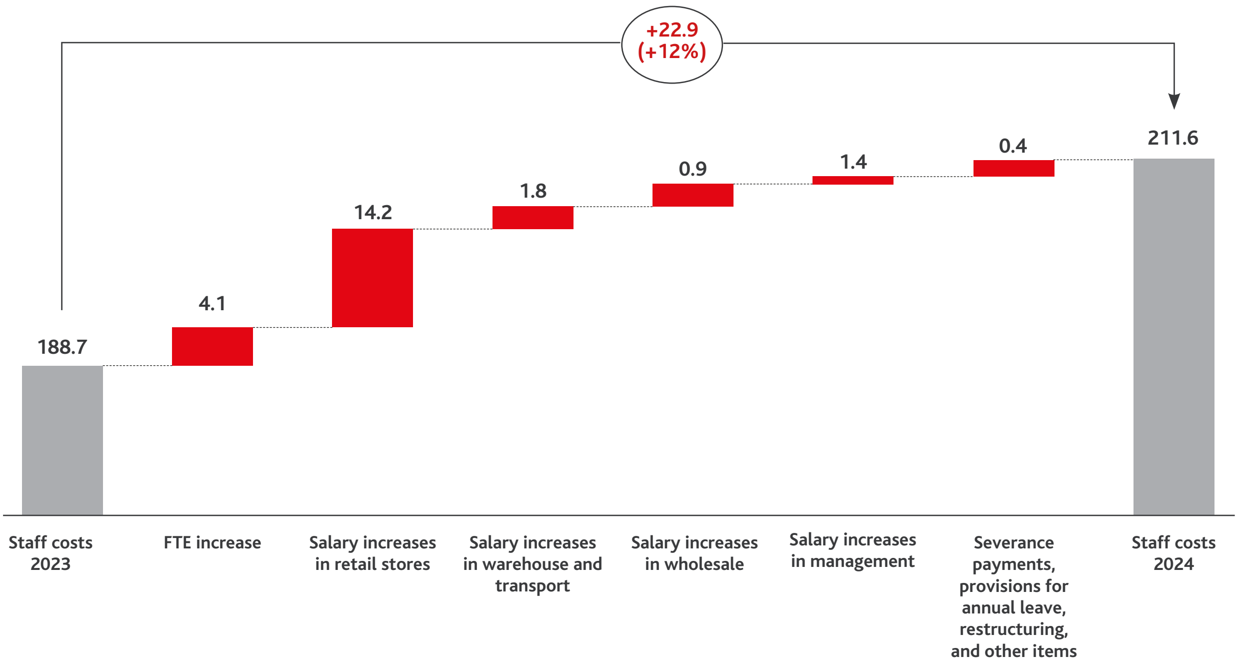
Compensation Policy

As of 31 December 2024, Konzum employs over 11,000 people. Building a sustainable and supportive work environment based on mutual respect, collaboration, and positivity across all organizational levels is essential to us. Our employees drive our business success, and as a responsible employer, we are committed to recognizing, valuing, and rewarding their contributions.

In 2024, total employee costs increased by EUR 22.9 million compared to 2023, with gross salary expenses rising by EUR 20.2 million, representing a 12 percent increase. This growth reflects our ongoing dedication to improving employees' material conditions and ensuring competitive compensation in a dynamic business environment.

All employees who worked in 2023 received a performance bonus of EUR 130 and we also regularly provide jubilee awards and newborn allowances, while employees have access to additional health insurance, employee discounts, and a day off for parents of first-grade students on their child's first day of school. We place special emphasis on professional development, enabling employees to participate in various internal training and education programs.

STAFF COSTS DEVELOPMENT (MIL EUR)



In addition to salary adjustments, we continuously invest in other forms of material and non-material rights and benefits for our employees.

Benefits and Recognition

Cash benefits and rewards

- Meal allowance
- Transportation allowance
- Christmas bonus
- Easter bonus
- Vacation allowance
- Gifts for children
- Jubilee awards
- Employee discounts in our stores
- One-time newborn or adoption help
- Monetary help (in the event of death, severe illness of employees and/or close family member, scholarships for children of deceased employees)
- Incentive programs beyond standard bonus and variable pay schemes
- Redundancy payments (in the event of dismissal on business or personal grounds) above prescribed minimum
- Severance payments for retirement above prescribed minimum

Non-cash rewards representing indirect financial benefit for employee:

- Supplementary health insurance and annual medical check-ups
- Gifts for employees' children (holiday gifts, first grader package)
- Extra paid leave for special occasions beyond the legal minimum
- Preferential bank loan rates
- Partner services discounts
- Employee Assistance Program (EAP)

Employee Reward System

In 2024, we continued to strengthen our employee reward system, ensuring fairness, transparency, and alignment with business goals. 91 percent of employees participated in the reward system, directly reflecting their performance and individual contributions.

Performance evaluations are based on clearly defined criteria tailored to different types of jobs and areas of work and aligned with the company's business strategy. When setting goals for managers and key positions, we apply a combined top-down and bottom-up approach, with regular evaluations and the possibility of adjusting goals twice a year. For operational roles, goals are set at both the individual and team levels, depending on the specifics of the position.

To ensure a fair and balanced distribution of rewards, the system includes clearly defined reward scales and calibration mechanisms. Reward policies are structured according to different business segments, including retail, logistics, wholesale, online sales, and management, ensuring consistency and fairness in the evaluation of performance.

Development Opportunities

Employee education and professional development at Konzum are primarily conducted through the Konzum Academy and, partly, through external institutions. By closely following the specific needs of the business, including key positions and shortage occupations, we develop training programs that enable employees to acquire new knowledge and skills. These programs significantly contribute to their professional development and career advancement within the organization.

Programs implemented in 2024:

- Store Manager School - internal training for future store managers
- Butcher Sales School - internal training for future butchers, with the support of a full-time internal trainer and employee mentors
- DRIVE Beyond Excellence - Drive and Accelerate programs for managers organized at the Fortenova Group level
- Leadership Skills Program for wholesale managers
- Sales Skills Program for wholesale sales representatives
- Mentor Program for employee mentors
- Educational Wednesdays - a series of open education sessions

Regional Training Centers - Enhancing Retail Induction Programs

In 2024, we continued to improve retail induction training through the Regional Training Centers project, aiming to ensure a high-quality and standardized onboarding process for new employees.

Results Achieved:

- **74** regional **training centers** were established
- Educational workshops for induction mentors were held, training **194 mentors**
- A dedicated **mentor** was introduced **for foreign employees** to provide essential information on work culture and tasks in stores
- **1,030** employees completed a structured and guided onboarding process
- **91 percent** of participants expressed satisfaction with the induction program
- **86 percent** of store managers whose employees went through the onboarding program confirmed that the program met its primary goal - familiarizing new employees with basic store operations and preparing them for further work.

These results confirm our strong commitment to the continuous development and support of employees through high-quality training programs.

Internal Conference and Town Hall meeting

In February 2024, we organized an internal conference under the slogan *"We Are Here for Each Other"*, offering employees the opportunity to learn about company operations, market updates, and ongoing projects. The entire event was dedicated to employees, strengthening their interpersonal connections and engagement with the company. The highlight of the conference was the awards ceremony, where 24 outstanding employees were recognized.

The event also served as a framework for the first Town Hall meeting between employees and members of Fortenova Group and Konzum management. More than 1,000 colleagues from Konzum attended, where the previous year's business results and plans for the coming year were presented.

Insight Day

In September 2024 we organized the sixth edition of the internal conference *Insight Day*, focusing on younger generations under the theme *"Gen Z - Getting to Know the New Generation of Customers"*.

Nearly 200 team leaders had the opportunity to better understand this generation, gain insight into their purchasing habits, expectations from retailers, and behavior in the labor market.

Education in Numbers

• **More than 197,200 hours** of training and education

• **Over 77,500** training participants

• **More than 110** educational topics

• **98 percent** of managers were involved in knowledge transfer and employee development (through internal education, mentoring, and coaching).

Organizational Climate and Culture Survey

To ensure that all employees have the opportunity to express their opinions about the organization, we conducted the organizational climate and job satisfaction survey in Konzum for the sixth consecutive year in September 2024. This year, almost 6,000 employees participated, providing over 3,200 comments, praises, and suggestions that help us better understand the current situation and shape future Company development.

Despite a challenging market period and internal organizational changes that occurred, overall satisfaction levels remained relatively stable compared to the previous year. In 2023, the average satisfaction rating was 3.48, while in 2024, we recorded a slight decrease to 3.47.

Contact System

In 2024, the full implementation of the Contact system - an assessment of core competencies in the Retail Division - was launched. This process enables a comprehensive analysis of employee performance, with each participant receiving detailed feedback and concrete guidelines for improving their skills. Over the past year, two assessment cycles were conducted, with more than 6,900 employees participating in each cycle, and 76 percent of employees received documented and structured feedback during the year.

Collaboration with the Academic Community

In the past school year 120 high school students visited Konzum Academy and participated in various workshops. More than 300 students completed internships at Konzum, totalling nearly 70,000 hours of practical training. More than 1,050 hours of university student internships were completed in areas such as retail, IT, and trade.

We supported the Teachers in Companies project again this year, providing internships for four vocational schoolteachers.

WorldSkills Croatia

Through cooperation with the Agency for Vocational Education and Training and Adult Education, Konzum actively participated as a partner in the competition by helping to equip competition stations for the Salesperson category and awarded prizes to students in selected disciplines. Through this engagement, Konzum further supported the development of vocational education and presented itself to students and visitors at the WorldSkills Croatia national competition, the most important event for students in vocational professions.

worldskills Croatia

Occupational Health and Safety

Occupational health and safety is integral to Konzum's operations, and we place great importance on it when planning business activities.

We consider systematic employee training in safe working practices an essential part of preventing workplace injuries and protecting employee health. In addition to mandatory training in occupational health and safety and fire protection, we also conduct many specialized professional development programs. In cooperation with external partners - authorized adult education institutions - we organize training for forklift operators, first aid responders, working at heights, and other specialized areas.

In 2024 a total of 9,860 employees completed occupational health and safety and fire protection training, 180 employees were certified as forklift operators, 103 employees were trained in basic first aid.

The number of workplace injuries increased by 7 percent compared to 2023, while the number of serious injuries decreased by 17 percent, indicating that most injuries were minor. The increase in injury reporting is a direct result of raising employee awareness about the importance of reporting all incidents, regardless of severity, enabling targeted employee education and investigation of potential procedural deficiencies.

The selection of personal protective equipment is based on the risks, exertions, and hazards identified during the Risk Assessment for each specific workplace, considering the level of risk, frequency of exposure, workplace characteristics, and the conditions under which the equipment must be used. When selecting the protective equipment, we ensure it provides the highest possible level of protection, allows for the normal performance of work activities, complies with prescribed standards, and - equally importantly - is comfortable for employees. Before making a final decision on choice, the protective equipment is tested by a group of employees over a certain period, after which their feedback and suggestions are carefully considered. As a result, in 2024, following detailed testing by employees, new protective footwear was selected, with which the employees expressed a high level of satisfaction.

The Occupational Health and Safety and Fire Protection Department regularly conducts internal supervision, checking the condition of facilities, work equipment, and installations, and engaging with employees about occupational safety issues at their respective locations. Authorized external companies also regularly perform examinations of the work environment, electrical installations, and work equipment. In 2024, we conducted 147 internal inspections, identifying over 1,600 opportunities for improvement in occupational health and safety and fire protection.

We are committed to enhancing the health protection of our employees, and to that end, we have signed a contract for expanded healthcare services, which ensures free preventive medical check-ups for all company employees. In addition, all employees are entitled to specialist examinations, diagnostic procedures, and laboratory tests. As an additional benefit, employees have the option to arrange supplementary and additional health insurance policies for their family members.

To help employees relieve stress, a relaxation area has been provided for employees at the administrative building and logistics and distribution center, equipped with a table tennis table, table football, pinball machine, darts, and more. Outdoor football and basketball courts are also available.

In 2024, as part of our ongoing efforts to prevent and reduce the number of workplace injuries:

• The distribution of vertical ergonomic mice continued, aiming to reduce the risk of repetitive strain injuries caused by prolonged repetitive movements

• Additional live training sessions for Safety Representatives were organized in several regions to emphasize the importance of occupational health and safety and fire protection

• A new platform for online training was developed, with new and updated occupational health and safety and fire protection training courses being continuously uploaded

• In collaboration with the healthcare institution Vaš pregled, two specialized training sessions were held: *Personal Health Protection for Employees Working at Heights and Personal Health Protection for Employees Working in a Seated Position*

• Additional awareness-raising activities were carried out regarding:

  ◦ The use, handling, and storage of chemical cleaning agents

  ◦ The use of personal protective equipment

  ◦ The safe use of ladders and twin steps

  ◦ Employee safety when handling press containers.

Mental health is just as important as physical health, and the prevention of mental illnesses plays a crucial role in maintaining the overall well-being of individuals and communities. Global trends show increasing awareness of the importance of mental health, with a focus on prevention, digital innovations in therapy, and the integration of mental health into broader healthcare systems. This approach not only improves quality of life but also contributes to the creation of healthier and more productive societies.

Therefore, in 2024, we introduced the **Employee Assistance Program (EAP)**, designed to provide employees with support and assistance across all aspects of life - both personal and professional - whenever needed. As part of the EAP, psychological counselling is available 24 hours a day, every day of the year for all employees, as well as for their immediate family members (partners, children). Employees across Croatia can access this service via telephone, online platform, or in-person counselling. In total, more than 350 counselling sessions were conducted in 2024.

Corporate Governance (G)

Ethical code and the implementation of various internal policies are essential for creating a corporate culture grounded in responsibility, transparency, and integrity. Konzum's Code of Ethics provides behavioral and decision-making guidelines for the entire company, aligning all employees and business partners around shared values and principles. It is publicly available to all stakeholders - including employees, partners, and other relevant business parties - and is included in the onboarding materials for new hires. The Code is also accessible via internal web platforms and notice boards, ensuring that everyone has access to information related to ethical guidelines.

Core Principles of the Code of Ethics:

- Protection of dignity and respect for human rights
- Freedom of work and prohibition of child- or forced labor
- Professional and personal development of employees
- Protection of health, environment, and safety.

Each business function in the Company is responsible for monitoring compliance with the Code, while the Ethics Committee at the Fortenova Group level oversees the handling of reports related to unethical behavior, maintaining high standards of corporate ethics and accountability.

In addition to the Code of Ethics, the Company has implemented numerous policies that ensure compliance with legal requirements and industry best practices. Some of the key policies are:

- Anti-Bribery and Anti-Corruption Policy - Gifts and Remunerations
- Conflict of Interest Prevention Policy
- Anti-Money Laundering Policy
- Corporate Giving Policy
- Internal Whistleblower Reporting Policy
- Tax Policy
- Competition Policy
- Fairness, Diversity, and Inclusion Policy
- Fortenova Group Corporate Communications Policy
- Information Security Policy
- Food Safety Policy
- Environmental Protection and Energy Policy
- Treasury Policy
- Credit Risk Management Policy.

