



ČAKOVEČKI MLINOVI

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ČAKOVEČKI MLINOVI INC.

CONSOLIDATED FINANCIAL REPORT FOR H1 2023



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ČAKOVEČKI MLINOVI INC.

**CONSOLIDATED INTERIM MANAGEMENT REPORT
FOR H1 2023**

1. BUSINESS RESULTS IN H1 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 d.d. on 3 October 2022. Čakovečki mlinovi Inc. in addition to the non-consolidated reports of the Companies, they also prepare the consolidated reports of the Group separately.

In H1 2023 the Čakovečki mlinovi Group generated EUR 94 million in consolidated total revenue based on consolidated total assets in the amount of EUR 112 million. As at 30 June 2023, the Group employed 2.319 employees.

The shares of Čakovečki mlinovi Inc. are listed on the Official Market of the Zagreb Stock Exchange (as of 18 April 2023) under the symbol CKML. As at 30 June 2023, the Company has 10,290,000 of issued and listed shares with a market capitalization in the amount of EUR 108 million.

BUSINESS 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	30.6.2023.	30.6.2022.
Number of trade stores	438	439
Store sales area (in m2 net)	55.331	54.561
Average area per store (in m2 net)	126	124
Area of distribution warehouses (in m2 gross)	11.343	11.343
Average number of employees	1.833	1.995

Trade is the largest segment of the Čakovečki mlinovi Group, which in H1 2023 generated 86% 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 30 June 2023, the Trade segment operated 438 stores located in northwestern Croatia, Kvarner and the island of Krk. The total net sales area amounted

to 55.331 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 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	30.6.2023.	30.6.2022.
Grain processed (in tons)	23.394	26.208
Production of bakery products (in tons)	3.691	3.597
Oil production (in tons)	4	5
Average number of employees	271	289

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 June 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 87,5 million (+4,9% compared to H1 2022);
- Normalized profit before interest, taxes and depreciation (EBITDA) in the amount of EUR 5,3 million (+39,8% compared to H1 2022), growth of the normalized EBITDA margin from 4,6% to 6,1%;
Net profit in the amount of EUR 1,2 million (+68,4% compared to H1 2022), growth of the net profit margin from 0,8% to 1,4%.

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

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

Based on the request of Čakovečki mlinovi Inc. and decisions of the Zagreb Stock Exchange Inc., on 18 April 18 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.

KEY FINANCIAL INDICATORS OF THE GROUP

INCOME STATEMENT (millions of euros)	1.-6. 2023.	1.-6. 2022.	1.-6. 2023./ 1.-6. 2022.
Sales revenue	87,5	83,4	4,9%
Operating costs, net ¹	82,8	79,4	4,2%
EBITDA ²	4,7	3,9	20,0%
Normalized EBITDA³	5,3	3,8	39,8%
Depreciation	3,9	3,6	8,0%
EBIT ⁴	0,8	0,3	160,2%
Net financial result ⁵	0,5	0,6	-14,9%
Net profit (loss)	1,2	0,7	68,4%

Profit margins⁶			
EBITDA margin	5,4%	4,7%	0,7 pb
Normalized EBITDA margin	6,1%	4,6%	1,5 pb
EBIT margin	0,9%	0,4%	0,5 pb
Net profit margin	1,4%	0,8%	0,5 pb

Balance sheet (millions of euros)	30.6.2023.	31.12.2022.	30.6.2023./ 31.12.2022.
Net debt (cash) ⁷	-13,9	-6,4	117,9%
Neto debt (cash) / Norm. EBITDA (TTM) ⁸	75,4	75,3	0,1%
Equity	18,8	25,2	-25,4%

CASH FLOWS (millions of euros)	1.-6. 2023.	1.-6. 2022.	1.-6. 2023./ 1.-6. 2022.
Net operating cash flows	9,8	6,4	52,4%
Capital expenditures (CapEx) ⁹	1,3	4,3	-70,5%
Dividends paid	0,0	0,0	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 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 H1 2023, the Čakovečki mlinovi Group achieved EUR 87.5 million in sales revenue, EUR 5,3 million in normalized EBITDA and EUR 1,2 million in net profit.

The Group's operations were marked by a growth in sales revenue of 4,9% or 4,1 million euros compared to the same period of the previous year, as a result of the growth in sales revenue of both business segments, Trade by 4,1% and Food by 10,4%.

