

ANNUAL FINANCIAL REPORT for 2025

This document is an unofficial transcription of the official version of the Annual Financial Report of Colt CZ Group SE for the year 2025, which was prepared in the XHTML format in accordance with the European Single Electronic Format (ESEF) Regulation. The official version of the Annual Financial Report of Colt CZ Group SE for the year 2025 is available on <https://www.coltczgroup.com/en/investors-financial-results-and-presentations/>

COLT
CZGROUP

CONTENTS

1.	IN BRIEF	3	3.	OVERVIEW OF FINANCIAL RESULTS	18	5.	CONSOLIDATED SUSTAINABILITY STATEMENT	60
1.1	ABOUT THE COMPANY	3	3.1	2025 FINANCIAL REVIEW	18	6.	LIMITED ASSURANCE REPORT ON SUSTAINABILITY STATEMENT	174
1.2	KEY FINANCIAL INDICATORS IN 2025	4	3.2	INFORMATION ABOUT THE ANTICIPATED DEVELOPMENT AND OUTLOOK FOR 2026	21	7.	SUBSEQUENT EVENTS	178
1.3	KEY EVENTS IN 2025	5	4.	CORPORATE GOVERNANCE REPORT	23	8.	REPORT ON RELATIONS BETWEEN THE CONTROLLING ENTITY AND THE CONTROLLED ENTITY, AND BETWEEN THE CONTROLLED ENTITY AND OTHER ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY FOR 2025	179
1.4	LETTER FROM THE CEO	7	4.1	BASIC INFORMATION ABOUT THE COMPANY	23	9.	DECLARATION OF AUTHORIZED PERSONS	184
2.	BUSINESS & STRATEGY	10	4.2	INFORMATION ABOUT COMPLIANCE WITH THE COMPANY'S CORPORATE GOVERNANCE CODE	26	10.	ALTERNATIVE PERFORMANCE MEASURES	185
2.1	FIREARMS	10	4.3	INFORMATION ABOUT INTERNAL CONTROL POLICIES AND PROCEDURES AND THE ISSUER'S AND ITS CONSOLIDATING ENTITY'S APPROACH TO RISKS, IN RELATION TO THE FINANCIAL REPORTING PROCESS	27	11.	GLOSSARY	190
2.2	AMMUNITION	11	4.4	DESCRIPTION OF DECISION-MAKING PROCESSES AND COMPOSITION OF THE GROUP'S MANAGING BODY AND ITS COMMITTEES	28	12.	SEPARATE FINANCIAL STATEMENTS OF COLT CZ GROUP SE IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION AS AT DECEMBER 31, 2025	194
2.3	MARKETS AND CUSTOMERS	12	4.5	DESCRIPTION OF THE DECISION-MAKING PROCEDURES AND POWERS OF THE GENERAL MEETING	51	13.	CONSOLIDATED FINANCIAL STATEMENTS OF COLT CZ GROUP SE IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION AS AT DECEMBER 31, 2025	251
	2.3.1 MILITARY AND LAW ENFORCEMENT MARKET	12	4.6	STRUCTURE OF EQUITY AND DESCRIPTION OF SHARES	54	14.	AUDITOR'S REPORT	338
	2.3.2 COMMERCIAL MARKET	13	4.7	SHARES AND DIVIDEND POLICY	58			
2.4	ACQUISITIONS IN 2025 AND ACQUISITION STRATEGY	15						
2.5	OVERVIEW OF RESEARCH AND DEVELOPMENT ACTIVITIES	16						

1. IN BRIEF

1.1 About the Company

Colt CZ Group SE (Colt CZ or the Company), along with its subsidiaries (the Group), is one of the world's leading producers of firearms and ammunition for the military and law enforcement, personal defense, hunting, sport shooting, and other commercial uses. Colt CZ primarily sells its products under the Colt, CZ, Colt Canada, Dan Wesson, Sellier & Bellot, swissAA, Spuhr i Dalby, Colt Optics and 4M Systems brands.

After its stock exchange listing in 2020, the Group experienced significant expansion. In 2021, the Group added to its existing small arms production of Česká zbrojovka a.s. (CZUB or Česká zbrojovka) in the Czech Republic, the US firearms manufacturer Colt's Manufacturing Company LLC in the USA and its Canadian subsidiary Colt Canada Corporation (Colt Canada). In 2022, the Company completed an acquisition of the Swedish manufacturer of optical mounting solutions for firearms, Spuhr i Dalby AB (Spuhr). In 2023, it purchased swissAA Holding AG (swissAA), the Swiss producer of small caliber ammunition. In May 2024, it also closed the acquisition of Sellier & Bellot, a traditional Czech manufacturer of ammunition.

