

CIAK Grupa d.d. (ZB: CIAK-R-A; ciakgrupa.hr) has published results for the period IV–VI 2023. Report contains non audited financial statements for period ending June 30, 2023, prepared by the company's Management in accordance with International financial reporting standards (IFRS).

CIAK Group financial results (IFRS)

IV -VI 2022	IV -VI 2023	In EUR thousands	I-VI 2022	I-VI 2023	%
52,690	65,041	Sales revenues	102,278	126,817	24
3,452	5,580	EBITDA ⁽¹⁾	6,188	10,518	70
3,571	5,580	EBITDA without one-off items ⁽²⁾	6,307	10,518	67
1,284	2,561	Profit / (Loss) from operations	2,018	4,998	148
1,403	2,561	Profit from operations without one-off items ⁽²⁾	2,137	4,998	134
(460)	(704)	Result from financial activities	(777)	(1,142)	47
825	1,857	Gross profit / (loss)	1,242	3,856	210
983	1,857	Gross profit / (loss) of period without one-off items ⁽²⁾	1,400	3,856	176
0.03	0.08	Earnings per share ⁽³⁾	0.05	0.16	216
1,260	3,262	Simplified free cash flow ⁽⁴⁾	1,916	5,393	181
57,558	57,375	Net debt ⁽⁵⁾	57,558	57,375	(0)
45	46	Net gearing (%) ⁽⁶⁾	45	46	2
2,311	2,318	CAPEX	4,390	5,125	17

⁽¹⁾ EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) = EBIT (Earnings Before Interest and Taxes) + Amortization

⁽²⁾ EBITDA and operating profit in I-III 2022 were negatively affected by EUR 119 thousand one-off items, i.e. gross profit by EUR 157 thousand which are related to the principal and default interest costs of the litigation, and the subsequent customs costs of 2017

⁽³⁾ Earnings per share = net profit / number of shares

⁽⁴⁾ Simplified Free Cash Flow = EBITDA without one-off items – CAPEX (capital expenditures)

⁽⁵⁾ Net debt = Long and short-term financial liabilities – Cash and cash equivalents

⁽⁶⁾ Gearing ratio = Long and short-term financial liabilities – Loans and deposits given - Cash and cash equivalents / (Long and short-term financial liabilities – Loans and deposits given - Cash and cash equivalents + Equity)

⁽⁷⁾ When converting the value from HRK to EUR, the average exchange rates of Croatian National Bank (CNB) are applied for I-XII 2022 in accordance with accounting standards.

Compared to the same period last year, the first half of 2023 reports sales revenue growth amounted to EUR 24.5 million or 24%.

Reported EBITDA is higher by EUR 4.3 million or 70% compared to the first half of the previous year.

The reported gross profit generated in the first half of the current year is higher by EUR 2.6 million or 210% compared to the same reporting period of the previous year, which indicates a strong increase in profitability and further strengthening of the market position despite the volatile external environment and the general increase of inputs.

With the continuation of acquisitions and market consolidation, net debt remained at the same level compared to the end of the second quarter last year and as of June 30, 2023 amounts to EUR 57.4 million. Along with the growth of consolidated EBITDA, the Net debt/EBITDA ratio as of June 30, 2023 is 2.43 and is significantly below the possible rates at the consolidated level.

Capital investments amounted to EUR 5.1 million in the first half of the current year and increased by 17% or EUR 735 thousand compared to the first half of the previous year. The presented CAPEX in both reporting periods includes investments in long-term tangible and intangible assets.

Main external parameters

IV -VI 2022	IV -VI 2023		I-VI 2022	I-VI 2023	%
2,198.90	2,117,31	Lead price (USD/t)*	2,268.73	2,129.26	(6)
1.07	1.09	Average USD/EUR	1.09	1.08	(1)
1.05	1.09	Closing USD/EUR	1.05	1.09	4
7.54	-	Average EUR/HRK	7.54	-	N/A
7.58	-	Closing EUR/HRK	7.53	-	N/A

* LME market data – period average

Key effects on business result in I-VI 2023 in comparison to I-VI 2022

- Sales revenues amounted to EUR 126.8 million and increased by 24% compared to the same period last year.
- Average lead price on the London Stock Exchange in the first half of 2023 was USD 2,129.26/t, i.e. it was 6% lower compared to the same period of the previous year.
- Consolidated EBITDA realised in the first half of this year amounts to EUR 10.5 million and is 70% higher compared to the realised EBITDA of the same period last year, primarily as a result of higher realized revenues, continued optimization of procurement processes, and management of operating expenditures
- Financial expenditures amounted to EUR 1.2 million and are 35% higher in comparison with last year realisation in the same reporting period.

