



**ČAKOVEČKI  
MLINOVI**

-1893-

**ČAKOVEČKI MLINOVI INC.**

**HALF YEAR REPORT FOR H1 2023**



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**ČAKOVEČKI MLINOVI INC.**

**INTERIM MANAGEMENT REPORT FOR H1 2023**

## **1. BUSINESS RESULTS IN H1 2023**

### ***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. In the comparable data for the year 2022, the subsidiary Trgostil Inc. was also consolidated and merged with Trgovina Krk d.d. on 3 October 2022. 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 2023, Čakovečki mlinovi Inc. generated 14,6 million euros in total revenue based on total assets in the amount of 34 million euros. As at 30 June 2023, the Company employed 204 employees.

The shares of Čakovečki mlinovi Inc. are listed on the Official Market of the Zagreb Stock Exchange (as of 18 April 2023) under the symbol CKML. As at 30 June 2023 the Company has 10,290,000 of issued and listed shares with a market capitalization in the amount of EUR 108 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, whose operations are presented within the consolidated financial statements. Users of the Company's quarterly unconsolidated report should read it together with the quarterly consolidated report for H1 2023, 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

<b>INCOME STATEMENT</b> (in millions of euros)	<b>1.-6. 2023.</b>	<b>1.-6. 2022.</b>	<b>1.-6. 2023. / 1.-6. 2022.</b>
<b>Sales revenue</b>	<b>14,5</b>	<b>13,7</b>	<b>5,8%</b>
Operating costs, net <sup>1</sup>	13,4	12,2	9,6%
EBITDA <sup>2</sup>	<b>1,1</b>	<b>1,5</b>	<b>-25,9%</b>
<b>Normalized EBITDA<sup>3</sup></b>	<b>1,4</b>	<b>1,4</b>	<b>-1,1%</b>
Depreciation	0,6	0,4	31,6%
EBIT <sup>4</sup>	0,5	1,0	-50,6%
Net financial result <sup>5</sup>	-0,04	0,0	-4723,3%
<b>Net profit (loss)</b>	<b>0,4</b>	<b>1,0</b>	<b>-59,3%</b>

<b>Profit margins<sup>6</sup></b>			
EBITDA margin	7,5%	10,7%	-3,2 pb
<b>Normalized EBITDA margin</b>	<b>9,8%</b>	<b>10,5%</b>	<b>-0,7 pb</b>
EBIT margin	3,5%	7,5%	-4,0 pb
<b>Net profit margin</b>	<b>2,7%</b>	<b>7,0%</b>	<b>-4,3 pb</b>

<b>Balance sheet (in millions of euros)</b>	<b>30.6.2022.</b>	<b>31.12.2022.</b>	<b>30.6.2022. / 31.12.2022.</b>
Net debt (cash) <sup>7</sup>	-3,1	1,1	-369,1%
Neto debt (cash) / Norm. EBITDA (TTM) <sup>8</sup>	28,1	27,7	1,4%
Equity	8,3	13,2	-37,1%

<b>CASH FLOWS (millions of euros)</b>	<b>1.-6. 2023.</b>	<b>1.-6. 2022.</b>	<b>1.-6. 2023. / 1.-6. 2022.</b>
Net operating cash flows	5,5	1,6	236,7%
Capital expenditures (CapEx) <sup>9</sup>	0,2	1,1	-82,1%
Dividends paid	0,0	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 adjusting for material one-off items. In the first half of 2023, the Company recorded 0.1 million euros of one-off expenses for intellectual services (H1 2022: 0.1 million euros), 0.3 million euros of bonuses paid under contractual arrangements (H1 2022: 0), and 0.1 million euros of net other one-off revenues (H1 2022: 0.1 million euros).

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 2023

In 2023, the Group's management will continue to focus on managing operations under circumstances of relatively high inflation, on further implementation of strategic guidelines, and on potential mergers and acquisitions.

The final impact on the Group's results in 2023 cannot be assessed or quantified at this time due to uncertainty in the general economic environment characterized by inflation. Relatively high inflation, personnel costs as well as rising financing costs are expected to have the greatest impact on business environment in 2023. Management will continue to actively manage the price policy in such conditions with the aim of maintaining profit margins.

On the date of issue of these financial statements, the Group has a cash position sufficient to settle due liabilities and therefore prepares financial statements under the going concern assumption.