In June 2025, the Group acquired Valley Steel Stamp Inc. (VSS), manufacturer of firearm components and its long-term supplier

in the United States. At the end of August 2025, Colt CZ entered into a share purchase and sale agreement with Synthesia, a.s. for the purchase of 51% stake in Synthesia Nitrocellulose, a.s. (SNC). Synthesia Nitrocellulose, a.s. is one of the largest energetic nitrocellulose manufacturers in Europe and North America. In January 2026, Colt Electro Optics, LLC (Colt Optics) began operations in order to manufacture precision sighting and targeting products built to meet the real-world demands of professional users.

As at December 31, 2025, Colt CZ had an average FTE headcount of 3,952 employees. Colt CZ Group has its registered office in the Czech Republic and manufacturing capacities in the Czech Republic, the United States, Canada, Sweden, Switzerland, and Hungary.

As of December 31, 2025, the majority shareholder was Česká zbrojovka Partners SE with a 51.8% stake, CBC Europe S.à r.l. (CBC) held a 21.7% stake, 26.0% was free float and 0.5% treasury shares repurchased under the share buyback program. Colt CZ's shares are traded on the Prime Market of the Prague Stock Exchange.

1.2 Key financial indicators in 2025

Consolidated statement of profit or loss and other comprehensive income (audited)

(CZK '000)	For the year ended December 31		Change in %
	2025	2024	
Revenues from the sale of own products, goods, and services	23,398,336	22,375,792	4.6%
Firearms segment	12,120,436	15,444,952	n/a
Ammunition segment	11,277,900	6,970,734	n/a
Operating profit	3,261,998	2,001,018	63.0%
EBITDA	4,807,617	3,479,842	38.2%
Adjusted EBITDA ¹	4,661,356	4,598,864	1.4%
Profit before tax	2,572,475	1,379,838	86.4%
Profit for the period	2,044,267	1,044,575	95.7%
Adjusted profit for the period ²	2,029,903	1,933,205	5.0%
Net earnings per share (CZK per share)			
Basic	36	22	65.2%
Diluted	36	22	63.4%
Adjusted ²	36.0	40.6	(11.4%)

Consolidated statement of financial position (audited)

(CZK '000)	As at		Change in %
	December 31, 2025	December 31, 2024	
Total assets	55,635,773	46,032,198	20.9%
Total equity	21,281,971	20,028,429	6.3%
Total liabilities	34,353,802	26,003,769	32.1%
Total liabilities and equity	55,635,773	46,032,198	20.9%

¹ In 2025, EBITDA was adjusted by one-off items related to M&A expenses and legacy costs related to acquisitions, costs related to the employee stock option plan (negative), one-off expenses connected with inventory step-up in VSS and Sellier & Bellot commodity hedging, which are unrelated to operational performance and value creation in the given period. These one-off items are described in Chapter 10 - Alternative Performance Measures.

² In 2025, net profit was adjusted by one-off items related to M&A expenses and legacy costs related to acquisitions, costs related to the employee stock option plan (negative), one-off expenses connected with inventory step-up in VSS, bank fees related to acquisition loan and financing cost related to bond issue, which are unrelated to operational performance and value creation in the given period. A description of these one-off items is provided in Chapter 10 Alternative Performance Measures.

1.3 Key events in 2025

JANUARY 2025

Effective January 1, 2025, the roles of Group CEO and Chairman of the Board of Directors, both positions previously held by Jan Drahota, are separated.

Jan Drahota continues to serve as Chairman of the Board of Directors of Colt CZ, and Radek Musil, former CEO of Sellier & Bellot, becomes the new CEO of Colt CZ.

MARCH 2025

4M Tactical donates special InfraHex ponchos for thermal camouflage to the Gift for Putin fundraising campaign. The campaign reaches its target of CZK 5,800,000 in two weeks. Thanks to this effort, 333 sets of these special ponchos are delivered to Ukrainian defenders.

APRIL 2025

Mr. Dennis Veilleux steps down from his position as a member of the Company's Board of Directors effective April 1, 2025.

Colt CZ Group issues a press release responding to the introduction of U.S. Tariffs on European Goods.

JUNE 2025

Colt CZ acquires Valley Steel Stamp Inc., a corporation based in Massachusetts. VSS is a well-established manufacturer of firearm components and has been a long-term supplier to the Group in the United States.

Vladimír Dlouhý resigns from his position as a member of the Company's Supervisory Board.

JULY 2025

The Company initiates a share buyback on the regulated market operated by the Prague Stock Exchange.

Colt CZ amends the terms and conditions of three CZK-denominated bonds.

Sellier & Bellot signs a five-year strategic partnership agreement for the supply of high-performance propellants with EURENCO, Europe's leading manufacturer of energetic materials such as powders, explosives and propellant charge solutions.

AUGUST 2025

The Group enters into a share purchase and sale agreement with Synthesia, a.s., a subsidiary 100% owned by Kaprain Chemical Limited, for the purchase of controlling stakes in Synthesia Nitrocellulose, a.s. and Synthesia Power, a.s. (SP).

SEPTEMBER 2025

Česká zbrojovka a.s. and the Czech Ministry of Defense sign a new framework agreement for the supply of small arms and accessories worth up to CZK 4.26 billion, excluding VAT.

