ČAKOVEČKI MLINOVI
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ČAKOVEČKI MLINOVI INC.

QUARTERLY CONSOLIDATED FINANCIAL REPORT
FOR Q1 2023

SADRŽAJ

ČAKOVEČKI MLINOVI INC.

CONSOLIDATED INTERIM MANAGEMENT REPORT
FOR Q1 2023

1. BUSINESS RESULTS IN Q1 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, Trgocentar Inc. Virovitica and Radnik Opatija Inc. Lovran (together: "Čakovečki mlinovi Group" or "Group") and one associated company: Narodni trgovački lanac Ltd. Soblinec.

In Q1 2023 the Čakovečki mlinovi Group generated EUR 39 million in consolidated total revenue based on consolidated total assets in the amount of EUR 106 million. In Q1 2023, the Group employed an average 2,085 FTE employees (Q1 2022: 2,243).

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 SEGMENTS AND OPERATIONS

Čakovečki mlinovi Group is organized into two strategic business segments:
- Trade, which includes retail and wholesale trade of food and non-food assortment, and
- Food, which includes the production of flour, bakery products and oils.

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

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

Trade

KEY OPERATING INDICATORS	31.3.2023	31.3.2022
Number of trade stores	434	440
Store sales area (in m2 net)	54.273	54.658
Average area per store (in m2 net)	125	124
Area of distribution warehouses (in m2 gross)	11.343	11.343
Average number of employees	1.811	1.995

Trade is the largest segment of the Čakovečki mlinovi Group, which in Q1 2023 generated 79% of the Group's sales revenue before intergroup eliminations.

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 31 March 2023, the Trade segment operated 434 stores located in northwestern Croatia, Kvarner and the island of Krk. The total net sales area amounted to 54.273 m^2, 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 m^2. 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 centers. 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	**31.3.2023.**	**31.3.2022.**
Grain processed (in tons)	12.173	13.900
Production of bakery products (in tons)	1.713	1.681
Oil production (in tons)	1	4
Average number of employees	272	288

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 31 March 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 FINANCIAL INDICATORS OF THE GROUP

INCOME STATEMENT (millions of euros)	1.-3. 2023.	1.-3. 2022.	1.-3. 2023./ 1.-3. 2022.
Sales revenue	**37,0**	**35,8**	**3,4%**
Operating costs, net[1]	36,6	36,2	1,0%
EBITDA[2]	0,5	-0,4	-
Normalized EBITDA[3]	**0,4**	**-0,4**	**-**
Depreciation	1,9	1,8	6,7%
EBIT[4]	-1,5	-2,2	-
Net financial result[5]	0,0	0,1	-92,6%
Net profit (loss)	**-1,6**	**-2,1**	**-**

Profit margins[6]			
EBITDA margin	1,3%	-1,0%	2,3 pb
Normalized EBITDA margin	**1,2%**	**-1,2%**	**2,4 pb**
EBIT margin	-4,0%	-6,1%	2,2 pb
Net profit margin	**-4,2%**	**-5,9%**	**1,6 pb**

Balance sheet (millions of euros)	31.3.2023.	31.12.2022.	31.3.2023./ 31.12.2022.
Net debt (cash)[7]	-8,2	-6,4	28,4%
Neto debt (cash) / Norm. EBITDA (TTM)[8]	73,7	75,3	-2,2%
Equity	21,8	25,1	-13,4%

CASH FLOWS (millions of euros)	1.-3. 2023.	1.-3. 2022.	1.-3. 2023./ 1.-3. 2022.
Net operating cash flows	3,2	-1,6	-
Capital expenditures (CapEx)[9]	1,4	1,0	45,0%
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 revenue – 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.

SUMMARY OF GROUP RESULTS

In the Q1 of 2023, the Čakovečki mlinovi Group achieved EUR 37.0 million in sales revenue, EUR 0.4 million in normalized EBITDA and EUR 1.6 million in net loss.

