



ČAKOVEČKI MLINOVI

-1893-

ČAKOVEČKI MLINOVI INC.

CONSOLIDATED FINANCIAL REPORT FOR 9M 2023



CONTENTS

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE FIRST NINE MONTHS OF 2023	3
1. BUSINESS RESULTS FOR THE FIRST NINE MONTHS OF 2023	4
<i>ABOUT THE GROUP ČAKOVEČKI MLINOVI</i>	4
<i>BUSINESS SEGMENTS AND OPERATIONS</i>	4
<i>KEY EVENTS IN 2023</i>	6
<i>KEY FINANCIAL INDICATORS OF THE GROUP</i>	7
<i>SUMMARY OF GROUP RESULTS</i>	8
<i>ASSESSMENT OF THE GROUP'S QUARTERLY RESULTS</i>	8
<i>SALES REVENUE</i>	9
<i>OPERATING COSTS</i>	10
<i>EBITDA</i>	10
<i>NET PROFIT</i>	11
<i>NET DEBT</i>	11
<i>CASH FLOWS</i>	12
<i>VALUATION OF THE ČAKOVEČKI MLINOVI GROUP</i>	12
2. EXPECTED BUSINESS DEVELOPMENT IN 2023	13
CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST NINE MONTHS OF 2023	16

ČAKOVEČKI MLINOVI INC.

**CONSOLIDATED INTERIM MANAGEMENT REPORT
FOR 9M 2023**

1. BUSINESS RESULTS FOR THE FIRST NINE MONTHS OF 2023

ABOUT THE GROUP ČAKOVEČKI MLINOVI

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 Inc. 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 the first nine months of 2023, the Čakovečki mlinovi Group achieved consolidated total revenues of EUR 162 million based on consolidated total assets in the amount of EUR 117 million and employed 2,273 employees on average based on working hours. According to the Accounting Act, the Čakovečki mlinovi Group belongs to large entrepreneurs.

The shares of Čakovečki mlinovi Inc. are listed on the Official Market of the Zagreb Stock Exchange under the symbol CKML. As at 30 September 2023, the Company has 10,290,000 of issued and listed shares with a market capitalization in the amount 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 centre. The Trade segment is operationally managed by Trgovina Krk Inc. The Food segment is operationally 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	30.9.2023.	30.9.2022.
Number of trade stores	436	435
Store sales area (in m2 net)	55.216	54.061
Average area per store (in m2 net)	127	124
Area of distribution warehouses (in m2 gross)	11.343	11.343
Average number of employees	1.844	1.995

Trade is the largest segment of the Čakovečki mlinovi Group, which generated 87% of the Group's sales revenue in the first nine months of 2023.

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 trade accounts for 97% of Trade sales revenue. At the end of 30 September 2023, the Trade segment operated 436 stores located in northwestern Croatia, Kvarner and the island of Krk. The total net sales area amounted to 55.216 m², of which 65% area is owned by the Group, and 70% of the area is located in the continental part of Croatia. The main factors of the store's offer are the store proximity and the local assortment, which is why the Group's stores are mostly located in smaller villages or residential areas and have an average net sales area of up to 400 m². This format of stores in Croatia is defined as a market or supermarket, while internationally it is known as proximity format due to its characteristic proximity to customers.

Trgovina Krk Inc. holds a 25% ownership share in the company Narodni trgovački lanac Ltd. (hereinafter: "NTL"), the largest buying group for food assortment in Croatia, through which it realizes about 80% of the purchase of goods. In addition to providing commercial services to its members, the development of the NTL brand and the purchase and distribution of fruits and vegetables, NTL operates its own trade network of 253 stores and 6 wholesale logistics and distribution centres. In 2022, NTL generated EUR 160 million in total revenue and EUR 5.2 million in net profit. Trgovina Krk Inc. is also a member of Grandal grupa Ltd., the largest buying group for building materials in Croatia.

Food

KEY OPERATING INDICATORS	30.9.2023.	30.9.2022.
Grain processed (in tons)	37.418	44.321
Production of bakery products (in tons)	5.853	5.637
Oil production (in tons)	7	5
Average number of employees	272	287

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 – own production of pumpkin and service production of olive oil.

As at 30 September 2023, 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 two oil mills (Čakovec, Punat).

KEY EVENTS IN 2023

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

- Sales revenue in the amount of EUR 150,0 million (+5,7% compared to 9M 2022);
- Normalized profit before interest, taxes and depreciation (EBITDA) in the amount of EUR 13,2 million (+15,7% compared to 9M 2022), growth of the normalized EBITDA margin from 8,0% to 8,8%;
- Net profit in the amount of EUR 6,8 million (+12,8% compared to 9M 2022), growth of the net profit margin from 4,3% to 4,6%.

