



ČAKOVEČKI
MLINOVI

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ČAKOVEČKI MLINOVI INC.

CONSOLIDATED FINANCIAL REPORT
FOR H1 2024



CONTENTS

1. BUSINESS RESULTS IN H1 2024	4
<i>ABOUT THE GROUP ČAKOVEČKI MLINOVI</i>	4
<i>BUSINESS SEGMENTS AND OPERATIONS</i>	4
<i>KEY EVENTS IN 2024</i>	6
<i>KEY FINANCIAL INDICATORS OF THE GROUP</i>	7
<i>SUMMARY OF GROUP RESULTS</i>	8
<i>QUARTERLY PERFORMANCE OVERVIEW OF THE GROUP</i>	9
<i>SALES REVENUE</i>	10
<i>OPERATING EXPENSES</i>	11
<i>EBITDA</i>	11
<i>NET PROFIT</i>	12
<i>NET DEBT</i>	12
<i>CASH FLOWS</i>	13
<i>VALUATION OF THE ČAKOVEČKI MLINOVI GROUP</i>	13
2. EXPECTED BUSINESS DEVELOPMENT IN 2024	14
CONSOLIDATED FINANCIAL STATEMENTS FOR H1 2024	17

ČAKOVEČKI MLINOVI INC.

**CONSOLIDATED INTERIM MANAGEMENT REPORT
FOR H1 2024**

1. BUSINESS RESULTS IN H1 2024

ABOUT THE GROUP ČAKOVEČKI MLINOVI

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

Čakovečki mlinovi Inc. have three subsidiaries: Trgovina Krk Inc. Malinska, Trgočentar Inc. Virovitica and Radnik Opatija Inc. Lovran (hereinafter collectively: "Čakovečki mlinovi Group" or "Group") and one affiliated company: Narodni Trgovački Lanac Ltd. Soblinec. Čakovečki mlinovi Inc. in addition to the non-consolidated reports of the Companies, also prepares the consolidated reports of the Group separately.

In the first half of 2024, the Čakovečki mlinovi Group achieved EUR 96 million in consolidated total revenues based on consolidated total assets in the amount of EUR 117.3 million and employed 2,070 employees on average based on working hours. According to the Accounting Act, the Čakovečki mlinovi Group belongs to a large group of entrepreneurs.

Shares of Čakovečki mlinovi Inc. are listed on the Official Market of the Zagreb Stock Exchange under the symbol CKML. As at June 30, 2024, the Company had issued and listed 10,290,000 shares with a market capitalization of EUR 107 million.

BUSINESS SEGMENTS AND OPERATIONS

Čakovečki mlinovi Group is organized into two strategic business segments:

- Trade, which includes retail and wholesale trade of food and non-food assortment, and
- Food, which includes the production of flour, bakery products and oils.

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

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

Trade

KEY OPERATING INDICATORS	30.6.2024	30.6.2024
Number of trade stores	425	438
Store sales area (in m2 net)	55,325	55,331
Average area per store (in m2 net)	130	126
Area of distribution warehouses (in m2 gross)	11,343	11,343
Average number of employees	1,797	1,836

Trade is the largest segment of the Čakovečki mlinovi Group, which generated 87% of the Group's sales revenue in H1 2024.

The Trade segment is organized in two business areas:

- retail – trade of mainly food and to a lesser extent non-food assortment, and
- wholesale – trade of food, non-food and construction assortment.

Retail sales account for 97% of the sales revenue of the Trade segment.

As at June 30, 2024, Trade managed 425 retail stores located in northwestern Croatia, Kvarner and the island of Krk. The total net sales area was 55,325 m², of which about 64% is owned by the Group. The main factors of the offer of the Stores segment are the proximity of the stores and the local assortment, which is why the Group's retail stores are mostly located in smaller settlements or residential districts and have an average net sales area of up to 400 m². This type of store format in Croatia is defined as a market or convenience store, and internationally it is better known as a proximity format due to its characteristic proximity to customers.

Trgovina Krk Inc. holds 25% of the ownership share in the company Narodni trgovački lanac Ltd. (hereinafter: "NTL"), the largest procurement association for food products in Croatia, through which it realizes about 80% of the procurement of goods. In addition to providing commercial services to its members, developing the NTL brand, and purchasing and distributing fruit and vegetables, NTL manages its own retail network of 340 stores and 6 wholesale logistics and distribution centers. In H1 2024 Narodni trgovački lanac Ltd. generated EUR 0.6 million in net profit (H1 2023: EUR 0.5 million). Trgovina Krk Inc. also holds a 10% ownership share in the company Grandal grupa Ltd., the largest purchasing association for construction materials in Croatia.