The Group's operations were marked by an increase in sales revenue of 3.4% or 1.2 million euros compared to the same period of the previous year. Revenues from the sale of Retail, as the Group's largest business area, grew by 1.3% or 0.4 million euros, or by 2.0% or 0.6 million euros on a comparative (hereinafter: "LFL") basis. The mentioned increase in income is primarily the result of an increase in sales prices due to an increase in the cost of goods sold.

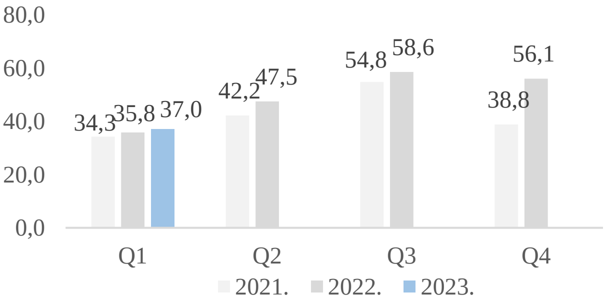
In the first quarter of 2023, the Group's normalized EBITDA increased by EUR 0.9 million, and net profit increased by EUR 0.5 million. The group achieved an increase in the normalized EBITDA margin to 1.2% (Q1 2022: -1.2%) and an improvement in the net profit margin to -4.2% (Q1 2022: -5.9%).

The Trade business segment, as the largest segment of the Group, achieved EUR 30.9 million or 79% of the Group's sales revenue before eliminations and EUR -0.3 million of normalized EBITDA.

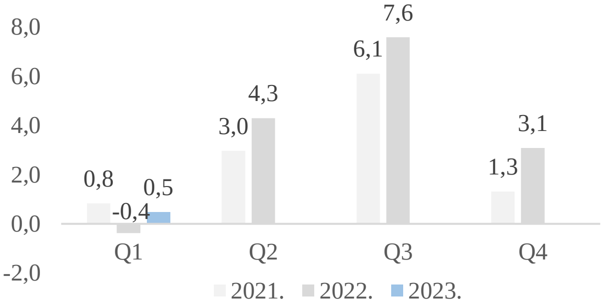
The Group's net operating costs increased by 1.0% or EUR 0.4 million, mainly as a result of the increase in personnel costs (by EUR 0.5 million).

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 first quarter is usually the Group's weakest financial quarter within the year, however, in the Q1 of 2023, the Group continues the trend of revenue and EBITDA growth as a result of a successful active pricing policy in both business segments.

SALES REVENUE

SALES REVENUE BY SEGMENT[1]					
(in millions of euros)	**1.-3. 2023.**	**% of sales revenue before elim.**	**1.-3. 2022.**	**% of sales revenue before elim.**	**1.-3. 2023./ 1.-3. 2022.**
Trade	30,9	79,0%	31,0	80,9%	-0,2%
Food	8,2	21,0%	7,3	19,1%	12,1%
Sales revenue before elimination	**39,1**	**100,0%**	**38,3**	**100,0%**	**2,1%**
Eliminations	-2,1		-2,5		-15,5%
Consolidated Sales revenue	**37,0**		**35,8**		**3,4%**

1 Revenue from the sale of each segment is analyzed before elimination. Eliminations represent the amount of sales revenue among segments that are eliminated when consolidating group sales revenue.

LFL[1] RETAIL GROWTH			
(in millions of euros)	**1.-3. 2023.**	**1.-3. 2022.**	**1.-3. 2023./ 1.-3. 2022.**
Revenue from the sale of goods – Trade	30,4	30,3	0,3%
Revenue from the sale of goods - Retail	29,4	29,0	1,3%
Revenue from the sale of goods - Retail - LFL[1]	**28,7**	**28,1**	**2,0%**

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 Q1 of 2023, the Group achieved sales revenues in the amount of 37.0 million euros, which is 3.4% or 1.2 million euros more compared to the same period of the previous year, as a result of the growth in sales revenues of the Food segment from 12 .1%, while revenues from sales of the Trade segment decreased by 0.2%.