2. Squeezing out the minority shareholders of Trgovina Krk Inc.

After the merger of Trgostil Inc. share of Čakovečki mlinovi Inc. in Trgovina Krk it was reduced from 100% to 98,13%, after which the process of squeezing out the minority shareholders of Trgovina Krk Inc. was initiated, which was concluded on April 17 2023 by entry into the court register of the Commercial Court in Rijeka.

Following the conducted mergers of the Group's retail operations into Trgovina Krk and the related squeeze-out of minority shareholders, as of the date of this report, all retail operations of the Group are under 100% ownership of Čakovečki mlinovi Inc.

3. Listing of CKML shares on the Official Market of the Zagreb Stock Exchange and in the CROBEX index

Based on the request of Čakovečki mlinovi Inc. and decisions of the Zagreb Stock Exchange Inc., on 18 April 2023, all CKML shares were transferred from the Regular Market segment to the Official Market segment of the Zagreb Stock Exchange.

The goal of this corporate action was to increase transparency in the relationship with investors, increase the level of corporate management of the company, and also the demand for CKML shares, their liquidity, following the already implemented share split from 2021.

In addition to expanding the shareholder base, this resulted in the inclusion of CKML shares in the CROBEX index as at 18 September 2023.

KEY FINANCIAL INDICATORS OF THE GROUP

INCOME STATEMENT (millions of euros)	1.-9. 2023.	1.-9. 2022.	1.-9. 2023./ 1.-9. 2022.
Sales revenue	150,0	141,9	5,7%
Operating costs, net ¹	137,4	130,4	5,3%
EBITDA ²	12,6	11,5	9,7%
Normalized EBITDA³	13,2	11,4	16,2%
Depreciation	5,8	5,5	5,7%
EBIT ⁴	6,8	6,0	13,4%
Net financial result ⁵	1,3	1,1	14,8%
Net profit (loss)	6,8	6,1	12,8%

Profit margins⁶			
EBITDA margin	8,4%	8,1%	0,3 pb
Normalized EBITDA margin	8,8%	8,0%	0,8 pb
EBIT margin	4,5%	4,2%	0,3 pb
Net profit margin	4,6%	4,3%	0,3 pb

Balance sheet (millions of euros)	30.9.2023.	31.12.2022.	30.9.2023./ 31.12.2022.
Net debt (cash) ⁷	-18,1	-6,4	184,2%
Net debt (cash) / Norm. EBITDA (TTM) ⁸	81,0	75,3	7,6%
Equity	20,2	25,2	-19,7%

CASH FLOWS (millions of euros)	1.-9. 2023.	1.-9. 2022.	1.-9. 2023./ 1.-9. 2022.
Net operating cash flows	15,8	5,3	198,9%
Capital expenditures (CapEx) ⁹	3,8	6,1	-38,2%
Dividends paid	0,0	6,8	-

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

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

3 Normalization implies adjustment for one-off items; a detailed calculation is shown under Normalization of EBITDA of this part of the report.

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

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

SUMMARY OF GROUP RESULTS

In the first nine months of 2023, the Čakovečki mlinovi Group achieved EUR 150,0 million in sales revenue, EUR 13,2 million in normalized EBITDA and EUR 6,8 million in net profit.

The Trade business segment, as the largest segment of the Group, achieved EUR 130,8 million or 87% of the Group's sales revenue and EUR 10,5 million or 79% of the Group's normalized EBITDA.

The Group's operations were marked by an increase in sales revenue of 5,7% or 8,1 million euros compared to the same period of the previous year, as a result of a 6,6% increase in the revenue of the Trade segment and stagnation in the revenue of the Food segment. The growth of the Trade's income is the result of the integration of retail operations into one company, internal optimization and an active approach in both the purchasing and sales segments of the business. The stagnation of Food's revenue is a consequence of the movement of stock market prices of key raw materials, i.e. price reductions as a result of the drop in grain prices.

Revenues of Retail Trade, the Group's largest business area, grew by 6,8% or 7,9 million euros, or by 6,3% or 7,0 million euros on a comparative (hereinafter: "LFL") basis. The mentioned increase in income is primarily the result of an increase in the selling prices of trade goods due to price increases by suppliers.

The Group's net operating costs increased by 5,3% or EUR 7,0 million, mainly as a result of the increase in net costs of goods sold (by EUR 5,3 million) and personnel costs (by EUR 1,9 million). Net cost of goods sold increased due to growth in the Trade segment's revenue, while personnel costs increased due to the increase in the minimum wage as well as wage pressures due to inflation and labor shortages.

