



ČAKOVEČKI MLINOVI INC.

FINANCIAL REPORT
FOR 9M 2024



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ČAKOVEČKI MLINOVI INC.

**INTERIM MANAGEMENT REPORT
FOR 9M 2024**

1. BUSINESS RESULTS FOR THE FIRST NINE MONTHS OF 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 the first nine months of 2024, Čakovečki mlinovi Inc. achieved total revenue of EUR 28,7 million, based on total assets of EUR 38.2 million, and employed an average of 197 employees 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 September 30, 2024, the Company had issued and listed 10,290,000 shares with a market capitalization of EUR 108 million.

As at 26, 2024, the company received a dividend in the amount of EUR 7,000,000 from the subsidiary Trgovina Krk d.d. while on September 26, 2024, the company Čakovečki mlinovi d.d. paid out a dividend in the amount of 1,029,000 euros (0.10 euros per share).

BUSINESS SEGMENT

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 consolidated report for the first nine months of 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.-9. 2024	1.-9. 2023	1.-9. 2024 / 1.-9. 2023
Sales revenue	21.4	21.8	(1.8%)
Operating expenses, net ¹	19.0	19.8	(4.0%)
EBITDA²	2.4	2.0	20.0%
Normalized EBITDA³	2.6	2.3	18.2%
Depreciation, amortization	0.7	0.9	(22.2%)
EBIT ⁴	1.7	1.1	54.5%
Net financial result ⁵	7.2	-	-
Net profit (loss)	8.6	0.9	-

Profit margins⁶			
EBITDA margin	11.2%	9.2%	2.0 pb
Normalized EBITDA margin	12.1%	10.1%	2.0 pb
EBIT margin	7.9%	5.0%	2.9 pb
Net profit margin	40.2%	4.1%	36.1 pb

Balance sheet (millions of euros)	30.9.2024	31.12.2023	30.9.2024 / 31.12.2023
Net debt (cash) ⁷	(11.0)	(5.4)	103.7%
Capital and reserves	36.1	28.6	26.2%
Net working capital ⁸	9.1	6.9	31.9%

CASH FLOWS (millions of euros)	1.-9. 2024	1.-9. 2023	1.-9. 2024 / 1.-9. 2023
Net cash flows from operating activities	(0.4)	4.9	-
Capital expenditures (CapEx) ⁹	0.2	0.4	(50.0%)
Dividends paid	1.0	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 expenses 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 and amortization.

3 Normalization involves adjustments for material one-time items. In the first nine months of 2024, the Company recorded EUR 0.16 million in net one-time expenses (Q3 2023: EUR 0.2 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 based on 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. Bank deposits are included regardless of their maturity as they are available on demand.

8 Net working capital includes inventories plus short-term receivables from customers, less short-term payables to suppliers.

9 CapEx (capital expenditures) represents payments for purchasing of non-current 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.

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

General economic environment

According to data from the Croatian National Bank, core inflation in Croatia is expected to slow down to 4,8% 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 3,1% in 2023, and HNB expects this trend to continue and grow by 3,6% 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.

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 93.8% of its revenue. The Company's foreign revenues refer to Slovenia, Bosnia and Herzegovina 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.

There is no direct exposure to the mentioned countries. 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 and this trend continues during 2024.

Outlook for the Company in 2024

The pricing policy and revenue realization of the Food segment are significantly influenced by the procurement prices of raw materials, particularly grains and energy sources, which, as commodities, are affected by geopolitical developments. Following the decline in raw material prices in 2023, this downward trend continues in 2024, determining the selling price levels of the Food segment, i.e., lower overall levels of realized sales revenue and raw material expenses. In Milling a slight increase in the prices of higher wheat grades is possible for the rest of the year due to the lower quality of the 2024 harvest and a slight increase in demand for key product groups (wheat flour in large packages of 25 kg and 50 kg, bulk, and small packages of 1 kg and 5 kg) due to the proactive sales and promotional policy implemented by the company's management. The sale of bakery products is mostly achieved internally through the Trade segment, so 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 and promotional policy in the mill and bakery program. Active price policy on small packages of soft and hard flour is disabled from the beginning of September 2022 due to government price control measures.