Sales of the Trade segment amounted to EUR 30.9 million or 79% of the Group's sales before eliminations and decreased by 0.2% or EUR 0.1 million compared to the same period of the previous year. The mentioned growth is a consequence of the positive effects of the active pricing policy as well as the partially negative effects of the closing of net 6 less profitable stores and the reduction in the volume of internal wholesale activities. Revenues from the sale of goods in Retail increased by 1.3% or 0.4 million euros, or by 2.0% or 0.6 million euros on an LFL basis. At the same time, the categories sweets and snacks and fruits and vegetables grew the most, while cigarettes and beverages fell the most. Wholesale realized EUR 0.7 million, which is 2.3% of the income from the sale of goods of the Trade segment and represents a decrease of 32.0% or EUR 0.3 million compared to the same period of the previous year, as a result of the elimination of internal income after the merger of trade Group company.

Revenues from the sale of the Food segment amounted to EUR 8.2 million or 21% of the Group's sales revenue before eliminations and were higher by 12.1% or EUR 0.9 million compared to the same period of the previous year as a result of the increase in the revenue from the sale of Milling for 7.7% and a 29.8% increase in revenue from the sale of the Bakery due to the implementation of an active pricing policy in both programs and the optimization of the bakery assortment. In Milling, the sales of bulk wheat flour grew the most, by 104%. In the bakery industry, sales of fresh bread grew the most, by 37.0%.

OPERATING COSTS

(in millions of euros)	1.-3. 2023.	% of sales revenue	1.-3. 2022.	% of sales revenue	1.-3. 2023./ 1.-3. 2022.
Cost of raw materials and changes in value of stock	6,6	17,9%	6,5	18,1%	2,7%
Cost of goods sold, net[1]	20,4	55,1%	20,8	57,9%	-1,7%
Other external expenses	1,3	3,6%	1,3	3,6%	3,9%
Personnel costs[2]	7,7	20,8%	7,2	20,2%	6,8%
Other expenses	0,4	1,1%	0,5	1,4%	-14,8%
Other business expenses (revenue)[3]	0,0	0,13%	0,0	0,0%	-
Operating expenses, net	**36,6**	**98,7%**	**36,2**	**101,0%**	**1,0%**

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 Q1 of 2023, the Group recorded an increase in net operating expenses by 1.0% or 0.4 million euros compared to the same period of the previous year. The costs of raw materials and materials increased due to the purchase of raw materials at higher prices in the Food segment and the increase in energy prices at the Group level, while the net costs of goods sold grew more slowly than the growth of income from the sale of goods as a result of an active purchasing policy and the achievement of synergies after the merger of the Group's retail companies.

Personnel expenses together with paid tax-free receipts amounted to EUR 7.7 million and increased by 6.8% or EUR 0.5 million. Personnel costs grew under the influence of the increase in the minimum wage and the spillover of this impact on the rest of the wages, as well as due to the harmonization of the conditions of employees at subsidiary companies as a result of their mergers. On March 31, 2023, the Group employed 2,303 employees (Q1 2022: 2,464), that is, in the first quarter of 2023, an average of 2,085 employees based on working hours (Q1 2022: 2,243).

EBITDA

EBITDA BY SEGMENTS	1.-3. 2023.			1.-3. 2022.		
(millions of euros)	GROUP	TRADE	FOOD	GROUP	TRADE	FOOD
Sales revenue before eliminations	**39,1**	**30,9**	**8,2**	**38,3**	**31,0**	**7,3**
EBITDA before eliminations	0,5	-0,1	0,6	-0,2	-0,2	0,0
Cons. EBITDA adjustment	0,0	-0,2	0,2	-0,2	-0,2	0,0
EBITDA	0,5	-0,3	0,8	-0,4	-0,4	0,0
EBITDA margin[1]	1,2%	-1,0%	9,7%	-1,0%	-1,3%	0,4%
Normalized EBITDA[2]	**0,4**	**-0,3**	**0,8**	**-0,4**	**-0,5**	**0,1**
Normalized EBITDA margin[1]	**-**	**-1,1%**	**9,4%**	**-**	**-1,6%**	**0,8%**