Food

KEY OPERATING INDICATORS	30.6.2024	30.6.2023
Grain processed (in tons)	28,391	23,394
Production of bakery products (in tons)	3,862	3,691
Oil production (in tons)	2	4
Average number of employees	273	271

The Food segment covers food production and is organized into three business areas:

- milling - production of flour and other milling products and to a lesser extent porridge and feed flour,
- bakery - production of mainly bread, pastries and cakes and to a lesser extent dough, and
- oil production - service production of olive oil.

As at June, 30 2024, the food segment managed two mills (Čakovec, Donji Kraljevec) with a total production capacity of 80,000 tons per year, four bakeries (Čakovec, Oroslavje, Lovran, Malinska) with a total production capacity of 11,533 tons per year and oil mill in Punat.

KEY EVENTS IN 2024

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

- Sales revenue in amount of EUR 92.9 million (+6.4% compared to H1 2023);
- Normalized profit before interest, taxes, depreciation, and amortization (EBITDA) in the amount of EUR 3.6 million ((32.1%) compared to H1 2023), with a reduction in normalized EBITDA margin from 6.1% to 3.9%;
- Net profit in the amount of EUR 0.5 million (a decrease compared to H1 2023), with a drop in net profit margin from 1.4% to 0.5%.

2. CCA – Approved Concentration

The Croatian Competition Agency (hereinafter: CCA) announced on its website on July 22, 2024 that the Competition Council reviewed the notification of the intention to implement a concentration of undertakings which is created by the acquisition of joint control on a permanent basis of the entrepreneur Mlin i pekare Ltd., Sisak, Plodinec Ltd., Allianz ZB Ltd. for the management of mandatory and voluntary pension funds, in its own behalf, for the account of the funds under management: AZ Mandatory Pension Fund - Category A, and AZ Mandatory Pension Fund - Category B, and PBZ Croatia osiguranje Inc. for managing mandatory pension funds, in its own name, and for the account of funds managed by PBZ Croatia osiguranje Mandatory Pension Fund - Category B, over the undertaking Čakovečki mlinovi Inc. The Council concluded that it can be reasonably assumed that this specific case does not involve a prohibited concentration in the sense of Article 16 of Competition Act (OG 79/09, 80/13, 41/21, 153/23; CA).

In light of the above, the notification of concentration, in accordance with Article 22, Paragraph 1 of the CA is considered permitte at Level 1.

KEY FINANCIAL INDICATORS OF THE GROUP

INCOME STATEMENT (millions of euros)	1.-6. 2024	1.-6. 2023	1.-6. 2024/ 1.-6. 2023
Sales revenue	92.9	87.3	6.4%
Operating expenses, net ¹	89.8	82.6	8.7%
EBITDA ²	3.1	4.7	(34.0%)
Normalized EBITDA³	3.6	5.3	(32.1%)
Depreciation, amortization	3.6	3.9	(7.7%)
EBIT ⁴	(0.5)	0.8	-
Net financial result ⁵	1.1	0.5	120.0%
Net profit (loss)	0.5	1.2	(58.3%)

Profit margins⁶			
EBITDA margin	3.3%	5.4%	(2.0 pp)
Normalized EBITDA margin	3.9%	6.1%	(2.2 pp)
EBIT margin	(0.5%)	0.9%	(1.5 pp)
Net profit margin	0.5%	1.4%	(0.8 pp)

Balance sheet (millions of euros)	30.6.2024	31.12.2023	30.6.2024/ 31.12.2023
Net debt (cash) ⁷	(21.0)	(15.8)	32.9%
Capital and reserves	82.1	81.7	0.5%
Net working capital ⁸	17.1	23.0	(25.7%)

CASH FLOWS (millions of euros)	1.-6. 2024	1.-6. 2023	1.-6. 2024/ 1.-3. 2023
Net cash flows from operating activities	7.5	9.8	(23.5%)
Capital expenditures (CapEx) ⁹	2.7	1.3	107.7%
Dividends paid	-	-	-

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

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

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

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

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

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

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

8 Net working capital includes inventories plus short-term trade receivables and less short-term trade payables and advances.

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

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

SUMMARY OF GROUP RESULTS

In H1 2024, the Čakovečki mlinovi Group achieved EUR 92.9 million in sales revenue, EUR 3.6 million of normalized EBITDA and EUR 0.5 million in net profit.

The Group's operations were marked by an increase in sales revenue of 6.4% or 5.6 million euros compared to the same period of the previous year.

The Trade business segment, as the largest segment of the Group, achieved EUR 80.9 million or 87.1% of the Group's sales revenue and EUR 2,3 million or 64% of the Group's normalized EBITDA.