The Group's subsidiary Colt Canada signs a major contract with the Danish Defence Acquisition and Logistics Organization (DALO) for the supply of 26,000 C8 MRR (Modular Rail Rifle) carbines.

OCTOBER 2025

Jan Drahota is appointed to the Supervisory Board, which subsequently elects him as its chairman.

NOVEMBER 2025

The Company issues new bonds with a total nominal value of CZK 6 billion. The bonds bear a fixed coupon of 6.10% per annum and mature in 2031.

DECEMBER 2025

Česká zbrojovka wins a contract from the German army, which selects a CZ pistol as its standard service sidearm.

Mr. Vladimír Rada, CEO of Sellier & Bellot a.s. and Sellier & Bellot Int. a.s., is newly appointed as a member of the Board of Directors, effective December 1, 2025.

1.4 Letter from the CEO

Dear Shareholders,

2025 was a successful year for Colt CZ Group in both financial performance and strategic development.

The ammunition segment achieved exceptional results, including a high EBITDA margin, confirming that our decision to expand our business into this pillar was well-founded. The firearms segment also performed well overall, with the exception of our U.S. subsidiary Colt, whose results were impacted by persistently weaker demand in the U.S. commercial market, as well as the temporary suspension of federal government funding (shutdown) in the fourth quarter. The fulfillment of certain contracts for military and law enforcement (Mil/LE) customers was thus postponed to the following period.

At the same time, we have secured several major contracts that further strengthen our position in the global defense technology market. Our subsidiaries Colt Canada, CZ, and Sellier & Bellot recorded their best year in history. In the summer of 2025, Colt Canada signed a contract with the Danish Ministry of Defense to supply 26,000 C8 MRR carbines, and this year the order was expanded to more than 50,000 units. CZ signed a new framework agreement with the Czech Ministry of Defense and, in December, secured a major contract to supply pistols to the German Army.

Sellier & Bellot further solidified its position as a leading European ammunition manufacturer and a reliable partner to Mil/LE forces. The company secured supply chain stability by signing a strategic five-year agreement for the supply of propellant powder, thereby supporting long-term production predictability and the ability

to respond to growing demand. The company continued to fulfill deliveries under framework agreements, including those with the Czech Army and the Danish Armed Forces, and expanded cooperation with other NATO partners, including the Netherlands.

These achievements confirm our ability to provide long-term support to major customers in NATO and EU countries. The steadily growing backlog of orders in both segments strengthens our position with key customers not only in NATO and EU countries, but also in Ukraine, where we continue with projects involving the transfer of technology for CZ BREN 2 rifles and the production of Sellier & Bellot small-caliber ammunition.

2025 was also a year of significant strategic steps aimed at strengthening our control over critical parts of the supply chain. In August, we signed an agreement to acquire a 51% stake in Synthesia Nitrocellulose – one of the world's leading producers of energy nitrocellulose – and Synthesia Power – a producer and supplier of energy for the industrial complex in Semtín and Rybitví. Energetic nitrocellulose is key to the production of propellants and charges, and is absolutely essential for small-, medium-, and large-caliber ammunition. Thanks to this acquisition, which we closed in January 2026, we are creating a platform for further vertical integration in the ammunition sector. In the firearms segment, we have strengthened our manufacturing capabilities through the acquisition of the American company Valley Steel Stamp, a long-term supplier to Colt and a manufacturer of revolver frames, cylinders, and precision-machined components for the commercial firearms market.



Photo: Jan Rasch

These results and steps should be seen in a broader context. The security landscape has changed dramatically in recent years, and the defense industry is now a key pillar of national, regional, and transatlantic security. The Colt CZ Group stands ready to continue serving as a reliable partner to both existing and new military and the law enforcement customers.

2025 also represented a symbolic milestone, marking five years since our listing on the Prague Stock Exchange in 2020. We entered the capital market prior to the war in Ukraine, at a time when the defense sector was not viewed as positively by investors as it is today. Nevertheless, we believed then that transparency and access to capital were the right steps to increase our competitiveness and set the Group on a path of long-term growth.

The past five years have been a period of systematic investment and development across the Group. We have grown organically thanks to investments in new production lines, automation, and capacity expansion. The Group's production base has expanded from three to seven countries, significantly strengthening our geographic diversification and our ability to respond to customer needs.

We have invested in research and development of new products, technologies, and materials based on the needs of professional users. We are expanding our portfolio not only in the firearms and ammunition segments, but also in related technologies. One example is the launch of the new Colt Optics brand, which has allowed us to expand our portfolio this year to include our own optic products. By building a broader product range, we are further enhancing our competitiveness.

Equally important are investments in our employees – in the work environment, safety, training, and talent development, because strong teams are the foundation of long-term competitiveness.

