



ČAKOVEČKI MLINOVI INC.
QUARTERLY FINANCIAL REPORT
FOR Q1 2023



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ČAKOVEČKI MLINOVI INC.

**INTERIM MANAGEMENT REPORT
FOR Q1 2023**

1. BUSINESS RESULTS IN Q1 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. Čakovec mlinovi Inc. in addition to the non-consolidated reports of the Companies, they also prepare the consolidated reports of the Group separately.

In Q1 2023, Čakovečki mlinovi Inc. generated 7.5 million euros in total revenue based on total assets in the amount of 34 million euros. As at 31 March 2023, the Company employed 206 employees, and in Q1 2023 on average 195 FTE 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 31 March 2023 the Company has 10,290,000 of issued and listed shares with a market capitalization in the amount of EUR 106 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 Q1 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

INCOME STATEMENT (in millions of euros)	1.-3. 2023.	1.-3. 2022.	1.-3. 2023. / 1.-3. 2022.
Sales revenue	7,4	6,6	12,6%
Operating costs, net ¹	6,5	6,4	1,5%
EBITDA²	0,9	0,2	338,6%
Normalized EBITDA³	0,9	0,2	331,3%
Depreciation	0,3	0,2	31,2%
EBIT ⁴	0,7	0,0	N/A
Net financial result ⁵	-0,02	0,0	N/A
Net profit (loss)	0,5	0,0	N/A

Profit margins⁶			
EBITDA margin	12,8%	3,3%	9,5 pb
Normalized EBITDA margin	12,5%	3,3%	9,2 pb
EBIT margin	8,9%	0,0%	9,0 pb
Net profit margin	7,1%	-0,1%	7,1 pb

Balance sheet (in millions of euros)	31.3.2022.	31.12.2022.	31.3.2022. / 31.12.2022.
Net debt (cash) ⁷	-0,3	1,1	-123,0%
Neto debt (cash) / Norm. EBITDA (TTM) ⁸	28,2	27,7	1,9%
Equity	12,0	13,2	-8,6%

CASH FLOWS (millions of euros)	1.-3. 2023.	1.-3. 2022.	1.-3. 2023. / 1.-3. 2022.
Net operating cash flows	1,5	-1,4	-207,5%
Capital expenditures (CapEx) ⁹	0,2	0,1	167,4%
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 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 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 Company's management will continue to focus on managing operations under circumstances of relatively high inflation, on further implementation of strategic guidelines.

The final impact on the Company's results in 2023 cannot be estimated or quantified at this time due to uncertainty in the general economic environment characterized by inflation. It is expected that relatively high inflation, personnel costs as well as the growth of financing costs will have the greatest impact on business entities in 2023. In such conditions, the management will continue to manage the price policy with the aim of maintaining profit margins.

On the date of issue of these financial statements, the Company 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 7.0% 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, as well as the expected cheapening of energy sources, should contribute to the slowdown of inflation.

Real GDP in Croatia grew by 7.8%, 8.7%, 5.2% and 4.0% in the first, second, third and fourth quarters of 2022, respectively. Continuing the slowdown in the last two quarters and considering the expected return of growth in economic activity only in the second half of 2023, the HNB expects a strong slowdown in real GDP growth to 1.5% in 2023.

Expectations regarding tourist activity in Croatia in 2023 are also positive. The HNB expects a growth rate of export of services of 3.0% followed by a strong growth in 2022 associated with cancelling of epidemiological measures and the lack of qualified labor.

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 Company has no relationship with or exposure to companies from Russia, Belarus or Ukraine. In Croatia, the Company achieves 97.9% of its revenue and 100% of its capital investments, which it finances exclusively with its own funds. The Company's foreign revenues refer to Slovenia, BiH and Hungary. Also, the parent company Čakovečki mlinovi d.d. 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 Company'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 Company's operations.

State price control measures

State price control measures have limited the prices of small packages of soft and hard flour from the beginning of September 2022, which prevents the Company from 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 significantly influenced by geopolitical events. Following the increase in the prices of raw materials in 2022, in 2023 the price increase is expected to moderate or decrease slightly, which will also determine the level of the

Company's sales 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 business area 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: Prices of grains and energy are key inputs in the Food segment. In September 2021, long-term electricity and gas prices were successfully negotiated. Gas contract expires in September this year and will have to be renegotiated.