Revenues from the sale of Retail, as the Group's largest business area, grew by 8.9% or EUR 6.4 million, or by 8.8% or EUR 6.1 million on a comparative (hereinafter: "LFL") basis.

The increase in retail sales revenue is the result of inflation-adjusted selling prices in line with the rise in corresponding purchase prices of goods, as well as higher sales volumes due to the implementation of an active pricing policy.

Net operating expenses of the Group increased by 8.7% or EUR 7.2 million, primarily due to the rise in cost of goods sold (by EUR 5.7 million) and personnel costs (by EUR 1.9 million). The net cost of goods sold rose due to above described increasing revenue in the Retail segment, while personnel costs increased due to the rise in the minimum wage, its impact on other wages, and a shortage of labor.

In the first half of 2024, the Group's normalized EBITDA decreased by EUR (1.7) million, and net profit was reduced by EUR (0.7) million compared to H1 2023. The Group experienced a decline in normalized EBITDA margin to 3.9% (H1 2023: 6.1%), and the net profit margin was 0.5% (H1 2023: 1.4%). The Group's profit margins were pressured by government price control measures and rising personnel costs.

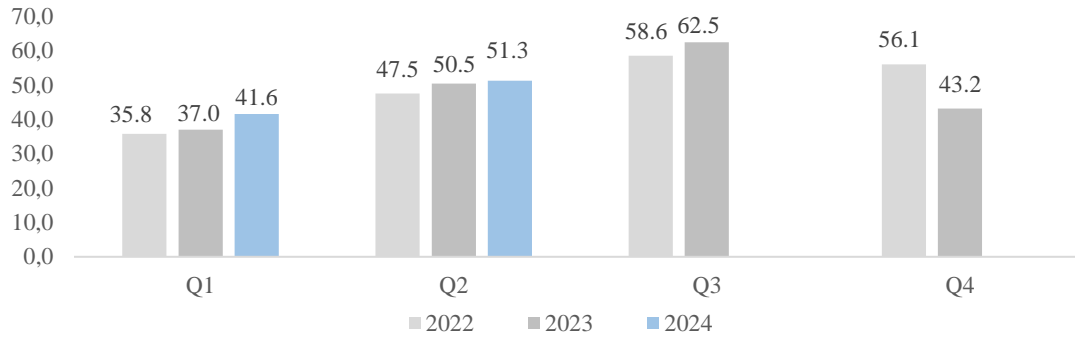
The net financial result was EUR 1.1 million, up by EUR 0.6 million compared to the same period last year.

As of June 30, 2024, the Group held a net cash position of EUR 21.0 million.

QUARTERLY PERFORMANCE OVERVIEW OF THE GROUP

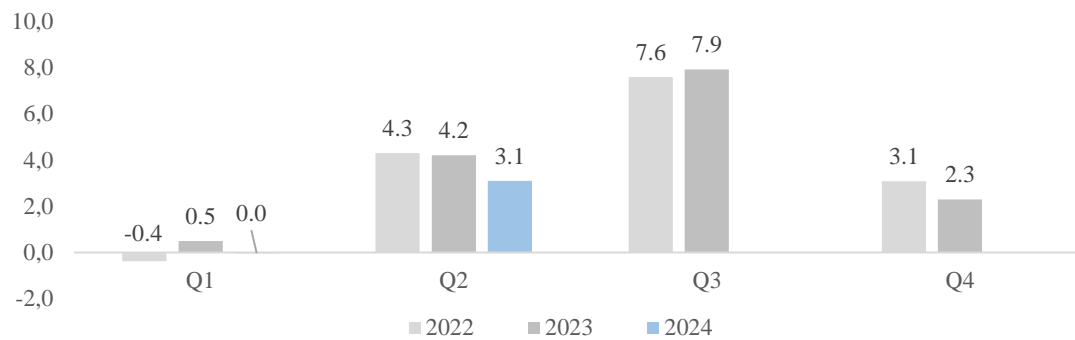
Group sales revenue

(in mil. euros)



Group EBITDA

(in mil. euros)



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

Given its coastal operations in Trade as well as significant sales in the Food segment to customers who also have coastal operations, the Čakovečki mlinovi Group exhibits a characteristic seasonality in its business dependent on the conditions in Croatian tourism. Considering the current course of the tourist season, the Group recorded a continued increase in sales revenue for Q2 2024, amounting to EUR 51.3 million, and a lower EBITDA for Q2 2024, amounting to EUR 3.1 million which is significantly impacted by the lower-intensity business activity in the pre-season month of June.