Over the past five years on the capital market, we have also grown through acquisitions, three of which were transformative for our Group: In 2021, we acquired Colt and Colt Canada, gaining an iconic brand that is celebrating its 190th anniversary this year, as well as providing the Group with a significant presence in the North American market. This was followed in 2024 by the acquisition of Sellier & Bellot, which enabled us to enter the ammunition segment and create a second strategic pillar of our business. In January 2026, we acquired a controlling stake in Synthesia Nitrocellulose, securing access to a critical raw material for ammunition production and paving the way for full vertical integration.

The extent of the Group's transformation in the five years since its IPO is well illustrated by selected metrics. Market capitalization has risen from CZK 9.5 billion at the time of the IPO to CZK 56.6 billion, while the number of shareholders has grown nearly sevenfold.* The share price rose from CZK 290 in October 2020 to approx. CZK 1,000, while dividends have been paid regularly. Free float increased from 9.2% after the IPO to 26%. The Group's revenues grew from CZK 6.8 billion in 2020 to CZK 23.4 billion in 2025.

We are entering 2026 with a backlog of orders in both segments and clear strategic priorities. We will focus on the integration of Synthesia Nitrocellulose, fully leveraging synergies in the ammunition segment, and continuing our organic growth in all key markets. We expect growing demand from NATO and the EU, reinforced

by geopolitical changes, to continue supporting our expansion. Stable and predictable ammunition production, combined with a diversified small arms portfolio, provides us with a solid foundation for further growth.

We are taking these steps with the clear goal of strengthening the competitiveness of our brands and building a solid foundation for further growth. The combination of transparency, investment, acquisitions, and operational discipline creates long-term value.

I would like to thank our employees, partners, and you, our shareholders, for your trust and support. I am confident that Colt CZ Group has everything it needs to continue fulfilling its ambitions in the years ahead.

Sincerely,

Radek Musil
CEO
Colt CZ Group SE

* Data as of March 31, 2026.

7×

The number of shareholders
increased nearly sevenfold.

+340%

Market capitalization grew from
CZK 9.5 billion at IPO to **CZK 41.8 billion**.

5 years*

COLT
CZGROUP

on the Prague Stock Exchange



1.73×

The number of issued shares
increased from 32,638,000
to **56,463,028**.

2.56×

The share price rose from CZK 290
at IPO to **CZK 741**, with regular dividend
payments to shareholders.

+183%

Free float increased
from 9.2% after the 2020 IPO
to **26%**.

3.44×

Revenues increased from
CZK 6.8 billion in 2020
to **CZK 23.4 billion**.

13

Production
expanded
to **13 sites**.

*Data as of 31 December, 2025

2. BUSINESS & STRATEGY

2.1 Firearms

The Colt CZ Group produces a wide range of firearms, which includes pistols, revolvers, rimfire rifles, centerfire rifles, select fire rifles, sub guns, grenade launchers, and sniper rifles.

The Spuhr subsidiary produces a number of products, such as optical mounts, accessories, and upgrade kits for firearms, making it highly complementary to the Group’s core business. Spuhr mounts and accessories are used by many military and law enforcement units around the world. Spuhr also offers a popular series of products for hunting.

The Group offers a wide portfolio of tactical equipment through its subsidiary 4M SYSTEMS, such as ballistic vests, helmets, and other forms of protection, as well as combat uniforms, backpacks, and other firearm accessories, e.g., handgun holsters and magazine pouches.

The Group offers military equipment and materials through its subsidiary Colt CZ Defense Solutions.

Small arms

The Company’s small arms are primarily comprised of pistols and revolvers from the CZ and Colt brands. The bedrock of the Group’s production portfolio is pistol production. The Group’s main products include the CZ 75 and CZ P-10 pistol series, together with CZ SHADOW 2, CZ P-07/09, and the iconic Colt 1911 pistols. Colt’s Python and Anaconda revolver series are also within the portfolio.

Through the American handgun manufacturer Dan Wesson, Colt CZ offers upgrades of popular revolver and pistol models based on the 1911 platform.

Handguns can be split into pistols and revolvers, with pistols being further split into steel frame pistols (e.g. Colt 1911, CZ 75 series, Cobra Series, Model P, CZ SHADOW 2) and polymer frame pistols (e.g. CZ P-09 NOCTURNE and CZ P-10) which can be further split into hammer-fired and striker-fired pistols. The Group covers all main markets of handguns due to, among other things, its capacity to produce steel-framed pistols.

Long firearms

Long firearms include arms for the military and law enforcement (automatic and semi-automatic rifles, sub guns, and sniper rifles), as well as for commercial use (especially rimfire rifles and centerfire rifles). The Group covers all of the main markets for long guns up to a certain caliber.

The most sold products include models in the CZ 457 rimfire rifle series and CZ 600 centerfire rifle series, as well as the CZ SCORPION EVO 3 sub gun, the CZ BREN 2 select-fire rifle, Colt AR15/ M4 / M5 rifles, and the semi-automatic Colt C20 DMR/ MRR marksman rifle.