Purchase prices and sources of raw materials: Prices of grain and energy sources (electricity) represent key inputs in the Food segment. The procurement of most required quantities of grains takes place during the harvest in July (wheat and rye) and October (corn) when the price is typically the lowest. The company operates with strategically dispersed and stable suppliers, procuring over 75% of grain in Croatia and is dedicated to the development of domestic suppliers. Additionally, mostly first-class grains are procured, which encourages high-quality production.

Personnel costs: In the beginning of the 2024, the company continuously invested in increasing wages and improving working conditions due to the existing level of inflation and labor shortages.

Capital expenditures (CapEx): 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 and a palletizing line for 25 kg.

ČAKOVEČKI MLINOVI INC.

FINANCIAL STATEMENTS FOR 9M 2024

**STATEMENT OF PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS
OF THE ISSUER ČAKOVEČKI MLINOVI INC. FOR THE FIRST NINE MONTHS OF 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 the following statement:

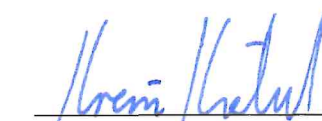
To the best of our knowledge:

- The financial statements for the third quarter or for the first nine months 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 third quarter or for the first nine months 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 third quarter or for the first nine months of 2024 have not been audited.

In Čakovec, October 29 2024

For Čakovečki mlinovi Inc.:



Krešimir Kvaternik
Deputy President of the Management Board



Marijan Sršen
Member of the Management Board

STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST NINE MONTHS OF 2024

	1.-9. 2024	1.-9. 2023	7.-9. 2024	7.-9. 2023
	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR
Sales revenue	21,396	21,812	7,661	7,342
Other revenue	87	199	1	94
Operating revenue	21,483	22,011	7,662	7,436
Changes in inventories	(37)	(101)	12	(104)
Costs of raw materials, energy	(12,749)	(14,091)	(4,349)	(4,509)
Cost of goods sold	(496)	(447)	(174)	(124)
Other external costs	(1,438)	(1,426)	(443)	(497)
Staff costs	(3,553)	(3,211)	(1,181)	(980)
Depreciation, amortization	(732)	(863)	(210)	(286)
Other expenses	(762)	(735)	(332)	(319)
Other operating expenses	(26)	(23)	(5)	(7)
Operating expenses	(19,793)	(20,897)	(6,682)	(6,826)
Operating profit/(loss)	1,690	1,114	980	610
Financial income	7,212	32	7,095	25
Financial cost	(2)	(64)	(1)	(19)
Net financial result	7,210	(32)	7,094	6
Profit before tax	8,900	1,082	8,074	616
Income tax expense	(342)	(195)	(193)	(117)
Net profit/(loss)	8,558	887	7,881	499
Other comprehensive gains				
Total comprehensive profit/(loss)	8,558	887	7,881	499
Earnings per share for profit attributable to shareholders of the Company during the year (in euro)				
- basic	0.83	0.09	0.77	0.05
- diluted	0.83	0.09	0.77	0.05

	30.9.2024	31.12.2023
	in '000 EUR	in '000 EUR
Assets		
Non – Current assets		
Intangible assets	6	1
Tangible assets	3,416	3,804
Investment property	2,839	2,945
Investments in subsidiaries	10,537	10,537
Financial assets	1	1
Receivables and other receivables	0	2
Deferred tax assets	118	118
	<hr/>	<hr/>
	16,917	17,408
Current assets		
Inventories	5,189	3,895
Receivables and other receivables	5,082	3,945
Financial assets	83	104
Cash and cash equivalents	10,965	5,384
	<hr/>	<hr/>
	21,319	13,328
<hr/>		
TOTAL ASSETS	38,236	30,736
<hr/>		
Capital and reserves		
Share capital	13,657	13,657
Reserves	3,132	3,132
Retained earnings	19,291	11,762
Total equity	<hr/>	<hr/>
	36,080	28,551
Liabilities		
Non - current liabilities		
Provisions	338	338
Lease liabilities	25	2
	<hr/>	<hr/>
	363	340
Current liabilities		
Liabilities to group enterprises	36	8
Liabilities for loans, deposits and similar	15	3
Liabilities for advances	23	11
Trade payables	930	897
Employee benefits payables	261	242
Taxes, contributions and other duties payable	374	514
Liabilities from equity share in profit	28	33
Other short-term liabilities	103	114
Provisions	23	23
	<hr/>	<hr/>
	1,793	1,845
<hr/>		
TOTAL EQUITY AND LIABILITIES	38,236	30,736