With the aim of further developing, implementing, and continuously monitoring activities that promote business principles across all segments of the Company's operations, a multidisciplinary **Sustainability Team** was established in 2024. This team plays a key role in shaping long-term sustainability strategies, with a particular focus on integrating environmental, social, and economic dimensions of sustainable development into business practices. It is also responsible for monitoring relevant legal regulations, as well as national and international standards, and ensuring their timely implementation into daily business activities. One of the core tasks of the Sustainability Team is the active promotion and application of sustainable business models across all organizational structures of the Company, including operational units and business departments, with the aim of improving environmental efficiency, social responsibility, and long-term economic sustainability. In this way, the Sustainability Team ensures that the Company operates in accordance with the highest sustainability standards, contributing to the achievement of business goals in a responsible manner toward the environment, society, and future generations.

Socially Responsible Projects and Community Engagement

Food Donations

On 3 December 2024, awards for the largest food donors were presented in Brussels as part of an initiative launched by Ms Biljana Borzan, a Member of the European Parliament and rapporteur for reducing food waste and increasing food donations. **Konzum was awarded the title of Top Food Donor in the large company category for the seventh consecutive year, for achieving the highest total annual value of food donations.** This prestigious recognition is a testament to our long-standing commitment to responsible business practices and community care and Konzum remains the only company in Croatia to have won this title in every year since the award was first introduced.

In 2023, Konzum donated **480 tons of food**, with a total market value of **EUR 1.64 million** (excluding VAT), representing our highest donation value to date and accounting for more than one-third of all food donations in Croatia. According to the Ministry of Finance's Tax Administration, the total value of food donations in Croatia in 2023 was EUR 4.66 million (excluding VAT), which marked a decline of over 5 percent compared to 2022, while Konzum's donations **increased by 33 percent in quantity and 35 percent in value** during the same period.

Since 2016, Konzum has donated more than **2,100 tons of food**, consistently affirming its role as a leader in the national food donation network. We collaborate with **17 registered intermediaries** who collect food daily from **over 50 Konzum locations** across Croatia. The most frequently donated products include fruits and vegetables, milk and dairy products, bakery goods, as well as meat, meat products, and fish.

One Less / Recyclopedia

Konzum's **"One Less**" campaign, aimed at promoting reusable shopping bags and reducing plastic waste in Croatia, continued in 2024. From 22 April to 31 May 2024, Konzum rewarded all customers who used the "Nature Loves Me" reusable bag during their purchase with 20 BONUS cents on their MultiPlusCard loyalty card, encouraging even greater use of reusable bags.

A systematic approach to environmental protection is embedded into Konzum's business processes at all levels, and initiatives like this directly contribute to changing consumer habits. Customers have recognized the value of such an initiative: in 2024, compared to 2021 when the campaign was first launched, the number of reusable bags sold in Konzum stores increased by 56 percent, while sales of single-use bags decreased by 30 percent. Considering the typical lifespan of single-use plastic bags - which often end up discarded in the environment - this initiative has made a significant contribution to the overall reduction of plastic waste.

In addition to the "One Less" campaign, in 2024 Konzum also introduced an **updated version of its Konzum Recyclopedia platform**, originally launched in 2022, where customers can find helpful information and advice on how to better utilize food and reduce waste, along with new content focused on reducing plastic waste and tips for making small changes that can create a better world.

Little Big Talents

At the end of December 2024, the second edition of Konzum's corporate social responsibility initiative, **Little Big Talents 2**, concluded, achieving even better results than in 2023. Konzum customers donated more than 12 million coupons to Croatian schools, and schools redeemed more than 11.5 million coupons, which is over half a million more compared to the first edition of the initiative. On average, each school received a little over 6,400 coupons, and more than 99.5 percent of schools received at least one coupon. A total of 70 percent of schools registered to participate - representing more than 1,800 schools - allowing them to exchange collected coupons for equipment from a special catalog prepared by Konzum, which was further supplemented with items requested directly by the schools. Schools chose higher-value equipment compared to the previous year, ordering as many as 12,610 items, primarily in the categories of sports, science, and arts.

A new feature introduced in the second edition of Little Big Talents was the Coupon Bank, where customers who were undecided about which school to support could donate their coupons. Through this system, nearly 69,000 coupons were collected. Konzum distributed the coupons between two schools in Vukovar, where the equipment will support their daily activities: half went to Siniša Glavašević Elementary School, the largest school in Vukovar, and the other half to Josip Matoš Elementary School, which educates students with developmental disabilities.

Additionally, to further encourage the community to donate coupons, Konzum once again organized a school competition in 2024, where students created video messages inviting donations to their respective schools. Sveti Martin na Muri Elementary School won first place with the highest number of video views, earning an interactive monitor and 5,000 additional coupons.

Christmas Donation Campaign

In December 2024, as part of the traditional joint initiative between Konzum and MultiPlusCard, **"Celebrate Christmas Your Way"**, this time joined by Zagrebačka banka and Mastercard, a total of **EUR 86,900.70** was raised to support associations with commendable missions and activities aimed at improving the living standards of their beneficiaries. Konzum supported their work with a donation of EUR 30,000, together with Zagrebačka banka and Mastercard, while members of the MultiPlusCard loyalty program contributed an additional **EUR 56,900.70** by donating their BONUS euros to the association of their choice.

A donation of EUR 17,039.75 was made to the **Brački pupoljci Association** to ensure the high-quality implementation and professional guidance of creative workshops and occupational therapy for children with developmental difficulties, helping them acquire desirable behavior patterns, develop work habits, and gain new skills. The **Breza Association** will use its donation of EUR 6,563.24 for minor construction work and the adaptation of spaces where they organize various educational and therapy programs for their beneficiaries - young people who have left institutional care and lack family support or secured employment.

The **Vladimir Nazor Community Service Center**, which provides psychosocial support to individuals and families to help them cope with difficult life circumstances, received a donation of EUR 5,951.83 to refurbish and equip their facilities and replace outdated furniture and equipment. The **Slava Raškaj Education and Rehabilitation Center**, which provides educational and rehabilitation programs for beneficiaries from early childhood up to 30 years of age, received a donation of EUR 7,134.91 to replace the worn-out flooring in the home facilities. The **Iris Association**, which supports women and children who are victims of domestic violence by providing them with safe shelter and protection, will use its donation of EUR 9,474.14 to purchase furniture and equip dormitories.

The **Prava šapa Association** will allocate its donation of EUR 8,779.52 towards the rescue, treatment, and sterilization of abandoned cats, while the **Noina arka Association** will use its donation of EUR 10,094.10 to cover veterinary expenses for the care of abandoned dogs and cats. A donation of EUR 8,233.69 will help the **MURID Early Childhood Intervention Center** equip three rooms for group programs intended for children with communication difficulties and autism spectrum disorders. These newly opened and refurbished spaces will host programs aimed at developing social, communication, and adaptive skills for children at social risk.

With a donation of EUR 7,699.15, the **Tić Community Service Center** will educate educational workers and parents on the possibilities of preventing and combating sexual violence. In addition to education, the donation will support the multidisciplinary team in developing and implementing a new curriculum. The **StarKA Association**, whose members are dedicated to improving the quality of life for the elderly, will use the donated amount of EUR 5,930.37 to conduct a campaign aimed at raising public awareness about recognizing and combating age discrimination. The campaign will also promote the development of long-term care and provide support for informal caregivers of elderly persons.

Go Paperless

After Konzum introduced digital receipts for all members of the MultiPlusCard loyalty program in May 2023 and offered them the option to receive only a digital receipt without a printed one, by the end of 2024 a total of 97,099 members had opted for the "paperless" option, with 43,734 new users selecting it during 2024 alone.

This approach reduces checkout waiting times, makes shopping simpler, and at the same time contributes to environmental protection by reducing the amount of paper used - paper that most people usually discard immediately after shopping. It also makes it easier to keep track of all purchases, with receipts easily accessible and storable on mobile devices or computers.

It is worth recalling that, according to some estimates, about 275,000 kilometers of receipts are printed annually in food and beverage stores in Croatia. By opting for digital receipts, we are all making a small but meaningful contribution toward reducing that amount - thanks to our nearly 100,000 environmentally conscious members, **we saved approximately 2,000 kilometers of paper in 2024.**

The Best from Croatia

Supporting Family Farms and Local Producers

Konzum proudly supports family farms (OPGs) and their work in preserving tradition and promoting sustainable production. Our collaboration includes 59 local producers and 300 products. Through this initiative, we enable OPGs to expand the reach of their products and gain direct access to the market. Products from family farms are available through our catalog promotions, including three themed catalogs that regularly promote local and domestic goods. Our commitment to quality and sustainability ensures that customers have access to fresh, healthy products, while also helping farmers achieve further growth and development. By supporting local producers, we contribute to environmental protection and sustainable agriculture, strengthening the community and creating stable conditions for the success of all involved.

Through the "Best from Croatia" campaign, conducted across three regions - Dalmatia, Istria and Kvarner, and Slavonia - we promoted local producers and their traditional products. Dalmatia highlights fish specialties and locally produced olive products; Istria and Kvarner showcase organic farming, olive oil, and wine; while Slavonia celebrates agriculture, livestock farming, and authentic wines. This campaign supports local producers, preserves tradition, and contributes to sustainable development, positively impacting the economic and cultural identity of each region.

Sustainability in the Value Chain

Through responsible resource management, ethical sourcing strategies, and collaboration with partners who share the same values, organizations can ensure the sustainability of their supply chains and contribute to the global development of sustainable practices.

In 2024, the Company adopted the **Supplier Code of Business Conduct**, which outlines the values of the Fortenova Group based on conducting operational activities in accordance with environmental, social, and governance responsibilities. Through this Code, Fortenova Group establishes, enforces, and communicates to its suppliers the criteria that govern how business relationships are formed.

Furthermore, across the entire Fortenova Group, we initiated supplier assessments via the Sedex platform. Sedex (Supplier Ethical Data Exchange) is an independent global platform that enables companies to assess, monitor, and improve the ethical, social, and environmental (ESG) standards of their suppliers. The platform is specifically focused on providing transparency within supply chains, helping organizations understand how their suppliers operate in terms of ethical and sustainable practices.

Through Sedex, companies can share data related to social responsibility, working conditions, environmental protection, health and safety, and business ethics. Sedex allows companies to assess risks within their supply chains and take action to improve practices in line with international standards.

Financial Statements

Independent Auditor's Report

To the Owner of KONZUM plus d.o.o.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of KONZUM plus d.o.o. (the "Company") as at 31 December 2024, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Supervisory Board dated 30 April 2025.

What we have audited

The Company's financial statements comprise:

- the statement of comprehensive income for the year ended 31 December 2024;
- the statement of financial position as at 31 December 2024;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014, and furthermore, we have not provided any non-audit services to the Company in the period from 1 January 2024 to 31 December 2024.

Our audit approach

Overview

Key audit matters	• Revenue recognition – retail revenue

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

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Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition – retail revenue Refer to Note 4. Material accounting policy information – Revenue recognition and Note 6. Revenue. The Company's statement of comprehensive income includes retail revenue in the amount of EUR 1,792,052 thousand for the year ended 31 December 2024. Retail revenue is subject to considerable inherent risk due to: • the users' ongoing attention to this financial reporting line item as a performance measure, • its significant value in monetary terms, • essential associated risks of material misstatement due to error. Consequently, revenue recognition was of particular importance for our audit.	Our audit approach to testing retail revenue recognised by the Company included audit procedures as follows: • We obtained an understanding of the sales process. • We tested, on a sample basis, the effectiveness of internal controls over sales process that ensure that sales transactions occurred and were recorded accurately. • We performed a reconciliation of revenue figures from the sales systems with the figures recorded in the accounting system. This involved verifying that all sales transactions recorded in the sales systems were accurately transferred and reflected in the accounting records, identifying any discrepancies, and ensuring appropriate adjustments were made. • We tested a sample of daily turnover for retail locations, tracing cash receipts to bank statements and confirmed credit and debit card transactions with the respective credit card companies, to ensure accurate presentation of sales revenue in compliance with IFRS 15. • We assessed the accuracy and completeness of the financial statement presentation and disclosures.

Reporting on other information

Management is responsible for the other information. The other information comprises the Management Report included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

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

With respect to the Management Report, we also performed procedures required by the Accounting Act in Croatia. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 24 of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of Article 24 of the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent 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

Appointment

We were first appointed as auditors of the Company on 25 September 2019. Our appointment has been renewed annually by shareholder resolution with the most recent reappointment on 13 November 2024, representing a total period of uninterrupted engagement appointment of 6 years.

The certified auditor engaged as partner on the audit resulting in this independent auditor's report is Siniša Dušić.

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
30 April 2025

John Mathias Gasparac President of the Management Board	Siniša Dušić Certified auditor

Original report is signed in Croatian language.

This version of our report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

RESPONSIBILITY FOR THE ANNUAL REPORT

Pursuant to the Croatian Accounting Act, the Management Board is responsible for ensuring that the financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS®) as adopted in the EU, which give a true and fair view of the position and results of Konzum plus d.o.o., Zagreb ("the Company"), as well as its operating results for that period.

After making enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue as a going concern for the foreseeable future. Therefore, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing these financial statements, the responsibilities of the Management Board include ensuring that:

1. suitable accounting policies are selected and then applied consistently
2. judgements and estimates are reasonable and prudent
3. applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements and
4. the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and must also ensure that the financial statements comply with the Croatian Accounting Act. The Management Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Moreover, in accordance with the Accounting Act, the Management Board is obliged to prepare an Annual Report comprising the financial statements and the Management Report. The Management Report was prepared in line with the requirements of Article 24 of the Accounting Act.

The Annual Report has been approved for issue by the Management Board on 30 April 2025.

Zoran Mitreski	Uroš Kalinić
President of the Management Board	Member of the Management Board

Konzum plus d.o.o.

Marijana Čavića 1a
10000 Zagreb
Republic of Croatia

This version of Annual Financial Statements is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of Annual Financial Statements takes precedence over this translation.

Annual Financial Statements for 2024

	Notes	2024 EUR '000	2023 EUR '000
Revenue	*6*	1,981,289	1,832,787
Other income	*7*	44,197	39,991
Total operating income		**2,025,486**	**1,872,778**
Cost of goods sold		(1,417,023)	(1,329,077)
Material and energy costs	*8*	(68,147)	(75,019)
Service costs	*9*	(120,502)	(113,456)
Staff costs	*10*	(211,608)	(188,684)
Impairment of financial assets	*11*	1,111	1,549
Other impairments	*11*	(1,900)	(1,621)
Other costs	*12*	(18,917)	(20,205)
Gain on sale of property, plant and equipment, net		4,493	1,130
Depreciation and amortisation	*16,17,18,19*	(92,947)	(90,334)
Total operating expenses		**(1,925,440)**	**(1,815,717)**
Operating profit		**100,046**	**57,061**
Finance income	*13*	1,645	1,254
Finance costs	*14*	(38,366)	(38,057)
Net finance costs		**(36,721)**	**(36,803)**
Profit before tax		**63,325**	**20,258**
Income tax expense	*15*	(12,211)	(1,841)
Profit for the year		**51,114**	**18,417**
Other comprehensive loss			
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial (loss)/gain of defined benefit liability, net of tax		(469)	335
Other comprehensive income/(loss)		6	(1,653)
Other comprehensive loss for the year, net of tax		**(463)**	**(1,318)**
Total comprehensive income for the year		**50,651**	**17,099**

The accompanying notes are an integral part of these financial statements.