The following table sets forth a breakdown of firearms by type that were sold in 2025 and 2024 by the Group:

Units	2025	2024	change in %
Long firearms	252,507	280,706	(10.0%)
Small firearms	325,984	353,033	(7.7%)
Total firearms	578,491	633,739	(8.7%)

Joint venture (JV) with the Hungarian government - Colt CZ Hungary Zrt.

In May 2023, the JV was incorporated under the legal name Colt CZ Hungary Zrt. Colt CZ owns a 51% stake in the JV and the Hungarian government owns a 49% stake. The company is structured as a non-full-function Joint Venture, where all products are only sold to companies of both shareholders. Thus, the JV does not directly enter the end-user market. The long-term strategic goal of the joint venture is to boost the Group’s sales by producing military long arms and service pistols and fulfil Hungary’s strategic interest of locating the production of small arms in Hungary. The core of the production program is the manufacture of CZ BREN 2 select-fire rifles and CZ P-09/P-07 and CZ P-10 service pistols. The production plant also serves as a supplier of semi-finished products for manufacturing in the Czech Republic and the USA.

2.2 Ammunition

Transfer of technology contract for the assembly of CZ BREN 2 rifles in Ukraine

In 2024, Česká zbrojovka, following upon the Agreement of Intent with Ukroboronprom, signed a transfer of technology contract to assemble CZ BREN 2 select-fire rifles in Ukraine. The project's goal is to equip the Ukrainian armed forces with a proven, high-quality standard NATO firearm, enhancing their operational capabilities and transition to NATO standards.

Mk 47 system

The Company owns IP rights for the Mk 47 40 mm Advanced Lightweight Grenade Launcher system. The Mk 47 is a lightweight 40mm automatic grenade launcher with an integrated fire control system, capable of functioning as a standard automatic grenade launcher or as a programable unit with airburst capability at a specified altitude. The Mk 47 fires all NATO standard high velocity 40mm rounds, providing firepower against soft and lightly armored targets.

In May 2024, Colt CZ acquired a 100% interest in Sellier & Bellot.

Sellier & Bellot is a traditional Czech manufacturer of small caliber ammunition and ranks among the oldest engineering companies in the Czech Republic, as well as worldwide. The company's products have been manufactured under its trademark since 1825. The company's product portfolio includes a wide range of hunting and sporting ammunition, which includes ammunition for pistols, revolvers, rifles, and shotguns, as well as rimfire primers. Sellier & Bellot is also a major supplier of small caliber ammunition to military and law enforcement customers worldwide. Most of its production is exported, with the largest markets being the United States and Europe. Modern technologies used in all stages of production guarantee products of the highest quality.

Sellier & Bellot's activities also include the development and production of ammunition machines and tools. For many years, the company has been engaged in the development of machines prior to their actual production. This activity is based on many decades of experience gained from in-house orders at its ammunition facilities and from orders for external customers in the ammunition and engineering sectors. Its main direction of development has historically been focused on single-purpose production machines for the manufacture of arms, which is followed by the development and production of modern specialized machines and production lines.

swissAA

Since 2023, the Group has offered ammunition through its subsidiary swissAA, specifically 5.56 mm, 7.62 mm, 9 mm, and 12.7 mm cartridges, as well as 40 mm grenade launcher ammunition. All products are designed primarily for M/LE customers. swissAA is a leading producer of ammunition and is based in Switzerland. It is a partner of the Swiss, Belgian, German, and other customers from the armed forces.

Transfer of technology for ammunition production in Ukraine

In July 2024, Sellier & Bellot and the state-owned Ukrainian company Ukroboronprom agreed to cooperate in the production of multiple types of small-caliber ammunition in Ukraine. As part of the agreement, Sellier & Bellot will supply the Ukrainian side with machinery to produce ammunition. Operation and management of the production plant, including the installed technologies, is the responsibility of the Ukrainian partners.

Strategic partnership with EURENCO

In July 2025, Sellier & Bellot signed a five-year strategic partnership agreement for the supply of high-performance propellants with EURENCO, Europe's leading manufacturer of energetic materials such as gunpowders, explosives and propellant charge solutions. This long-term collaboration aims to support the growing demand for small-caliber ammunition across Europe and NATO, including military

calibers such as 5.56 mm and 7.62 mm, as well as 9 mm ammunition for police and law enforcement, as well as for sport and hunting applications.

Delivery of hand grenades to the Army of the Czech Republic

In 2025, Colt CZ Defense Solutions, a subsidiary of Colt, delivered 150 thousand hand grenades to the Army of the Czech Republic as part of the transfer of technologies for the production of hand grenades from Rheinmetall Waffe Munition ARGES GmbH to the Czech Republic.

2.3 Markets and customers

The Group supplies its products to over 120 countries all over the world. The main markets, according to customer categories, are the military and law enforcement market and the commercial market.

2.3.1 Military and law enforcement market

Colt CZ Group customers in the military and law enforcement market include federal, state, and local governments and government agencies, specifically regular army units and special armed forces, state and municipal police, border guards, prison guards, and units in charge of the protection of constitutional officials.