### General economic environment

According to HNB data, inflation in Croatia is expected to slow down to 7.7% in 2023, from 10.7% recorded in 2022, which is largely a consequence of the disappearance of the base effect of high inflation from 2022. The easing of import inflation in food and industrial raw materials and the cheaper energy sources should contribute to the slowdown of inflation, which is why the annual growth of food prices is expected to slow down.

Real GDP in Croatia grew by 2.8% in the first quarter of 2023, and the HNB expects a similar growth of 2.9% for the whole of 2023. Real GDP growth is expected based on positive expectations around the tourist season in Croatia, or export growth of 1.9%. In addition, personal consumption growth of 2.0% is expected due to the intensification of wage growth and the recovery of real incomes, and government consumption growth of 3.4% due to higher amounts of funds withdrawn from EU funds.

### *The impact of the war in Ukraine*

It is expected that a potential calm in the situation in Ukraine in 2023 could ease the remaining disruptions in the supply chains and act favorably to moderate inflation.

As of the date of this report, the Group has no relationship with or exposure to companies from Russia, Belarus or Ukraine. In Croatia, the group achieves 97.9% of its revenue and 100% of its capital investments, which it finances exclusively with its own funds. The Group'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 Russia and Ukraine, a significant proportion of the Group's material costs relate to grain and energy procurement costs which are managed as described later in this section of the report. Management continuously considers all risks related to the situation in Ukraine and assesses that these risks do not threaten the stability of the Group's operations.

### *State price control measures*

In the Trade segment, government measures aimed at controlling the prices of certain food products have a negative impact on the Group's operations since their introduction in early September 2022, in the form of a loss of part of the margin and super rebates 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. The management manages the mentioned negative effects through an active pricing policy on the entire assortment.

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 cornmeal from Ukraine has been noticed in Croatia, which limits the active price policy on the entire mill program.

### ***Expected operations of the Company in 2023***

The price policy and realization of the Company's income is significantly influenced by the prices of input raw materials and materials, primarily grains and energy products, which, as stock exchange commodities, are influenced by geopolitical events. Following the increase in the prices of raw materials in 2022, in 2023 their decline is recorded, which will also determine the level of the Company's selling prices. Stable demand for key product groups is expected in the milling program (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 of the Group, and the final result of the bakery program will depend on the result of the Trade segment.

### ***Strategic guidelines***

For 2023, management has defined the following key strategic guidelines in the Food segment:

- merger of the company Radnik Opatija and integration with Čakovečki mlinovi,
- strengthening the position of the brand Čakovečki mlinovi in Croatia,
- expansion of the sales channel of mill products.

### ***Key business factors***

Pricing: Management will continue to pursue an active price policy in the mill and bakery range. Government price control measures prevent active price policy on small packages of soft and hard flour since September 2022.

Prices and sources of raw materials: Cereal and energy prices represent key inputs in the Company's operations. Long-term electricity and gas prices were successfully negotiated in September 2021, of which the gas contract expires in September of this year and negotiations will have to be resumed, however, the contractual relationship in question is not material for the Company considering the relatively higher use of electricity. Most of the necessary quantities of grain are procured during the harvest in July (wheat and rye) and October (corn), when the price is usually the lowest. During the current harvest, Čakovečki mlinovi plan to purchase significant quantities of wheat and rye for the 2023 harvest. The company 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 cereals are procured, which encourages high-quality production. Accordingly, in the wheat harvest of 2023, Čakovečki mlinovi offered the highest purchase prices.

Personnel costs: A slight increase in personnel costs is expected.

Capital expenditures: During 2023, capital investments in equipment in mill and bakery production are planned, of which the most part relates to two new flour packaging lines of 1 kg and 25 kg and a solar power plant of 220 kW, for which appropriate state subsidies have been requested.

**ČAKOVEČKI MLINOVI INC.**

**FINANCIAL STATEMENTS FOR H1 2023**



**STATEMENT OF PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS  
OF THE ISSUER ČAKOVEČKI MLINOVI INC. FOR THE H1 2023**

Based on the provisions of Article 465 of the Capital Market Act, the president of the Company's Management Board, Nino Varga, and the member of the Company's Management Board, Marijan Sršen, give a statement:


To the best of our knowledge:

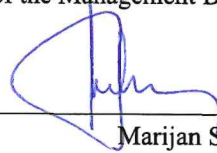
- The financial statements for the first half of 2023, prepared in accordance with appropriate financial reporting standards, give a true and fair presentation of assets and liabilities, financial position, profit or loss of the issuer.
- The interim management report for the first half of 2023 contains an true presentation of development and results of operations and position of the issuer, with description of significant risks and uncertainties to which it is exposed.