	Notes	31 December 2024 EUR '000	31 December 2023 EUR '000
Non-current assets			
Intangible assets	*16*	78,326	82,023
Property, plant and equipment	*17*	184,433	192,766
Right of use assets	*18*	341,613	328,821
Investment property	*19*	174,723	167,819
Loans, deposits and other financial assets	*20*	6,577	19,138
Deferred tax assets	*15*	12,197	22,452
Other non-current assets		71	28
Total non-current assets		**797,940**	**813,047**
Current assets			
Inventories	*21*	126,326	119,538
Loans, deposits and other financial assets	*20*	942	1,298
Trade receivables	*23*	68,435	58,020
Other current assets	*24*	8,994	9,027
Current income tax receivable	*24*	-	5,359
Cash and cash equivalents	*25*	29,093	73,374
		233,790	**266,616**
Assets held for sale	*22*	7,295	713
Total current assets		**241,085**	**267,329**
TOTAL ASSETS		**1,039,025**	**1,080,376**
Capital and reserves	*26*		
Share capital		3	3
Capital reserves		85,908	85,908
Merger reserve		47,526	58,919
Fair value reserves		6	-
Retained earnings/(Accumulated loss)		37,506	(10,809)
Total capital and reserves		**170,949**	**134,021**
Non-current liabilities			
Provisions	*27*	19,767	19,615
Loans and borrowings	*28*	14,119	17,197
Lease liabilities	*29*	412,350	370,585
Other non-current liabilities		14	18
Total non-current liabilities		**446,250**	**407,415**
Current liabilities			
Trade payables	*30*	252,728	302,974
Loans and borrowings	*28*	53,371	113,257
Lease liabilities	*29*	45,674	50,721
Current income tax payable	*15*	1,957	-
Other current liabilities	*31*	68,096	71,988
Total current liabilities		**421,826**	**538,940**
TOTAL EQUITY AND LIABILITIES		**1,039,025**	**1,080,376**

The accompanying notes are an integral part of these financial statements.

	Notes	Share capital	Capital reserves	Merger reserve	Fair value reserves	Retained earnings/ (Accumulated loss)	Total
	Notes	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Balance as at 1 January 2023		**3**	**85,908**	**50,312**	**-**	**(27,908)**	**108,315**
Profit for the year		-	-	-	-	18,417	18,417
Other comprehensive loss		-	-	-	-	(1,318)	(1,318)
Total comprehensive income for the year		-	-	-	-	17,099	17,099
Transactions with owners in their capacity as owners:							
Business combinations under common control	*2*	-	-	8,607	-	-	8,607
Balance as at 31 December 2023		**3**	**85,908**	**58,919**	**-**	**(10,809)**	**134,021**
Balance as at 1 January 2024		**3**	**85,908**	**58,919**	**-**	**(10,809)**	**134,021**
Profit for the year		-	-	-	-	51,114	51,114
Other comprehensive loss		-	-	-	6	(469)	(463)
Total comprehensive income for the year		-	-	-	6	50,645	50,651
Transactions with owners in their capacity as owners:							
Merger under common control	*2*	-	-	(11,393)	-	-	(11,393)
Provisions for guarantees	*27*	-	-	-	-	(2,330)	(2,330)
Balance as at 31 December 2024		**3**	**85,908**	**47,526**	**6**	**37,506**	**170,949**

The accompanying notes are an integral part of these financial statements.

	Notes	2024 EUR '000	2023 EUR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**63,325**	**20,258**
Depreciation, amortisation and impairment of property, plant, equipment, intangible assets and right of use assets	*11, 16, 17, 18, 19*	92,947	90,334
Finance income	*13*	(1,645)	(1,254)
Finance costs	*14*	38,366	38,057
(Gain)/loss from impairment of financial assets	*11*	(1,111)	(1,549)
(Gain)/loss on sale of non-current fixed assets		(4,493)	(1,130)
Change in provisions for liabilities and charges	*10, 12*	(2,088)	1,608
Non-current assets shortages, net	*12*	271	114
Impairment of inventory	*11*	1,900	1,621
Other non-cash transactions		807	(1,029)
Cash flow before adjustments for changes in working capital		188,279	147,030
Changes in inventories		(8,255)	(11,471)
Changes in receivables and other current assets		(11,428)	(8,611)
Changes in trade payables and other current liabilities		(50,687)	71,619
CASH FLOWS FROM OPERATING ACTIVITIES		117,909	198,567
Income tax paid		-	(5,359)
Interest paid	*33*	(39,446)	(37,686)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**78,463**	**155,522**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current fixed assets		11,570	1,664
Repayments of deposits		15,267	413
Proceeds from interest		1,553	1,162
Deposits paid		(1,480)	(1,458)
Purchases of property, plant and equipment and intangible assets	*16, 17*	(22,265)	(25,500)
Cash acquired in business combinations under common control	*2*	23	830
NET CASH FLOWS FROM INVESTING ACTIVITIES		**4,668**	**(22,889)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings and loans	*33*	42,759	54,979
Repayment of borrowings and loans	*33*	(115,483)	(116,610)
Repayment of principal element of lease liabilities	*33*	(54,688)	(54,618)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(127,412)**	**(116,249)**
TOTAL NET CASH FLOWS		**(44,281)**	**16,384**
Cash and cash equivalents at beginning of period		73,374	56,990
Cash and cash equivalents at end of period	*25*	29,093	73,374

The accompanying notes are an integral part of these financial statement.

1. GENERAL INFORMATION

Konzum plus d.o.o. (the Company), Zagreb was registered as a limited liability company at the Commercial Court of Zagreb on 14 June 2018 in accordance with resolution no. Tt-18/23666-2 based on the Statement of incorporation from 12 June 2018. The Company is registered at the Commercial Court of Zagreb under the register number 081180016.

The owner of the Company is Fortenova grupa d.d. (the Group), Zagreb, Marijana Čavića 1, with a 100% share. Ultimate parent of the Company at 31 December 2024 is Sustainable Solutions Holding AG, Switzerland, while the ultimate controlling party at 31 December 2024 is Mr. Pavao Vujnovac. The ultimate parent of the Company as at 31 December 2023 was Fortenova Group TopCo B.V., Netherlands, while the ultimate controlling party as at 31 December 2023 was Fortenova Group Stak Stichting, Netherlands.

The Company's registered office is in Zagreb, Marijana Čavića 1/a.

The Company's principal activity is retail and wholesale of food and non-food products, the provision of catering services, preparation and service activities of drinks and beverages and the production and processing of meat and meat products.

During 2024, the Company had an average of 11,146 employees, compared to 10,819 employees in 2023.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS ®) as adopted by the European Union.

The financial statements have been prepared under the accrual basis according to which liabilities and assets are recognised when they meet the definitions in the framework underlying IFRS. In preparing the financial statements, the basic accounting assumption of going concern was applied.

Basis of preparation

The financial statements are prepared on the historical cost basis except where otherwise stated. The accounting policies have been consistently applied by the Company and are consistent with those of the previous year. These financial statements aim disclosing only information that management considers is material for the primary users. Management seeks not to reduce the understandability of these financial statements by obscuring material information with immaterial information. Hence, only material accounting policy information is disclosed, where relevant, in the related disclosure notes and in Note 4.

Going concern

In preparing these financial statements Management has applied the going concern assumption. In making this judgement management considered the Company's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the macro-economic developments on the Company's operations. As at 31 December 2024, the Company's current liabilities exceed assets in the amount of EUR 180,741 thousand.

The Company relies on the continued support of the parent company, which has expressed its intention to provide financial support to the Company over the next twelve months from the date of issue of these financial statements.

In 2024, the parent of the Company, Fortenova grupa d.d., refinanced the total amount of the Secured Floating Rate Notes (the "Notes") which matured at the end of November 2024 by issuing new notes with an aggregate principal amount (including the issuer discount on the notes) of EUR 1.2 billion ("New Notes") under more favourable terms. The New Notes which were issued pursuant to the Subscription Agreement signed on 11 November 2024 (this agreement hereinafter: "New Subscription Agreement"), the principal finance document of Group, mature in March 2026 and are classified as a non-current liability. As disclosed in the Note 34, the Company acts as guarantor under the New Subscription Agreement.

As of the balance sheet date, no events of default under the New Subscription Agreement occurred.

Additionally, in July 2024 the parent of the Company, Fortenova grupa d.d., completed a transformation of the ownership structure, removing sanctioned equity holders who had significantly complicated and obstructed business operations, adversely affecting the value of the Fortenova grupa d.d. Group for all stakeholders. This change in the ownership structure is a key prerequisite for Fortenova grupa d.d. Group to gain significantly improved access to capital markets.

Very strong business performance realised in 2024, excellent projections for 2025, the sale of agri businesses, and the acquisition of complementary businesses scheduled for January 2025, as well as additional management initiatives in the pipeline, are expected to further decrease financial leverage of Fortenova grupa d.d. Group by the end of 2025. Combined with the successful completion of the change ownership structure transformation of Fortenova grupa d.d. Group, these developments provide a very solid foundation for a significant reduction in financing costs through debt refinancing, which now primarily depends on commercial terms.

The parent of the Company, Fortenova grupa d.d., has already initiated the refinancing process by soliciting expressions of interest from regional and international banks, and the parent of the Company has received 2 indicative offers to date. In line with the planned timeline, signing of the underwriting arrangement and completion of the transaction are expected by the end of 2025.

Conclusion

In light of the above, Management has concluded that the use of the going concern assumption is appropriate in the preparation of the financial statements for the year ended 31 December 2024, with no material uncertainty identified.

Merger during the reporting period

On 3 October 2024, the Company merged A007 plus d.o.o. No purchase consideration was paid due to the fact that it was a merger of companies under common control.

The effects of a merger of an entity under common control are shown in the following table:

	A007 plus d.o.o. **2024** **EUR ‘000**
Intangible assets	27
Other current assets	16
Cash and cash equivalents	23
Total assets	**66**
Loans and borrowings	10,911
Trade and other payables	57
Other current liabilities	491
Liabilities	**11,459**
Merger reserve	**(11,393)**

The merger was carried out at fair values, which are equal to the net book values recorded in the accounting records of the merged company.

Business combinations in 2023

On 3 May 2023, the Company merged Žitnjak d.o.o. No purchase consideration was paid due to the fact that it was a business combination of entities under common control.

The effects of a business combination of entities under common control are shown in the following table:

	Žitnjak d.o.o. **2023** **EUR '000**
Property, plant and equipment	5,959
Right of use assets	63
Investment property	1,430
Loans, deposits and other financial assets	392
Inventories	50
Trade and other receivables	1,001
Other current assets	9
Cash and cash equivalents	830
Total assets	**9,734**
Provisions	43
Lease liabilities	66
Deferred tax liabilities	538
Trade and other payables	425
Other current liabilities	55
Liabilities	**1,127**
Merger reserve	**8,607**

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a) New and amended standards adopted by the Company:

The following amended standards are effective as of 1 January 2024, have been adopted in the EU, but have not had a significant impact on the Company:

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024).

b) New standards and interpretations not yet adopted:

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025. The Company does not expect the amendments to have a significant impact on its financial statements.

Several new standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2025, or later, which have not been adopted in the EU and have not been early adopted by the Company:

- Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026).
- Annual Improvements to IFRS Accounting Standards (Issued in July 2024 and effective from 1 January 2026).
- Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (Issued on 18 December 2024 and effective from 1 January 2026).
- IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). The Company is currently assessing the impact of the amendments on its financial statements.
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).
- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

Unless otherwise stated above, the new standards and interpretations are not expected to have a significant impact on the Company's financial statements.

4. MATERIAL ACCOUNTING POLICY INFORMATION

Revenue recognition

Revenue is recognised net of value added tax, returns, rebates and discounts.

Sales of goods

The Company operates in the retail and wholesale business.

Retail

Goods are sold through stores operated by the Company. The revenue recognised by the Company meets the definition of revenue from contracts with customers as per IFRS 15. The Company recognises revenue when control of goods and services is transferred to the customer, generally for retail customers it occurs in the stores at the point of sale, while for internet customers it occurs upon delivery of goods. Payment of the transaction price is due immediately when the customer purchases goods.

The Company has a loyalty points program, which allows customers to accumulate points that can be redeemed for discounts on products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. Loyalty points awarded to customers are recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of points by the customer.

Wholesale

The revenue recognised by the Company meets the definition of revenue from contracts with customers as per IFRS 15. The Company recognises revenue when control of goods is transferred to the customer, which occurs in the stores at the point of sale or upon delivery of the goods. The transaction price is fixed and there is only one performance obligation. Payment of the transaction price is due as per contract with customers, typically within a period of 60 days.

The Company does not expect to have any contracts where the period between the transfer of the promised goods and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time value of money.

Financial assets

Initial recognition and subsequent measurement

Financial assets of the Company are classified, at initial recognition, as subsequently measured at amortised cost

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

The Company's financial assets measured at amortized cost include trade receivables, loans given, deposits, cash and cash equivalents.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all financial assets recognised by the Company. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Company: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. PD is an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period.

ECLs are recognised in two steps. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

In order to determine whether there has been a significant increase in credit risk, the Company compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. Financial assets experience significant increase in credit risk if PD inceases by 50%. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Company considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Company identifies behavioural indicators of increases in credit risk prior to delinquency and incorporates appropriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Loans and deposits are assessed on an individual basis and receivables can be assessed by both criteria. The Company considers days past due and total amount of debt and receivables that a particular customer has for the assessment. The primary indicator of significant increase in credit risk is when a debtor is 30 days past due on its contractual payments. Additionally, past payment patterns, seasonality and customer client relationship and annual turnover are particularly considered in the assessment. For loans an deposits days past due are the primary criteria, but also past payment patterns and customer client relationship are considered for the assessment of credit risk.

For purposes of measuring PD the Company defines default as a situation when the exposure meets one or more of the following criteria:

- the debtor is 90 days past due on its contractual payments
- the debtor meets the unlikeliness-to-pay criteria listed below:
  - the debtor is deceased
  - the debtor is insolvent
  - the debtor is blocked for payment
  - it is becoming likely that the debtor will enter bankruptcy
  - the debtor is in pre bankruptcy procedure
  - the debtor was deleted from the court registry.

Default is presumed if any of the above mentioned events takes place and in that case receivables are impaired 100%.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company has established a provision matrix that is based on its historical credit loss experience in the past four years, adjusted for forward-looking factors specific to the debtors and the economic environment (if available without undue cost or effort).

The Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Trade receivables are directly written off if there is no reasonable expectation of recovery. The indicators that there are no reasonable expectations of recovery include, amongst others, the failure to make contractual payments for a period greater than one year.

Intangible assets

Intangible assets with finite useful lives are amortised over their useful lives and any impairment of the assets is assessed whenever there is an indication that the value of such assets may be impaired. Intangible assets with a finite useful life are amortised using the straight-line amortisation method.

Estimated useful lives were as follows:

Computer software	5 years
Loyalty card programme	6 years
Other rights	10 years

Goodwill and brands have an indefinite useful life and are not subject to amortisation. Based on an analysis of all the relevant factors at the reporting date, there is no foreseeable limit to the period of time over which the identified rights are expected to generate net cash inflows, and hence, it was assumed that those brands have an indefinite useful economic life.

