



**ČAKOVEČKI
MLINOVI**

-1893-

ČAKOVEČKI MLINOVI INC.

**HALF YEAR REPORT
FOR 2024**



CONTENTS

1. INTERIM MANAGEMENT REPORT FOR H1 2024	3
<i>ABOUT THE COMPANY</i>	4
<i>BUSINESS SEGMENT</i>	4
<i>KEY FINANCIAL INDICATORS OF THE COMPANY</i>	5
2. EXPECTED BUSINESS DEVELOPMENT IN 2024	6
FINANCIAL STATEMENTS FOR H1 2024	8

ČAKOVEČKI MLINOVI INC.

**INTERIM MANAGEMENT REPORT
FOR H12024**

1. BUSINESS RESULTS IN H1 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 H1 2024, Čakovečki mlinovi Inc. achieved total revenue of EUR 13.9 million, based on total assets of EUR 32.0 million, and employed an average of 195 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 June 30, 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 half year unconsolidated report should read it together with the consolidated report for half year 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.-6. 2024	1.-6. 2023	1.-6. 2024 / 1.-6. 2023
Sales revenue	13.7	14.5	(5.5%)
Operating expenses, net ¹	12.5	13.4	(6.7%)
EBITDA²	1.2	1.1	9.1%
Normalized EBITDA³	1.4	1.3	7.7%
Depreciation, amortization	0.5	0.6	(16.7%)
EBIT ⁴	0.7	0.5	40.0%
Net financial result ⁵	0.12	(0.04)	-
Net profit (loss)	0.7	0.4	75.0%

Profit margins⁶			
EBITDA margin	8.8%	7.6%	1.2 pp
Normalized EBITDA margin	10.2%	9.0%	1.3 pp
EBIT margin	5.1%	3.4%	1.7 pp
Net profit margin	5.1%	2.8%	2.3 pp

Balance sheet (millions of euros)	30.6.2024	31.12.2023	30.6.2024 / 31.12.2023
Net debt (cash) ⁷	(7.1)	(5.4)	31.5%
Capital and reserves	29.2	28.6	2.1%
Net working capital ⁸	6.2	6.9	(10.1%)

CASH FLOWS (millions of euros)	1.-6. 2024	1.-6. 2023	1.-6. 2024 / 1.-6. 2023
Net cash flows from operating activities	1.6	5.5	(70.9%)
Capital expenditures (CapEx) ⁹	0.1	0.2	(50.0%)
Dividends paid	-	-	-

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 half of 2024, the Company recorded EUR 0.14 million in net one-time expenses (H1 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.

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 data from the Croatian National Bank, core inflation in Croatia is expected to slow down to 4,3% 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 3,3% 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 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 in the first half of 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 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: 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 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.

FINANCIAL STATEMENTS FOR H1 2024

**STATEMENT OF PERSONS RESPONSIBLE FOR PREPARING 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 the following statement:

To the best of our knowledge:

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

In Čakovec, July 31 2024

For Čakovečki mlinovi Inc.:

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KREŠIMIR KVATERNIK
Date:
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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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	1.-6. 2024	1.-6. 2023	4.-6. 2024	4.-6. 2023
	in '000	in '000	in '000	in '000
	EUR	EUR	EUR	EUR
Sales revenue	13,735	14,469	6,964	7,063
Other revenue	86	106	26	21
Operating revenue	13,821	14,575	6,990	7,084
Changes in inventories	(49)	3	(115)	(204)
Costs of raw materials, energy	(8,400)	(9,582)	(4,040)	(4,555)
Cost of goods sold	(322)	(323)	(148)	(117)
Other external costs	(996)	(928)	(540)	(577)
Staff costs	(2,373)	(2,231)	(1,180)	(1,274)
Depreciation, amortization	(522)	(577)	(259)	(290)
Other expenses	(430)	(417)	(180)	(215)
Other operating expenses	(20)	(16)	(12)	(10)
Operating expenses	(13,112)	(14,071)	(6,474)	(7,242)
Operating profit/(loss)	709	504	516	(158)
Financial income	118	6	63	6
Financial cost	(1)	(44)	(1)	(20)
Net financial result	117	(38)	62	(14)
Profit before tax	826	466	578	(172)
Income tax expense	(149)	(78)	(104)	37
Net profit/(loss)	677	388	474	(135)
Other comprehensive gains	-	-	-	-
Total comprehensive profit/(loss)	677	388	474	(135)
Earnings per share for profit attributable to shareholders of the Company during the year (in euro)				
- basic	0.07	0.04	0.05	(0.01)
- diluted	0.07	0.04	0.05	(0.01)