In the first nine months of 2023, the Group's normalized EBITDA increased by EUR 1,8 million, and net profit increased by EUR 0,7 million. The group achieved an increase in the normalized EBITDA margin to 8,8% (9M 2022: 8,0%) and an improvement in the net profit margin to 4,6% (9M 2022: 4,3%). The group achieved an increase in profit margins despite the expansion of government measures to control the prices of food products and petroleum products and the increase in personnel costs.

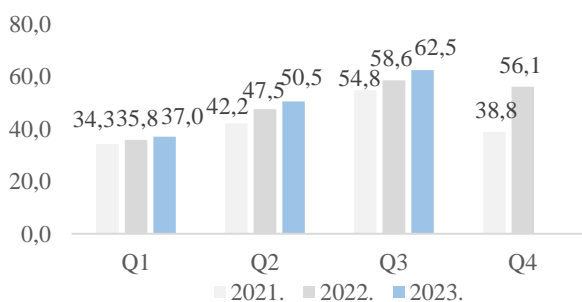
The net financial result of the Group amounted to EUR 1,3 million and is EUR 0,2 million higher than in the same period of the previous year.

As at September 30, 2023, the Group had a net cash position of EUR 18,1 million.

ASSESSMENT OF THE GROUP'S QUARTERLY RESULTS

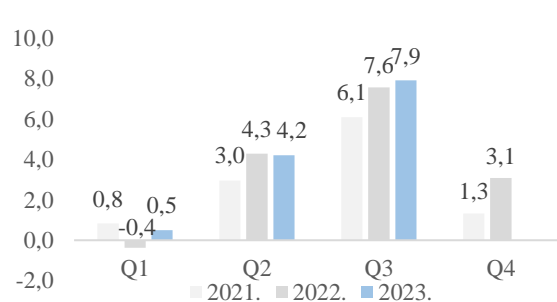
Group sales revenue

(in mln euros)



Group EBITDA

(in mln 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.

The operations of the Group, or the largest segment of Trade, are significantly dependent on the tourist season in Croatia. The Retail segment on the coastal operations in Kvarner and on the island of Krk manages 30%

of the total net sales area of the stores, realizes more than 40% of the total retail revenues and about 45% of the total price difference. The group therefore achieves the highest revenues and EBITDA in the third quarter of the year. Considering the successful tourist season in 2023, the Group achieved the highest quarterly revenues in the third quarter of 2023 in the amount of EUR 62,5 million, as well as a record quarterly EBITDA in the amount of EUR 7,9 million.

SALES REVENUE

SALES REVENUE BY SEGMENT					
(in millions of euros)	1.-9. 2023.	% of sales revenue	1.-9. 2022.	% of sales revenue	1.-9. 2023./ 1.-9. 2022.
Trade	130,8	87,2%	122,7	86,5%	6,6%
Food	19,1	12,8%	19,2	13,5%	-0,3%
Consolidated sales revenue	150,0	100,0%	141,9	100,0%	5,7%

Note: Data are presented on a consolidated basis.

LFL ¹ RETAIL GROWTH			
(in millions of euros)	1.-9. 2023.	1.-9. 2022.	1.-9. 2023./ 1.-9. 2022.
Revenue from the sale of goods – Trade	130,1	121,9	6,7%
Revenue from the sale of goods - Retail	125,3	117,2	6,9%
Revenue from the sale of goods - Retail - LFL¹	117,3	110,2	6,4%

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

Note: Data refers to pre-elimination sales revenue.

In the first nine months of 2023, the Group achieved sales revenues in the amount of EUR 150,0 million, which is 5,7% or EUR 8,1 million more compared to the same period of the previous year as a result of growth of the Trade segment's revenues of 6,6% and stagnation of revenue of the Food segment.

Sales revenue of the Trade segment amounted to EUR 130,8 million or 87% of the Group's sales revenue and increased by 6,6% or EUR 8,1 million compared to the same period of the previous year. The growth is a consequence of the positive effects of an active price policy, and it was achieved despite the negative effects of the weakening of consumer purchasing power, state price control measures, non-working Sundays, one-shift operation of some stores due to a lack of manpower, as well as unfavourable weather conditions. Revenues of Retail Trade increased by 6,9% or 8,1 million euros, or by 6,4% or 7,1 million euros on an LFL basis. Wholesale Trade generated revenues in the amount of EUR 4,5 million, which is 3,5% of the income from the sale of goods in the Trade segment and represents an increase of 6,1% or EUR 0,2 million compared to the same period of the previous year.

