



ČAKOVEČKI MLINOVI INC.
QUARTERLY FINANCIAL REPORT
FOR Q1 2024



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ČAKOVEČKI MLINOVI INC.

**INTERIM MANAGEMENT REPORT
FOR Q1 2024**

1. BUSINESS RESULTS IN Q1 2024

ABOUT THE COMPANY

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

Čakovečki mlinovi Inc. has three subsidiaries: Trgovina Krk Inc. Malinska, Trgočentar Inc. Virovitica and Radnik Opatija Inc. Lovran (together: "Čakovečki mlinovi Group" or "Group") and one associated company: Narodni trgovački lanac Ltd. Soblinec. Čakovečki mlinovi Inc. in addition to the non-consolidated reports of the Companies, they also prepare the consolidated reports of the Group separately.

In Q1 2024, Čakovečki mlinovi Inc. they achieved 6,9 million euros in total revenue based on total assets in the amount of 31,4 million euros and employed 193 employees on average based on working hours. According to the Accounting Act, the company Čakovečki mlinovi Inc. belongs to medium-sized entrepreneurs.

Shares of Čakovečki mlinovi Inc. are listed on the Official Market of the Zagreb Stock Exchange under the symbol CKML. As at March 31, 2024, the Company had issued and listed 10.290.000 shares with a market capitalization of EUR 107 million.

BUSINESS SEGMENT

Company Čakovečki mlinovi Inc. operates in one business segment at the company level (food production) and reports accordingly in non-consolidated financial statements. The company as a whole is part of the segmental reporting of the Čakovečki mlinovi Group (the Food segment), whose operations are presented within the consolidated financial statements. Users of the Company's quarterly unconsolidated report should read it together with the annual consolidated report for Q1 2024, for the purpose of obtaining complete information on the financial position and results of operations of the Company and the Group.

KEY FINANCIAL INDICATORS OF THE COMPANY

INCOME STATEMENT (millions of euros)	1.-3. 2024.	1.-3. 2023.	1.-3. 2024. / 1.-3. 2023.
Sales revenue	6,8	7,4	(8.1%)
Operating costs, net ¹	6,3	6,5	(3.1%)
EBITDA²	0,5	0,9	(44.4%)
Normalized EBITDA³	0,6	0,9	(33.3%)
Depreciation	0,3	0,2	33,3%
EBIT ⁴	0,2	0,7	(71.4%)
Net financial result ⁵	0,0	0,0	-
Net profit (loss)	0,2	0,5	(60%)

Profit margins⁶			
EBITDA margin	7,3%	12,2%	(4.9 pb)
Normalized EBITDA margin	8,8%	12,2%	(3.4 pb)
EBIT margin	2,9%	9,5%	(6.6 pb)
Net profit margin	2,9%	6,8%	(3.9 pb)

Balance sheet (millions of euros)	31.3.2024.	31.12.2023.	31.3.2024. / 31.12.2023.
Net debt (cash) ⁷	(5,9)	(5,4)	9.3%
Capital and reserves	28,8	28,6	0.7%
Net working capital ⁸	6,8	6,9	(1.4%)

CASH FLOWS (millions of euros)	1.-3. 2024.	1.-3. 2023.	1.-3. 2024. / 1.-3. 2023.
Net operating cash flows	0,5	1,5	(66.7%)
Capital expenditures (CapEx) ⁹	0,0	0,2	(100%)
Dividends paid	0,0	0,0	-

1 Operating expenses, net includes operating expenses less depreciation, other operating income and revenue based on the use of own products, goods and services; the detailed calculation is shown under Operating costs of this part of the report.

2 EBITDA (earnings before interest, taxes, depreciation and amortization) represents operating profit before depreciation; calculated as operating revenue – operating expenses + depreciation.

3 Normalization implies adjustment for one-off items; a detailed calculation is shown under Normalization of EBITDA of this part of the report. The company recorded EUR 0.1 million of one-off items, that is EUR 0.1 net of other one-off expenses (Q1 2023: EUR 0.0 million).

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

5 Net financial result is calculated as financial revenue + associated profit share (NTL) – financial expenses.

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

7 Net debt (cash) includes long-term and short-term financial liabilities minus cash in bank and cash register and deposits with banks. Deposits with banks are included in net debt regardless of maturity as they are available on call.

8 Net working capital includes inventories plus short-term receivables from customers minus short-term liabilities to suppliers and advances.

9 CapEx (capital expenditures) are expenditures for the purchase of long-term tangible and intangible assets.

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

2. EXPECTED BUSINESS DEVELOPMENT IN 2024

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

The Company's operations in 2024 are subject to the macroeconomic environment, economic conditions, and the trends in economic activity. In the event of significant adverse economic conditions, the Company may face additional challenges in expanding its operations and accessing capital markets, which could affect its current level of revenue and profitability.