The financial statements for the first half of 2023 are not audited.

In Čakovec, 25 July 2023

For Čakovečki mlinovi Inc.:

  
\_\_\_\_\_  
Nino Varga  
President of the Management Board

  
\_\_\_\_\_  
Marijan Sršen  
Member of the Management Board

STATEMENT OF COMPREHENSIVE INCOME FOR H1 2023

	1.-6. 2023. in '000	1.-6. 2022. in '000	4.-6. 2023. in '000	4.-6. 2022. in '000
Sales revenue	14.469	13.675	7.063	7.098
Other revenue	161	186	76	159
<b>Operating revenue</b>	<b>14.631</b>	<b>13.861</b>	<b>7.140</b>	<b>7.257</b>
Changes in inv. of work in progress and f. goods	3	245	(204)	267
Costs of raw material	(9.638)	(9.505)	(4.611)	(4.653)
Cost of goods sold	(323)	(190)	(117)	(80)
Other external costs	(928)	(787)	(577)	(443)
Staff costs	(2.231)	(1.791)	(1.274)	(896)
Depreciation, amortisation	(577)	(438)	(290)	(220)
Other costs	(417)	(361)	(215)	(200)
Other business expenses	(16)	(13)	(10)	(8)
<b>Operating expenses</b>	<b>(14.126)</b>	<b>(12.841)</b>	<b>(7.298)</b>	<b>(6.234)</b>
<b>Operating profit</b>	<b>504</b>	<b>1.020</b>	<b>(158)</b>	<b>1.023</b>
Financial income	6	14	6	10
Financial expenses	(44)	(13)	(20)	(7)
<b>Net financial result</b>	<b>(38)</b>	<b>1</b>	<b>(14)</b>	<b>3</b>
Profit before tax	466	1.021	(172)	1.026
Income tax expense	(78)	(67)	37	(67)
<b>Net profit</b>	<b>388</b>	<b>955</b>	<b>(135)</b>	<b>959</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>388</b>	<b>955</b>	<b>(135)</b>	<b>959</b>
<b>Earnings per share (in euros)</b>				
- basic	0,04	0,09	(0,00)	0,00
- diluted	0,04	0,09	(0,00)	0,00

	<b>30.6.2023.</b>	<b>31.12.2022.</b>
	<b>in '000 EUR</b>	<b>in '000 EUR</b>
<b>Assets</b>		
<b>Fixed assets</b>		
Intangible assets	1	2
Tangible assets	4.114	4.432
Real estate investment	2.939	3.003
Investments accounted for using equity method	10.537	9.420
Financial assets	28	28
Trade and other receivables	4	5
Deferred tax assets	90	90
	17.713	16.980
<b>Current assets</b>		
Inventories	4.758	9.425
Trade and other receivables	4.970	5.604
Financial assets	5.066	3.769
Cash and cash equivalents	1.287	365
	16.081	19.164
<b>TOTAL ASSETS</b>	<b>33.794</b>	<b>36.144</b>
<b>Capital and reserves</b>		
Share capital	13.657	13.657
Reserves	3.132	3.132
Fair value reserves	11.294	10.906
Retained earnings	28.083	27.695
	-	-
	28.083	27.695
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Provisions	272	272
Lease liabilities	2	5
	274	277
<b>Current liabilities</b>		
Liabilities to group enterprises	242	268
Lease liabilities	3.209	5.218
Borrowings	11	5
Trade payables	1.147	1.483
Employee benefits payables	237	231
Taxes, contributions and other duties payable	436	415
Liabilities from equity share in profit	32	32
Other payables	124	519
	5.437	8.172
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>33.794</b>	<b>36.144</b>