1 Margins per segment was calculated based on sales revenue before elimination. Group level margins are calculated on the basis of consolidated sales revenue and are presented in the Key Financial Indicators section of the Group of this part of the report.
2 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 quarter of 2023, the Group achieved normalized EBITDA in the amount of 0.4 million euros, which is 0.9 million euros more than in the same period of the previous year. Reported EBITDA was 0.5 million euros (Q1 2022: -0.4 million euros).

Normalized EBITDA of the Trade segment amounted to -0.3 million euros and increased by EUR 0.2 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 -1.1% (Q1 2022: -1.6%).

Normalized EBITDA of the Food segment was 0.8 million euros and increased by 0.7 million euros compared to the same period of the previous year, as a result of active pricing policy and strict cost control. The normalized EBITDA margin of the Food segment was 9.4% (Q1 2022: 0.8%).

Consolidation adjustment of EBITDA

The consolidation adjustment of EBITDA to the greatest extent refers to IFRS 16 effects resulting from the lease agreement between the Group's segments that increase EBITDA before eliminations, primarily the Trade segment. The effect of the consolidation adjustment on the Group's EBITDA in the first quarter of 2023 is -0.1 million euros (Q1 2022: -0.1 million euros).

Normalized EBITDA

NORMALIZED EBITDA	**1.-3. 2023.**			**1.-3. 2022.**		
(in millions of euros)	**GROUP**	**TRADE**	**FOOD**	**GROUP**	**TRADE**	**FOOD**
EBITDA	**0,5**	**-0,3**	**0,8**	**-0,4**	**-0,4**	**0,0**
Reversal of long-term provisions, net	0,0	0,0	0,0	-0,1	-0,1	0,0
Other one-off expenses (revenue), net	-0,1	0,0	0,0	0,0	0,0	0,0
Normalized EBITDA	**0,4**	**-0,3**	**0,8**	**-0,4**	**-0,5**	**0,1**

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 Q1 of 2023, the Group recorded EUR 0.1 million in net other one-off income, and in the Q1 of 2023, EUR 0.1 million in net income from the cancellation of long-term vacation provisions.

NET PROFIT

In the Q1 of 2023, the Group realized a net loss in the amount of EUR 1.6 million, which is EUR 0.5 million less than in the same period of the previous year, mainly as a result of higher EBITDA.

NET DEBT

(in millions of euros)	31.3.2023.	31.12.2022.	31.3.2023./ 31.12.2022.
Long-term liabilities on loans received	0,0	0,0	-25,0%
Long-term liabilities by lease	3,4	3,7	-9,8%
Short-term liabilities on loans received	4,2	4,2	0,0%
Short-term liabilities by lease	1,5	1,5	0,0%
Days of loans, deposits and the similar	-7,8	-9,4	-17,9%
Cash in the bank and cash register	-9,5	-6,4	49,1%
Net debt (cash)	**-8,2**	**-6,4**	**28,4%**

As at 31 March 2023, the Group recorded a net cash item in the amount of EUR 8.2 million (December 31, 2022: EUR 6.4 million), of which EUR 4.2 million related to credit and loan obligations. (31.12.2022: EUR 4.2 million), on lease obligations EUR 4.9 million (31.12.2022: EUR 5.3 million), and on money and deposits given EUR 17.2 million (31.12.2022: 15.8 million euros). Credit and loan obligations refer to the related company Trgocentar Inc. in which the Group holds 52.03% of the voting rights but consolidates it in its entirety.

CASH FLOWS

In the Q1 of 2023, the Čakovečki mlinovi Group generated net cash flows from business activities in the amount of EUR 3.2 million, which is more than the achieved EBITDA, primarily as a result of the reduction of net working capital by EUR 3.4 million.