Statement by president of the Management Board, Mr. Ivan Leko:

Although the year 2023 at the global level has shown so far a slightly better introduction to the business year compared to the previous year, the external environment continues to provide challenges that affects the entire market as well as all participants. Additionally, all of the above influence formation of future expectations.

In the first half of 2023, realized consolidated revenues amounts to EUR 127 million, which is 24% higher compared to the same period of the previous year. Reported EBITDA amounts to EUR 10.5 million, which represents an increase of 70% compared to the same period last year.

At the same time, it is important to note that organic growth represents almost the entire growth of consolidated revenues as well as realized EBITDA, which sends a clear message about the success of the integration process of previously realized acquisitions, realized synergistic effects at the level of the Group and adequate and timely responses to changes in the external environment.

At the same time, realized capital investments amounts to more than EUR 5 million, which is 17% more compared to the same period last year. This sends a clear message that CIAK Group keeps its focus on long-term business development and delivery of business results.

Results delivery in the first half of 2023 represents a good basis for the continuation of the 2023 business year, but with the aforementioned challenges in the external environment, CIAK Group maintains its focus on further consolidation and optimization of business processes at the Group level. The optimal way of doing business, management, and the delivery of key business goals and projects is a priority for remaining period in 2023.

*Consolidated Profit & Loss statement of CIAK Group
for period ending 30 June, 2022 and 30 June, 2023 (in EUR thousands)*

IV -VI 2022	IV -VI 2023	In EUR thousands	I-VI 2022	I-VI 2023	%
52,690	65,041	Sales revenues	102,278	126,817	24
251	370	Other operating revenues	607	804	32
52,941	65,412	Operating revenues	102,885	127,621	24
7,098	6,846	Costs of raw materials and consumables	14,312	14,539	2
2,168	3,019	Amortization	4,170	5,520	32
9,095	11,392	Staff costs	17,435	21,982	26
28,915	37,131	Costs of goods sold	56,759	71,727	26
4,104	4,524	Other costs	7,697	8,290	8
214	45	Value adjustments	413	491	19
63	(107)	Provisions for costs and risks	79	74	(6)
51,657	62,851	Operating expenditures	100,866	122,623	22
1,284	2,561	Profit / (Loss) from operations	2,018	4,998	148
71	48	Financial revenues	136	89	(35)
530	753	Financial expenditures	913	1,231	35
(460)	(704)	Profit / (loss) from financial activities	(776)	(1,142)	47
825	1,857	Profit / (Loss) of the period	1,242	3,856	210

*Consolidated Statement of financial position of CIAK Group
at 31 December, 2022 and 30 June, 2023 (in EUR thousands)*

In EUR thousands	Notes	31 December 2022	30 June 2023	%
TOTAL ASSETS				
Fixed assets				
Intangible assets		8,794	8,836	0
Real estate, plant and equipment		47,899	48,205	1
Loans and deposits given		317	352	11
Investment in holdings, securities and other fixed financial assets		306	306	0
Receivables		253	259	2
Deferred tax assets		361	365	1
Total fixed assets	5	57,930	58,323	1
Current assets				
Inventories	6	84,479	89,899	6
Customer receivables		31,187	34,568	11
Other receivables		2,346	2,929	25
Loans and deposits given		451	1,131	151
Cash & cash equivalents		14,062	6,465	(54)
Total current assets		132,525	134,992	2
Prepaid expenses and accrued revenues		4,094	3,960	(3)
Total assets		194,549	197,275	1
Equity and liabilities				
Equity and reserves				
Initial equity		26,215	26,215	0
Capital reserves		24,505	24,505	0
Other reserves		34	241	609
Retained profit / (Loss brought forward)		9,371	11,991	28
Profit / (Loss) of the period		6,046	3,207	(47)
Minority interest		(12)	(27)	125
Total equity		66,159	66,132	(0)
Provisions		8	3	(63)
Long-term liabilities				
Long-term liabilities for loans and deposits	8	36,598	37,328	2
Other long-term liabilities		17	203	1,094
Deferred tax liability		780	778	(0)
Total long-term liabilities		37,395	38,309	2
Short-term liabilities				
Liabilities for bank's and other creditor's loans	8	26,081	26,512	2
Liabilities to suppliers	7	51,475	49,610	(4)
Taxes and similar liabilities		8,082	7,372	(9)
Other short-term liabilities		2,356	5,183	120
Liabilities to employees		2,050	2,579	26
Total short-term liabilities		90,044	91,256	1
Accruals and deferred income		943	1,573	67
Total liabilities		128,390	131,141	2
Total equity and liabilities		194,549	197,273	1