The main goal of the Group is to increase its worldwide market share, via both organic growth and acquisitions. The Group’s management believes the military and law enforcement market offers greater growth opportunities than the commercial market, due to the current political and security situation. Ensuring global and regional security is also in line with its strategy of sustainable development.

As part of its strategy to strengthen its position in the military and law enforcement market, the Group intends to capitalize on its many years of experience and, through acquisitions of ammunition manufacturers, offer comprehensive solutions in the field of firearms, accessories, and ammunition.

Countries where the Group supplies products to customers from the armed forces include, among others:

- ▶ Military and law enforcement: Australia, Canada, the Czech Republic, Denmark, Hungary, Jordan, Malaysia, the Netherlands, New Zealand, Poland, Portugal, Austria, Romania, Slovakia, Sweden, Switzerland, Spain, Thailand, Ukraine, the United Kingdom, and the USA, including NSPA³.
- ▶ Police and border services: Albania, Belgium, Brazil, Finland, France, Denmark, Canada, Chile, Colombia, the Czech Republic, Germany, Norway, Greece, Indonesia, Israel, Kenya, Malaysia, Mexico, Poland, Romania, Singapore, Slovakia, Sweden, Spain, Taiwan, Thailand, Vietnam, and the USA.
- ▶ Special forces and units: Canada, France, Indonesia, Italy, Portugal, the United Kingdom, and the USA.

Key customers from M/LE include NSPA, the Ministries of Defence in the Czech Republic, Spain, Denmark, the Netherlands, Austria, Romania, and Vietnam. The Company also supplies the Ministries of the Interior in the following countries - the Czech Republic, Slovakia, Poland, Belgium, Denmark, Norway, Finland, France, Austria, Romania, Taiwan, Sweden, Ukraine, and Vietnam.

³ NATO Support and Procurement Agency

SELECTED KEY CONTRACTS IN 2025

Bundeswehr rearmament tender

Česká zbrojovka won a contract from the German army, where a CZ pistol was selected as its standard service sidearm. CZ was awarded the contract following an open international tender, prevailing over several global competitors. The pistols designated as P13 for the Bundeswehr are based on the CZ P-10 C OR (Optics-Ready) model, featuring a Flat Dark Earth (FDE) finish. It is a modern striker-fired service pistol designed for professional use, renowned for its reliability, durability, and intuitive handling. It features excellent ergonomics, high magazine capacity, and precise construction, making it a preferred choice among military and law enforcement customers in many countries.

New Framework agreement with the Czech Ministry of Defense

Česká zbrojovka a.s. and the Czech Ministry of Defense signed a new framework agreement for the supply of small arms and accessories worth up to CZK 4.26 billion, excluding VAT. The framework agreement covers the period of 2025–2031 and builds on successful cooperation that began in 2011. The Ministry of Defense has implemented several contracts in the past within this framework, thanks to which a complete transition of firearms in NATO-calibers has taken place. Under the new framework agreement, the Army will

continue to purchase CZ BREN 2 select-fire rifles, CZ P-10 C pistols, and CZ GL underbarrel grenade launchers. The deliveries will also include a wide range of accessories – optoelectronic sights (day and night optics, laser sights), spare part kits, armorer kits, holsters, and cases. The firearms will be gradually purchased in accordance with the current needs of the Army, and the total amount of CZK 4.26 billion, excluding VAT, may not be fully utilized.

Contract with Danish Defence Acquisition and Logistics Organization (DALO)

The subsidiary Colt Canada has signed a major contract with the Danish Defence Acquisition and Logistics Organization (DALO) for the supply of 26,000 C8 MRR (Modular Rail Rifle) carbines.

2.3.2 Commercial market

The commercial market includes firearms and ammunition for self-defense, hunting, sport shooting, and other commercial use. Commercial customers include hunters and outdoor enthusiasts, sport shooters, and hobby shooters, including those participating in competitions held by the IPSC, USPSA, and IDPA, as well as other competitions, such as various rimfire and centerfire rifle competitions. The commercial customer category also includes those who buy firearms for self-defense.

Distribution

The Group mainly sells its products through wholesalers and distributors. As for military and law enforcement customers, it usually participates in public tenders. Colt CZ operates three company retail stores (located in the Czech Republic) and an e-shop. The Group regularly participates in major trade fairs aimed at the commercial market and military and law enforcement, as well as organizes its own activities, with some of them held on-line. It has long championed shooting sports via support of competitions, international championships, IPSC and USPSA organizations, as well as its own shooting team and individual competitors.

Colt CZ operates an on-line firearm configurator, which enables customers to configure CZ firearms directly from their phone or computer. The configurator is available to customers in seven countries around the world, specifically in the Czech Republic, Slovakia, Poland, France, Austria, Germany and the USA.