In determining the useful economic life of brands, the Company considered the following factors which might impact the useful life of a brand:

- history of brand stability
- legal, regulatory and contractual factors such as concession rights and its limitations, trademark registration and similar
- economic factors such as demand, product obsolescence and competition and
- any other limitations specific to the group of Company's assets to which the useful lives of relevant brand relate (e.g. production facility or equipment limitations).

Property, plant and equipment

Land

Land is measured at historical cost.

Buildings, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is provided on a straight-line basis for each fixed asset and is recognised as an expense for the period.

The useful life, the depreciation method and the estimated residual value are reviewed at the end of each reporting period and, if necessary, adjusted as changes in accounting estimates.

Estimated useful lives were as follows:

Buildings	20 years
Plant and equipment	4 – 15 years
Leasehold improvements	5 – 15 years

In the case of leasehold improvements, the estimated useful life is the lease period or the original useful life of the corresponding asset category, whichever is shorter.

Investment property

Investment property is subsequently measured at cost. Depreciation is provided on a straight-line basis for each fixed asset and is recognised as an expense for the period.

The estimated useful lives were 20 years in 2024 (2023: 20 years), except for rights of use assets under investment property where the expected useful lives are in line with the duration of the lease contract terms as disclosed below, in the part of the accounting policies which describe Leases.

When the use of property changes so that it has to be reclassified under Property, plant and equipment, the reclassification is carried out based on cost less accumulated depreciation and provision for impairment.

Impairment of non-financial assets

The Company assesses at each balance sheet date whether there are any indicators of impairment of assets. If any such indication exists, or when an annual impairment test is required, the Company estimates the recoverable amount of assets.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at the group of CGUs level. Each store is a CGU, however, goodwill and intangible assets are not monitored by management at the level of each store but at the level of a group of CGUs that is not larger than the operating segment which is defined at the Company level.

The following criteria apply when assessing the impairment of specific assets:

Goodwill

For the purposes of impairment testing, goodwill is allocated to the group of cash-generating units that is expected to benefit from the synergies of the combination.

The recoverable amount of a group of cash-generating units is determined as its value in use, using projected cash flows based on financial plans for a five-year period and the terminal growth rate for cash flows after the projected five-year period.

Intangible assets

Intangible assets with indefinite useful lives are tested annually for impairment at the level of the group of cash-generating units, and when circumstances indicate that the present value may be impaired.

Leases

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities representing its obligation to make lease payments and right of use assets representing the right to use the underlying assets. There are two key aspects:

1. Right of use assets

Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right of use assets are depreciated on straight-line basis over the shorter of the lease term and the estimated useful lives and are presented below:

Right of use for the buildings	5 – 30 years
Right of use for the vehicles and equipment	4 – 7 years

Where a lease is comprised of land and building under the same contract, value of the lease for the both is not separated and thus they are both included in the “Buildings” category in Note 18.

2. Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Refer to the accounting policies Note 5 – Critical accounting estimates.

Short-term leases and leases of low-value assets

The Company applies the recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less). A lease that contains a purchase option cannot be classified as a short-term lease. The Company has no leased assets considered to be low value.

Lease payments on short-term leases are recognised as expenses on a straight-line basis over the lease term.

Below are examples of leases which, based on the Company's assessment, do not qualify for low value exemption:

- real estate leases, regardless of the amount
- vehicle leases.

Some property leases contain variable payment terms that are linked to sales generated from a store. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Company as a lessor

Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its operating nature Contingent rents are recognised as income in the period in which they are earned.

Inventories

Inventories are stated at the lower of cost or net realisable value.

Costs incurred in bringing inventories to their present location and condition are included in the cost of inventories. To measure expenditure on inventories sold, the Company uses the weighted average cost method.

Net realisable value is the estimated net selling price in the normal course of business decreased by estimated cost of completion and estimated costs needed to complete the sale.

Obsolete and slow-moving inventories are adjusted in value through impairment.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Taxes

Income tax expense comprises current and deferred tax. The income tax charge is calculated according to Croatian tax regulations. The tax returns are subject to the control of the tax authorities. Since the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the Tax Authority.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill,the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred tax assets have been recognised for temporary differences only to the extent that it is expected that the Company will have sufficient profits in the periods of release of the temporary differences in order to utilise the consequential tax effects of the resulting deductible temporary differences. The Company has made 5-year plans which indicate sufficient taxable profits for future utilisation.

Financial liabilities

Financial liabilities are subsequently measured at amortized costs. Financial liabilities of the Company include trade payables, loans and borrowings, lease liabilities, financial guarantee provision.

The Company has not designated any financial liability as at fair value through profit or loss.

Other financial liabilities (including borrowings, trade and other payables) are measured initially at fair value and subsequently at amortised cost using the effective interest method.

Employee benefits

Short-term employee benefits

The Company, in the normal course of business, makes fixed contributions into the State mandatory pension funds on behalf of its employees. The Company does not operate any other pension scheme or postretirement benefit plan, and consequently, has no legal or constructive obligation to make further contributions if the funds do not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Termination, post-employment benefits and other long-term employee benefits

The Company makes payments to employees that include one-off retirement and jubilee benefits.

The obligation is measured at the present value of estimated future cash flows using a discount rate that is based on the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Business combinations under common control

Business combinations under common control are outside of the scope of IFRS 3. The Company therefore had to apply an accounting policy that faithfully reflects the economic substance of the transaction and is free from bias. The Company therefore decided to use the predecessor accounting method which is a commonly used method of accounting for business combinations under common control.

Predecessor method accounting means that the assets and liabilities of the acquirees are acquired using their carrying values at the date of acquisition (i.e., assets and liabilities of subsidiaries are not measured to their fair values). The assets and liabilities from the highest consolidated entity are used.

Using the predecessor accounting method means that no new goodwill is recognized as part of the acquisition. Instead, the difference between the consideration paid for acquisition and the acquired net assets is recognized in the statement of changes in equity in a separate column “merger reserve” disclosed in item Business combinations under common control.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments in respect of carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The estimates were used for, but not limited to the calculation and period of depreciation/amortisation and residual values of property, plant and equipment and intangible assets, impairment estimates, impairment allowances for inventories and bad and doubtful debts and provisions for employee benefits and legal claims, leases as well as the estimate of contingent liabilities for guarantees and leases.

Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause an adjustment to the carrying amount of assets and liabilities within the next financial year are:

Leases

Lease term duration estimates

The Company has applied judgement to determine the lease term for all lease contracts that include renewal or termination options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and leased assets recognised. In case when the contract does not explicitly define the lease term, based on the past experience and the Company's current assessment, the Company considers that the term of the contract is 5 years. This was elected as future business plans are made for the period of 5 years. A new assessment of contracts that do not explicitly define the lease term was performed one year before the expiration of the current 5-year period. Within its budgeting process the Company has reviewed the individual locations and decided that they will remain on the premises for another 5 years. A new assessment will be performed again a year before expiration of the renewed period. On 31 December 2024 the Company recognizes such right of use assets in the amount of EUR 4,067 thousand (2023: EUR 5,475 thousand). For more details refer to Note 34.

Estimates of incremental borrowing rate for lease contracts

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects what the Company ‘would have to pay’, which requires estimation when no observable rates are available (such as when the Company does not enter into external financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

Specific considerations and assessments by the Company relating to the discount rate for each lease contract are as follows:

(a) *Property (real estate and land) leases* - the discount rate is the incremental borrowing rate which, based on the Company's assessment, equals the interest rate of the currently possessed most relevant borrowing. Since the Company cannot obtain a loan on the active market, Group borrowing rates have been used.

(b) *Vehicles and equipment leases* – the incremental borrowing rate is determined by obtaining a quote from current lessors (where possible) about rates which would be granted to the Company.

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered:

(a) the expected usage of the assets
(b) the expected physical wear and tear, which depends on operational factors and maintenance programme
(c) the technical or commercial obsolescence arising from changes in market conditions.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2024 would be a decrease of depreciation cost by EUR 2,193 thousand or increase by EUR 2,680 thousand (2023: decrease by EUR 2,421 thousand or increase by EUR 2,959 thousand).

Investment property

Investment property mostly relates to owned buildings and subleases of properties within stores. The Company leases its spaces for retail shops, cafes, restaurants and to other service providers. These buildings are partially owned by the Company and partially leased assets parts of which are then subleased and accounted for as per IFRS 16.

In circumstances when property is held partly for capital appreciation and/or rentals, and partly for the use in the normal course of business or for administrative purposes, the part of property which is held for rentals it is accounted for as investment property. The amount of property, plant and equipment that has been reclassified to investment property is calculated in accordance with the square footage of the sublet space, i.e. the value of the property, plant and equipment per square meter is multiplied by the number of sublease squares and amounts to EUR 51,887 thousand (2023: EUR 50,333 thousand).

Besides properties owned by the Company, the Company also discloses part of the right of use assets as investment property. The reason for this is the fact that on a large number of leased properties the entire area of the leased space is not used for its own normal course of business, so the surplus is subleased. The amount of right of use assets that has been reclassified to investment property is calculated in accordance with the square footage of the sublet space, i.e. the value of the right of use asset per square meter is multiplied by the number of sublease squares. The value of reclassification using the proportionate share is EUR 65,724 thousand (2023: EUR 47,389 thousand).

The Company's assessment of fair value of investment property as at 31 December 2024 approximates its net carrying value. For investment properties that the Company does not use in it's normal course of business (for stores or administrative purposes), fair value has been determined based on recent valuations performed by an independent, professionally qualified valuer with relevant experience in the specific location and property type. For right-of-use investment properties and rented part of those which are used for normal course of business, fair value has been determined using the income approach.

Deferred income tax asset

The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. In 2023 deferred tax assets of the Company are comprised mostly from tax losses carried forward which can be utilised in future periods in the amount of EUR 11,216 thousand, while in 2024 all deferred tax assets from tax losses were utilised. The deferred tax asset now consists exclusively of temporary differences in the amount EUR 12,230 thousand (2023: EUR 11,236 thousand). The future taxable profits and the amount of tax benefits from tax losses carried forward that are probable in the future are based on the medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. Key assumptions in the business plan are disclosed within the goodwill impairment testing assumptions.

Impairment of intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment.

Brands

Intangible assets with indefinite useful lives are tested for impairment on value in use basis and allocated to the group of cash-generating units (CGUs) as defined for goodwill impairment test purposes disclosed below. The same assumptions were used for impairment testing of brand and goodwill. Detailed assumptions are disclosed in the paragraph below. Based on the analysis performed, the Company concluded that the total carrying amount of brands with indefinite useful lives is recoverable at 31 December 2024.

Goodwill impairment

The goodwill is attributable to the synergies, workforce and the possible future profitability of the acquired business. It will not be deductible for tax purposes.

At the acquisition date, 1 April 2019, the Company recognised goodwill of EUR 18,430 thousand. Based on the analysis performed, the Company concluded that the total carrying amount of goodwill is recoverable at 31 December 2024.

The Company tests whether goodwill has suffered any impairment on an annual basis. For the year ended 31 December 2024 the recoverable amount of the group of cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

The Company has a functional organization structure with a Management Board, consisting of two members, which oversees and is responsible for all departments within the Company. The Management Board is responsible and held accountable for all business decisions in accordance with the Statement of incorporation. As a result of this, business decisions are made taking into consideration the Company as a whole. This is also reflected through the fact that only company level planning/budgeting and KPI target setting and monitoring is considered in performance assessment from the owner's perspective. As a result of all of the above, we have identified only one company level group of CGUs.

The following table sets out the key assumptions:

	2024	**2023**
Net Sales Revenue (% annual growth rate)	3.5 %	4.0 %
Budgeted gross margin (%)	29.5 %	27.9 %
Long-term growth rate (%)	2.9%	2.3 %
WACC Discount rate (%)	10.9 %	11.4 %

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	**Approach used to determine values**
Net Sales Revenue	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Budgeted gross margin	Based on past performance and management's expectations for the future.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The terminal growth rates used in the valuation represent the forecast country's annual GDP growth rate until 2050 unless an analysis of past growth and market trends would indicate that lower rates should be applied.
WACC Discount rate	Reflects specific risks relating to relevant segments in which the Company operates.

The Company has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for the group of CGUs to which goodwill is allocated.

ECL measurement

Measurement of ECLs is a significant estimate that involves determination of methodology, models, and data inputs. Details of the ECL measurement methodology are disclosed in Note 35 Financial instruments and risk management. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

6. REVENUE

	2024	2023
	EUR '000	**EUR '000**
Retail revenue	1,792,052	1,655,674
Wholesale revenue	189,237	177,113
	1,981,289	**1,832,787**

Revenue structure by country is as follows:

	2024	2023
	EUR '000	**EUR '000**
Croatia	1,975,595	1,826,807
Germany	2,703	2,365
Slovenia	995	1,776
Bosnia and Herzegovina	489	633
Sweden	281	326
Ireland	86	149
Austria	155	132
Other countries	985	599
	1,981,289	**1,832,787**

All of the revenue is recognised at a point of time, which is when the goods are sold and control over the goods is transferred to the buyer. For wholesale terms of sale are defined by contracts. For more details please see Note 4.

7. OTHER INCOME

	2024 EUR '000	2023 EUR '000
Sublease income	20,225	17,835
Rental income	13,773	14,084
Warehousing services	2,444	2,437
Recharged utilities	2,479	2,398
Income from cancellation of IFRS 16 contracts	1,598	209
Income from fees for packaging waste	769	747
Marketing services	810	628
Income from liabilities written off	366	133
Other income	1,733	1,520
	44,197	**39,991**

Rental income relates to regular operating leases of owned assets, and sublease income is the income from lease of right of use assets. All subleases are classified as operating leases as substantially all risks and rewards from the leases are not transferred from the sublessor to the sublessee.

Of the total rental and sublease income EUR 1,263 thousand relates to the lease and sublease to owner's subsidiaries (2023: EUR 1,027 thousand) and EUR 1,251 thousand relates to lease and sublease to subsidiaries of the entity with significant influence over the Company (2023: EUR 4,102 thousand) and EUR 3,356 thousand to related parties under common control.

8. MATERIAL AND ENERGY COSTS

	2024 EUR '000	2023 EUR '000
Energy consumed	57,278	62,922
Raw materials and supplies consumed	9,229	10,328
Spare parts, tires and small inventory used	1,640	1,769
	68,147	**75,019**

9. SERVICE COSTS

	2024	2023
	EUR '000	**EUR '000**
Maintenance services	23,982	23,601
Marketing and promotion	20,797	18,132
Utilities and waste disposal services	15,451	14,453
IT services	10,523	10,115
Student service costs	9,735	7,633
Transport services	9,922	8,745
Short-term leases and variable lease costs	8,836	9,080
Security services	6,687	6,687
Management fee (Group)	4,447	4,572
Facility cleaning services	3,265	2,753
Costs of agency workers	1,044	1,219
Postage and telephones	992	968
Intellectual services	739	1,067
Costs of temporary service contracts and authors' fees	245	343
Market research	210	231
Other services	3,627	3,857
	120,502	**113,456**

Audit services for 2024 amount to EUR 370 thousand (2023: EUR 236 thousand).