NET WORKING CAPITAL			
(in millions of euros)	**31.3.2023.**	**31.12.2022.**	**31.3.2023./ 31.12.2022.**
Stock	29,9	30,1	-0,9%
Short-term receivables from customers	9,0	10,3	-13,0%
Short-term liabilities to suppliers	-17,1	-15,3	11,5%
Net working capital	**21,8**	**25,1**	**-13,4%**

The Group's net working capital decreased by 13.4% or EUR 3.4 million, with inventories decreasing by 0.9% or EUR 0.3 million as a result of the processing of wheat stocks in the Food segment. Receivables from customers decreased by 13% or 1.3 million euros, which is a consequence of strict collection controls in conditions of sales growth, while short-term liabilities to suppliers increased by 11.5% or 1.8 million euros.

The Group's capital investments in the first quarter of 2023 amounted to EUR 1.4 million (Q1 2022: EUR 1.0 million). In the Retail segment, EUR 0.4 million was invested in new openings and in the renovation of existing stores. Capital investments in the Food segment amounted to EUR 0.7 million and refer to the purchase of vehicles for transporting bakery products and equipment in the milling and baking industry.

VALUATION OF THE ČAKOVEČKI MLINOVI GROUP

KEY INDICATORS OF CKML SHARE VALUATION			
(in millions of euros)	**31.3.2023.**	**31.12.2022.**	**31.3.2023./ 31.12.2022.**
Price per share (PPS, in euro)[1]	10,3	9,8	4,9%
Market Capitalization[2]	106,0	101,0	4,9%
EV[3]	94,9	91,8	3,3%
EV / Sales Revenue[4]	0,52x	0,50x	0,01x
EV / Normalised EBITDA[4]	**6,7x**	**6,9x**	**-0,2x**

1 The price per share (eng. price per share, PPS) is represented by the reference price on the Zagreb Stock Exchange, i.e. the average price weighted by the volume of traded shares as a better representative of the price considering the low liquidity of the CKML share.
2 Market capitalization represents the market value of share capital on the stock exchange; calculated as the product of the number of shares (105,000) and the price per share.
3 EV (enterprise value) represents the value of business; calculated as market capitalization + net debt (money) + minority interest.
4 Valuation indicators were calculated on the basis of fundamentals achieved in the last 12 months before the reporting date (TTM, eng. 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 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 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 Trade segment in 2023

The Group's Trade segment generates 58% of retail revenues on the continent and 42% on the coast, and 56% of RUC on the continent and 44% on the coast. For this reason, the operations of the Trade segment depend to a significant extent on the tourist season in Croatia. In Croatia, in 2022, as a result of significantly milder epidemiological measures, a strong recovery of tourist overnight stays was recorded, and thus of the income of coastal operations of the Trade segment, which were the main generator of the segment's growth. 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 invoices issued, 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 the management will be the recovery of issued invoices, while maintaining other key business indicators.

Strategic guidelines

Management has defined the following key strategic guidelines in the Trade segment for 2023:
- recovery of the number of invoices issued,
- rebranding of the entire segment,
- targeting acquisitions that are a strategic match to the segment,
- opening new and renovating existing stores,
- maintaining the growth of LFL sales revenue,
- managing personnel costs.

Key business factors

<u>Pricing:</u> 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.

<u>Relationship with suppliers:</u> The Group expects the continuation of quality cooperation with NTL, which accounts for about 80% of the procurement of the Group Store segment and quality management of suppliers in the form of revenue from subsequently approved rebates and marketing services.

<u>Personnel costs:</u> Personnel costs are expected to increase under the impact of minimum wage growth and the spillover of this impact on the rest of wages. Given that most employees of the Trade segment have incomes higher than the minimum wage, it is expected that the growth in personnel costs of the Trade segment will be lower than the growth of the minimum wage.