SALES REVENUE

SALES REVENUE BY SEGMENT					
(in millions of euros)	1.-6. 2024	% of sales revenue	1.-6. 2023	% of sales revenue	1.-6. 2024/ 1.-6. 2023
Trade	80.9	87.1%	74.6	85.5%	8.4%
Food	12.0	12.9%	12.7	14.5%	(5.5%)
Consolidated Sales revenue	92.9	100%	87.3	100%	6.4%

Note: Data are presented on a consolidated basis.

LFL ¹ RETAIL GROWTH			
(in millions of euros)	1.-6. 2024	1.-6. 2023	1.-6. 2024/ 1.-6. 2023
Revenue from the sale of goods – Trade	80.6	74.3	8.5%
Revenue from the sale of goods - Retail	78.3	71.9	8.9%
Revenue from the sale of goods - Retail - LFL¹	75.3	69.2	8.8%

¹ Revenue on a comparative basis (like-for-like, LFL) refer to stores that operated throughout both comparative periods.

Note: Data refers to pre-elimination sales revenue.

In the first half of 2024, the Group achieved sales revenue of EUR 92.9 million, which is 6.4% or EUR 5.6 million more compared to the same period of the previous year, as a result of 8.4% increase in sales revenue in the Trade segment, while sales revenue in the Food segment decreased by 5.5%.

Sales revenue in the Trade segment amounted to EUR 80.9 million or 87.1% of the Group's sales revenue, increased by 8.4% or EUR 6.3 million compared to the same period of the previous year. The increase in sales revenue for the Trade segment is the result of inflation-adjusted selling prices, the positive effects of an active pricing policy, and partially offset by the negative impacts of a weaker tourist pre-season in the Istria and Kvarner regions compared to the same period last year.

Sales revenue in Retail increased by 8.9% or EUR 6.4 million, or by 8.8% or EUR 6.1 million on an LFL basis.

Sales revenue in the Food segment amounted to EUR 12.0 million or 12.9% of sales revenue, and decreased by 5.5% or EUR 0.7 million compared to the same period of the previous year.

In the Food segment, in the business area of milling, continuing the decline in prices of raw materials in 2023, in the first half of 2024 the trend of falling prices of raw materials continues, which also determines the lower level of sales prices (with higher sales volumes), lower overall levels of realized revenues from sales by EUR 1.1 million compared to the comparative period (due to lower relative costs of raw materials), which was partially compensated in the Food segment, in the business area of bakery, which recorded an increase in revenue in the amount of EUR 0.4 million compared to the comparative period.

OPERATING EXPENSES

(in millions of euros)	1.-6. 2024	% of sales revenue	1.-6. 2023	% of sales revenue	1.-6. 2024/ 1.-6. 2023
Cost of raw materials and changes in value of stock	11.4	12.3%	12.5	14.3%	(8.8%)
Cost of goods sold, net ¹	55.2	59.4%	49.5	56.7%	11.5%
Other external expenses	3.5	3.8%	2.9	3.3%	20.7%
Personnel costs ²	18.2	19.6%	16.3	18.7%	11.7%
Other expenses	1.2	1.3%	1.2	1.4%	0.0%
Other business expenses (income) ³	0.3	0.3%	0.2	0.2%	50.0%
Operating expenses, net	89.8	96.7%	82.6	94.6%	8.7%

1 Costs of goods sold minus revenue from subsequently approved rebates and marketing services.

2 Staff costs include net wages, taxes and wage contributions, contributions to wages and non-taxable employee remuneration paid.

3 Other operating income less: non-taxable employee remuneration paid, other business income excluding income from subsequently approved rebates and marketing services, and income based on the use of their own products, goods and services.

In H1 2024, the Group recorded an increase in net operating costs by 8.7% or EUR 7.2 million compared to the same period of the previous year. The costs of raw materials and materials decreased due to the purchase of raw materials at lower prices in the Food segment, while the net costs of goods sold grew faster than the growth of income from the sale of goods.

Personnel costs together with paid non-taxable receipts amounted to EUR 18.2 million and increased by 11.7% or EUR 1.9 million. Personnel costs grew under the influence of the increase in the minimum wage and the spillover of this impact on the rest of wages. As of June 30, 2024, the Group employed 2,278 employees (H1 2023: 2,319), with an average of 2,070 employees based on hours worked in the first half of 2024 (H1 2023: 2,107).