Most of the required quantities of grain is acquired during harvest in July when the price is usually lowest. as at the date of this report, the management has successfully procured almost the entire necessary quantity until July 2023, and expects to procure the rest at slightly lower prices than in 2022. In any case, the management's focus is on the crop in 2023, which will be significantly influenced by the price and quality of planting, general weather conditions and the geopolitical situation in the world. 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. Furthermore, the Company purchases mostly first-class grain, which encourages high-quality production.

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 Q1 2023

**STATEMENT OF PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS OF
THE ISSUER ČAKOVEČKI MLINOVI INC. FOR THE PERIOD Q1 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, make a statement:

To the best of our knowledge:

- The financial statements for the first quarter of 2023 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 quarter of 2023 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 quarter of 2023 have not been audited.

In Čakovec, 28 April 2023

For Čakovečki mlinovi Inc.:



Nino Varga
President of the Management Board



Marijan Sršen
Member of the Management Board

	1.-3. 2023.	1.-3. 2022.
	in '000 EUR	in '000 EUR
Sales revenue	7.406	6.577
Other revenue	85	27
Operating revenue	7.491	6.604
Changes in inventories of work in progress and finished goods	207	(22)
Costs of raw materials	(5.027)	(4.852)
Cost of goods sold	(206)	(110)
Other external costs	(351)	(344)
Staff costs	(957)	(895)
Depreciation, amortisation	(287)	(219)
Other costs	(202)	(161)
Other business expenses	(6)	(5)
Operating expenses	(6.829)	(6.607)
Operating profit	662	(2)
Financial income	1	5
Financial expenses	(25)	(7)
Net financial result	(24)	(2)
Profit before tax	639	(4)
Income tax expense	(115)	-
Net profit	524	(4)
Other comprehensive income	-	-
Total comprehensive income	524	(4)
Earnings per share (in euros)		
- basic	0,05	(0,00)
- diluted	0,05	(0,00)

	31.3.2023.	31.12.2022.
	in '000 EUR	in '000 EUR
Assets		
Fixed assets		
Intangible assets	1	2
Tangible assets	4.335	4.432
Investment property	2.972	3.003
Investments in affiliated companies	9.420	9.420
Financial assets	28	28
Receivables	4	5
Deferred tax assets	90	90
	16.851	16.980
Current assets		
Inventories	8.277	9.425
Trade and other receivables	5.416	5.604
Financial assets	2.165	3.769
Cash and cash equivalents	1.377	365
	17.234	19.164
TOTAL ASSETS	34.085	36.144
Capital and reserves		
Share capital	13.657	13.657
Reserves	3.132	3.132
Retained earnings	11.430	10.906
	28.218	27.695
Liabilities		
Non-current liabilities		
Provisions	272	272
Lease liabilities and borrowings	2	5
	274	277
Current liabilities		
Liabilities towards companies within the Group	213	268
Lease liabilities	3.219	5.218
Advances received	17	5
Trade payables	1.360	1.483
Employee benefits payables	236	231
Taxes, contributions, and other duties payable	333	415
Obligations based on profit sharing	32	32
Other payables	182	519
	5.592	8.172
TOTAL EQUITY AND LIABILITIES	34.085	36.144

	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 1.1.2022.	13.657	683	2.449	14.740	31.528
Profit/(loss) of the business year	-	-	-	-4	-4
Other comprehensive income	-	-	-	-	0
Total comprehensive income/(loss)	-	-	-	-4	-4
Dividend	-	-	-	-	-
Balance on 31.3.2022.	13.657	683	2.449	14.735	31.524
Balance on 1.1.2023.	13.657	683	2.449	10.906	27.695
Profit/(loss) of the business year	-	-	-	524	524
Other comprehensive income	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	524	524
Dividend	-	-	-	-	-
Balance on 31.3.2023.	13.657	683	2.449	11.430	28.218