Revenues from the sale of the Food segment amounted to EUR 19,2 million or 12,8% of the Group's sales revenue and were unchanged compared to the same period of the previous year. The stagnation of income is a consequence of the movement of stock market prices of key raw materials, or price reductions as a result of the drop in grain prices. The revenues of Milling decreased by 9,6% as a result of government price control measures and the reduction of revenues due to the drop in grain prices, while the revenues of Bakery increased by 19,7% due to the optimization of the assortment, new products and new customers.

OPERATING COSTS

(in millions of euros)	1.-9. 2023.	% of sales revenue	1.-9. 2022.	% of sales revenue	1.-9. 2023./ 1.-9. 2022.
Cost of raw m. and changes in v. of stock	19,3	12,9%	20,4	14,4%	-5,4%
Cost of goods sold, net ¹	85,8	57,2%	80,5	56,7%	6,6%
Other external expenses	4,9	3,2%	4,6	3,3%	4,7%
Personnel costs ²	25,1	16,7%	23,1	16,3%	8,4%
Other expenses	1,9	1,3%	1,8	1,3%	3,6%
Other business expenses (revenue) ³	0,4	0,27%	-0,1	0,0%	n/a
Operating expenses, net	137,4	91,6%	130,4	91,9%	5,3%

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

In the first nine months of 2023, the Group recorded an increase in net operating costs by 5,3% or 7,0 million euros compared to the same period of the previous year.

The net cost of goods sold grew more slowly than the growth of income from the sale of goods as a result of an active procurement policy and the achievement of synergies after the merger of the Group's trading companies.

Personnel costs together with non-taxable receipts paid amounted to EUR 25,1 million and increased by 8,4% or EUR 2,0 million, as a result of the increase in the minimum wage as well as wage pressures from inflation and labor shortages. In the first nine months of 2023, the Group employed an average of 2.273 employees based on working hours (9M 2022: 2.385), or 2.113 employees as at 30 September, 2023 (30 September, 2022: 2,260).

EBITDA

EBITDA BY SEGMENTS (in millions of euros)	1.-9. 2023.			1.-9. 2022.		
	GRUPA	TRGOVINA	PREHRANA	GRUPA	TRGOVINA	PREHRANA
Consolidated sales revenue	150,0	130,8	19,1	141,9	122,7	19,2
EBITDA	12,6	10,2	2,4	11,5	9,0	2,5
EBITDA margin	8,4%	7,8%	12,4%	8,1%	7,3%	13,1%
Normalized EBITDA¹	13,2	10,5	2,7	11,4	9,0	2,4
Normaliz. EBITDA margin	8,8%	8,0%	14,1%	8,0%	7,3%	12,5%

1 Normalization implies adjustment for one-off items; a detailed calculation is shown under Normalization of EBITDA of this part of the report.

Note: There may be differences in totals due to rounding to one decimal place.

In the first nine months of 2023, the Group achieved normalized EBITDA in the amount of EUR 13,2 million, which is EUR 1,8 million more than in the same period of the previous year. Reported EBITDA amounted to EUR 12,6 million (9M 2022: EUR 11,5 million).

Normalized EBITDA of the Trade segment amounted to EUR 10,5 million and increased by EUR 1,5 million compared to the same period of the previous year, as a result of an active purchasing policy and the achievement of synergies after the merger and strict cost control. The normalized EBITDA margin of the Trade segment was 8,0% (9M 2022: 7,3%).

The normalized EBITDA of the Food segment was 2,7 million euros and increased by 0,3 million euros compared to the same period of the previous year, as a result of an active pricing policy and strict cost control. The normalized EBITDA margin of the Food segment was 14,1% (9M 2022: 12,5%).

Normalized EBITDA-e

NORMALIZED EBITDA (in millions of euros)	1.-9. 2023.			1.-9. 2022.		
	GROUP	TRADE	FOOD	GROUP	TRADE	FOOD
EBITDA	12,6	10,2	2,4	11,5	9,0	2,5
Costs of intellectual services	0,2	0,0	0,1	0,2	0,1	0,1
Bonuses under contractual arrangements	0,5	0,3	0,3	0,2	0,2	0,0
Other one-off expenses (revenue), net	-0,2	-0,1	-0,1	-0,5	-0,3	-0,2
Normalized EBITDA	13,2	10,5	2,7	11,4	9,0	2,4

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) business performance measures such as EBITDA, the Group discloses the impact of one-off items in order to achieve a higher level of transparency of its normal business activities. One-off items are those items that do not appear regularly and have a significant impact on the result. In the first nine months of 2023, the Group recorded 0,2 million euros of one-off expenses for intellectual services related (9M 2022: 0,2 million euros), 0,5 million euros of bonuses paid under contractual arrangements (9M 2022: 0,2 million euros), and 0,1 million euros of net other one-off revenues (9M 2022: 0,5 million euros).