EBITDA

EBITDA BY SEGMENTS (in millions of euros)	1.-6. 2024			1.-6. 2023		
	GROUP	TRADE	FOOD	GROUP	TRADE	FOOD
Consolidated Sales revenue	92.9	80.9	12.0	87.3	74.6	12.7
EBITDA	3.1	1.9	1.2	4.7	3.5	1.2
EBITDA margin	3.3%	2.3%	10.0%	5.4%	4.7%	9.4%
Normalized EBITDA¹	3.6	2.3	1.3	5.3	3.9	1.4
Normalized EBITDA margin	3.9%	2.8%	10.8%	6.1%	5.2%	11.0%

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

Note: Data are presented on a consolidated basis.

In H1 2024, the Group achieved normalized EBITDA in the amount of EUR 3.6 million, which is EUR 1.7 million less than in the same period of the previous year. Reported EBITDA was EUR 3.1 million (H1 2023: EUR 4.7 million).

Normalized EBITDA of the Trade segment amounted to EUR 2.3 million which is EUR 1.6 million less compared to the same period of the previous year. The normalized EBITDA margin of the Trade segment was 2.8% (H1 2023: 5.2%).

Normalized EBITDA of the Food segment amounted to EUR 1.3 million which is EUR 0.1 million less compared to the same period of the previous year. The normalized EBITDA margin of the Food segment was 10.8% (H1 2023: 11.0%).

Normalized EBITDA

Normalized EBITDA (in millions of euros)	1.-6. 2024			1.-6. 2023		
	GROUP	TRADE	FOOD	GROUP	TRADE	FOOD
EBITDA	3.1	1.9	1.2	4.7	3.5	1.2
Costs of intellectual services	0.1	0.0	0.1	0.1	0.1	0.0
Bonuses under contractual arrangements	0.4	0.4	0.0	0.6	0.3	0.3
Severance payments	0.1	0.0	0.1	0.0	0.0	0.0
Other one-time expenses/(income), net	(0.1)	0.0	(0.1)	(0.1)	0.0	(0.1)
Normalized EBITDA	3.6	2.3	1.3	5.3	3.9	1.4

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

In addition to reporting on alternative (non-IFRS) performance measures such as EBITDA, the Group discloses the impact of one-time items to achieve a higher level of transparency in its regular business activities. One-time items are considered those that do not occur regularly and have a material impact on the result. In the first half of 2024, the Group recorded EUR 0.1 million in one-time costs of intellectual services (H1 2023: EUR 0.1 million), EUR 0.4 million in contractual bonuses (H1 2023: EUR 0.6 million), EUR 0.1 million in severance payments (H1 2023: EUR 0.0 million), and EUR (0.1) million in net other one-time expenses/(income) (H1 2023: EUR (0.1) million).

NET PROFIT

In the first half of 2024, the Group achieved a net profit of EUR 0.5 million, which is EUR 0.7 million less than in the same period of the previous year, mainly due to lower EBITDA.

NET DEBT

(in millions of euros)	30.6.2024	31.12.2023	30.6.2024/ 31.12.2023
Long-term lease liabilities	3.1	3.0	3.3%
Short-term loans liabilities	4.2	4.2	0.0%
Short-term lease liabilities	0.8	1.4	(42.9%)
Given deposits and the similar	(0.1)	(0.6)	(83.3%)
Cash and cash equivalents	(29.0)	(23.8)	21.8%
Net debt (cash)	(21.0)	(15.8)	32.9%

As of June 30, 2024, the Group reported a net cash position of EUR 21.0 million (December 31, 2023: EUR 15.8 million), of which EUR 4.2 million (December 31, 2023: EUR 4.2 million) related to short-term loans liabilities, EUR 3.9 million (December 31, 2023: EUR 4.4 million) to lease obligations, and EUR 29.1 million (December 31, 2023: EUR 24.4 million) to cash and cash equivalents plus current deposits. Short-term loans liabilities relate to the associated company Trgočentar Inc., in which the Group holds 52.03% of the voting rights but consolidates it entirely.

CASH FLOWS

In the first half of 2024, the Čakovečki mlinovi Group achieved EUR 7.5 million in net cash flows from operating activities, which is higher than the EBITDA achieved, primarily due to a reduction in net working capital.

NET WORKING CAPITAL			
(in millions of euros)	30.6.2024	31.12.2023	30.6.2024/ 31.12.2023
Inventories	26.2	26.4	(0.8%)
Short-term receivables from customers	11.5	9.0	27.8%
Short-term liabilities to suppliers	(20.6)	(12.4)	66.1%
Net working capital	17.1	23.0	(25.7%)

The Group's net working capital decreased by 25.7% or EUR 5,9 million, while inventories decreased by 0.8% or EUR 0.2 million. Trade receivables increased by 27.8% or EUR 2.5 million due to the increase in income, while trade payables increased by 66.1% or EUR 8.2 million.