Lease expenses relate to expenses from short-term leases and variable lease payments expenses. For a detailed breakdown please see Note 29. Other service costs include sample testing services, product analysis, quality control, logistic services, printing, and other services. There are no lease expenses (2023: EUR 2 thousand) that relate to lease expenses from owner's subsidiaries, and EUR 945 thousand relates to subsidiaries of the entity with significant influence over the Company (2023: EUR 946 thousand) and EUR 712 thousand relates to related parties under common control.

10. STAFF COSTS

	2024	**2023**
	EUR '000	**EUR '000**
Wages and salaries	112,130	98,972
Employee compensations, benefits, awards	35,961	33,481
Personal income tax	10,153	8,499
Healthcare and social security contributions	22,440	20,167
Pension insurance contributions	29,039	25,926
Contributions from salaries for accelerated retirement	299	269
Provisions for unused vacation	892	913
Provisions for termination benefits	694	457
	211,608	**188,684**

Healthcare and social security contributions as well as pension insurance contributions and contributions from salaries for accelerated retirement are defined contribution plans required by law; these are not voluntary plans. The total amount of pension insurance contributions and healthcare and social security contributions paid during the year was EUR 51,778 thousand (2023: EUR 46,362 thousand).

11. IMPAIRMENT OF ASSETS

	2024	**2023**
	EUR '000	**EUR '000**
Loans deposits and other financial assets	(903)	(5)
Other receivables	19	20
Trade receivables - unrelated parties	(204)	(1,569)
Trade receivables - related parties	(23)	5
Inventory	1,900	1,621
	789	**72**

Impairment of trade receivables and other financial assets is related to expected credit losses calculated under IFRS 9 requirements. Details on the impairment are given in Note 35.

The trade receivables impairment comprises of impairment charge of trade receivables in the amount of EUR 1,444 thousand (2023: EUR 109 thousand), collected impaired trade receivables in the amount of EUR 1,526 thousand (2023: EUR 1,289 thousand) and collected receivables impaired before the business combination in 2019 in the amount above the estimated fair value EUR 145 thousand (2023: EUR 384 thousand).

12. OTHER COSTS

	2024	2023
	EUR '000	EUR '000
Bank charges and payment transaction services	7,006	6,510
Insurance costs	3,707	3,315
Employee accommodation expenses	2,800	1,757
Donation and sponsorship	1,542	2,108
Contributions, membership fees, charges and taxes irrespective of result	1,000	1,104
Road fees and technical inspection of vehicles	918	854
Daily allowances	709	335
Entertainment	569	547
Write off of non-current assets	551	321
Expenses for primary healthcare	367	418
Other business travel expenses	303	300
Non-current assets shortages	271	114
Provisions for guarantees	(1,653)	(799)
Provisions for legal disputes, net	(2,021)	1,037
Other costs	2,848	2,284
	18,917	**20,205**

Other costs include sanitary and veterinarian costs, health and safety costs, seminars, consulting, fines, and other costs.

13. FINANCE INCOME

	2024	2023
	EUR '000	EUR '000
Interest income	1,633	1,234
Foreign exchange gains	9	20
Income from dividends	3	-
	1,645	**1,254**

Structure of interest income is given below:

	2024	2023
	EUR '000	EUR '000
Interest income on deposits	917	563
Other interest income	716	671
	1,633	**1,234**

14. FINANCE COSTS

	2024	2023
	EUR '000	EUR '000
Interest expense	38,351	38,028
Foreign exchange losses	15	29
	38,366	**38,057**

The structure of interest expense is given below:

	2024	2023
	EUR '000	EUR '000
Interest expense on lease liabilities	35,081	33,999
Interest expense on loans	2,616	3,302
Interest expense from reinstated debt	598	688
Penalty interest	56	39
	38,351	**38,028**

Total interest expense on loans in the amount of EUR 2,616 thousand (2023: EUR 3,302 thousand) is from loans obtained from the Company's owner. Interest expense from lease liabilities related to the owner's subsidiaries amounts to EUR 97 thousand (2023: EUR 125 thousand) and from subsidiaries of the entity with significant influence over the Company amounts to EUR 914 thousand (2023: EUR 1,943 thousand) and from related parties under common control EUR 888 thousand.

15. INCOME TAX

a) Components of income tax expense

Income tax expense recorded in the statement of comprehensive income comprises the following:

	2024	2023
	EUR '000	EUR '000
Current tax	1,957	(3,798)
Deferred tax	10,254	5,639
Income tax expense for the year	**12,211**	**1,841**

b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

Income tax is calculated at the rate of 18% (2023: 18%) on the Company's taxable income. The reconciliation between tax expense and accounting profit is presented as follows:

	2024	2023
	EUR '000	EUR '000
Profit before tax	63,325	20,258
Theoretical tax credit at statutory rate of 18%:	11,399	3,646
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible inventory shortages	655	636
- Other non-deductible expenses	296	239
- Impairment losses not deductible for tax purposess	121	269
- Amortisation and depreciation	373	55
- Provisions for costs not deductible for tax purposes	1,250	326
Tax losses carried forward	-	2,748
Other non-taxable income	(1,883)	(873)
Utilisation of previously unrecognised tax loss carry forwards	-	(1,407)
Extra profit tax	-	(3,798)
Income tax expense for the year	**12,211**	**1,841**

Recognised tax losses carried forward

	2024	2023
	EUR '000	EUR '000
Available for utilisation in 2024	-	62,310
Available for utilisation in 2025	-	62,310
Available for utilisation in 2026	-	62,310

The Croatian Income Tax Act is subject to varying interpretations and changes in respect of expenses which decrease the tax base. The Management Board's interpretation of such legislation as applied to the transactions and activities of the Company may be challenged by the relevant authorities. The Tax Administration may take a different position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. The Tax Administration may start performing an inspection within three years following the year in which the tax liability is reported for a specific financial period.

As per normal tax administrative procedures, the Company is currently subject to a tax audit relating to corporate income tax for 2019 and 2022. Until the date of the issuance of the financial statements the Company did not receive tax audit report from the tax authorities. The Company is recording transactions in its tax returns in accordance with tax and other legislation, hence the Company believes that the ongoing tax audits shall not result in significant additional tax liabilities.

Utilisation of tax loss carry forwards in 2023 for which deferred tax asset wasn't previously recognised relates to tax losses carried forward from the merged company Žitnjak d.o.o. As at 31 December 2024 there are no additional tax losses carried forward for which no deferred tax assets have been recognised.

The recognition and utilization of deferred tax assets was carried out through the profit and loss account for the period.

The movement of deferred tax assets is given below:

	1 January 2024	Recognition through profit or loss	Use through profit or loss	Recognised through other comprehensive income	31 December 2024
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Deferred tax assets					
Impairments	1,074	342	(114)	-	1,302
Depreciation	499	85	(151)	-	433
Lease contracts – IFRS 16	75,835	6,609	-	-	82,444
Provisions	2,094	1,044	(1,250)	-	1,888
Tax losses carried forward	11,216	-	(11,216)	-	(0)
Total deferred tax assets	**90,718**	**8,080**	**(12,731)**	**-**	**86,067**
Deferred tax liabilities					
Depreciation	(548)	-	-	-	(548)
Lease contracts – IFRS 16	(67,718)	(5,603)	-	-	(73,321)
Unrealized gains	-	-	-	(1)	(1)
Total deferred tax liabilities	**(68,266)**	**(5,603)**	**-**	**(1)**	**(73,870)**
Net deferred tax assets	**22,452**	**2,477**	**(12,731)**	**(1)**	**12,197**

	1 January 2023	Recognition through profit or loss	Use through profit or loss	Acquired in business combinations under common control	31 December 2023
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Deferred tax assets					
Impairments	1,034	294	(254)	-	1,074
Depreciation	721	90	(312)	-	499
Lease contracts – IFRS 16	67,475	8,360	-	-	75,835
Provisions	927	1,492	(325)	-	2,094
Tax losses carried forward	19,755	-	(8,539)	-	11,216
Total deferred tax assets	**89,912**	**10,236**	**(9,430)**	**-**	**90,718**
Deferred tax liabilities					
Depreciation	(10)	-	-	(538)	(548)
Lease contracts – IFRS 16	(61,274)	(6,444)	-	-	(67,718)
Total deferred tax liabilities	**(61,284)**	**(6,444)**	**-**	**(538)**	**(68,266)**
Net total deferred tax assets	**28,628**	**3,792**	**(9,430)**	**(538)**	**22,452**

OECD Pillar 2 GloBE Rules

In December 2021 the Organisation for Economic Cooperation and Development (OECD) released the Pillar 2 model rules, the Global Anti-Base Erosion Rules, or 'GloBE Rules'. These rules introduce a global minimum effective tax rate ('GloBE ETR') for multinational groups with consolidated revenue of EUR 750 million or more in at least two of the last four consecutive financial years. The aim is to ensure that multinational groups pay a minimum level of tax on the income generated in each jurisdiction where they operate. In December 2022 the Council of the EU adopted the Pillar 2 directive, subsequent to which it has been implemented in multiple EU jurisdictions during 2023.

For the Group the new rules are applicable as of the financial year 2024 given that the Group's annual consolidated revenue exceeds the prescribed threshold (EUR 750m) in two out of the last four financial years, and that it operates in the jurisdictions which enacted Pillar 2 rules.

The Group has performed an analysis of the Pillar 2 impact for the year ended 31 December 2024. Based on this analysis, for some jurisdictions in which it operates the Group can rely on the Transitional CbCR Safe Harbor. For jurisdictions in which the Group cannot rely on Transitional CbCR Safe Harbor no current tax is assessed.

Due to complexities in applying the Pillar Two legislation as well as the fact that further guidance on rules and regulations is expected in the coming period, the Group will continue to assess the Pillar 2 impact on its future financial performance.

In the financial statements, the Group and operating companies (including the Company) apply the temporary exemption from accounting for deferred tax that arises from legislation implementing the Pillar 2 rules, as provided in the amendments to IAS 12 issued in May 2023, and will account for it as a current tax if and when it is incurred.

16. INTANGIBLE ASSETS

Balances and movements in intangible assets during 2023 and 2024 are shown below:

	Software and other rights	Brand	Loyalty	Goodwill	Assets not yet available for use	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Cost						
As at 1 January 2023	10,178	58,239	22,628	18,430	-	109,475
Acquired in business combinations under common control	34	-	-	-	-	34
Direct additions	-	-	-	-	756	756
Transfer	756	-	-	-	(756)	-
Disposals	(1)	-	-	-	-	(1)
As at 31 December 2023	**10,967**	**58,239**	**22,628**	**18,430**	**-**	**110,264**
Acquired in business combinations under common control	-	62	-	-	27	89
Direct additions	-	-	-	-	1,236	1,236
Transfer	983	-	-	-	(983)	-
As at 31 December 2024	**11,950**	**58,301**	**22,628**	**18,430**	**280**	**111,589**
Accumulated amortisation and impairment						
As at 1 January 2023	6,606	2,568	14,144	-	-	23,318
Acquired in business combinations under common control	34	-	-	-	-	34
Amortisation charge for the period	1,117	-	3,773	-	-	4,890
Disposals	(1)	-	-	-	-	(1)
As at 31 December 2023	**7,756**	**2,568**	**17,917**	**-**	**-**	**28,241**
Acquired in business combinations under common control	-	62	-	-	-	62
Amortisation charge for the period	1,187	-	3,773	-	-	4,960
As at 31 December 2024	**8,943**	**2,630**	**21,690**	**-**	**-**	**33,263**
Net book amount						
As at 31 December 2023	3,211	55,671	4,711	18,430	-	82,023
As at 31 December 2024	**3,007**	**55,671**	**938**	**18,430**	**280**	**78,326**

The carrying amount of pledged brand at 31 December 2024 amounted to EUR 55,671 thousand (2023: EUR 55,671 thousand).

17. PROPERTY, PLANT AND EQUIPMENT

Balances and movements in property, plant and equipment during 2023 and 2024 are shown below:

	Land	Buildings	Plant and equipment	Leasehold improve-ments	Assets not yet available for use	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Cost						
As at 1 January 2023	27,547	177,470	96,495	52,594	4,623	358,729
Acquired in business combinations under common control	4,137	1,998	215	3	-	6,353
Direct additions	-	-	-	-	24,744	24,744
Transfer	176	2,224	13,034	5,130	(20,564)	-
Disposal	(7)	(73)	(382)	(23)	(73)	(558)
Write-off	(29)	(173)	(1,277)	(11)	(22)	(1,512)
Transfer to assets held for sale	(259)	(93)	-	-	-	(352)
Transfer from / (to) investment property	(11,984)	(55,931)	-	-	(15)	(67,930)
Transfer from rights of use asset	-	-	177	-	-	177
Other	-	692	-	(692)	-	-
As at 31 December 2023	**19,581**	**126,114**	**108,262**	**57,001**	**8,693**	**319,651**
Direct additions	-	-	-	-	21,029	21,029
Transfer	1,249	1,547	15,532	5,866	(24,194)	-
Disposal	(70)	-	(325)	(21)	(64)	(480)
Write-off	-	-	(1,262)	(1,663)	-	(2,925)
Transfer to assets held for sale	(1,023)	(72)	-	-	-	(1,095)
Transfer from / (to) investment property	(9,313)	4,155	-	-	(36)	(5,194)
Other	12,578	(14,217)	(480)	(116)	28	(2,207)
As at 31 December 2024	**23,002**	**117,527**	**121,727**	**61,067**	**5,456**	**328,779**

	Land	Buildings	Plant and equipment	Leasehold improve-ments	Assets not yet available for use	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Accumulated depreciation and impairment						
As at 1 January 2023	-	29,346	52,695	26,706	882	109,629
Acquired in business combinations under common control	-	265	125	4	-	394
Depreciation charge for the period	-	9,346	11,419	5,859	-	26,624
Disposals	-	(17)	(299)	(7)	-	(323)
Write-off	-	(54)	(1,054)	(10)	-	(1,118)
Transfer to assets held for sale	-	(16)	-	-	-	(16)
Transfer from / (to) investment property and other transfers	-	(8,381)	-	-	-	(8,381)
Transfer from rights of use asset	-	-	76	-	-	76
Other	-	219	-	(219)	-	-
As at 31 December 2023	**-**	**30,708**	**62,962**	**32,333**	**882**	**126,885**
Depreciation charge for the period	-	8,289	11,230	4,600	-	24,119
Disposals	-	-	(163)	(19)	-	(182)
Write-off	-	-	(977)	(1,392)	-	(2,369)
Transfer to assets held for sale	-	(20)	-	-	-	(20)
Transfer from / (to) investment property	-	(2,060)	-	-	-	(2,060)
Other	-	(1,633)	(370)	(24)	-	(2,027)
As at 31 December 2024	**-**	**35,284**	**72,682**	**35,498**	**882**	**144,346**
Net book amount						
As at 31 December 2023	19,581	95,406	45,300	24,668	7,811	192,766
As at 31 December 2024	**23,002**	**82,243**	**49,045**	**25,569**	**4,574**	**184,433**

The carrying amount of pledged land and buildings at 31 December 2024 amounted to EUR 73,409 thousand (2023: EUR 73,479 thousand).

