



ČAKOVEČKI MLINOVI INC.  
FINANCIAL REPORT FOR 9M 2023



## SADRŽAJ

<b>INTERIM MANAGEMENT REPORT FOR THE FIRST NINE MONTHS OF 2023</b> .....	3
<b>1. BUSINESS RESULTS FOR THE FIRST NINE MONTHS OF 2023</b> .....	4
<i>ABOUT THE COMPANY</i> .....	4
<i>BUSINESS SEGMENT</i> .....	4
<i>KEY FINANCIAL INDICATORS OF THE COMPANY</i> .....	5
<b>2. EXPECTED BUSINESS DEVELOPMENT IN 2023</b> .....	6
<b>FINANCIAL STATEMENTS FOR THE FIRST NINE MONTHS OF 2023</b> .....	8

# **ČAKOVEČKI MLINOVI INC.**

**INTERIM MANAGEMENT REPORT FOR 9M 2023**

## **1. BUSINESS RESULTS FOR THE FIRST NINE MONTHS OF 2023**

### ***ABOUT THE COMPANY***

Čakovečki mlinovi Inc. (hereinafter: "Čakovečki mlinovi" or "Company"), founded in 1893 in Čakovec, is one of the oldest Croatian food and trade companies. The Company manages a vertically integrated business model that includes the production of high-quality mill, bakery and oil products on one hand and trade of mixed goods on the other. Although food production is a tradition and heritage of the Company, through a series of successful acquisitions and integration of trade chains the Company has grown into a business system that today generates most of its revenue from trade activities.

Čakovečki mlinovi Inc. has three subsidiaries: Trgovina Krk Inc. Malinska, Trgočentar Inc. Virovitica and Radnik Opatija Inc. Lovran (together: "Čakovečki mlinovi Group" or "Group") and one associated company: Narodni trgovački lanac Ltd. Soblinec. In the comparable data for the year 2022, the subsidiary Trgostil Inc. was also consolidated and merged with Trgovina Krk 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, Čakovečki mlinovi Inc. they achieved 22 million euros in total revenue based on total assets in the amount of 36 million euros and employed 196 employees on average based on working hours. According to the Accounting Act, the company Čakovečki mlinovi Inc. belongs to medium entrepreneurs.

Shares of Čakovečki mlinovi Inc. are listed on the Official Market of the Zagreb Stock Exchange under the symbol CKML. As of September 30, 2023, the Company had issued and listed 10,290,000 shares with a market capitalization of EUR 107 million.

### ***BUSINESS SEGMENT***

Company Čakovečki mlinovi Inc. operates in one business segment at the company level (food production) and reports accordingly in non-consolidated financial statements. The company as a whole is part of the segmental reporting of the Čakovečki mlinovi Group (the Food segment), whose operations are presented within the consolidated financial statements. Users of the Company's quarterly unconsolidated report should read it together with the quarterly consolidated report for the first nine months of 2023, for the purpose of obtaining complete information on the financial position and results of operations of the Company and the Group.

## KEY FINANCIAL INDICATORS OF THE COMPANY

<b>INCOME STATEMENT</b> (in millions of euros)	<b>1.-9. 2023.</b>	<b>1.-9. 2022.</b>	<b>1.-9. 2023. / 1.-9. 2022.</b>
<b>Sales revenue</b>	<b>21,8</b>	<b>22,4</b>	<b>-2,6%</b>
Operating costs, net <sup>1</sup>	19,8	19,5	1,9%
EBITDA <sup>2</sup>	2,0	2,9	-32,6%
<b>Normalized EBITDA<sup>3</sup></b>	<b>2,3</b>	<b>2,8</b>	<b>-17,7%</b>
Depreciation	0,9	0,7	19,9%
EBIT <sup>4</sup>	1,1	2,2	-49,6%
Net financial result <sup>5</sup>	-0,03	0,8	n/a
<b>Net profit (loss)</b>	<b>0,9</b>	<b>2,9</b>	<b>-69,4%</b>