NET PROFIT

In the first nine months of 2023, the Group achieved a net profit in the amount of EUR 6,8 million, which is EUR 0,7 million more than in the same period of the previous year, mainly as a result of higher EBITDA.

NET DEBT

(in millions of euros)	30.9.2023.	31.12.2022.	30.9.2023./ 31.12.2022.
Long-term liabilities on loans received	0,0	0,0	0,0%
Long-term liabilities by lease	4,0	3,7	7,4%
Short-term liabilities on loans received	4,2	4,2	-0,2%
Short-term liabilities by lease	0,4	1,5	-75,1%
Days of loans, deposits and the similar	-15,5	-9,4	64,6%
Cash in the bank and cash register	-11,1	-6,4	74,5%
Net debt (cash)	-18,1	-6,4	184,2%

As at 30 September 2023, the Group recorded a net cash position in the amount of EUR 18,1 million (December 31, 2022: EUR 6,4 million), of which EUR 4,2 million related to credit and loan liabilities. (31.12.2022: EUR 4,2 million), on lease liabilities EUR 4,4 million (31.12.2022: EUR 5,3 million), and on cash and deposits given EUR 26,7 million (31.12.2022 : 15,8 million euros). Credit and loan liabilities refer to the related company Trgočentar Inc. in which the Group holds 52.03% of the voting rights, but consolidates it in its entirety.

CASH FLOWS

In the first nine months of 2023, the Čakovečki mlinovi Group generated net cash flows from business activities in the amount of EUR 15,8 million, which is more than the realized EBITDA primarily as a result of the reduction of net working capital.

NET WORKING CAPITAL			
(in millions of euros)	30.9.2023.	31.12.2022.	30.9.2023./ 31.12.2022.
Stock	28,2	30,1	-6,5%
Short-term receivables from customers	12,7	10,3	23,7%
Short-term liabilities to suppliers	-20,7	-15,3	35,6%
Net working capital	20,2	25,2	-19,7%

The Group's net working capital decreased by 19,7% or EUR 5,0 million, with inventories decreasing by 6,5% or EUR 2,0 million. Receivables from customers increased by 23,7% or 2,4 million euros due to the increase in income, while short-term liabilities to suppliers increased by 35,6% or 5,4 million euros due to more purchases of trade goods.

The Group's capital investments in the first nine months of 2023 amounted to EUR 3,8 million and are lower than in the same period of the previous year (9M 2022: EUR 6,1 million), given that the previous multi-year investment cycle in Trgovina ended in 2022. year, and the new one will be defined this year. In the Retail segment, EUR 3,2 million was invested in opening new and renovating existing stores. Capital investments in the Food segment amounted to EUR 0,6 million and refer to the purchase of vehicles for the transport of bakery products and equipment in mill and bakery production.

VALUATION OF THE ČAKOVEČKI MLINOVI GROUP

KEY INDICATORS OF CKML SHARE VALUATION			
(in millions of euros)	30.9.2023.	31.12.2022.	30.9.2023./ 31.12.2022.
Price per share (PPS, in euro) ¹	10,4	9,8	5,9%
Market Capitalization ²	107,0	101,0	5,9%
EV ³	85,1	91,8	-7,4%
EV / Sales Revenue ⁴	0,45x	0,50x	-0,06x
EV / Normalized EBITDA⁴	5,6x	6,9x	-1,3x

1 Price per share (PPS) represents the reference price on the Zagreb Stock Exchange, i.e., the average price weighted by the volume of traded shares, as a better representation of the price due to low liquidity of CKML shares.

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

3 Enterprise Value (EV) represents the business value; calculated as market capitalization + net debt (cash) + minority interest.

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

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 8,8% 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 raw materials and industrial products and the cheaper energy sources, which currently primarily depends on geopolitical trends, should contribute to the slowdown of inflation.

Real GDP in Croatia grew by 2,8% in the first and 2,7% in the second quarter of 2023 (estimate), and the CNB expects a similar growth of 2,9% for the whole of 2023. Growth in real GDP is expected on the basis of a strong influx of tourists and growth in personal consumption in Croatia. The risks to the realization of the above estimates are the relatively weak external environment, geopolitical tensions as well as the accumulated effects of the tightening of monetary policy.