The Trade business segment, as the largest segment of the Group, achieved EUR 74,8 million or 86% of the Group's sales revenue and EUR 3,8 million or 71% of the Group's normalized EBITDA.

Revenues from the sale of Retail, as the Group's largest business area, grew by 4,2% or 2,9 million euros, or by 4,2% or 2,8 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.

The Group's net operating costs increased by 4,2% or EUR 3,3 million, mainly as a result of the increase in net costs of goods sold (by EUR 1,8 million) and personnel costs (by EUR 1,3 million). The net cost of goods sold increased due to the increase in the income of the Trade segment, while the personnel costs increased due to the increase in the minimum wage and labor shortage.

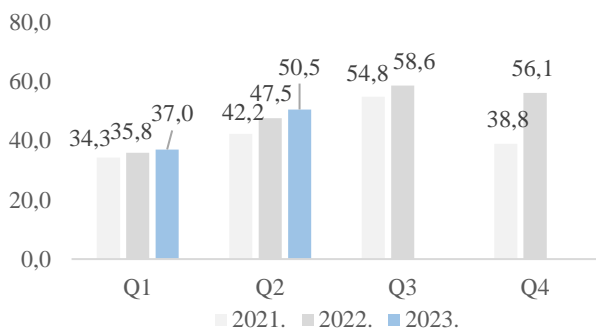
In the first half of 2023, the Group's normalized EBITDA increased by EUR 1,5 million, and net profit increased by EUR 0,5 million. The group achieved an increase in the normalized EBITDA margin to 6,1% (H1 2022: 4,6%) and an improvement in the net profit margin to 1,4% (H1 2022: 0,8%). The Group's profit margins were pressured by government price control measures and rising personnel costs.

The net financial result was EUR 0,5 million and is EUR 0,1 million lower compared to the same period of the previous year.

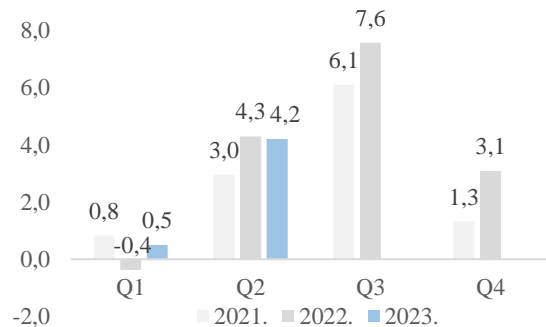
As at June 30 2023, the Group had a net cash position of EUR 13,9 million.

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.

Considering its coastal operations in Trade as well as significant sales in the Food segment to customers who also have coastal operations, the Čakovečki mlinovi Group has a characteristic seasonality of business depending on opportunities in Croatian tourism. Considering the successful course of the tourist season so far, the Group in the second quarter of 2023 records continued growth in sales revenue for Q2 2023 in the amount of EUR 50,5 million and stable EBITDA for Q2 2023 in the amount of EUR 4,2 million.

SALES REVENUE

SALES REVENUE BY SEGMENT					
(in millions of euros)	1.-6. 2023.	% of sales revenue	1.-6. 2022.	% of sales revenue	1.-6. 2023./ 1.-6. 2022.
Trade	74,8	85,5%	71,9	86,2%	4,1%
Food	12,7	14,5%	11,5	13,8%	10,4%
Consolidated sales revenue	87,5	100,0%	83,4	100,0%	4,9%

Note: Data are presented on a consolidated basis.

LFL ¹ RETAIL GROWTH			
(in millions of euros)	1.-6. 2023.	1.-6. 2022.	1.-6. 2023./ 1.-6. 2022.
Revenue from the sale of goods – Trade	74,6	71,8	4,0%
Revenue from the sale of goods - Retail	71,6	68,7	4,2%
Revenue from the sale of goods - Retail - LFL¹	68,3	65,6	4,2%

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 H1 of 2023, the Group achieved sales revenues in the amount of EUR 87,5 million, which is 4,9% or EUR 4,1 million more compared to the same period of the previous year, as a result of a 4,1% increase in the sales of the Trade segment and an increase of 10,4% in the Food segment.