Financial result overview and notes

PROFIT AND LOSS STATEMENT

Notes

- 1 Consolidated revenues** of the CIAK Group in first half of 2023 amounted to EUR 127.6 million, which is EUR 24.7 million or 24% higher compared to the same reporting period last year, of which:
 - o EUR 22.3 million related to organic growth
 - o EUR 2.4 million related to inorganic growth
- 2 Consolidated EBITDA** realised in the first half of the current year amounted to EUR 10.5 million and is 70% higher compared to consolidated EBITDA realised in the same period last year.
- 3 Staff costs** are EUR 4.6 million or 26% higher compared to the half-year realisation of the previous year, primarily as a result of an increase in employee wages.
- 4 Financial expenditures** compared to the comparative period are higher by EUR 318 thousand or 35%, partly as a result of an increase in interest expenses which, on the other hand, partially optimized by reducing negative exchange rates differences.

STATEMENT OF FINANCIAL POSITION

Notes

- 5 Long-term asset** of the company are almost at the same level compared to the end of the previous year, i.e. higher by 1% or EUR 393 thousand.
- Compared to the end of the previous year, **inventory level** is EUR 5.4 million or 6% higher at the reporting date, partly as an effect of the acquisition realized in 2023.
- Payables to suppliers** decreased by EUR 1.9 million or 4% at 30 June, 2023 compared to the end of the previous year
- 8 Short-term and long-term loans** increased compared to the 31 December, 2022 by EUR 1.2 million, of which:
 - o EUR 1.6 million relates to decrease of IFRS 16, long-term leases and loans from legal entities
 - o EUR 2.8 million relates to increase of debt toward financial institution and banks

One-off items in EBITDA, operating and gross/net profit

In 2023 there were no one-off items.

One-off items in 2022 that had cumulative negative impact on the reported gross profit amount to a total of EUR 157 thousand, and relate to:

- EUR 109 thousand the principal and interest costs of the litigation
- EUR 48 thousand the subsequent customs costs of year 2017

Implications of the Russian invasion of Ukraine on the financial statements of 2023

CIAK Group does not have a business relationship with entities from Russia and Ukraine, and in its operations it is not directly exposed to such entities, given that the Group does not provide its services and products to entities from Russia and Ukraine, and that entities from Russia and Ukraine do not provide their services and products to the Group. The area of the Group's business from the point of view of sales is mostly in the countries where the Group is present: Croatia, Slovenia, Serbia, Montenegro, Bosnia and Herzegovina, and North Macedonia, of which 65-70% of the Group's business is in the Republic of Croatia. In terms of procurement, our key principals are located in Europe and EU countries for the largest part of our business (car segment, truck segment, ecology), and for the wholesale segment, imports from Asia. Accordingly, the current situation in Russia does not have any direct impact on the Group.

However, the aforementioned situation globally affects other factors that indirectly have an impact on the entire global market, namely the further rise in the prices of raw materials and energy, pressures on the growth of interest rates, etc. which indirectly could affect some segments of CIAK Group business.

Financial instruments and risks

The risks are explained in details in CIAK Group's audited Financial Statements for the year ending 31 December, 2022.

As at 30 June, 2023 CIAK Group had financial debt amounted to **EUR 63.8 million**, of which **EUR 14.9 million** was related to long-term leases (IFRS 16) and to a lesser extent corporate loans, while **EUR 48.9 million** was related to financial institutions and banks.

Management Board

Financial reports for period I-VI. 2023 were prepared in accordance with International financial reporting standards (IFRS), i.e. they actually show, in all material respects, the financial position of the company, the results of its operations and cash flows.

Management Board:

Ivan Leko	President of the Management Board
Dominik Leko	Member
Dalibor Bagarić	Member
Ivica Greguraš	Member
Ivan Miloš	Member