The impact of the war in Ukraine and in Israel

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

As of the date of this report, the Group has no relationship with or exposure to companies from Russia, Belarus or Ukraine. The group maintains all business operations in Croatia, where it generates 98.9% of its revenue. 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 the mentioned countries, a significant portion of the Group's material costs relate to the cost of procurement of grain and energy, which are managed as described in the rest of this section of the report. Management continuously considers all risks associated with external geopolitical movements and assesses that these risks do not threaten the stability of the 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, there is a ban on working on Sundays for traders (except for 16 Sundays a year), which has a negative effect on revenues, as it turned out that the overflow of traffic on Saturday is 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 smooth and sharp flour from the beginning of September 2022, which makes it impossible for them to have an active pricing policy and indexation of costs that affect the price of the final product. In addition, from the second half of 2022, a significant and uncontrolled import of flour and cornmeal from Ukraine has been noticed in Croatia, which limits the active price policy on the entire mill program.

Outlook for the Trade segment in 2023

The operations of the Trade segment depend to a significant extent on the tourist season in Croatia. In Croatia, in 2023, the growth of tourist overnight stays, and thus the income of coastal operations of the Trade segment, which are the main generator of the segment's growth, continued. In addition, at the level of the proximity sector as well as wider retail, it is noticeable that the increase in income is accompanied by a decrease in the number of issued invoices, given that in conditions of high inflation, customers are more focused on weekly purchases associated with weekend promotions. In such conditions, the primary goal of management will be the recovery of issued invoices, while maintaining other key business indicators.

Strategic guidelines

The management has defined the following key strategic guidelines for the year 2023 in the Trade segment:

- recovery of the number of invoices issued,
- management of staff costs,
- maintaining the growth of LFL revenue from sales,
- opening of new and renovation of existing stores,
- rebranding of the entire segment,

targeting acquisitions that strategically correspond to the existing model of the Trade segment.

Key business factors

Pricing: It is expected to continue offering customers quality merchandise at prices and promotions that follow local competition, while at the same time quality management of the entire profit margin of the Trade segment. The current profit margin is under pressure from government price control measures.

Relationship with suppliers: The management expects the continuation of quality cooperation with NTL, which accounts for about 80% of the purchases of the Trade segment, and quality management of suppliers in the form of income from super rebates.

Personnel costs: Personnel costs are expected to rise due to the increase in the minimum wage as well as pressures on wages due to inflation and labor shortages. Given that the majority of employees in the Trade segment have incomes higher than the minimum wage, it is expected that the increase in staff costs in the Trade segment will be lower than the increase in the minimum wage.

Capital expenditures: In 2022, the investment cycle in the renovation and construction of new stores in the Trade segment was completed, along with the closure of unprofitable and marginally profitable stores. Currently, the preparation of projects for at least 3 new stores and 1 gas station on the continent and 2 new stores on the coast is planned for 2023, while the final plan will be defined as part of a new investment cycle for a multi-year period.

Outlook for the Food segment in 2023

Pricing policy and revenue realization of the Food segment is significantly influenced by the purchase prices of raw materials and materials, primarily grains and energy products, which as stock market commodities are influenced by geopolitical trends. Following the increase in the prices of raw materials in 2022, in 2023, their decline is recorded, which also determines the level of sales prices of the Food segment. In Milling, stable demand is expected for key product groups (wheat flour, large packages of 25 kg and 50 kg, bulk and small packages of 1 kg and 5 kg). The sale of bakery products is mostly realized internally through the Trade segment, and the final result of the Bakery will depend on the result of the Trade segment.

Strategic guidelines

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

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

Key business factors

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

Prices and sources of raw materials: The prices of cereals and energy products (electricity) represent key inputs in the Food segment. In September 2021, the electricity price until September 2024 was successfully negotiated. 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. 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 cereals are procured, which encourages high-quality production. Accordingly, in the wheat harvest of 2023, Čakovečki mlinovi Inc. offered the highest purchase prices.

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

Capital expenditures: During 2023, capital investments in equipment in mill and bakery production are planned, the largest part of which relates to two new lines for packing flour of 1 kg and 25 kg.

ČAKOVEČKI MLINOVI INC.

CONSOLIDATED FINANCIAL STATEMENTS FOR 9M 2023

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

Based on the provisions of Article 468 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 consolidated financial statements for the first nine months 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 and affiliated companies thereof.
- The consolidated interim management report for the first nine months of 2023 contains a true presentation of development and results of operations and position of the issuer and affiliated companies thereof, with description of significant risks and uncertainties to which they are exposed.

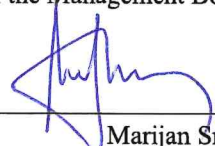
The consolidated financial statements for the first nine months of 2023 are not audited.