Capital expenditures of the Group in the first half of 2024 amounted to EUR 2.7 million, which is higher than in the same period of the previous year (H1 2023: EUR 1.3 million). In the Trade segment, EUR 2.5 million was invested in opening new stores and renovations existing ones. Capital expenditures in the Food segment amounted to EUR 0.2 million and were related to the acquisition of vehicles for transporting bakery products as well as to facilities and equipment in milling and bakery production.

VALUATION OF THE ČAKOVEČKI MLINOVI GROUP

KEY INDICATORS OF CKML SHARE VALUATION			
(in millions of euros)	30.6.2024	31.12.2023	30.6.2024/ 31.12.2023
Price per share (PPS, in euro) ¹	10.4	10.5	(1.0%)
Market Capitalization ²	107.0	108.0	(0.9%)
EV ³	82.2	88.4	(7.0%)
EV / Sales Revenue ⁴	0.44x	0.48x	(0.05x)
EV / Normalized EBITDA⁴	7.1x	6.7x	0.4x

1 The price per share (price per share, PPS) is represented by the reference price on the Zagreb Stock Exchange, i.e. the average price weighted by the volume of traded shares as a better representative of the price considering the low liquidity of the CKML share.

2 Market capitalization represents the market value of share capital on the stock exchange; calculated as the product of the number of shares (10,290,000) and the price per share.

3 EV (enterprise value) represents the value of business; calculated as market capitalization + net debt (cash) + non-controlling interest.

4 Valuation indicators are calculated on the basis of fundamentals achieved in the last 12 months before the reporting date (TTM, trailing twelve months).

2. EXPECTED BUSINESS DEVELOPMENT IN 2024

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

The Group's operations in 2024 are subject to the macroeconomic environment, economic opportunities and trends in economic activity.

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

General economic environment

According to data from the Croatian National Bank, core inflation in Croatia is expected to slow down to 4.3% in 2024, from 8.8% recorded in the previous year. This is largely due to the fading base effect of inflation. The slowdown in inflation is also expected to be supported by further easing of energy and food prices, following their continuous decline throughout most of 2023.

Real GDP in Croatia was 3,1% in 2023, and Croatian National Bank expects this trend to continue and grow by 3,3% 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 Group does not have any relationship with, nor is it exposed to, companies from Russia, Belarus or Ukraine. The group maintains all business operations in Croatia, where it generates 99% of its revenue. The Group's foreign revenues refer to Slovenia, 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.

Although 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 Group's operations.

State price control measures and non-working Sundays

In the Trade segment, state measures aimed at controlling the prices of certain food products have a negative impact on the Group's operations since its introduction in early September 2022 (9 products) and its expansion in mid-September 2023 (to 30 products), in the form of a decrease in income and super rebates and loss part of the margin on these products. In addition, state measures aimed at limiting the highest retail prices of petroleum derivatives have a negative impact on the operations of the gasoline category since their introduction in October 2021. Also, from July 2023, a ban on working on Sundays for traders (except for 16 Sundays a year) is in effect, which has a negative effect on revenues, as it turned out that the spillover of traffic to other working days is very mild. The management manages the mentioned negative effects through an active pricing policy on the entire assortment and through the adjustment of store operations on Sundays.

In the Food segment, state price control measures have limited the prices of small packages of soft and hard flour from the beginning of September 2022, which makes it impossible for them to have an active pricing policy and indexation of costs that affect the price of the final product. In addition, from the second half of 2022, a significant and uncontrolled import of flour and corn grits from Ukraine has been noticed in Croatia,

which limits the active price policy on the entire mill program and this trend continues in the first half of 2024.

Outlook for the Trade segment in 2024

The performance of the Trade segment is heavily influenced by the tourist season in Croatia. According to the Croatian National Bank's expectations of a strong tourist season, an increase in retail indicators is anticipated in 2024, despite weaker comparative results from coastal operations in the June pre-season. Further business growth is also expected on the continent. With an increased focus on recovering the number of issued invoices by the end of May 2024, a positive trend in the number of invoices issued has been achieved, reversing the previous negative trend. Nevertheless, the management's goal will be to continue recovering the number of issued invoices while maintaining other key business indicators.

Strategic guidelines

The management has defined the following key strategic guidelines for 2024 in the Trade segment:

- recovery of the number of invoices issued,
- management of operational costs,
- maintaining the growth of LFL revenue from sales,
- opening of new and renovation of existing stores,
- targeting acquisitions that strategically correspond to the existing model of the Trade segment.

Key business factors

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

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

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

Capital expenditures (CapEx): Six new retail stores are planned to open in 2024.