<b>Profit margins<sup>6</sup></b>			
EBITDA margin	9,1%	13,1%	-4,0 pb
<b>Normalized EBITDA margin</b>	<b>10,6%</b>	<b>12,5%</b>	<b>-1,9 pb</b>
EBIT margin	5,1%	9,9%	-4,8 pb
<b>Net profit margin</b>	<b>4,1%</b>	<b>12,9%</b>	<b>-8,8 pb</b>

<b>Balance sheet (in millions of euros)</b>	<b>30.9.2023.</b>	<b>31.12.2022.</b>	<b>30.9.2023. / 31.12.2022.</b>
Net debt (cash) <sup>7</sup>	-2,4	1,1	n/a
Net debt (cash) / Norm. EBITDA (TTM) <sup>8</sup>	28,6	27,7	3,2%
Equity	9,2	13,2	-30,3%

<b>CASH FLOWS (millions of euros)</b>	<b>1.-9. 2023.</b>	<b>1.-9. 2022.</b>	<b>1.-9. 2023. / 1.-9. 2022.</b>
Net operating cash flows	4,9	-4,1	n/a
Capital expenditures (CapEx) <sup>9</sup>	0,4	1,4	-74,3%
Dividends paid	0,0	6,8	n/a

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

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

3 Normalization implies adjusting for material one-off items. In the first half of 2023, the Company recorded 0.1 million euros of one-off expenses for intellectual services (H1 2022: 0.1 million euros), 0.3 million euros of bonuses paid under contractual arrangements (H1 2022: 0), and 0.1 million euros of net other one-off revenues (H1 2022: 0.1 million euros).

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

5 Net financial result is calculated as financial revenue – financial expenses. In the first nine months of 2023, the Company hasn't received any dividends from subsidiaries, which resulted in the lower net financial result and net income.

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, and on potential mergers and acquisitions.

The final impact on the Company'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 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 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 Company has no relationship with or exposure to companies from Russia, Belarus or Ukraine. The Company maintains all business operations in Croatia, where it generates 98.9% of its revenue. The Company'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 Company'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 Company's operations.

### ***State price control measures***

State price control measures have limited the prices of small packages of smooth and sharp flour from the beginning of September 2022, which makes it impossible for them to have an active price 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 Company in 2023*

The pricing policy and realization of the Company's income is significantly influenced by the purchase prices of raw materials and materials, primarily grains and energy products, which, as stock exchange 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 the Company's selling prices. 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 Retail segment of the Group, and the final result of the Bakery will depend on the result of the Retail 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: Cereal and energy prices (electricity) are key inputs for the Company. 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 company operates with strategically dispersed and stable suppliers, realizes more than 75% of grain procurement in Croatia and is dedicated to the development of domestic suppliers. Also, mostly first-class cereals are procured, which encourages high-quality production. Accordingly, in the wheat harvest of 2023, Čakovec mills 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 labour 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.**

**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 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.

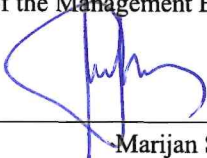
- The interim management report for the first nine months of 2023 contains a true presentation of development and results of operations and position of the issuer, with description of significant risks and uncertainties to which it is exposed.