	Share capital	Legal reserves	Other reserves	Retained earnings	Total
	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR
<b>Balance on 1.1.2022.</b>	<b>13.657</b>	<b>683</b>	<b>2.449</b>	<b>14.740</b>	<b>31.528</b>
Profit/(loss) of the business year	-	-	-	955	955
Other comprehensive income	-	-	-	-	0
Total comprehensive income/(loss)	-	-	-	955	955
Dividend	-	-	-	-	-
Other changes in equity					
<b>Balance on 30.6.2022.</b>	<b>13.657</b>	<b>683</b>	<b>2.449</b>	<b>15.694</b>	<b>32.483</b>
<b>Balance on 1.1.2023.</b>	<b>13.657</b>	<b>683</b>	<b>2.449</b>	<b>10.906</b>	<b>27.695</b>
Profit/(loss) of the business year	-	-	-	388	388
Other comprehensive income	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	388	388
Dividend	-	-	-	-	-
Other changes in equity					
<b>Balance on 30.6.2023.</b>	<b>13.657</b>	<b>683</b>	<b>2.449</b>	<b>11.294</b>	<b>28.083</b>

	<b>1.-6. 2023.</b>	<b>1.-6. 2022.</b>
	<b>in '000 EUR</b>	<b>in '000 EUR</b>
<b>CASH FLOW FROM BUSINESS ACTIVITIES</b>		
Profit before tax	466	1.021
Adjustments:		
	-	-
Depreciation, amortization	577	438
Gains and losses from the sale and value adjustments of long-term tangible and intangible assets	(40)	4
Income from interest and dividends	(6)	(2)
Interest expenses	43	3
Exchange differences (unrealized)	1	1
Increase or decrease in cash flows before changes in working capital	1.041	1.465
Changes in working capital	4.474	255
Increase or decrease in current liabilities	(767)	302
Increase or decrease in current receivables	574	193
Inventory increase or decrease	4.667	(240)
Other increases or decreases in working capital	-	-
<b>Cash generated from operations</b>	<b>5.515</b>	<b>1.720</b>
Interest paid	(1)	(3)
Income taxes paid	(21)	(86)
<b>NET CASH FLOWS FROM BUSINESS ACTIVITIES</b>	<b>5.492</b>	<b>1.631</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Cash receipts from the sale of long-term tangible and intangible assets	40	0
Cash receipts from interest	2	2
Cash receipts based on the return of loans and savings deposits	(194)	(1.088)
Cash expenditures for the purchase of long-term tangible and intangible assets	(1.293)	(821)
<b>NET CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>(2.558)</b>	<b>(1.900)</b>
<b>CASH FLOWS FROM FINANCIAL ACTIVITIES</b>		
Cash expenditures for the repayment of principal of loans, loans and other loans and debt financial instruments	(2.012)	(63)
<b>NET CASH FLOWS FROM FINANCIAL ACTIVITIES</b>	<b>(2.012)</b>	<b>(63)</b>
<b>TOTAL NET CASH FLOW</b>	<b>922</b>	<b>(333)</b>
Cash and cash equivalents at the beginning of the period	365	1.134
<b>Cash and cash equivalents at the end of the period</b>	<b>1.287</b>	<b>802</b>

## **NOTE 1 – GENERAL INFORMATION**

Company Čakovečki mlinovi Inc. Čakovec, Mlinska ulica 1 (hereinafter: the Company) harmonized the general acts with the Companies Act and based on them, the Commercial Court in Varaždin entered the Company in the court register by Decision Tt-95/482-2 on December 4, 1995.

The share capital of the Company as of June 30 2023 is HRK 102,900,000.00 and is divided into 10,290,000 shares with a nominal value of HRK 10.00. Shares of Čakovečki mlinov d.d. are listed on the Official Market of the Zagreb Stock Exchange under the symbol CKML.

Čakovec 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 LLC. Soblinec. In the comparable data for the year 2022, the subsidiary Trgostil Inc. was also consolidated which was merged with Trgovina Krk Inc. on October 3 2022. Čakovec mlinovi Inc. in addition to the non-consolidated reports of the Companies, they also prepare the consolidated reports of the Group separately.

## **PRINCIPAL ACTIVITIES**

The company generates the majority of its income from the production and sale of food products (flour, bread, pastries, biscuits, waffles, pasta, porridge, edible oils).

## **CORPORATE GOVERNANCE**

The composition of the Company's bodies as at June 30 2023 is as follows.

Management board:

- Nino Varga (president)
- Marijan Sršen (member).

Supervisory board:

- Stjepan Varga (president)
- Marko Orešković (deputy president),
- Damir Metelko (member,
- Lidija Posavec (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 annual financial statements for 2022 were not changed and were also applied when compiling these financial statements. The mentioned accounting policies can be found in the audited annual financial statements for 2022, published on the website of the Zagreb Stock Exchange ([www.zse.hr](http://www.zse.hr)).



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