<u>Capital expenditures:</u> In 2022, current investment cycle was completed. It involved renovation and construction of new stores along with the closure of unprofitable and marginally profitable stores. Finalization of planning the new investment cycle is currently underway. It will span multiple years and currently, Group started preparations for opening at least 4 stores on the coast and 1 on the continent.

Outlook for the Food segment in 2023

The price policy and revenue realization of the Food segment is significantly influenced by the prices of input materials, primarily grain and energy, which are under a significant influence of geopolitical developments. Following the rise in commodity prices in 2022, in 2023, price growth is expected to ease or decrease slightly, which will also determine the level of sales prices of the Food segment. In the mill program, stable demand for key product groups is expected (wheat flour large packages of 25 kg and 50 kg, bulk and small packages of 1 kg and 5 kg). Sales of bakery products are mostly achieved internally through the Group Trade segment. Therefore, the bakery business will highly 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 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. Furthermore, Group 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.

CONSOLIDATED 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, give a statement:

To the best of our knowledge:

- The consolidated 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 consolidated 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 and the companies included in the consolidation, along with a description of the most significant risks and uncertainties to which the issuer and the companies included in the consolidation are exposed.

The consolidated 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. in '000 EUR	**1.-3. 2022. in '000 EUR**
Sales revenue	37.038	35.829
Other revenue	1.883	1.652
Operating revenue	**38.921**	**37.480**
Changes in inventories of work in progress and finished goods	207	(22)
Costs of raw material	(6.855)	(6.454)
Cost of goods sold	(22.146)	(22.277)
Other external costs	(1.324)	(1.274)
Staff costs	(6.718)	(6.536)
Depreciation, amortisation	(1.947)	(1.825)
Other costs	(1.411)	(1.174)
Other business expenses	(190)	(117)
Operating expenses	**(40.384)**	**(39.679)**
Operating profit	**(1.463)**	**(2.199)**
Financial income	3	7
Financial expenses	(38)	(53)
Net financial result	**(35)**	**(46)**
Share of net profit of associates accounted for using Equity method	**42**	**143**
Profit before tax	(1.456)	(2.101)
Income tax expense	(115)	-
Net profit	**(1.571)**	**(2.101)**
Attributable to:		
Owners	(1.514)	(2.036)
Non-controling interests	(57)	(65)
Earnings per share (in euros)		
- basic	(0,15)	(0,20)
- diluted	(0,15)	(0,20)

	1.-3. 2023. in '000 EUR	**1.-3. 2022. in '000 EUR**
Net profit for the period	**(1.571)**	**(2.101)**
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	**(1.571)**	**(2.101)**
Attributable to:		
Owners	(1.514)	(2.036)
Non-controling interests	(57)	(65)

	31.3.2023. in '000 EUR	31.12.2022. in '000 EUR
Assets		
Fixed assets		
Intangible assets	55	74
Tangible assets	33.665	33.794
Right of use Asset	4.730	5.129
Investment property	402	402
Investments accounted for using equity method	8.118	8.076
Financial assets	1.565	1.568
Trade and other receivables	4	5
Deferred tax assets	297	297
	48.837	**49.344**
Current assets		
Inventories	29.876	30.140
Trade and other receivables	9.592	11.195
Financial assets	7.809	9.550
Cash and cash equivalents	9.497	6.369
	56.774	**57.255**
TOTAL ASSETS	**105.611**	**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	57.084	58.664
	76.629	78.209
Non-controlling interests	(2.934)	(2.877)
	73.694	**75.332**
Liabilities		
Non-current liabilities		
Provisions	861	861
Lease liabilities	3.372	3.740
Borrowings	10	10
Deferred tax liability	605	605
	4.848	**5.216**
Current liabilities		
Provisions	118	118
Lease liabilities	1.516	1.516
Borrowings	4.185	4.187
Advances received	213	72
Trade payables	16.865	15.251
Employee benefits payables	1.794	1.695
Taxes, contributions and other duties payable	1.860	2.161
Obligations based on profit sharing	32	32
Other payables	486	1.018
	27.069	**26.051**
TOTAL EQUITY AND LIABILITIES	**105.611**	**106.599**