The Company is also influenced by international developments, as wheat, which is the primary raw material for production in the Company, is a commodity traded on the exchange and thus may be subject to the influence of any political instability in countries that are significant producers of this grain (such as China, Russia, Ukraine, and the USA). In such conditions, the management will continue to manage pricing policies with the aim of maintaining market share in each business segment.

General economic environment

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

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

The impact of the war in Ukraine and in Israel

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

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

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

State price control measures

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

Outlook for the Company in 2024

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

Strategic guidelines

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

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

Key business factors

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

Procurement prices and sources of raw materials: Prices of cereals and energy sources (electricity) represent key inputs in the Nutrition segment. In September 2021, the price of electricity was successfully contracted until September 2024. The procurement of most required quantities of cereals takes place during the harvest in July (wheat and rye) and October (corn) when the price is typically lowest. The company operates with strategically dispersed and stable suppliers, procuring over 75% of cereals in Croatia and is dedicated to the development of domestic suppliers. Additionally, mostly first-class cereals are procured, thus promoting high-quality production.

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

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

ČAKOVEČKI MLINOVI INC.

FINANCIAL STATEMENTS FOR Q1 2024

**STATEMENT OF PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS
OF THE ISSUER ČAKOVEČKI MLINOVI INC. FOR THE PERIOD Q1 2024**

Based on the provisions of Article 468 of the Capital Market Act, the Deputy President of the Company's Management Board, Krešimir Kvaternik, and the Member of the Company's Management Board, Marijan Sršen, make a statement:

To the best of our knowledge:

- The financial statements for the first quarter of 2024 were prepared with the application of appropriate financial reporting standards, they provide a true and objective presentation of the issuer's assets and liabilities, financial position, profit or loss.
- The interim management report for the first quarter of 2024 contains a true presentation of the development and results of operations and the position of the issuer, along with a description of the most significant risks and uncertainties to which the issuer is exposed.

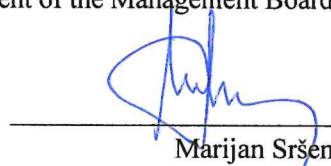
The financial statements for the first quarter of 2024 have not been audited.

In Čakovec, 29 April 2024

For Čakovečki mlinovi Inc.:



Krešimir Kvaternik
Deputy President of the Management Board



Marijan Sršen
Member of the Management Board

	1.-3. 2024.	1.-3. 2023.
	in '000 EUR	in '000 EUR
Sales revenue	6,771	7,406
Other revenue	60	85
Operating revenue	6,831	7,491
Changes in inventories of work in progress and finished goods	66	207
Costs of raw materials	(4,360)	(5,027)
Cost of goods sold	(174)	(206)
Other external costs	(456)	(351)
Staff costs	(1,193)	(957)
Depreciation, amortisation	(263)	(287)
Other costs	(250)	(202)
Other business expenses	(8)	(6)
Operating expenses	(6,638)	(6,829)
Operating profit	193	662
Financial income	55	1
Financial expenses	(0)	(24)
Net financial result	55	(23)
Profit before tax	248	639
Income tax expense	(45)	(115)
Net profit	203	524
Other comprehensive income	-	-
Total comprehensive income	203	524
Earnings per share (in euros)		
- basic	0.02	0.05
- diluted	0.02	0.05

	31.12.2023. u '000 EUR	31.12.2022. u '000 EUR
Assets		
Fixed assets		
Intangible assets	-	1
Tangible assets	3,658	3,804
Real estate investment	2,910	2,946
Investments accounted for using equity method	10,537	10,537
Financial assets	1	1
Trade and other receivables	1	1
Deferred tax assets	118	118
	17,225	17,408
Current assets		
Inventories	4,012	3,895
Trade and other receivables	4,227	3,945
Financial assets	78	104
Cash and cash equivalents	5,905	5,384
	14,222	13,328
TOTAL ASSETS	31,447	30,736
Capital and reserves		
Share capital	13,657	13,657
Reserves	3,132	3,132
Fair value reserves	11,965	11,762
	28,754	28,551
Liabilities		
Non-current liabilities		
Provisions	338	338
Lease liabilities	36	2
	374	340
Current liabilities		
Liabilities to group enterprises	180	8
Lease liabilities	11	3
Borrowings	4	11
Trade payables	1,166	897
Employee benefits payables	250	242
Taxes, contributions and other duties payable	567	514
Liabilities from equity share in profit	13	33
Other payables	105	114
Provisions – short term	23	23
	2,319	1,845
TOTAL EQUITY AND LIABILITIES	31,447	30,736