Sales of the Trade segment amounted to EUR 74,8 million or 86% of the Group's sales and increased by 4,1% or EUR 2,9 million compared to the same period of the previous year. The mentioned growth is a consequence of the positive effects of an active pricing policy and partially negative effects of weakening consumer purchasing power, unfavourable weather conditions and the closing of just one less profitable store. Revenues from the sale of goods in Retail increased by 4,2% or 2,9 million euros, or by 4,2% or 2,8 million euros on an LFL basis. At the same time, the categories of construction, fruit and vegetables and sweets grew the most, while basic food and pet food fell the most. Wholesale realized 2,5 million euros, which is 3,3% of the income from the sale of goods of the Trade segment and represents a decrease of 2,2% or 0,1 million euros compared to the same period of the previous year.

The Food segment's sales revenue amounted to EUR 12,7 million or 14% of the Group's sales revenue and was higher by 10,4% or EUR 1,2 million compared to the same period of the previous year. This is the result of the increase in revenue from sales of both business areas within this segment, Milling by 0,4% and Bakery by 22,8%, 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 64%. In the bakery industry, sales of fresh bread grew the most, by 27,0%.

OPERATING COSTS

(in millions of euros)	1.-6. 2023.	% of sales revenue	1.-6. 2022.	% of sales revenue	1.-6. 2023./ 1.-6. 2022.
Cost of raw m. and changes in v. of stock	12,5	14,3%	12,7	15,2%	-1,1%
Cost of goods sold, net ¹	49,6	56,7%	47,8	57,3%	3,8%
Other external expenses	2,9	3,3%	2,9	3,5%	-2,7%
Personnel costs ²	16,4	18,8%	15,1	18,2%	8,6%
Other expenses	1,1	1,3%	1,1	1,3%	2,1%
Other business expenses (revenue) ³	0,2	0,2%	-0,2	-0,3%	-185,3%
Operating expenses, net	82,8	94,6%	79,4	95,3%	4,2%

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 H1 2023, the Group recorded an increase in net operating costs by 4,2% or 3,3 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 paid non-taxable receipts amounted to EUR 16,4 million and increased by 8,6% or EUR 1,3 million. Personnel costs grew under the influence of the increase in the minimum wage and the spillover of this impact on the rest of wages and the lack of manpower. On 30 June, 2023, the Group employed 2.319 employees (H1 2022: 2.448), that is, in the first half of 2023, on average, based on working hours, 2.107 employees (H1 2022: 2.268).

EBITDA

EBITDA BY SEGMENTS (u milijunima eura)	1.-6. 2023.			1.-6. 2022.		
	GROUP	TRADE	FOOD	GROUP	TRADE	FOOD
Consolidated sales revenue	87,5	74,8	12,7	83,4	71,9	11,5
EBITDA	4,7	3,5	1,2	3,9	2,8	1,1
EBITDA margin	5,4%	4,7%	9,3%	4,7%	4,0%	9,4%
Normalized EBITDA¹	5,3	3,8	1,5	3,8	2,8	1,1
Normaliz. EBITDA margin	6,1%	5,1%	12,2%	4,6%	3,8%	9,2%

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 H1 2023, the Group achieved normalized EBITDA in the amount of EUR 5,3 million, which is EUR 1.5 million more than in the same period of the previous year. Reported EBITDA was EUR 4,7 million (H1 2022: EUR 3,9 million).

Normalized EBITDA of the Trade segment amounted to EUR 3,8 million and increased by EUR 1,0 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 5,1% (H1 2022: 3,8%).

The normalized EBITDA of the Food segment was 1,5 million euros and increased by 0,4 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 12,2% (H1 2022: 9,2%).

Normalized EBITDA

NORMALIZED EBITDA (in millions of euros)	1.-6. 2023.			1.-6. 2022.		
	GROUP	TRADE	FOOD	GROUP	TRADE	FOOD
EBITDA	4,7	3,5	1,2	3,9	2,8	1,1
Costs of intellectual services	0,2	0,0	0,1	0,1	0,0	0,1
Bonuses under contractual arrangements	0,5	0,3	0,3	0,2	0,2	0,0
Other one-off expenses (revenue), net	-0,1	0,0	0,0	-0,4	-0,3	-0,1
Normalized EBITDA	5,3	3,8	1,5	3,8	2,8	1,1

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 H1 2023, the Group recorded 0.2 million euros of one-off expenses for intellectual services related to potential acquisition projects (H1 2022: 0.1 million euros), 0.5 million euros of bonuses paid under contractual arrangements (H1 2022: 0.2 million euros), and 0.1 million euros of net other one-off revenues (H1 2022: 0.4 million euros).