CONSOLIDATED STATMENT OF CHANGES IN EQUITY FOR Q1 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	-	-	-	-	7.184	7.184	(107)	7.077
Other comprehensive income	-	-	-	79	-	79	-	79
Total comprehensive income/(loss)	-	-	-	79	7.184	7.263	(107)	7.156
Dividend	-	-	-	-	(6.829)	(6.829)	-	(6.829)
Other changes in equity	-	-	-	-	548	548	(522)	26
Balance on 31.3.2022.	**13.657**	**683**	**2.449**	**2.756**	**58.664**	**78.209**	**(2.877)**	**75.332**
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	-	-	-		(1.514)	(1.514)	(57)	(1.571)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(1.514)	(1.514)	(57)	(1.571)
Dividend	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	(67)	(67)	-	(67)
Balance on 31.3.2023.	**13.657**	**683**	**2.449**	**2.756**	**57.084**	**76.629**	**(2.934)**	**73.694**

	1.-3. 2023. in '000 EUR	1.-3. 2022. in '000 EUR
CASH FLOW FROM BUSINESS ACTIVITIES		
Profit before tax	(1.456)	(2.101)
Adjustments:		
Depreciation, amortization	1.947	1.825
Gains and losses from sale and unrealised gains and losses and value adjustment of non-current assets	(41)	-
Gains and losses from sales and unrealized gains and losses and value adjustment of financial assets	(2)	-
Share of profits of investments accounted for using equity method	(42)	(143)
Income from interest and dividends	(3)	(4)
Interest expenses	35	45
Exchange differences (unrealized)	(1)	3
Other adjustments for non-cash transactions	(57)	2
Increase / (decrease) in cash flows before changes in working capital	380	(373)
Changes in working capital	2.841	(1.047)
Increase or decrease in current liabilities	969	1.152
Increase or decrease in current receivables	1.609	996
Inventory increase or decrease	264	(3.203)
Other increases or decreases in working capital	-	7
Cash generated from operations	**3.222**	**(1.421)**
Interest paid	(7)	(17)
Income taxes paid	(63)	(197)
NET CASH FLOWS FROM BUSINESS ACTIVITIES	**3.152**	**(1.635)**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Proceeds from sales of fixed tangible and intangible assets	41	1
Interest received	-	3
Proceeds from repayment of loans and deposits	1.744	1.418
Payments for the purchase of fixed tangible and intangible assets	(1.412)	(974)
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	373	448
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Cash outlays for financial lease	(396)	-
Cash expenditures for the repayment of principal of loans, loans and other loans and debt financial instruments	(2)	(466)
NET CASH FLOWS FROM FINANCIAL ACTIVITIES	(398)	(466)
TOTAL NET CASH FLOW	3.127	(1.653)
Cash and cash equivalents at the beginning of the period	6.369	5.464
Cash and cash equivalents at the end of the period	**9.496**	**3.811**

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 Trgocentar 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

Principal activities of the Group mainly comprise of trade activites, food production (flour, oil, bakery products) and wholesale activities.

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).

SUBSIDIARIES

Name	**Headquarters**	**Principal activity**	**Accounting method**	**Direct ownership /voting rights 31.3.2023.**	**Direct ownership /voting rights 31.12.2022.**
Radnik Opatija Inc.	Lovran, Hrvatska	Retail trade; Bakery	Consolidated	100%	100%
Trgovina Krk Inc.	Malinska, Hrvatska	Retail trade	Consolidated	98,13%	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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"). The separate financial statements the Company is required to prepare in accordance with EU IFRS are published separately and issued simultaneously with these consolidated financial statements.

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).

ČAKOVEČKI
MLINOVI
– 1893 –

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