In Čakovec, 30 October 2023.

For Čakovečki mlinovi Inc.:



Nino Varga
President of the Management Board



Marijan Sršen
Member of the Management Board

	1.-9. 2023. in '000 EUR	1.-9. 2022. in '000 EUR	7.-9. 2023. in '000 EUR	7.-9. 2022. in '000 EUR
Sales revenue	149.972	141.932	62.492	58.561
Other revenue	10.181	9.752	4.708	4.406
Operating revenue	160.153	151.683	67.200	62.967
Changes in inv. of work in progress and f. goods	(101)	139	(104)	(106)
Costs of raw material	(19.216)	(20.548)	(6.665)	(7.616)
Cost of goods sold	(95.517)	(89.464)	(40.645)	(36.818)
Other external costs	(4.869)	(4.649)	(2.016)	(1.716)
Staff costs	(21.951)	(20.368)	(7.414)	(6.881)
Depreciation, amortisation	(5.799)	(5.485)	(1.895)	(1.871)
Other costs	(4.990)	(4.564)	(1.973)	(1.817)
Other business expenses	(887)	(727)	(469)	(433)
Operating expenses	(153.331)	(145.667)	(61.180)	(57.258)
Operating profit	6.821	6.017	6.020	5.708
Financial income	196	80	92	10
Financial expenses	(109)	(136)	(34)	(41)
Net financial result	88	(55)	58	(31)
Share of net profit of associates accounted for using Equity method	1.170	1.151	659	492
Profit before tax	8.079	7.112	7	6
Income tax expense	(1.252)	(1.061)	(1.101)	(826)
Net profit	6.827	6.051	(1.094)	(820)
Attributable to:				
Owners	6.846	6.079	5.637	5.362
Non-controlling interests	(20)	(28)	(1)	(19)
Earnings per share (in euros)				
- basic	0,66	0,59	(0,00)	(0,00)
- diluted	0,66	0,59	(0,00)	(0,00)

	1.-9. 2023.	1.-9. 2022.	7.-9. 2023.	7.-9. 2022.
	in '000	in '000	in '000	in '000
	EUR	EUR	EUR	EUR
Net profit for the period	6.827	6.051	(1.094)	(820)
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	6.827	6.051	(1.094)	(820)
Attributable to:				
Owners	6.846	6.079	5.637	5.362
Non-controlling interests	(20)	(28)	(1)	(19)

	30.9.2023.	31.12.2022.
	in '000 EUR	in '000 EUR
Assets		
Fixed assets		
Intangible assets	40	74
Tangible assets	37.939	38.922
Real estate investment	402	402
Investment property	8.438	8.076
Investments accounted for using equity method	1.559	1.568
Financial assets	3	5
Trade and other receivables	297	297
	<u>48.678</u>	<u>49.344</u>
Current assets		
Inventories	28.180	30.140
Trade and other receivables	13.488	11.195
Financial assets	15.602	9.550
Cash and cash equivalents	11.113	6.369
	<u>68.383</u>	<u>57.255</u>
TOTAL ASSETS	117.061	106.599
Capital and reserves		
Share capital	13.657	13.657
Reserves	3.132	3.132
Fair value reserves	2.756	2.756
Retained earnings	65.388	58.664
	<u>84.933</u>	<u>78.209</u>
Non-controlling interests	(3.892)	(2.877)
	<u>81.041</u>	<u>75.332</u>
Liabilities		
Non-current liabilities		
Provisions	979	979
Lease liabilities	4.016	3.740
Borrowings	10	10
Deferred tax liability	605	605
	<u>5.610</u>	<u>5.334</u>
Current liabilities		
Provisions	4.556	5.694
Lease liabilities	2	10
Borrowings	38	72
Advances received	20.684	15.251
Trade payables	1.810	1.695
Employee benefits payables	2.776	2.161
Taxes, contributions and other duties payable	32	32
Liabilities from equity share in profit	484	1.018
	<u>30.381</u>	<u>25.933</u>
Deferred payment and future period income	29	-
TOTAL EQUITY AND LIABILITIES	117.061	106.599

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST NINE MONTHS OF 2023

	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 1.1.2022.	13.657	683	2.449	2.677	57.761	77.227	(2.248)	74.979
Profit/(loss) of the business year	-	-	-	-	6.079	6.079	(28)	6.051
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	6.079	6.079	(28)	6.051
Dividend	-	-	-	-	(6.829)	(6.829)	-	(6.829)
Other changes in equity	-	-	-	-	-	-	-	-
Balance on 30.9.2022.	13.657	683	2.449	2.677	57.011	76.477	(2.276)	74.201
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	-	-	-	-	6.846	6.846	(19)	6.827
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	6.846	6.846	(19)	(1.117)
Dividend	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	(123)	(123)	(995)	(1.117)
Balance on 30.9.2023.	13.657	683	2.449	2.756	65.388	84.933	(3.891)	81.041