	Share capital	Legal reserves	Other reserves	Retained earnings	Total
	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR
Balance on 1.1.2023.	13,657	683	2,449	10,906	27,695
Profit/(loss) of the business year	-	-	-	856	856
Total comprehensive income/(loss)	-	-	-	856	856
Balance on 31.12.2023.	13,657	683	2,449	11,762	28,551
Balance on 1.1.2024.	13,657	683	2,449	11,762	28,551
Profit/(loss) of the business year	-	-	-	203	203
Total comprehensive income/(loss)	-	-	-	203	203
Balance on 31.3.2024.	13,657	683	2,449	11,965	28,754

	1.-3. 2024. u '000 EUR	1.-3. 2023. u '000 EUR
CASH FLOW FROM BUSINESS ACTIVITIES		
Profit before tax	248	639
Adjustments:		
Depreciation, amortization	263	287
Gains/ losses from the sale and value adjustments of tangible and intangible assets	(24)	(24)
Gains/losses from sales and unrealized gains and losses and value adjustment of financial assets	20	-
Income from interest and dividends	(18)	(1)
Interest expenses	17	24
Increase or decrease in cash flows before changes in working capital	506	925
Changes in working capital	41	638
Increase/(decrease) in current liabilities	432	(603)
(Increase)/decrease in current receivables	(273)	92
(Increase)/decrease in inventory	(118)	1.149
Cash generated from operations	547	1.563
Interest paid	(17)	(1)
Income tax paid	(8)	(12)
NET CASH FLOWS FROM BUSINESS ACTIVITIES	522	1,550
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Cash proceeds from the sale of non - current assets	11	24
Cash proceeds from interest	17	1
Cash proceeds from dividends	1	-
Cash proceeds from loans and deposits	-	1,604
Other cash proceeds from investment activities	7	-
Purchase of non current assets	(37)	(159)
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	(1)	1,470
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Repaying the principal of loans and credits	-	(2,002)
NET CASH FLOWS FROM FINANCIAL ACTIVITIES	-	(2,002)
TOTAL NET CASH FLOW	521	1,018
Cash and cash equivalents at the beginning of the period	5,384	359
Cash and cash equivalents at the end of the period	5,905	1,377

NOTE 1 – GENERAL INFORMATION

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

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

Čakovečki mlinovi Inc. (hereinafter referred to as "Čakovečki mlinovi Group" or "Group") has three dependent companies (subsidiaries: Trgovina Krk Inc. Malinska, Trgočentar Inc. Virovitica, and Radnik Opatija Inc. Lovran, and one associated company: Narodni trgovački lanac Ltd. Soblinec. In addition to the separate financial statements of the Company, Čakovečki mlinovi Inc. prepares consolidated financial statements for the Group.

The annual consolidated financial statements of the Čakovečki mlinovi Group are available on the Company's website: www.cak-mlinovi.hr.

The business accounts of the Company are opened with:

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

PRINCIPAL ACTIVITIES

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

CORPORATE GOVERNANCE

The composition of the Bodies of the Company as at March 31, 2024 is as follows.

Management

- Krešimir Kvaternik, Deputy President of the Management Board
- Marijan Sršen, Member of the Management Board

Supervisory Board

- Krešimir Kvaternik, President of the Supervisory Board, independent member - by the decision of the supervisory board from March 6, 2024, his mandate in the Supervisory Board is suspended starting from March 7, 2024
- Damir Metelko, Deputy Chairman of the Supervisory Board, independent member
- Katarina Varga, Member of the Supervisory Board
- Igor Komorski, Member of the Supervisory Board, independent member
- Vanja Kutnjak, member of the Supervisory Board, representative of workers.

Audit Committee

- Damir Metelko, President of the Audit Committee, independent member
- Katarina Varga, Deputy Chairman of the Audit Committee
- Krešimir Kvaternik, independent member, status in suspension since March 7, 2024
- Igor Komorski, independent member.

NOTE 1 – GENERAL INFORMATION (CONTINUED)

Nominating Committee

- Igor Komorski, Chairman of the Nominations Committee, independent member
- Damir Metelko, Deputy Chairman of the Nomination Committee, independent member
- Krešimir Kvaternik, independent member, status in suspension since March 7, 2024
- Katarina Varga, member.

Remuneration Committee

- Igor Komorski, Chairman of the Remuneration Committee, independent member
- Damir Metelko, Deputy Chairman of the Remuneration Committee, independent member
- Krešimir Kvaternik, independent member, status in suspension since March 7, 2024
- Katarina Varga, member.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies that were applied when compiling the audited consolidated annual financial statements for 2023 were not changed and were also applied when compiling these consolidated financial statements. The aforementioned accounting policies can be found in the audited consolidated annual financial statements for 2023, published on the website of the Zagreb Stock Exchange (www.zse.hr).



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