Since becoming part of Colt CZ Group in 2021, Colt Canada has undertaken a **significant multi-year investment program to expand production capacity, modernize operations, and strengthen its workforce**. Over the past five years, Colt Canada has invested significant resources in the expansion of its operations and in capital equipment, including advanced CNC machining centers, quality assurance systems, automation upgrades, and specialized engineering and test equipment. These investments have improved manufacturing throughput, efficiency, and resilience, together with strengthening R&D activities, while enhancing Colt Canada's ability to meet evolving operational requirements.

As a result, Colt Canada has **increased its annual rifle production capacity** multiple times from 2020 to the present, with projections to further scale production through continued infrastructure modernization and optimization of production processes. These impressive results are driven by technological investments and disciplined operational execution.

Equally important has been the company's **investment in people**. Since the merger, Colt Canada has increased its workforce by approximately 60%, adding more than 50 skilled employees across operations, engineering, quality, and program management. It has strengthened internal training, cross-departmental collaboration, and technical specialization to support sustained growth. Beyond operational growth, the company continues to foster a supportive workplace culture that emphasizes employee wellbeing, family engagement, and a strong sense of shared purpose. Together, these investments now position **Colt Canada as a scalable and reliable manufacturing partner** capable of meeting the needs of domestic and allied customers, while continuing to innovate and develop the next generation of small arms solutions.



A UK Royal Marine equipped with the new Colt Canada fully ambidextrous C25 carbine

2.4 Acquisitions in 2025 and Acquisition strategy

The Group plans to continue its expansion in key segments for the development and production of traditional firearms, weapon systems, and ammunition via further acquisitions. Its goal is to extend the Group's scope of business from a product and geographic point of view, especially in deliveries to the M/LE segment, such as army and police forces. The Group continues to look for acquisition opportunities in related areas, especially those with a high degree of modern technologies, such as optics, optoelectronics, and other modern firearm accessories.

In line with this strategy, the activities of Colt Optics, headquartered in Michigan, USA, were presented to the professional community in January 2026. The company develops products and, starting in 2026, will begin bringing them to market for both professional and commercial customers.

An emerging trend the Group monitors is the introduction of unmanned and autonomous weapon systems and remotely controlled weapon stations within M/LE units. In the commercial market segment, the Group continues to pursue acquisition opportunities that include non-lethal and less lethal weapons.

Acquisition of Valley Steel Stamp Inc.

On 16 June 2025, the Group completed the acquisition of Valley Steel Stamp Inc. Valley Steel Stamp Inc. is a well-established manufacturer of firearm components and has been a long-term supplier to Colt CZ Group in the United States. Headquartered in Greenfield, Massachusetts, the company employs approximately 150 people. Following the acquisition, Valley Steel Stamp will continue to operate under its existing trade name.

The strategic rationale for the transaction is to achieve vertical integration in selected product categories. With this acquisition, Colt CZ Group gains control of a reputable, high-quality precision machining company, that serves as a key supplier of revolver frames and cylinders, spare parts, and other firearm components for the commercial market.

Synthesia Nitrocellulose, a.s. Acquisition

On August 28, 2025, the Group entered into a share purchase and sale agreement with Synthesia, a.s., 100% owned by Kaprain Chemical Limited, for the purchase of controlling stakes in Synthesia Nitrocellulose, a.s. and Synthesia Power, a.s.

Based on the SPA, Colt CZ subsequently acquired on January 6, 2026, a 51% stake in SNC and SP upon fulfillment of the conditions precedent. The remaining 49% of SNC and SP may be acquired under the agreed put and call option terms within a period starting two years after the completion of the acquisition of the 51% stake in SNC and SP.

Synthesia Nitrocellulose, a.s. was founded in December 2024 through a spin-off of the nitrocellulose manufacturing division from Synthesia, a.s., one of the largest energetic nitrocellulose manufacturers in Europe and North America. Energetic nitrocellulose is a basic raw material to produce single and multi-component powders and propellants, and is essential for the production of small-, medium-, and large-caliber ammunition. Synthesia Nitrocellulose is also a major manufacturer of industrial nitrocellulose and oxycellulose for healthcare use.

The Group believes that the acquisition of SNC fits into its strategy of expanding the Group's activities into medium and large-caliber ammunition while strengthening its position in a critical element of our supply chain.

2.5 Overview of research and development activities

Technology and innovation are crucial to the Group's business success and drive everything we do. We carry out research and development (R&D) activities at each of our brands, with global coordination and with the aim of creating new products and services for customers who demand innovative and reliable products for the most demanding missions. Advancement of our research and development activities – whether independently or in cooperation with partners – is one of our highest priorities.

The Group actively invests in R&D to expand its product portfolio, while continuously introducing new, innovative products, shortening the innovation cycle, and launching products with the most advanced technologies and functions in their respective categories. In 2025, the Group's research and development expenditures amounted to approximately CZK 404 million.

The core of our R&D activities is an experienced team of experts. In 2025, an average of 137 employees worked in research and development and other technical areas related to these activities.