NET PROFIT

In the H1 of 2023, the Group realized a net profit in the amount of EUR 1,2 million, which is EUR 0,5 million more than in the same period of the previous year, mainly as a result of higher EBITDA.

NET DEBT

(in millions of euros)	30.6.2023.	31.12.2022.	30.6.2023./ 31.12.2022.
Long-term liabilities on loans received	0,0	0,0	0,0%
Long-term liabilities by lease	3,9	3,7	4,1%
Short-term liabilities on loans received	4,2	4,2	-0,1%
Short-term liabilities by lease	0,8	1,5	-47,3%
Days of loans, deposits and the similar	-10,7	-9,4	13,1%
Cash in the bank and cash register	-12,1	-6,4	89,4%
Net debt (cash)	-13,9	-6,4	117,9%

As at 30 June 2023, the Group recorded a net cash position in the amount of EUR 13.9 million (December 31, 2022: EUR 6.4 million), of which EUR 4.2 million (December 31, 2022: EUR 4.2 million) related to credit and loan liabilities, EUR 4.7 million (December 31, 2022: EUR 5.3 million) to lease liabilities. EUR), and EUR 22.7 million on money and day deposits (December 31, 2022: EUR 15.8 million). Credit and loan liabilities 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 H1 2023, the Čakovečki mlinovi Group generated net cash flows from business activities in the amount of EUR 9.8 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)	30.6.2023.	31.12.2022.	30.6.2023./ 31.12.2022.
Stock	28,8	30,1	-4,4%
Short-term receivables from customers	10,6	10,3	3,4%
Short-term liabilities to suppliers	-21,5	-15,3	40,8%
Net working capital	18,8	25,2	-25,4%

The Group's net working capital decreased by 25,4% or EUR 6,4 million, with inventories decreasing by 4,4% or EUR 1,3 million as a result of the normal processing of old wheat stocks in the Food segment before new purchases. Accounts receivable increased by 11,3% or 1,2 million euros, while short-term payables to suppliers increased by 40,8% or 6,2 million euros due to the usual higher procurement of the Trade segment before the summer season.

The Group's capital investments in the first half of 2023 amounted to EUR 1.3 million and are lower than in the same period of the previous year (H1 2022: EUR 4.3 million), given that the previous multi-year investment cycle in Trgovina ended in 2022, and the new one will be defined this year. In the Retail segment, EUR 1.0 million was invested in new openings and in the renovation of existing stores. Capital investments in the Food segment amounted to EUR 0.2 million and refer to the purchase of vehicles for the transport of 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)	30.6.2023.	31.12.2022.	30.6.2023./ 31.12.2022.
Price per share (PPS, in euro) ¹	10,5	9,8	6,9%
Market Capitalization ²	108,0	101,0	6,9%
EV ³	90,3	91,8	-1,6%
EV / Sales Revenue ⁴	0,48x	0,50x	-0,02x
EV / Normalized EBITDA⁴	6,1x	6,9x	-0,8x

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

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

The impact of the war in Ukraine

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

As of the date of this report, the Group has no relationship with or exposure to companies from Russia, Belarus or Ukraine. In Croatia, the group achieves 97.9% of its revenue and 100% of its capital investments, which it finances exclusively with its own funds. The Group's foreign revenues refer to Slovenia, BiH and Hungary. Also, the parent company Čakovečki mlinovi Inc. does not have any shareholders from Russia or Belarus nor does it directly or indirectly hold ownership interests in entities in those countries.

Although there is no direct exposure to Russia and Ukraine, a significant proportion of the Group's material costs relate to grain and energy procurement costs which are managed as described later in this section of the report. Management continuously considers all risks related to the situation in Ukraine and assesses that these risks do not threaten the stability of the Group's operations.

State price control measures

In the Trade segment, government measures aimed at controlling the prices of certain food products have a negative impact on the Group's operations since their introduction in early September 2022, in the form of a loss of part of the margin and super rebates on these products. In addition, state measures aimed at limiting the highest retail prices of petroleum derivatives have a negative impact on the operations of the gasoline category since their introduction in October 2021. The management manages the mentioned negative effects through an active pricing policy on the entire assortment.

In the Food segment, state price control measures have limited the prices of small packages of soft and hard flour from the beginning of September 2022, which makes it impossible for them to have an active pricing

policy and indexation of costs that affect the price of the final product. In addition, from the second half of 2022, a significant and uncontrolled import of flour and cornmeal from Ukraine has been noticed in Croatia, which limits the active price policy on the entire mill program.