STATEMENT OF CASH FLOWS FOR THE FIRST NINE MONTHS OF 2024

	1.-9. 2024	1.-9. 2023
	in	in
	'000 EUR	'000 EUR
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	8,900	1,082
Adjustments:		
Depreciation, amortization	732	863
Gains and losses from sales and value adjustments of fixed tangible and intangible assets	(28)	(42)
Income from interest and dividends	(7,210)	(31)
Interest expenses	2	62
Exchange differences	-	1
Other non-cash items	18	-
Increase or decrease in cash flows before changes in working capital	<u>2,414</u>	<u>1,935</u>
Changes in working capital	<u>(2,738)</u>	<u>3,012</u>
Increase/(decrease) in short-term liabilities	(308)	(1,015)
(Increase)/decrease in short-term receivables	(1,135)	371
Decrease in inventories	(1,295)	3,656
Cash from business	<u>(324)</u>	<u>4,947</u>
Interest paid	(2)	(2)
Income tax paid	<u>(98)</u>	<u>(16)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	(424)	4,929
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Cash proceeds from the sale of non-current assets	30	42
Cash proceeds from interest	210	27
Cash proceeds from dividends	7,003	4
Payments for non-current assets	(198)	(356)
Other payments from investments activities	-	(1,117)
Payment for savings deposits and loans	-	(1,216)
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	7,045	(2,616)
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Proceeds from credit and loans principals and other borrowings and debt financial instruments	-	(2,023)
Repayment of lease liability principal amounts	(11)	-
Payment of dividends	(1,029)	-
NET CASH FLOWS FROM FINANCIAL ACTIVITIES	(1,040)	(2,023)
TOTAL NET CASH FLOW	5,581	290
Cash and cash equivalents at the beginning of the period	<u>5,384</u>	<u>365</u>
Cash and cash equivalents at the end of the period	10,965	655

STATEMENT OF CHANGES IN EQUITY FOR THE FIRST NINE MONTHS OF 2024

	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				8,558	8,558
Total comprehensive income/(loss)				8,558	8,558
Dividend				(1,029)	(1,029)
Balance on 30.9.2024	13,657	683	2,449	19,291	36,080

NOTE 1 – GENERAL INFORMATION

The Company Čakovečki mlinovi Inc. Čakovec, Mlinska ulica 1 (hereinafter: the Company) aligned 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.

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.

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 of September 30, 2024 is as follows.

Management Board

- 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 dated March 6, 2024, his term in the Supervisory Board is suspended starting from March 7, 2024
- Damir Metelko, Deputy President of the Supervisory Board, independent member
- Igor Komorski, independent member of the Supervisory Board
- Vanja Kutnjak, member of the Supervisory Board, workers' representative
- Josip Plodinec, member of the Supervisory Board
- Franjo Plodinec, member of the Supervisory Board
- prof. dr. sc. Mislav Ante Omazić, independent member of the Supervisory Board

Audit Committee

- Damir Metelko, President of the Audit Committee, independent member
- Krešimir Kvaternik, independent member, status in suspension since March 7, 2024
- Igor Komorski, independent member of the Audit Committee
- Vanja Kutnjak, member of the Audit Committee

NOTE 1 – GENERAL INFORMATION (CONTINUED)

Nomination Committee

- Igor Komorski, President of the Nomination Committee, independent member
- Damir Metelko, Deputy President of the Nomination Committee, independent member
- Krešimir Kvaternik, independent member of the Nomination Committee, status in suspension since March 7, 2024
- Vanja Kutnjak, member of the Nomination Committee

Remuneration Committee

- Igor Komorski, President of the Remuneration Committee, independent member
- Damir Metelko, Deputy President of the Remuneration Committee, independent member
- Krešimir Kvaternik, independent member of the Remuneration Committee, status in suspension since March 7, 2024
- Vanja Kutnjak, member of the Remuneration Committee

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).



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