	1.-3. 2023.	1.-3. 2022.
	in '000 EUR	in '000 EUR
CASH FLOW FROM BUSINESS ACTIVITIES		
Profit before tax	639	(4)
Adjustments:		
Depreciation, amortization	287	219
Gains and losses from the sale and value adjustments of long-term tangible and intangible assets	(24)	2
Income from interest and dividends	(1)	(1)
Interest expenses	24	2
Exchange differences (unrealized)	1	0
Increase or decrease in cash flows before changes in working capital	925	218
Changes in working capital	631	(1.593)
Increase or decrease in current liabilities	(603)	197
Increase or decrease in current receivables	86	(510)
Inventory increase or decrease	1.149	(1.279)
Cash from business	1.557	(1.375)
Interest paid	(1)	(2)
Income taxes paid	(12)	(58)
NET CASH FLOWS FROM BUSINESS ACTIVITIES	1.544	(1.436)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Cash receipts from the sale of long-term tangible and intangible assets	24	0
Cash receipts from interest	1	1
Cash receipts based on the return of loans and savings deposits	1.604	626
Cash expenditures for the purchase of long-term tangible and intangible assets	(159)	(59)
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	1.470	568
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Cash expenditures for the repayment of principal of loans, loans and other loans and debt financial instruments	(2.002)	(32)
NET CASH FLOWS FROM FINANCIAL ACTIVITIES	(2.002)	(32)
TOTAL NET CASH FLOW	1.012	(899)
Cash and cash equivalents at the beginning of the period	365	1.134
Cash and cash equivalents at the end of the period	1.377	235

NOTE 1 – GENERAL INFORMATION

Čakovečki mlinovi Inc., Mlinska 1 (from here onwards: “Company“) harmonised its bylaws with appropriate legislature in Croatia. Share capital consists of 10.290.000 shares with a nominal value of 1,33 euro. Shares of the company are listed on the Zagreb stock exchange under ticker CKML.

Čakovečki mlinovi Inc. has three subsidiaries: Trgovina Krk Inc. Malinska, Radnik Opatija Inc. and Trgočentar Inc. Virovitica (from here onwards: “Čakovečki mlinovi Group” or “Group“). Subsidiary Trgostil merged with Trgovina Krk on 3.10.2022. Čakovečki mlinovi Inc. is the mother company and prepares both standalone and consolidated financial statements.

Company has bank accounts with the following banks:

- Privredna banka Zagreb Inc. IBAN: HR2623400091116005907,
- Erste&Steiermärkische Bank Inc. IBAN: HR4924020061100031817,
- Zagrebačka banka Inc. IBAN: HR9223600001102561339.

PRINCIPAL ACTIVITIES

The company generates the majority of its income from the production of food products (flour, bread, pastries, biscuits, waffles, pasta, porridge, edible oils) and sales of food products. Other registered activities of the company are: storage of goods, activity of other agencies in traffic, technical testing and analysis, packaging activities, installation, final construction and general mechanical work for own needs, purchase of agricultural products, cultivation of crops, garden and ornamental plants, livestock breeding, poultry and other animals, cultivation of crops and breeding of livestock, poultry and other animals (mixed production), service activities in plant production and animal husbandry, except for veterinary services.

CORPORATE GOVERNANCE

Management board: Nino Varga (president), Marijan Sršen (member).

Supervisory board: Stjepan Varga (president), Marko Orešković (deputy president), Vladimir Bulić (member), Damir Metelko (member), Katarina Varga (member), Marija Drvoderić (member), Lidija Posavec (member).

Audit committee: Vladimir Bulić (president), Marko Orešković (deputy president), Stjepan Varga (member), Damir Metelko (member), Katarina Varga (member), Marija Drvoderić (member), Lidija Posavec (member).

Appointment committee: Vladimir Bulić (president), Lidija Posavec (deputy president), Marija Drvoderić (member).

Compensation committee: Vladimir Bulić (president), Lidija Posavec (deputy president), Marija Drvoderić (member).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the financial statements are the International Financial Reporting Standards and the Accounting Policies of Čakovečki mlinovi Inc. and have been applied consistently to all periods presented, unless otherwise stated.

Accounting policies have been consistently applied and were not changed since 31.12.2022. Detailed accounting policies can be found in published audited financial statements available on company website and 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