Expected operations of the 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 margin on the continent and 44% on the coast. For this reason, the operations of the Trade segment are significantly dependent 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 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 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 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.

Personnel costs: Personnel costs are expected to increase under the influence of minimum wage growth 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 4 stores on the coast and 1 on the continent is planned for 2023, while the final plan will be defined as part of the 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 influenced by the prices of input raw materials and materials, primarily grains and energy products, which, as stock market commodities, are significantly influenced by geopolitical events. Following the increase in the prices of raw materials in 2022, in 2023, their decline is recorded, which will also determine the level of sales prices of the Food segment. Stable demand for key product groups is expected in the milling program (wheat flour, large packages of 25 kg and 50 kg, bulk and small packages of 1 kg and 5 kg). The sale of bakery products is mostly realized internally through

the Trade segment of the Group, and the final result of the bakery program will depend on the result of the Trade segment.

Strategic guidelines

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

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

Key business factors

Pricing: Management will continue to 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 represent key inputs in the Food segment. Long-term electricity and gas prices were successfully negotiated in September 2021, of which the gas contract expires in September of this year and negotiations will need to be resumed, however, the contractual relationship in question is not material for the Group considering the relatively higher use of electricity. Most of the necessary quantities of grain are procured during the harvest in July (wheat and rye) and October (corn), when the price is usually the lowest. During the current harvest, Čakovečki mlinovi plan to purchase significant quantities of wheat and rye for the 2023 harvest. The 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 offered the highest purchase prices.

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

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

ČAKOVEČKI MLINOVI INC.

CONSOLIDATED FINANCIAL STATEMENTS FOR H1 2023

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

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


To the best of our knowledge:

- The consolidated financial statements for the first half of 2023, prepared in accordance with appropriate financial reporting standards, give a true and fair presentation of assets and liabilities, financial position, profit or loss of the issuer and affiliated companies thereof.
- The consolidated interim management report for the first half of 2023 contains an 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.

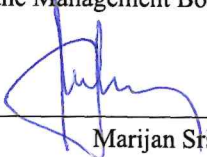
The consolidated financial statements for the first half of 2023 are not audited.

In Čakovec, 25 July 2023

For Čakovečki mlinovi Inc.:



Nino Varga
President of the Management Board



Marijan Sršen
Member of the Management Board

	1.-6. 2023.	1.-6. 2022.	4.-6. 2023.	4.-6. 2022.
	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR
Sales revenue	87.479	83.371	50.442	47.542
Other revenue	5.473	5.346	3.590	3.694
Operating revenue	92.952	88.716	54.032	51.236
Changes in inv. of work in progress and f. goods	3	245	(204)	267
Costs of raw material	(12.551)	(12.932)	(5.696)	(6.478)
Cost of goods sold	(54.872)	(52.646)	(32.726)	(30.369)
Other external costs	(2.853)	(2.933)	(1.529)	(1.659)
Staff costs	(14.537)	(13.487)	(7.819)	(6.952)
Depreciation, amortisation	(3.905)	(3.614)	(1.957)	(1.788)
Other costs	(3.017)	(2.747)	(1.607)	(1.573)
Other business expenses	(419)	(294)	(229)	(177)
Operating expenses	(92.151)	(88.408)	(51.767)	(48.729)
Operating profit	802	308	2.265	2.507
Financial income	105	70	101	63
Financial expenses	(75)	(95)	(36)	(42)
Net financial result	30	(24)	65	21
Share of net profit of associates accounted for using Equity method	510	659	468	516
Profit before tax	1.342	943	3	3
Income tax expense	(152)	(236)	(37)	(236)
Net profit	1.191	707	(34)	(233)
Attributable to:			-	-
Owners	1.210	716	2.723	2.752
Non-controlling interests	(19)	(9)	38	56
Earnings per share (in euros)				
- basic	0,12	0,07	(0,00)	(0,00)
- diluted	0,12	0,07	(0,00)	(0,00)

	1.-6. 2023.	1.-6. 2022.	4.-6. 2023.	4.-6. 2022.
	in '000 EUR	in '000 EUR	in '000 EUR	in '000 EUR
Net profit for the period	1.191	707	(34)	(233)
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	1.191	707	(34)	(233)
Attributable to:				
Owners	1.210	716	2.723	2.752
Non-controlling interests	(19)	(9)	38	56