At 31 December 2024, the Company's land and buildings include property for which no ownership title has been recorded in the land register. This is due to unresolved issues with Croatian property registers. This is a common issue in Croatia and its resolution is in progress and is expected in future years. The Company is considered the owner as it is in control of the land and the control brings economic benefits to the Company. As a result, the properties should be included in the Company's property, plant and equipment. The carrying amount of these properties totals EUR 2,767 thousand (2023: EUR 5,394 thousand).

18. RIGHT OF USE ASSETS

The recognised right of use assets relate to the following types of assets and movements during the period:

	Buildings	Vehicles and equipment	Land	Total
	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January 2023	**287,881**	**4,043**	**30**	**291,954**
Acquired in business combinations	33	30	-	63
Additions – new contracts	13,658	6,532	-	20,190
Depreciation expense for the period	(44,660)	(1,832)	(13)	(46,505)
Modification of right of use assets	73,487	13	1	73,501
Contract termination (disposal)	(1,034)	4	(1)	(1,031)
Transfer to investment property	(9,250)	-	-	(9,250)
Transfer to property, plant and equipment	-	(101)	-	(101)
As at 31 December 2023	**320,115**	**8,689**	**17**	**328,821**
Additions – new contracts	59,291	3,547	49	62,887
Depreciation expense for the period	(47,592)	(2,802)	-	(50,394)
Modification of right of use assets	37,459	(896)	13	36,576
Contract termination (disposal)	(6,756)	(22)	(9)	(6,787)
Transfer to investment property	(29,490)	-	-	(29,490)
As at 31 December 2024	**333,027**	**8,516**	**70**	**341,613**

The Company leases various properties (retail stores, office building), delivery vans, cars and other equipment. Leases are negotiated on an individual basis and contain a wide range of different terms and conditions (incl. termination and renewal rights) described in Note 5, Critical accounting judgements and estimates.

Modifications of right of use assets relate to changes in price of the lease or duration of the lease term.

Transfer to investment property relates to reclassification of a portion of right of use assets that the Company subleases to other companies. The amount of reclassification depends on the ratio of the subleased area to the total leased amount, which may vary depending on the sublease contracts. The net book value of subleased assets is reclassified from right of use assets to investment property.

19. INVESTMENT PROPERTY

Balances and movements in investment property during 2023 and 2024 are shown below:

	2024 EUR '000	2023 EUR '000
As at 1 January		
Cost	209,134	133,173
Accumulated depreciation	(41,315)	(23,580)
Net book amount	**167,819**	**109,593**
Acquired in business combinations under common control	-	1,430
Depreciation charge for the period	(13,474)	(12,315)
Disposals	(6,492)	(568)
Transfer from/(to) assets held for sale	(5,753)	910
Transfer from/(to) tangible assets	3,134	59,549
Transfer from/(to) right of use assets	29,490	9,250
Write-off	-	(30)
Other	(1)	-
Net book amount	**174,723**	**167,819**
As at 31 December		
Cost	215,142	209,134
Accumulated depreciation	(40,419)	(41,315)
Net book amount	**174,723**	**167,819**

Investment property mostly relates to buildings, subleases of properties within stores. The Company leases its spaces for retail shops, cafes, restaurants and to other service providers. These buildings are partly owned by the Company and partly represent leased assets parts of which are then subleased and accounted for as per IFRS 16.

As at 31 December 2024, the total carrying value of investment property owned by the Company amounts to EUR 108,998 thousand (2023: EUR 120,429 thousand) and investment property recognized as right of use assets under IFRS 16 amounts to EUR 65,725 thousand (2023: EUR 47,389 thousand). Out of total investment property EUR 22,954 thousand (2023: EUR 31,878 thousand) is not in use. Investment property is depreciated as disclosed in significant accounting policies.

The carrying amount of pledged investment property at 31 December 2024 amounted to EUR 65,311 thousand (2023: EUR 76,486 thousand).

Total rental income from investment property owned by the Company amounts to EUR 13,773 thousand (2023: EUR 14,084 thousand) which gives a return on investments owned by the Company of 16% (2023: 16%) and sublease income is EUR 20,225 thousand (2023: EUR 17,835 thousand) with a return on leased assets of 31% (2023: 38%). Direct operating expenses for investment properties that generate rental income amounted to EUR 19,485 thousand (2023: EUR 20,969 thousand) and comprised of costs of utilities and repairs and maintenance expenses. Direct operating expenses for investment properties that did not generate rental income amounted to EUR 104 thousand (2023: EUR 86 thousand).

Due to the fact that sublease agreement terms are often subject to change and difficult to predict, we have not disclosed minimum lease payments. The reliability of this estimate would be questionable and may be misleading.

At 31 December 2024, the Company’s land and buildings include property for which no ownership title has been recorded in the land register. This is due to unresolved issues with Croatian property registers. This is a common issue in Croatia and its resolution is in progress and is expected in future years. The Company is considered the owner as it is in control of the land and the control brings economic benefits to the Company. As a result, the properties should be included in the Company's investment property. The carrying amount of these properties totals EUR 3,005 thousand (2023: EUR 3,376 thousand).

20. LOANS, DEPOSITS AND OTHER NON-CURRENT FINANCIAL ASSETS

	2024 EUR '000	2023 EUR '000
Non-current assets		
Financial assets at amortised cost		
Lease deposits	6,643	20,102
Allowance for expected credit losses of deposits	(313)	(1,214)
Receivables for reinstated debt	33	43
Investments in securities	238	238
Impairment of investments in securities	(24)	(31)
	6,577	**19,138**
Current assets		
Financial assets at amortised cost		
Loans granted	108	108
Allowance for expected credit losses of loans	(97)	(97)
Deposits	935	1,292
Allowance for expected credit losses of deposits	(4)	(5)
	942	**1,298**
Total loans, deposits and other non-current financial assets	**7,519**	**20,436**

Deposits mostly relate to security deposits for lease contracts for buildings and equipment.

Movements in the impairment of loans and deposits (ECL) are as follows:

	2024 EUR '000	2023 EUR '000
At 1 January	**(1,347)**	**(1,345)**
Newly recognised financial assets	(5)	(18)
Changes in estimates and assumptions	(43)	(23)
Derecognition of financial assets	951	46
Charge in profit or loss for the period, net	**903**	**5**
Acquired in business combinations under common control	-	(13)
Changes in value through other comprehensive income	6	-
Write-off	-	6
At 31 December	**(438)**	**(1,347)**

Due to the short-term nature of loans and deposits, their carrying amount is approximately equal to their fair value. For further details on expected credit loss calculations please see Note 35.

21. INVENTORIES

	2024	2023
	EUR '000	**EUR '000**
Trade goods	121,385	114,499
Raw materials and supplies	4,941	5,039
	126,326	**119,538**

The Company's inventories are pledged as at 31 December 2024 in the amount of EUR 42,606 thousand (2023: EUR 39,015 thousand).

22. ASSETS HELD FOR SALE

	2024	2023
	EUR '000	**EUR '000**
Assets held for sale	7,295	713
	7,295	**713**

Non-current assets held for sale consisted mostly of non-core land and buildings which the Company had the intention of selling in the shortest possible period.

The Company's assessment of fair value of assets held for sale as at 31 December 2024 approximates its net carrying value. The Company obtained recent appraisals for a portion of its real estate holdings. It was found that there were no significant deviations in fair value compared to the recorded net book values. Furthermore, the Company sold some of its real estate at fair values that approximate their recorded net book values, indicating no substantial change in property values.

Movements of assets held for sale are as follows:

	2024	2023
	EUR '000	**EUR '000**
Opening balance at 1 January	**713**	**2,165**
Transfer from tangible assets	1,075	335
Transfer (to)/from investment property	5,753	(910)
Sale	(246)	(877)
Closing balance at 31 December	**7,295**	**713**

23. TRADE RECEIVABLES

The overview of receivables is as follows:

	2024	2023
	EUR '000	**EUR '000**
Financial assets at amortised cost		
Domestic trade receivables	70,199	59,890
Foreign trade receivables	892	911
Allowance for expected credit losses	(2,656)	(2,781)
	68,435	**58,020**

Both domestic and foreign trade receivables are recorded in euros (EUR).

The following table explains the changes in the credit loss allowance for trade receivables under simplified ECL model between the beginning and the end of the annual period:

	2024	2023
	EUR '000	**EUR '000**
At 1 January	**(2,781)**	**(6,849)**
Newly recognised financial assets	-	(3)
Changes in estimates and assumptions	(1,444)	(106)
Derecognised financial assets	1,526	1,289
Charge in profit or loss for the period	**82**	**1,180**
Write-off	96	2,975
Other	(53)	(87)
At 31 December	**(2,656)**	**(2,781)**

Due to the short-term nature of the receivables, their carrying amount approximates their fair value. For further details on the calculation of expected credit losses on trade receivables please see Note 35.

24. OTHER CURRENT ASSETS AND INCOME TAX RECEIVABLE

The structure of other current assets is given below:

	2024 EUR '000	2023 EUR '000
Non-financial assets		
Receivables from the state	2,668	2,231
Prepaid expenses and accrued income	3,913	4,154
Other receivables	1,962	1,863
Advances given	451	779
Income tax receivable	-	5,359
	8,994	**14,386**

Income tax receivables are related to extra profit tax receivables which arose after the correction of extra profit tax return.

25. CASH AND CASH EQUIVALENTS

	2024 EUR '000	2023 EUR '000
Bank accounts – EUR	28,074	72,417
Bank accounts – foreign currency	68	43
Cash on hand	951	914
	29,093	**73,374**

As at 31 December 2024, cash held in bank accounts denominated in foreign currencies includes USD in the amount of EUR 36 thousand (2023: EUR 43 thousand) and GBP in the amount of EUR 31 thousand (2023: EUR 0 thousand).

All material bank accounts are pledged under the Fortenova grupa d.d. loan at 31 December 2024 as described in Note 34.

The Company has used S&P's credit rating to value its cash credit rating and quality. Cash by credit rating is as follows:

	2024 EUR '000	2023 EUR '000
A+	16,002	55,801
BBB	9,234	16,260
BBB-	186	299
BBB+	2,682	-
Other	989	1,014
	29,093	**73,374**

26. CAPITAL AND RESERVES

Share capital in the court registry amounts to EUR 2,650. The share capital has been fully paid and it consists of one share which is in Fortenova grupa's ownership.

	2024	**2023**
	EUR '000	**EUR '000**
Share capital	3	3
Capital reserves	85,908	85,908
Merger reserves	47,526	58,919
Revaluation and fair value reserves	6	-
Accumulated loss	(13,608)	(29,226)
Profit/ (loss) for the year	51,114	18,417
	170,949	**134,021**

Capital reserves are reserves created out of additional funding provided by the owner.

Changes in merger reserves during 2024 and 2023 are a result of business combinations under common control. For details regarding mergers please see Note 2.

The ownership structure at 31 December is as follows:

	Share %	**Share %**
	31 December 2024	**31 December 2023**
Fortenova grupa d.d.	100%	100%

27. PROVISIONS

	2024	2023
	EUR '000	**EUR '000**
Provision for financial guarantee contracts (i)	2,330	1,653
Provisions for retirement and jubilee benefits (ii)	16,404	15,241
Provisions for legal disputes (iii)	1,033	2,721
	19,767	**19,615**

(i) Provision for financial guarantee contracts

The provision for guarantees relates to a financial guarantee given to Fortenova grupa d.d. loan notes. The transaction was recorded through the statement of comprehensive income. The nature of the guarantee is described in Note 34.

Movements in the provision for financial guarantee is as follows:

	2024	2023
	EUR '000	**EUR '000**
Liability at the beginning of the year	1,653	799
Recognition of guarantee	2,330	1,653
Derecognition of guarantee	(1,653)	(799)
Liability at the end of the year	**2,330**	**1,653**

(ii) Provisions for retirement and jubilee benefits

All employees are covered by the state defined contribution pension fund. In addition, provisions for retirement and jubilee benefits are established for benefits paid on retirement and jubilee awards (length of service). The amount of these retirement benefits depends on whether the employee has met the required conditions for retirement, and the amount of the jubilee award depends on the number of years of service at the Company. The amount of compensation is determined on the basis of the employee's monthly remuneration.

Movements in the provisions for retirement and jubilee benefits in 2024 are as follows:

	Jubilee and other provisions	Retirement provisions	Total
	EUR '000	EUR '000	EUR '000
Liability at the beginning of the year	9,090	6,151	15,241
Service cost	863	551	1,414
Interest cost	807	363	1,170
Payments during the year	(1,339)	(776)	(2,115)
Actuarial remeasurements recognised through other comprehensive income	-	469	469
Actuarial remeasurements recognised through profit or loss	225	-	225
Liability at the end of the year	**9,646**	**6,758**	**16,404**

Movements in the provisions for retirement and jubilee benefits in 2023 are as follows:

	Jubilee and other provisions	Retirement provisions	Total
	EUR '000	EUR '000	EUR '000
Liability at the beginning of the year	8,791	6,285	15,076
Current service cost	798	460	1,258
Interest cost	793	362	1,155
Payments during the year	(1,263)	(664)	(1,927)
Actuarial remeasurements recognised through other comprehensive income	-	(335)	(335)
Actuarial remeasurements recognised through profit or loss	(29)	-	(29)
Acquired in business combinations under common control	-	43	43
Liability at the end of the year	**9,090**	**6,151**	**15,241**

The principal actuarial assumptions used to determine liabilities as at 31 December are as follows:

	2024	2023
Discount rate (annual)	3,4%	3,7%
Wage and salary increases (annual)	2,1%	2,1%
Assumed annual staff turnover	7,4%	6,9%

(iii) Provisions for legal disputes

The Company recognises provisions for all legal disputes where there is reasonable doubt of an unfavourable outcome and where reimbursement of related costs is considered probable. In such cases, the full amount of the expected reimbursement is provided for, even though the timing of these outflows is not certain. The disputes are related to real estate, labour, and contractual matters, and are expected to be resolved over the next several years.

Movements in provisions for legal disputes are as follows:

	2024	**2023**
	EUR '000	**EUR '000**
Liability at the beginning of the year	2,721	3,708
Additional provisions for legal disputes	405	1,093
Reversal of legal disputes provision	(2,084)	(57)
Payment of legal disputes provision	(9)	(2,023)
Liability at the end of the year	**1,033**	**2,721**

An additional provision is recognised in the event of an increase in the amount of principal repayment, interest, or legal fees, as well as in the case of a new legal dispute. A reversal of the provision related to a legal dispute is made if there is a change in the assessment indicating a favourable outcome of the proceedings, or if the dispute has been resolved in favour of the entity and no further payments are expected.

28. LOANS AND BORROWINGS

	2024 EUR '000	2023 EUR '000
Financial liabilities at amortised cost		
Non-current liabilities		
Liabilities for reinstated debt (ii)	14,119	17,197
Current liabilities		
Loans from related parties (i)	50,094	110,465
Liabilities for reinstated debt (ii)	3,277	2,792
	67,490	**130,454**

(i) As at 31 December 2024 liabilities to Fortenova grupa d.d. for related party loans amounted to EUR 50,094 thousand (2023: EUR 110,465 thousand). The interest rate in 2024 was 3.25% (2023: 2.4%). At 31 December 2024 the loan is short-term, extends on an annual basis and is due in 2025.