Outlook for the Food segment 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 into the first half of 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: The prices of grain and energy products (electricity) represent key inputs in the Food segment. Most of the necessary quantities of grains are procured during the harvest in July (wheat and rye) and October (corn), when the price is usually the lowest. The group operates with strategically dispersed and stable suppliers, realizes more than 75% of grain procurement in Croatia and is dedicated to the development of domestic suppliers. Also, mostly first-class grains are procured, which encourages high-quality production.

Personnel costs: In the first half of the year, 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.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR H1 2024**

**STATEMENT OF PERSONS RESPONSIBLE FOR COMPILING FINANCIAL STATEMENTS
OF THE ISSUER ČAKOVEČKI MLINOVI INC. FOR THE PERIOD H1 2024**

Based on the provisions of Article 465 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 consolidated financial statements for the first half of 2024 were compiled with the application of appropriate financial reporting standards and provide a true and objective presentation of the issuer's assets and liabilities, financial position, profit or loss and the companies included in the consolidation as a whole.
- The consolidated interim management report for the first half of 2024 contains a true presentation of the development and results of operations and the position of the issuer and the companies included in the consolidation as a whole, along with a description of the most significant risks and uncertainties to which are exposed.

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

In Čakovec, July 31, 2024

For Čakovečki mlinovi Inc.:

Digitally signed by:
KREŠIMIR KVATERNIK
Date:
31-Jul-2024
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C=HR
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2.5.4.97=#130D4852323032
L=ČAKOVEC
S=KVATERNIK
G=KREŠIMIR
CN=KREŠIMIR KVATERNIK

Krešimir Kvaternik
Deputy President of the Management Board

Marijan Sršen
Member of the Management Board

Digitally signed by:
MARIJAN SRŠEN
Date:
31-srp-2024
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DN:
C=HR
O=ČAKOVEČKI MLINOVI
2.5.4.97=#130D4852323032
L=ČAKOVEC
S=SRŠEN
G=MARIJAN
CN=MARIJAN SRŠEN

	1.-6. 2024 in '000 EUR	1.-6. 2023 in '000 EUR	4.-6. 2024 in '000 EUR	4.-6. 2023 in '000 EUR
Sales revenue	92,905	87,302	51,313	50,386
Other income	2,003	2,254	993	1,600
Operating revenue	94,908	89,556	52,306	51,986
Changes in inventories	(49)	3	(116)	(204)
Costs of raw material, energy	(11,383)	(12,540)	(5,527)	(5,686)
Cost of goods sold	(57,004)	(51,486)	(31,336)	(30,690)
Other external costs	(3,453)	(2,853)	(1,854)	(1,529)
Personnel costs	(16,387)	(14,537)	(8,554)	(7,819)
Depreciation, amortization	(3,583)	(3,905)	(1,805)	(1,957)
Other costs	(3,025)	(3,017)	(1,521)	(1,607)
Other expenses	(479)	(419)	(237)	(229)
Operating expenses	(95,363)	(88,754)	(50,950)	(49,721)
Operating profit	(455)	802	1,356	2,265
Financial income	556	105	346	101
Financial expenses	(50)	(75)	(29)	(36)
Net financial result	506	30	317	65
Share of net profit of associates accounted for using equity method	584	510	445	468
Profit before tax	635	1,342	2,118	2,798
Income tax expense	(183)	(151)	(128)	(37)
Net profit/(loss)	452	1,191	1,990	2,761
Attributable to:				
Owners	451	1,209	1,985	2,723
Non-controlling interests	1	(18)	5	38
Earnings per share (in euros)				
- basic	0.04	0.12	0.19	0.26
- diluted	0.04	0.12	0.19	0.26

	1.-6. 2024 in '000 EUR	1.-6. 2023 in '000 EUR	4.-6. 2024 in '000 EUR	4.-6. 2023 in '000 EUR
Net profit for the period	452	1,191	1,990	2,761
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income / (loss) for the period	-	-	-	-
Attributable to:				
Owners	451	1,209	1,985	2,723
Non-controlling interests	1	(18)	5	38