	30.6.2023. in '000 EUR	31.12.2022. in '000 EUR
Assets		
Fixed assets		
Intangible assets	47	74
Tangible assets	37.781	38.922
Real estate investment	402	402
Investment property	7.778	8.076
Investments accounted for using equity method	1.562	1.568
Financial assets	4	5
Trade and other receivables	297	297
	47.872	49.344
Current assets		
Inventories	28.803	30.140
Trade and other receivables	12.715	11.195
Financial assets	10.736	9.550
Cash and cash equivalents	12.061	6.369
	64.316	57.255
TOTAL ASSETS	112.188	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	59.751	58.664
	79.296	78.209
Non-controlling interests	(3.891)	(2.877)
	75.405	75.332
Liabilities		
Non-current liabilities		
Provisions	979	979
Lease liabilities	3.892	3.740
Borrowings	10	10
Deferred tax liability	605	605
	5.486	5.334
Current liabilities		
Provisions	4.977	5.694
Lease liabilities	5	10
Borrowings	24	72
Advances received	21.469	15.251
Trade payables	1.933	1.695
Employee benefits payables	2.191	2.161
Taxes, contributions and other duties payable	32	32
Liabilities from equity share in profit	637	1.018
	31.268	25.933
Deferred payment and future period income	29	-
TOTAL EQUITY AND LIABILITIES	112.188	106.599

	Share capital in '000 EUR	Legal in '000 EUR	Other in '000 EUR	Fair value in '000 EUR	Retained in '000 EUR	Total in '000 EUR	Non- in '000 EUR	Total 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	-	-	-	-	716	716	(9)	707
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	716	716	(9)	707
Dividend	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	-	-	1	1
Balance on 30.6.2022.	13.657	683	2.449	2.677	58.477	77.943	(2.257)	75.686
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	-	-	-	-	1.210	1.210	(19)	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	1.210	1.210	(19)	-
Dividend	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	(123)	(123)	(995)	(1.117)
Balance on 30.6.2023.	13.657	683	2.449	2.756	59.751	79.296	(3.891)	75.405

	1.-6. 2023.	1.-6. 2022.
	in '000 EUR	in '000 EUR
CASH FLOW FROM BUSINESS ACTIVITIES		
Profit before tax	1.221	943
Adjustments:		
Depreciation, amortization	3.905	3.614
Share of profits of investments accounted for using equity method	(510)	(659)
Income from interest and dividends	(5)	(60)
Interest expenses	70	79
Exchange differences (unrealized)	3	4
Other adjustments for non-cash transactions and unrealized gains and losses	(1.613)	870
Increase or decrease in cash flows before changes in working capital	3.070	4.791
Changes in working capital	7.034	2.080
Increase or decrease in current liabilities	6.086	6.438
Increase or decrease in current receivables	(388)	(1.245)
Inventory increase or decrease	1.337	(3.113)
Other increases or decreases in working capital	-	-
Cash generated from operations	10.105	6.871
Interest paid	(70)	(82)
Income taxes paid	(248)	(366)
NET CASH FLOWS FROM BUSINESS ACTIVITIES	9.787	6.423
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Proceeds from sales of fixed tangible and intangible assets	56	1
Interest received	5	7
Cash receipts from dividends	-	52
Cash receipts based on the return of loans and savings deposits	-	366
Cash expenditures for the purchase of long-term tangible and intangible assets	(1.278)	(4.336)
Cash expenditures based on loans and savings deposits for the period	(1.190)	-
Other cash expenditures from investment activities	(1.117)	-
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	(3.524)	(3.910)
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Cash outlays for financial lease	152	-
Cash expenditures for the repayment of principal of loans, loans and other loans and debt financial instruments	(722)	(869)
NET CASH FLOWS FROM FINANCIAL ACTIVITIES	(570)	(869)
TOTAL NET CASH FLOW	5.693	1.644
Cash and cash equivalents at the beginning of the period	6.369	5.464
Cash and cash equivalents at the end of the period	12.062	7.108

NOTE 1 – GENERAL INFORMATION

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

The share capital of the Company as of June 30 2023 is HRK 102,900,000.00 and is divided into 10,290,000 shares with a nominal value of HRK 10.00. Shares of Čakovečki mlinov 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 June 30 2023 is as follows.

Management board:

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

Supervisory board:

- Stjepan Varga (president)
- Marko Orešković (deputy president)
- Damir Metelko (member)
- Lidija Posavec (member).

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).



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