(ii) Part of the non-current and current loans are related to reinstated debt and interest according to the Settlement Plan. This is the part of the debt included in the Settlement Plan which was transferred from Konzum d.d. that will be paid to creditors per agreed payment schedule. The principal is due on 2 April 2029, with repayment being made in 32 equal quarterly installments. The fixed interest rate is 3% per annum, which runs from 1 April 2019, but matures and is paid within the same deadlines as the principal.

For cash and non-cash movements of these loans please see Note 33.

29. LEASE LIABILITIES

The Company has recognised lease liabilities for buildings, vehicles and equipment as shown below:

	2024 EUR '000	2023 EUR '000
Non-current lease liabilities	412,350	370,585
Current lease liabilities	45,674	50,721
	458,024	**421,306**

The Company had cash outflows for IFRS 16 contracts of EUR 89,769 thousand in 2024 (2023: EUR 88,617 thousand). Cash outflows relating to short-term leases and variable lease payments were EUR 8,836 thousand (2023: EUR: 9,080 thousand). Total cash outflows are EUR 96,605 thousand (2023: EUR 97,697 thousand).

Movement of lease liabilities is given below:

	2024	2023
	EUR '000	EUR '000
Opening balance at 1 January	421,306	383,704
Acquired in business combinations	-	66
New contracts in the period	62,887	20,190
Interest expense in period	35,081	33,999
Payment during the period	(89,769)	(88,617)
Modification of lease liabilities	36,575	73,501
Termination of contract	(8,056)	(1,065)
Other	-	(472)
Closing balance at 31 December	**458,024**	**421,306**

Movement in the corresponding amount of right of use assets is provided in Note 18.

Amounts recognised in the statement of comprehensive income during the year are the following:

	2024	2023
	EUR '000	EUR '000
Depreciation of right -of-use assets	50,394	46,505
Interest expense on lease liabilities	35,081	33,999
Expense relating to short-term leases	2,059	2,702
Variable lease payments	6,777	6,378
Income from cancellation of IFRS 16 contracts	(1,598)	(209)
Total amount recognised in profit or loss	**92,713**	**89,375**

For future potential lease payments over lease extension period please see Note 34.

30. TRADE PAYABLES

The structure of trade payables is:

	2024	2023
	EUR '000	EUR '000
Financial liabilities at amortised cost		
Domestic trade payables	243,061	286,971
Foreign trade payables	9,667	16,003
	252,728	**302,974**

Foreign trade payables by currency are given below:

	2024	2023
	EUR '000	EUR '000
EUR	9,635	15,848
USD	6	155
GBP	26	-
	9,667	**16,003**

As at 31 December, the age structure of trade payables is shown below:

	Not past due	0 – 90 days past due	90 – 180 days past due	180 – 270 days past due	Over 270 days past due	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
2024	242,579	8,137	(158)	805	1,365	**252,728**
2023	255,074	45,859	595	187	1,259	**302,974**

31. OTHER CURRENT LIABILITIES

	2024	2023
	EUR '000	**EUR '000**
Financial liabilities		
Accrued expenses	25,363	27,556
Non-financial liabilities		
Taxes and contributions (other than income tax)	16,056	22,935
Payroll liabilities	12,326	9,045
Accrued vacations	8,032	7,140
Deferred income	5,655	4,165
Deposits	323	653
Advances received	149	306
Other current liabilities	192	188
	68,096	**71,988**

As at 31 December 2024, accrued expenses refer to the expenses incurred for which the invoices were not yet received.

32. RELATED PARTY TRANSACTIONS

The Company has transactions with the following related parties: owner, owner's subsidiaries, related parties under common control and the Company's key management. Key management comprises of the Management Board and key executive directors. Following the change in ownership structure during 2024, companies owned by Mr. Pavao Vujnovac that were not part of the Group are referred to as 'subsidiaries of an entity with significant influence over the Company' for the period in 2023 and early 2024, prior to Mr. Vujnovac becoming the ultimate controlling party. For the remainder of 2024, these companies are classified as 'related parties under common control.' For further details on the change in ownership structure, please refer to Note 2.

Key management compensations are set out below:

	2024	2023
	EUR '000	**EUR '000**
Short-term employee benefits		
Wages and salaries	1,062	1,441
Personal income tax	379	615
Health insurance contributions	287	385
Long-term employee benefits		
Pension insurance contributions	284	277
	2,012	**2,718**

In 2024, compensations of Supervisory Board Members amounted to EUR 18 thousand (2023: EUR 27 thousand).

There are no loans and borrowings given to related parties in 2024 or 2023.

Loans and borrowings received from related parties are as follows:

	2024	2023
	EUR '000	**EUR '000**
Owner	50,094	110,465
	50,094	**110,465**

For further details on the nature and terms of the loans obtained from related party please see Note 28 and for interest expense see Note 14.

Trade receivables from related parties for goods and services are:

	2024	2023
	EUR '000	**EUR '000**
Owner	65	50
Owner's subsidiaries	9,414	10,296
Subsidiaries of the entity with significant influence over the Company	-	480
Related parties under common control	2,832	-
	12,311	**10,826**

Trade receivables from related parties are related to sale of goods and services. Transactions are made under market terms; they are the same as for unrelated parties. Services provided to related parties are warehousing and logistics but also short-term lease and sublease services. There is no ECL of receivables from related parties in 2024 or 2023.

Trade payables to related parties for goods and services are:

	2024	2023
	EUR '000	**EUR '000**
Owner	449	781
Owner's subsidiaries	49,086	49,575
Subsidiaries of the entity with significant influence over the Company	-	18,087
Related parties under common control	20,603	-
	70,138	**68,443**

Trade payables to related parties are related to the purchase of goods and services. Transactions are made under market terms; they are the same as for unrelated parties.

Lease liabilities to related parties are as follows:

	2024	2023
	EUR ‘000	EUR ‘000
Owner's subsidiaries	1,016	1,845
Subsidiaries of the entity with significant influence over the Company	-	23,199
Related parties under common control	53,719	-
	54,735	**25,044**

In 2024 income and costs from related parties are as follows:

	Owner	Owner's subsidiaries	Subsidiaries of the entity with significant influence over the Company	Related parties under common control
	EUR ‘000	EUR ‘000	EUR ‘000	EUR ‘000
Income from sale of goods	106	13,129	33	27
Service costs	(4,454)	(11,484)	(1,983)	(781)
Finance costs	(2,616)	(166)	(917)	(888)
Material and energy costs	-	-	(3,499)	(1,553)
Other income	27	3,438	1,297	3,412
Other costs	(262)	(714)	-	-
	(7,199)	**4,203**	**(5,069)**	**217**

In 2023 income and costs from related parties are as follows:

	Owner	Owner's subsidiaries	Subsidiaries of the entity with significant influence over the Company
	EUR ‘000	EUR ‘000	EUR ‘000
Income from sale of goods	104	13,107	42
Finance income	148	148	-
Service costs	(4,585)	(11,277)	(2,712)
Finance costs	(3,302)	(125)	(1,943)
Material and energy costs	-	(38)	(990)
Other income	4	3,248	4,185
Other costs	(128)	(354)	-
	(7,759)	**4,709**	**(1,418)**

Income from related parties mostly relates to sale of goods. Transactions are made under market terms; they are the same as for unrelated parties. Services provided to related parties are warehousing and logistics but also lease and sublease services. Business combinations under common control during 2024 and 2023 are described in Note 2.

Service costs are mostly related to IT costs, maintenance, and management costs. Transactions are made under market terms; they are the same as the services from unrelated parties. Finance costs are related to interest expense for the loan received from the owner and lease liabilities.Purchases from related parties are as follows:

Purchases from related parties are as follows:

	2024	**2023**
	EUR '000	**EUR '000**
Owner's subsidiaries	244,225	245,996
Subsidiaries of the entity with significant influence over the Company	97,353	123,209
Related parties under common control	99,165	-
	440,743	**369,205**

Purchases are related to the total amount of goods purchased during the year from related parties net of VAT.

As at 31 December 2024, the Company has provisions for loan note guarantee from owner in the amount of EUR 2,330 thousand (2023: EUR 1,653 thousand) as described in Note 34.

33. CHANGES IN FINANCING ACTIVITIES

The Company realised the following changes in financing activities:

	Lease liabilities EUR '000	Loans and borrowings EUR '000	Total debt EUR '000
Balance at 1 January 2023	**(383,704)**	**(192,055)**	**(575,759)**
Cash flows out of which:			
Proceeds from loans	-	(54,979)	**(54,979)**
Repayment of principal	54,618	116,610	**171,228**
Payment of interest	33,999	3,687	**37,686**
Non-cash movements out of which:			
Acquired in business combinations under common control	(66)	-	**(66)**
New lease liabilities	(20,190)	-	**(20,190)**
Interest expense in period	(33,999)	(3,990)	**(37,989)**
Modification and termination of lease liabilites	(73,501)	-	**(73,501)**
Termination of contracts	1,065	-	**1,065**
Other non-cash movements	472	272	**744**
Balance at 31 December 2023	**(421,306)**	**(130,455)**	**(551,761)**
Cash flows out of which:			
Proceeds from loans	-	(42,759)	**(42,759)**
Repayment of principal	54,688	115,483	**170,171**
Payment of interest	35,081	4,365	**39,446**
Non-cash movements out of which:			
Acquired in business combinations under common control	-	(10,911)	**(10,911)**
New lease liabilities	(62,887)	-	**(62,887)**
Interest expense in period	(35,081)	(3,214)	**(38,295)**
Modification of lease liabilities	(36,575)	-	**(36,575)**
Termination of contracts	8,056	-	**8,056**
Other non-cash movements		1	**1**
Balance at 31 December 2024	**(458,024)**	**(67,490)**	**(525,514)**

Other non-monetary movements on lease liabilities and loans and borrowings are related mostly to foreign exchange differences.

34. CONTINGENT LIABILITIES AND COMMITMENTS

Loan note guarantee

Co-debts, warranties and guarantees

On 4 September 2023, Fortenova grupa d.d. entered into a binding agreement to refinance the total amount of short-term notes which matured in 2023 by issuing new notes with an aggregate principal amount (including the issuer discount) of EUR 1.2 billion and an agreed maturity until the end of November 2024.

On 4 November 2024, the Depository Receipt Holders' Assembly of Fortenova Group B.V. approved the refinancing of the existing loan note of Fortenova grupa d.d. with its current majority creditor, the investment firm HPS Investment Partners. The refinancing approved for the amount of up to EUR 1.22 billion, extends until the end of the first quarter of 2026. This arrangement reduces the effective annual cost of financing, as well as the discount on loan note issuance.

In order for the new financing to be implemented, the Fortenova Group companies have acted as guarantors with a portion of their assets. The Company has assumed the guarantee on that basis, with the main reason being the fact that this refinancing ensures the Company's viability and enables further business continuity and development.

Total liabilities under which the Company acted as a guarantor amounts to EUR 1.2 billion. The guarantee relates to financing structured as a loan note in the amount of EUR 1.2 billion with an interest rate which is determined to be the aggregate of the applicable Margin and EURIBOR, with a 1% EURIBOR floor. The margin is fixed at the following levels: a) 7.00 per cent per annum during the period beginning on 11 November 2024 and ending on 29 March 2026, and b) 9.00 per cent per annum on and after 30 March 2026. The loan notes were issued by the parent company Fortenova grupa d.d.

As at 31 December 2024, the Company's total contingent liabilities arising from this guarantee amount to EUR 1,201,564 thousand. The loan note under which the Company was guarantor during 2023 was fully repaid in November 2024.

The provision for loan note guarantees as at 31 December 2024 amounts to EUR 2,330 thousand (31 December 2023: EUR 1,653 thousand).

The provision for loan note guarantee represents the fair value determined using the discounted cash flow model, i.e. by using the discounted lifetime expected credit loss (LECL) as the basis for fair valuation of the guarantee from the perspective of each guarantor company within Fortenova Group acting as a guarantor.

Pledged assets

On 11 November 2024, Fortenova grupa d.d. and its group companies including the Company on the one hand and Kroll Trustee Services Limited as Security Agent on the other hand, agreed on Transaction Security Documents relating to pledge over material bank accounts, material fixed assets (real estate and machinery), intellectual property, and a floating pledge over movables at certain key locations. The stated security documents were concluded for the purpose of establishing and perfecting security in favour of the Security Agent, for the purpose of securing current and future claims owed by each Debtor to the Secured Creditors based on a loan note issued by Fortenova grupa d.d. on 11 November 2024.

The amount of pledged assets is disclosed in Notes 16, 17, 19, 21 and 25.

Liquidity risk

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called:

2024	**EUR '000**
Maturity	**Loan note principal**
Liabilities due between 1-2 year	1,201,564
Total liabilities at 31 December 2024	**1,201,564**

2023	**EUR '000**
Maturity	**Loan note principal**
Liabilities due within 1 year	1,134,304
Total liabilities at 31 December 2023	**1,134,304**

Credit risk

The fair value measurement was determined using the discounted cash flow model, i.e. by determining the discounted lifetime expected credit losses (LECL).

Since all guarantors, including the Company, are jointly and severally liable, all companies bear shared risks and each entity will be able to contribute to this guarantee economically and effectively only to the extent that it is economically viable if called upon payment, i.e. in accordance with its share in the guarantor's capital.

As a basis for determining loss given default (LGD), the Company analysed discounts on capital market transactions in Croatia and used an LGD of 2.5% (2023: 2.5%).

Probability of default is determined implicitly by reference to the credit spread of traded bonds of a particular rating category. The weighted credit spread used was 21.6% (2023: 29.5%). These weights are then applied in calculating the probability of default based on Merril Lynch credit rating tables.

It is assumed that the fair value of the overall guarantee approximates the credit loss over the expected life of the loan note and that the fair value of the individual contribution of each individual entity approximates the corresponding share.

For financial guarantees issued the maximum exposure to credit risk is the amount of the commitment.

As at 31 December 2024, the fair value of the guarantee amounts to EUR 2,330 thousand (2023: EUR 1,653 thousand).

Potential future cash outflows under lease extension or termination options

The Company has applied judgement to determine the lease term for all lease contracts that include renewal extension or termination options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and leased assets recognised. Extension options are only included in the lease term if the lease is reasonably certain to be extended. As at 31 December 2024, potential future cash outflows of EUR 141,057 thousand (undiscounted) (2023: EUR 137,287 thousand) have not been included in the lease liability because it is not reasonably certain that the leases will be extended. Termination options are only included in the lease if the lease is reasonably certain to be terminated. There are no indications of terminations of contracts and thus no effects are presented.

Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 % of lease payments are based on variable payment terms with percentages ranging from 2,5 % to 11% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Contingent liability for variable lease payments not included in lease liabilities in 2024 is EUR 43,809 thousand (undiscounted) (2023: EUR 40,758 thousand). This amount of variable lease payments is calculated as an agreed percentage of expected store revenue per year.

A 10% increase in sales in stores for 2024 with such variable lease contracts would increase total lease payments by approximately EUR 1,163 thousand (2023: EUR 987 thousand).