	1.-9. 2023.	1.-9. 2022.
	in '000 EUR	in '000 EUR
CASH FLOW FROM BUSINESS ACTIVITIES		
Profit before tax	8.079	7.112
Adjustments:		
Depreciation, amortization	5.799	5.485
Share of profits of investments accounted for using equity method	(1.170)	(1.151)
Income from interest and dividends	(195)	(69)
Interest expenses	103	119
Exchange differences (unrealized)	5	5
Other adjustments for non-cash transactions and unrealized gains and losses	(797)	453
Increase or decrease in cash flows before changes in working capital	11.824	11.955
Changes in working capital	4.540	(6.050)
Increase or decrease in current liabilities	4.838	4.133
Increase or decrease in current receivables	(2.257)	(2.078)
Inventory increase or decrease	1.960	(8.104)
Other increases or decreases in working capital	-	-
Cash generated from operations	16.364	5.905
Interest paid	(103)	(117)
Income taxes paid	(468)	(503)
NET CASH FLOWS FROM BUSINESS ACTIVITIES	15.794	5.285
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Proceeds from sales of fixed tangible and intangible assets	58	91
Interest received	72	13
Cash receipts from dividends	908	486
Cash receipts based on the return of loans and savings deposits	-	11.209
Cash expenditures for the purchase of long-term tangible and intangible assets	(3.768)	(6.094)
Cash expenditures based on loans and savings deposits for the period	(6.057)	-
Other cash expenditures from investment activities	(1.117)	-
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	(9.905)	5.704
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Cash expenditures for the repayment of principal of loans, loans and other loans and debt financial instruments	(1.145)	(1.275)
Cash outflows for dividend payments	-	(6.829)
NET CASH FLOWS FROM FINANCIAL ACTIVITIES	(1.145)	(8.104)
TOTAL NET CASH FLOW	4.743	2.885
Cash and cash equivalents at the beginning of the period	6.369	5.464
Cash and cash equivalents at the end of the period	11.113	8.350

NOTE 1 – GENERAL INFORMATION

Company Čakovečki mlinovi Inc. Čakovec, Mlinska ulica 1 (hereinafter: the Company) harmonized its general acts with the Law on Companies, and on the basis of 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 on the date of issue of this report amounts to 13,657,177.00 euros and is divided into 10,290,000 shares without a 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. have three subsidiaries: Trgovina Krk Inc. Malinska, Trgocentar Inc. Virovitica and Radnik Opatija Inc. Lovran (hereinafter collectively: "Čakovečki mlinovi Group" or "Group") and one affiliated company: Narodni trgovački lanac Ltd. 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 report of the Company, also prepare the consolidated report of the Group.

PRINCIPAL ACTIVITIES

The Group generates the majority of its income from retail trade, wholesale trade as well as 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 30 September 2023 is as follows.

Management board:

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

Supervisory board:

- Krešimir Kvaternik (president)
- Damir Metelko (deputy president)
- Katarina Varga (member)
- Igor Komorski (member)
- Lidija Posavec (member, worker's representative)

Audit committee:

- Damir Metelko (president)
- Katarina Varga (deputy president)
- Krešimir Kvaternik (independent member)
- Igor Komorski (independent member)
- Lidija Posavec (member)

Nominating committee:

- Igor Komorski (president, independent member)
- Damir Metelko (deputy president, independent member)
- Krešimir Kvaternik (independent member)
- Katarina Varga (member)
- Lidija Posavec (member)

Remuneration committee:

- Igor Komorski (president, independent member)
- Damir Metelko (deputy president, independent member)
- Krešimir Kvaternik (independent member)
- Katarina Varga (member)
- Lidija Posavec (member)

SUBSIDIARIES

Name	Headquarters	Principal activity	Accounting method	Direct ownership /voting rights	Direct ownership /voting rights
				30.6.2023.	31.12.2022.
Radnik Opatija Inc.	Lovran, Hrvatska	Retail trade; Bakery	Consolidated	100%	100%
Trgovina Krk Inc.	Malinska, Hrvatska	Retail trade	Consolidated	100%	100%
Trgocentar Inc.	Virovitica, Hrvatska	Real estate lease	Consolidated	49,55% / 52,03 %	49,55% / 52,03 %
Narodni trgovački lanac Ltd.	Soblinec, Hrvatska	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 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).



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