The 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

STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST NINE MONTHS OF 2023

	<b>1.-9. 2023.</b>	<b>1.-9. 2022.</b>	<b>7.-9. 2023.</b>	<b>7.-9. 2022.</b>
	<b>u '000 EUR</b>	<b>u '000 EUR</b>	<b>u '000 EUR</b>	<b>u '000 EUR</b>
Sales revenue	21.812	22.392	7.342	8.717
Other revenue	199	318	38	132
<b>Operating revenue</b>	<b>22.011</b>	<b>22.710</b>	<b>7.381</b>	<b>8.849</b>
Changes in inv. of work in progress and f. goods	(101)	139	(104)	(106)
Costs of raw material	(14.091)	(15.022)	(4.453)	(5.517)
Cost of goods sold	(447)	(286)	(124)	(96)
Other external costs	(1.425)	(1.210)	(497)	(423)
Staff costs	(3.211)	(2.723)	(980)	(932)
Depreciation, amortisation	(863)	(719)	(286)	(281)
Other costs	(735)	(640)	(319)	(278)
Other business expenses	(23)	(36)	(7)	(23)
<b>Operating expenses</b>	<b>(20.897)</b>	<b>(20.497)</b>	<b>(6.770)</b>	<b>(7.656)</b>
<b>Operating profit</b>	<b>1.115</b>	<b>2.213</b>	<b>610</b>	<b>1.193</b>
Financial income	32	810	25	796
Financial expenses	(64)	(45)	(20)	(32)
<b>Net financial result</b>	<b>(33)</b>	<b>765</b>	<b>5</b>	<b>764</b>
Profit before tax	1.082	2.978	616	1.957
Income tax expense	(195)	(79)	(117)	(12)
<b>Net profit</b>	<b>887</b>	<b>2.899</b>	<b>499</b>	<b>1.945</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>887</b>	<b>2.899</b>	<b>499</b>	<b>1.945</b>
<b>Earnings per share (in euros)</b>				
- basic	0,09	0,28	0,00	0,00
- diluted	0,09	0,28	0,00	0,00

	<b>30.9.2023.</b> u '000 EUR	<b>31.12.2022.</b> u '000 EUR
<b>Assets</b>		
<b>Fixed assets</b>		
Intangible assets	1	2
Tangible assets	3.947	4.432
Real estate investment	2.981	3.003
Investments accounted for using equity method	10.537	9.420
Financial assets	28	28
Trade and other receivables	3	5
Deferred tax assets	90	90
	17.586	16.980
<b>Current assets</b>		
Inventories	5.770	9.425
Trade and other receivables	5.234	5.604
Financial assets	4.986	3.769
Cash and cash equivalents	655	365
	16.646	19.164
<b>TOTAL ASSETS</b>	<b>34.232</b>	<b>36.144</b>
<b>Capital and reserves</b>		
Share capital	13.657	13.657
Reserves	3.132	3.132
Fair value reserves	11.793	10.906
Retained earnings	28.582	27.695
	-	-
	28.582	27.695
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Provisions	272	272
Lease liabilities	2	5
	274	277
<b>Current liabilities</b>		
Liabilities to group enterprises	271	268
Lease liabilities	3.198	5.218
Borrowings	30	5
Trade payables	1.272	1.483
Employee benefits payables	223	231
Taxes, contributions and other duties payable	227	415
Liabilities from equity share in profit	32	32
Other payables	124	519
	5.376	8.172
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>34.232</b>	<b>36.144</b>

	Share capital	Legal reserves	Other reserves	Retained earnings	Total
	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR
<b>Balance on 1.1.2022.</b>	<b>13.657</b>	<b>683</b>	<b>2.449</b>	<b>14.740</b>	<b>31.528</b>
Profit/(loss) of the business year	-	-	-	2.899	2.899
Other comprehensive income	-	-	-	-	0
Total comprehensive income/(loss)	-	-	-	2.899	2.899
Dividend	-	-	-	(6.829)	(6.829)
Other changes in equity					
<b>Balance on 30.9.2022.</b>	<b>13.657</b>	<b>683</b>	<b>2.449</b>	<b>10.810</b>	<b>27.599</b>
<b>Balance on 1.1.2023.</b>	<b>13.657</b>	<b>683</b>	<b>2.449</b>	<b>10.906</b>	<b>27.695</b>
Profit/(loss) of the business year	-	-	-	887	887
Other comprehensive income	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	887	887
Dividend	-	-	-	-	-
Other changes in equity					
<b>Balance on 30.9.2023.</b>	<b>13.657</b>	<b>683</b>	<b>2.449</b>	<b>11.793</b>	<b>28.582</b>