	30.6.2024	31.12.2023
	in '000 EUR	in '000 EUR
Assets		
Non-current assets		
Intangible assets	57	33
Tangible assets	37,780	38,283
Investment property	410	481
Investments in subsidiaries	8,375	8,603
Financial assets	1,659	1,665
Receivables and other receivables	0	2
Deferred tax assets	308	308
	<hr/>	<hr/>
	48,589	49,375
Current assets		
Inventories	26,166	26,383
Receivables and other receivables	13,500	9,708
Financial assets	99	625
Cash and cash equivalents	28,957	23,755
	<hr/>	<hr/>
	68,722	60,471
<hr/>		
TOTAL ASSETS	117,311	109,846
<hr/>		
Capital and reserves		
Share capital	13,657	13,657
Reserves	3,246	3,246
Fair value reserves	2,869	2,869
Retained earnings	66,217	65,766
	<hr/>	<hr/>
	85,989	85,538
To owners of non-controlling interests	(3,864)	(3,865)
	<hr/>	<hr/>
	82,125	81,673
Liabilities		
Non-current liabilities		
Provisions	861	861
Lease liabilities	3,119	2,974
Deferred tax liability	630	630
	<hr/>	<hr/>
	4,610	4,465
Current liabilities		
Lease liabilities	4,945	5,615
Borrowings	5	10
Advances received	40	43
Trade payables	20,579	12,391
Employee benefits payables	2,162	1,838
Taxes, contributions and other duties payable	2,225	2,949
Liability from equity share in profit	32	33
Other short-term liabilities	457	698
Provisions	131	131
	<hr/>	<hr/>
	30,576	23,708
<hr/>		
TOTAL EQUITY AND LIABILITIES	117,311	109,846

	1.-6. 2024	1.-6. 2023
	u '000 EUR	u '000 EUR
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	635	1,342
Adjustments:		
Depreciation, amortization	3,583	3,905
Impairment losses and (gains)/losses on disposal of assets	(190)	-
Share in the profit of the associated company	(584)	(510)
Income from interest and dividends	(427)	(12)
Interest expenses	40	70
Other non-cash items	2	(1,610)
Increase in cash flows before changes in working capital	3,059	3,185
Changes in working capital	5,012	6,919
Increase/(decrease) in liabilities	8,534	5,964
(Increase)/decrease in receivables	(3,738)	(382)
Decrease in inventories	216	1,337
Cash generated from operations	8,071	10,104
Interest paid	(88)	(70)
Income taxes paid	(481)	(248)
NET CASH FLOWS FROM OPERATING ACTIVITIES	7,502	9,786
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Cash proceeds from the sale of non - current assets	33	56
Cash proceeds from interest	424	5
Cash proceeds from dividends	120	-
Cash proceeds from loans and deposits	525	-
Payments for non - current assets	(2,732)	(1,278)
Payment for savings deposits and loans	-	(1,190)
Other payments from investments activities	-	(1,117)
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	(1,630)	(3,524)
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Proceeds from credit and loans principals and other borrowings and debt financial instruments	-	152
Repayment of lease liability principal amounts	(669)	-
Repayment of credit and loans principals and other borrowings and debt financial instruments	-	(722)
NET CASH FLOWS FROM FINANCIAL ACTIVITIES	(669)	(570)
TOTAL NET CASH FLOW	5,203	5,692
Cash and cash equivalents at the beginning of the period	23,754	6,369
Cash and cash equivalents at the end of the period	28,957	12,061

	Share capital	Legal reserves	Other reserves	Fair value reserves	Retained earnings	Total	Non-controlling interests	Total
	in '000 EUR	in '000 EUR	in '000 EUR	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	2,756	58,664	78,209	(2,877)	75,332
Profit/(loss) of the business year	-	-	-	-	7,248	7,248	7	7,255
Other comprehensive income	-	-	-	113	-	113	-	113
Total comprehensive income/(loss)	-	-	-	113	7,248	7,361	7	7,368
Other changes in equity	-	-	114	-	(24)	90	-	90
Squeezing out minority shareholders	-	-	-	-	(122)	(122)	(995)	(1,117)
Balance on 31.12.2023	13,657	683	2,563	2,869	65,766	85,538	(3,865)	81,673
Balance on 1.1.2024	13,657	683	2,563	2,869	65,766	85,538	(3,865)	81,673
Profit/(loss) of the business year	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	450	450	1	452
Balance on 30.6.2024	13,657	683	2,563	2,869	66,217	85,989	(3,864)	82,125

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 June 30, 2024 is as follows.

Management

- Krešimir Kvaternik, Deputy President of the Management Bord
- 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.

SUBSIDIARIES

Name	Headquarters	Principal activity	Accounting method	Direct ownership /voting rights	Direct ownership /voting rights
				30.6.2024	31.12.2023
Trgovina Krk Inc.	Malinska, Croatia	Retail trade	Consolidated	100,00%	100%
Radnik Opatija Inc.	Lovran, Croatia	Bakery	Consolidated	100%	100%
Trgocentar Inc.	Virovitica, Croatia	Real estate lease	Consolidated	49,55% / 52,03 %	49,55% / 52,03 %
Narodni trgovački lanac Ltd.	Soblinec, Croatia	Retail / Wholesale	Equity method	25%	25%

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