	30.6.2024	31.12.2023
	in '000 EUR	in '000 EUR
Assets		
Non – Current assets		
Intangible assets	7	1
Tangible assets	3,449	3,804
Investment property	2,875	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/>
	16,987	17,408
Current assets		
Inventories	3,446	3,895
Receivables and other receivables	4,394	3,945
Financial assets	78	104
Cash and cash equivalents	7,096	5,384
	<hr/>	<hr/>
	15,014	13,328
<hr/>		
TOTAL ASSETS	32,001	30,736
<hr/>		
Capital and reserves		
Share capital	13,657	13,657
Reserves	3,132	3,132
Retained earnings	12,440	11,762
	<hr/>	<hr/>
	29,229	28,551
Liabilities		
Non - current liabilities		
Provisions	338	338
Lease liabilities	33	2
	<hr/>	<hr/>
	371	340
Current liabilities		
Liabilities to group enterprises	22	8
Liabilities for loans, deposits and similar	10	3
Liabilities for advances	19	11
Trade payables	1,530	897
Employee benefits payables	252	242
Taxes, contributions and other duties payable	389	514
Liabilities from equity share in profit	32	33
Other short-term liabilities	124	114
Provisions	23	23
	<hr/>	<hr/>
	2,401	1,845
<hr/>		
TOTAL EQUITY AND LIABILITIES	32,001	30,736

	1.-6. 2024	1.-6. 2023
	in	in
	'000 EUR	'000 EUR
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	826	466
Adjustments:	-	-
Depreciation, amortization	522	577
Impairment losses and (gains)/losses on disposal of assets	(28)	(40)
Income from interest and dividends	(118)	(6)
Interest expenses	-	43
Other non-cash items	26	1
Increase or decrease in cash flows before changes in working capital	<u>1,228</u>	<u>1,041</u>
Changes in working capital	<u>447</u>	<u>4,474</u>
Increase/(decrease) in short-term liabilities	445	(767)
(Increase)/decrease in short-term receivables	(447)	574
Decrease in inventories	449	4,667
Cash from business	1,675	5,515
Interest paid	(1)	(2)
Income tax paid	(44)	(21)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,630</u>	<u>5,492</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Cash proceeds from the sale of non-current assets	30	40
Cash proceeds from interest	115	2
Cash proceeds from dividends	3	4
Payments for non-current assets	(58)	(194)
Payment for savings deposits and loans	-	(1,293)
Other payments from investments activities	-	(1,117)
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	<u>90</u>	<u>(2,558)</u>
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Repayment of credit and loans principals and other borrowings and debt financial instruments	-	(2,012)
Repayment of lease liability principal amounts	(8)	-
NET CASH FLOWS FROM FINANCIAL ACTIVITIES	<u>(8)</u>	<u>(2,012)</u>
TOTAL NET CASH FLOW	<u>1,712</u>	<u>922</u>
Cash and cash equivalents at the beginning of the period	5,384	365
Cash and cash equivalents at the end of the period	<u>7,096</u>	<u>1,287</u>

	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	-	-	-	677	677
Total comprehensive income/(loss)	-	-	-	677	677
Balance on 30.6.2024	13,657	683	2,449	12,440	29,228

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 at June 30, 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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