	<b>1.-9. 2023.</b>	<b>1.-9. 2022.</b>
	<b>u '000 EUR</b>	<b>u '000 EUR</b>
<b>CASH FLOW FROM BUSINESS ACTIVITIES</b>		
Profit before tax	1.082	2.978
Adjustments:	-	-
Depreciation, amortization	863	719
Gains and losses from the sale and value adjustments of long-term tangible and intangible assets	(42)	(51)
Income from interest and dividends	(31)	(798)
Interest expenses	63	9
Exchange differences (unrealized)	1	1
Increase or decrease in cash flows before changes in working capital	1.935	2.859
Changes in working capital	3.011	(6.840)
Increase or decrease in current liabilities	(1.016)	381
Increase or decrease in current receivables	371	(1.122)
Inventory increase or decrease	3.656	(6.099)
Other increases or decreases in working capital	-	-
<b>Cash generated from operations</b>	<b>4.947</b>	<b>(3.980)</b>
Interest paid	(2)	(9)
Income taxes paid	(16)	(98)
<b>NET CASH FLOWS FROM BUSINESS ACTIVITIES</b>	<b>4.929</b>	<b>(4.088)</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Cash receipts from the sale of long-term tangible and intangible assets	42	76
Cash receipts from interest	27	4
Cash receipts from dividends	4	799
Cash receipts based on the return of loans and savings deposits	-	5.443
Other cash receipts from investment activities	-	2
Cash expenditures for the purchase of long-term tangible and intangible assets	(355)	(1.381)
Cash outflows for the acquisition of financial instruments	(1.117)	-
Cash expenditures based on loans and savings deposits for the period	(1.217)	-
<b>NET CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>(2.615)</b>	<b>4.941</b>
<b>CASH FLOWS FROM FINANCIAL ACTIVITIES</b>		
Cash receipts from principal of loans, loans and other loans	-	5.309
Cash expenditures for the repayment of principal of loans, loans and other loans and debt financial instruments	(2.023)	(96)
Cash expenses for the payment of dividends	-	(6.829)
<b>NET CASH FLOWS FROM FINANCIAL ACTIVITIES</b>	<b>(2.023)</b>	<b>(1.615)</b>
<b>TOTAL NET CASH FLOW</b>	<b>291</b>	<b>(762)</b>
Cash and cash equivalents at the beginning of the period	365	1.134
<b>Cash and cash equivalents at the end of the period</b>	<b>655</b>	<b>372</b>

## **NOTE 1 – GENERAL INFORMATION**

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

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

Čakovec mlinovi Inc. have three subsidiaries: Trgovina Krk Inc. Malinska, Trgočentar Inc. Virovitica and Radnik Opatija Inc. Lovran (hereinafter collectively: "Čakovečki mlinovi Group" or "Group") and one affiliated company: Narodni trgovački lanac LLC. Soblinec. In the comparable data for the year 2022, the subsidiary Trgostil Inc. was also consolidated which was merged with Trgovina Krk Inc. on October 3 2022. Čakovec mlinovi Inc. in addition to the non-consolidated reports of the Companies, they also prepare the consolidated reports of the Group separately.

### ***PRINCIPAL ACTIVITIES***

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

### ***CORPORATE GOVERNANCE***

The composition of the Company's bodies as at 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)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The accounting policies that were applied when compiling the audited annual financial statements for 2022 were not changed and were also applied when compiling these financial statements. The mentioned accounting policies can be found in the audited annual financial statements for 2022, published on the website of the Zagreb Stock Exchange ([www.zse.hr](http://www.zse.hr)).



Mlinska ulica 1, 40000 Čakovec, Hrvatska, centrala: 040 375 555, fax: 040 375 558  
e-mail: [mlinovi@cak-mlinovi.hr](mailto:mlinovi@cak-mlinovi.hr), [www.cak-mlinovi.hr](http://www.cak-mlinovi.hr)