Other contingent liabilities and commitments

According to the Settlement Plan, Konzum d.d. has been classified as non-viable where assets were transferred to the newly established company, Konzum plus d.o.o. which is not the legal successor and is not exposed to contingent liabilities. Therefore, all contingencies not subject to the Settlement Plan (for example part of the court proceedings) have remained within Konzum d.d.

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value measurement

The fair value measurement hierarchy for assets and liabilities as at 31 December 2024:

2024	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total net book value**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Financial assets and liabilities					
Financial assets and liabilities at amortized cost					
Trade receivables	-	68,435	-	**68,435**	**68,435**
Loans, deposits and other financial assets	-	7,519	-	**7,519**	**7,519**
Cash and cash equivalents	951	28,142	-	**29,093**	**29,093**
Loans and borrowings	-	(67,490)	-	**(67,490)**	**(67,490)**
Trade payables	-	(252,728)	-	**(252,728)**	**(252,728)**
Provision for financial guarantee contracts	-	(2,330)	-	**(2,330)**	**(2,330)**
Accrued expenses	-	(25,363)	-	**(25,363)**	**(25,363)**
Non-financial assets					
Investment property (Note 19)	-	-	174,723	**174,723**	**174,723**
Assets held for sale (Note 22)	-	-	7,295	**7,295**	**7,295**

The fair value measurement hierarchy for assets and liabilities as at 31 December 2023:

2023	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total net book value**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Financial assets and liabilities					
Financial assets and liabilities at amortized cost					
Trade receivables	-	58,020	-	**58,020**	**58,020**
Loans, deposits and other financial assets	-	20,436	-	**20,436**	**20,436**
Cash and cash equivalents	914	72,460	-	**73,374**	**73,374**
Other non-current receivables	-	4	-	**4**	**4**
Loans and borrowings	-	(130,454)	-	**(130,454)**	**(130,454)**
Trade payables	-	(302,974)	-	**(302,974)**	**(302,974)**
Provision for financial guarantee contracts	-	(1,653)	-	**(1,653)**	**(1,653)**
Accrued expenses	-	(27,556)	-	**(27,556)**	**(27,556)**
Non-financial assets					
Investment property (Note 19)	-	-	167,819	**167,819**	**167,819**
Assets held for sale (Note 22)	-	-	713	**713**	**713**

Fair value of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged, or a liability settled on an arm's length basis. As it is not possible to reach the reference market prices of a significant part of the Company's assets and liabilities, fair values are based on Management estimates with respect to the type of assets and liabilities. Management believes that the fair values of financial assets and liabilities (except if otherwise stated in this note) are not significantly different from their carrying values and are categorised in Level 2 and Level 3 fair value hierarchy.

The Company used the following methods and assumptions in estimating the fair value of financial instruments:

Trade receivables, trade payables, deposits and other financial assets and liabilities

For assets that mature and trade payables with a due date within 3 months, the carrying value approximates their fair value due to the short maturities of these instruments. For longer-term assets, the interest rate does not deviate significantly from the current market rates and, consequently, the fair value approximates the carrying value.

Loans and lease deposits given

Since almost all loans are due within the next two years, the Management Board is of the opinion that their fair value is not materially different from their carrying value. As for lease deposits, the discounted value of deposits is calculated, and the Management Board has concluded that fair value is not materially different from their carrying value.

Loans and borrowings

Since most of the borrowings are current and are provided by the owner with a fixed interest rate which changes every year according to the statutory interest rate approved by the Ministry of Finance, the Management Board is of the opinion that their fair value is not materially different from their carrying value.

For fair value disclosures on financial guarantee please see Note 34.

Non-financial assets

The valuation techniques used for fair value valuation of investment property and assets held for sale are mostly the market method and income method. Net book value of investment property appraised by these methods in 2024 is EUR 77,371 thousand (2023: EUR 55,142 thousand) and of assets held for sale EUR 5,890 thousand (2023: EUR 209 thousand).

Objectives and risk management policies

The main risks arising from the Company's financial instruments are credit risk, and interest rate risk. Management reviews and agrees policies for managing each of these risks which are listed below. The Company is exposed to international markets. As a result, the Company may be affected by changes in foreign exchange rates. The Company also extends credit terms to its customers and is exposed to risk of default. The significant risks, together with the methods used to manage these risks, are described below. The Company does not use derivative instruments either to manage risk or for speculative purposes.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Company is applicable to share capital comprising subscribed capital, reserves and retained earnings. At present there are no externally imposed capital requirements. As at 31 December 2024 the Company has capital and reserves in the amount of EUR 170,949 thousand (31 December 2023: EUR 134,021 thousand).

Credit risk

Credit risk is the risk that one of the parties to a contract may default on its duties under such contract and that consequently a financial loss may be inflicted on the counterparty. The Company has adopted a policy of doing business only with creditworthy and guarantee-secured companies, which reduces the possibility of financial losses occurring as a result of default. The Company uses information and opinions obtained from specialized credit rating agencies and from the Chamber of Economy, as well as publicly available information on the financial position of companies. It also uses its in-house database in order to appropriately rank the most significant customers. The impact of credit risk on the Company as well as changes in credit ratings of its partners are constantly monitored and measured, with the total value of concluded contracts being appropriately distributed among creditworthy partners. The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time.

A significant portion of credit risk arises from the Company's operations (primarily trade receivables) and from its financial activities, including deposits and loans.

Credit risk grading system

For measuring credit risk and grading financial instruments by their level of credit risk, the Company applies an approach based on risk grades estimated by external international rating agencies (European Banking Authority default rate for Croatia).

Each master scale credit risk grade is assigned a specific degree of creditworthiness.

Excellent	strong credit quality with low expected credit risk
Good	adequate credit quality with a moderate credit risk
Satisfactory	moderate credit quality with a satisfactory credit risk
Special monitoring	facilities that require closer monitoring and remedial management
Default	facilities in which a default has occurred

The rating models are regularly reviewed by the Finance Department, back tested on actual default data, and updated, if necessary. Despite the method used, the Company regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

Such ratings and the corresponding range of probabilities of default ("PD") are applied for the following financial instruments: loans, deposits, and other financial assets.

For credit risk regarding issued guarantees please see Note 34.

Maximum exposure to credit risk is as follows:

2024	**Simplified approach lifetime ECL**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Non-current assets					
Loans, deposits and other financial assets	-	79	6,835	-	6,914
Expected credit loss of financial assets	-	(5)	(332)	-	(337)
Other non-current receivables	-	-	0	-	0
Total non-current assets	**-**	**74**	**6,503**	**-**	**6,577**
Current assets					
Loans, deposits and other financial assets	-	-	935	108	1,043
Expected credit loss of financial assets	-	-	(4)	(97)	(101)
Trade receivables	71,091	-	-	-	71,091
Expected credit loss of trade receivables	(2,656)	-	-	-	(2,656)
Total current assets	**68,435**	**-**	**931**	**11**	**69,377**

2023	**Simplified approach lifetime ECL**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Non-current assets					
Loans, deposits and other financial assets	-	846	19,537	-	20,383
Expected credit loss of financial assets	-	(18)	(1,227)	-	(1,245)
Other non-current receivables	-	-	4	-	4
Total non-current assets	**-**	**828**	**18,314**	**-**	**19,142**
Current assets					
Loans, deposits and other financial assets	-	-	1,292	108	1,400
Expected credit loss of financial assets	-	-	(5)	(97)	(102)
Trade receivables	60,801	-	-	-	60,801
Expected credit loss of trade receivables	(2,781)	-	-	-	(2,781)
Total current assets	**58,020**	**-**	**1,287**	**11**	**59,318**

Impairment of financial assets

The Company has the following types of financial assets that are subject to the application of the expected credit loss (ECL) model:

(a) Trade receivables arising from the sale of goods and services
(b) Debt instruments at amortised costs.

Although cash and cash equivalents are also the subject of impairment based on the requirements of IFRS 9, the identified value impairment in this context is insignificant and thus was not recorded.

(a) Trade receivables

The Company applies a simplified approach to measuring expected credit loss, which is based on lifetime expected credit losses for all trade receivables.

In order to measure the expected credit loss, trade receivables are grouped based on days past due.

The expected credit loss rates are based on the past payment profiles, as well as the corresponding historical credit losses experienced within this period. For further details please see Note 4.

The Company has considered the impact of future macroeconomic factors affecting the customers' ability to settle their liabilities and it has concluded that they do not significantly affect the expected credit loss rates.

Impairment losses as at 31 December 2024 on trade receivables are as follows:

31 December 2024	Total EUR '000	Not past due EUR '000	0 – 90 days EUR '000	90 – 180 days EUR '000	180 – 270 days EUR '000	Over 270 days EUR '000
Trade receivables	71,091	61,150	6,086	224	100	3,531
Expected credit loss	(2,656)	(26)	(5)	(3)	(41)	(2,581)
Default rate %	3.74%	0.04%	0.08%	1.39%	40.97%	73.10%
Trade receivables, net	**68,435**	**61,124**	**6,081**	**221**	**59**	**950**

Impairment losses as at 31 December 2023 on trade receivables are as follows:

31 December 2023	Total EUR '000	Not past due EUR '000	0 – 90 days EUR '000	90 – 180 days EUR '000	180 – 270 days EUR '000	Over 270 days EUR '000
Trade receivables	60,801	51,637	5,510	434	290	2,930
Expected credit loss	(2,781)	(51)	(18)	(12)	(16)	(2,684)
Default rate %	4.57%	0.10%	0.32%	2.65%	5.54%	91.61%
Trade receivables, net	**58,020**	**51,586**	**5,492**	**422**	**274**	**246**

Customers that are impaired on an individual basis are in bankruptcy or pre-bankruptcy proceedings, blocked for payment, deleted from the court registry, deceased or insolvent.

(b) Debt and equity instruments at amortised costs (other financial assets)

Other financial assets at amortised cost include deposits and guarantees, investments in securities, loans to related and unrelated parties and other receivables. The most significant part of financial assets comprises of deposits relating to lease contracts which could be offset with the lease liability and hence do not represent a significant credit risk.

The expected credit loss has been calculated according to the European Banking Authority default rate for Croatia and with probability of default for financial and non-financial institutions. In 2024, the ECL for non-financial institutions is 4.18 % (2023: 5.70%).

Impairment losses as at 31 December 2024 on other financial assets are as follows:

31 December 2024	Total EUR '000	Deposits EUR '000	Loans and borrowings EUR '000	Investments in securities EUR '000	Receivables for reinstated debt EUR '000
Loans, deposits, other financial assets	7,957	7,578	108	238	33
ECL of specific customers	(438)	(317)	(97)	(24)	-
Expected credit loss %	5.51%	4.18%	90.01%	10.13%	0.00%
Loans, deposits and other financial assets, net	**7,519**	**7,261**	**11**	**214**	**33**

Impairment losses as at 31 December 2023 on other financial assets are as follows:

31 December 2023	Total EUR '000	Deposits EUR '000	Loans and borrowings EUR '000	Investments in securities EUR '000	Receivables for reinstated debt EUR '000
Loans, deposits, other financial assets	21,783	21,394	108	238	43
ECL of specific customers	(1,347)	(1,219)	(97)	(31)	-
Expected credit loss %	6.18%	5.70%	89.91%	13.20%	0.00%
Loans, deposits and other financial assets, net	**20,436**	**20,175**	**11**	**207**	**43**

The Company has no derivative financial instruments or any financial instruments that could potentially subject the Company to concentrations of credit risk. The Company does not expect to be exposed to material credit losses on financial instruments.

Interest rate risk

Most of the interest-bearing assets and liabilities of the Company represent loans and borrowings. Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rates which apply to the financial instrument. Interest rate risk related to cash flow is the risk that the financial instrument interest expense will fluctuate over time. The Company has borrowings acquired mostly from related companies, specifically from Fortenova grupa d.d. These loan facilities have a fixed interest rate which changes every year according to the statutory interest rate approved by the Ministry of Finance.

There is a smaller portion of non-current debt related to borrowings from unrelated companies which was transferred to the Company through the Settlement Plan and also has a fixed interest rate. Due to these factors the Company is not significantly exposed to interest rate risk.

The following table shows the sensitivity of the Company's profit before tax on a reasonably possible change in interest rates, with other variables held constant, and due to a change in the fair value of monetary assets and liabilities:

	Increase/decrease in interest rate in b.p.	**Effect on profit before tax EUR ‘000**
2024	+/- 100	500
2023	+/- 100	1,100

Foreign currency risk

Most of the Company's assets are denominated in EUR. Considering the adoption of EUR in Croatia as of 1 January 2023, the Company does not consider this risk to be significant. The carrying amounts of the Company’s foreign currency denominated monetary assets and monetary liabilities in other currencies are not material.

Liquidity risk

The Company is exposed to liquidity risk since most of the liabilities are current. Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close market positions. Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows and balance sheet liquidity ratios against internal regulatory requirements and maintaining debt financing plans.

Maturity table of financial liabilities is provided below:

	Total	**Past due**	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
31 December 2024	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Trade payables	**252,728**	10,149	242,579	-	-	-
Loans and borrowings	**71,118**	-	56,025	4,706	8,267	2,120
Lease liabilities	**674,712**	-	80,498	76,354	199,000	318,860
Accrued expenses	**25,363**	-	25,363	-	-	-
Total	**1,023,921**	**10,149**	**404,465**	**81,060**	**207,267**	**320,980**
31 December 2023						
Trade payables	**302,974**	47,900	255,074	-	-	-
Loans and borrowings	**136,017**	223	117,159	3,655	8,261	6,719
Lease liabilities	**615,927**	-	82,924	72,216	176,410	284,377
Accrued expenses	**27,556**	-	27,556	-	-	-
Total	**1,082,474**	**48,123**	**482,713**	**75,871**	**184,671**	**291,096**

Loans and borrowings and lease liabilities are presented by contractual and not expected maturity. Amounts disclosed are contractual cash flows based on the earliest possible date of payment and the amounts also include future interest. For liquidity risk and fair value regarding issued guarantees please see Note 34.

36. SUBSEQUENT EVENTS

At the beginning of 2025, the Company sold five of its real estate properties with a total net book value of EUR 48,759 thousand. Subsequently, the properties were leased back by the Company, resulting in the recognition of right-of-use assets in the amount of EUR 29,280 thousand and a lease liability of EUR 38,092 thousand. As a result of this transaction, a gain of EUR 2,618 thousand was recognized in the Company's accounting records in 2025.

Also in the first quarter the Company started the project of demerger of the wholesale business segment. On 14 February 2025 the wholesale segment was demerged from the Company and taken over, i.e. merged with Roto Dinamic d.o.o. which will, with the said takeover, expand its wholesale business from the beverage segment also to the food segment. No purchase consideration was paid for the transaction due to the fact that it was a transaction between companies under common control. The effects of demerger of the business segment are shown in the following table:

	2025
	EUR '000
Non-current assets	3,357
Current assets	17,385
Total assets	**20,742**
Non-current liabilities	1,758
Current liabilities	16,595
Total liabilities	**18,353**
Merger reserve	**(2,389)**

These Annual Financial Statements were approved by the Management Board on 30 April 2025.

This version of Annual Financial Statements is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of Annual Financial Statements takes precedence over this translation.

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