These are largely employees of the Group's firearm production subsidiaries. The Colt CZ Group is also a stakeholder in the research company CARDAM, which is co-owned by the Institute of Physics of the Academy of Sciences of the Czech Republic and provides the Group with access to the cutting-edge scientific knowledge, especially in the area of research and development of materials.

In the ammunition segment, NONTOX labelled cartridges have been specially developed for use in covered shooting ranges. The combination of a heavy metal-free primer and completely covered core of the bullet minimizes the release of harmful fumes into the air. The NONTOX primer compound is patented in the Czech Republic, Europe and the USA. In response to current trends, Sellier & Bellot is intensively engaged in the development and production of homogeneous lead-free bullets. These bullets are used in hunting and sport shooting, as well as in the armed forces.

The experts in our R&D teams range from designers, material specialists, and mathematicians, to experienced project managers

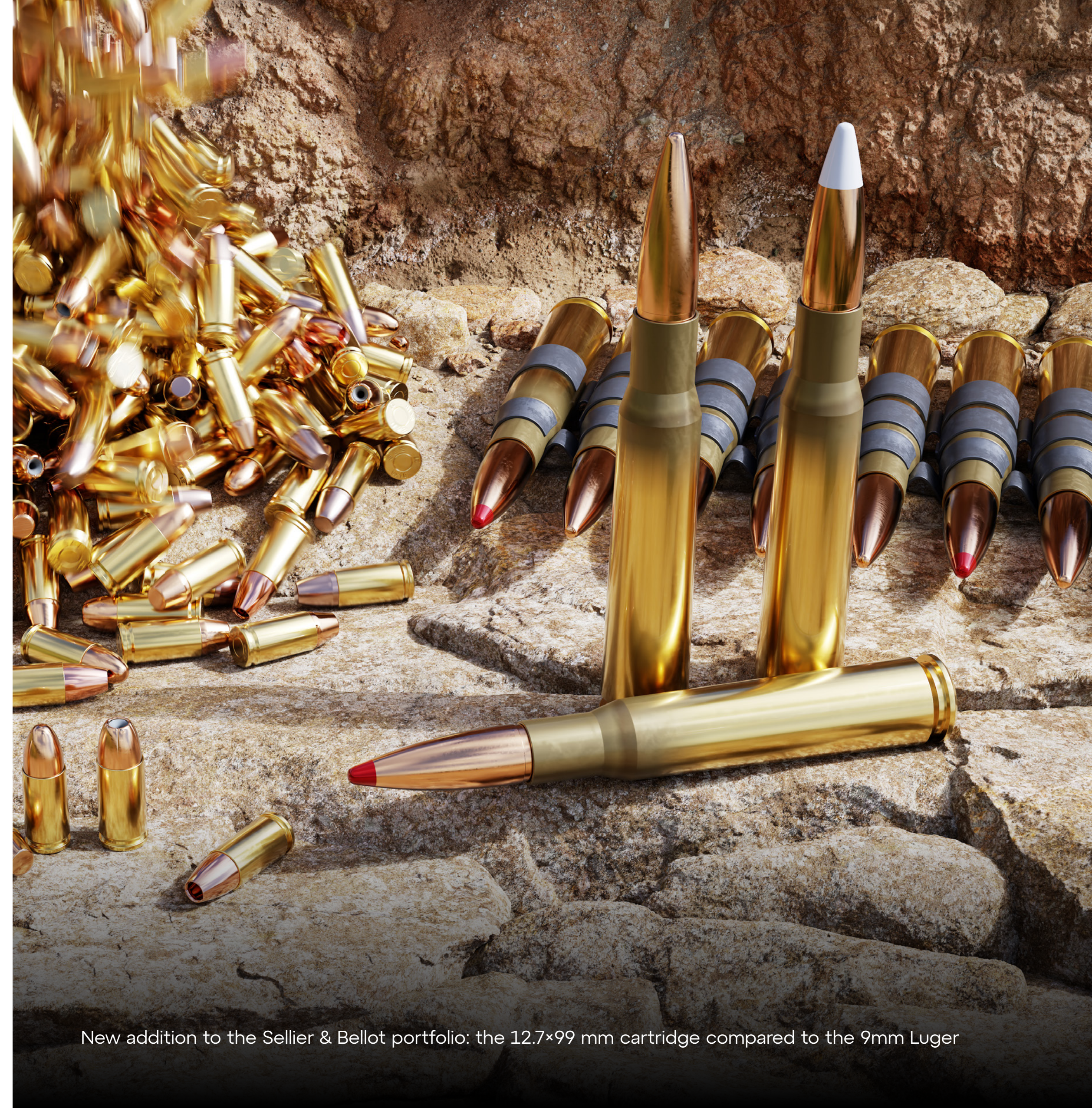
and development lab teams. Our goal in the coming years is to further expand the teams and supplement the necessary competencies, while maintaining a healthy ratio of experienced experts and promising young engineers. The activities of our research and development teams are supported by state-of-the-art facilities for both virtual and physical research. The Group intends to continue investing in technology and equipment for R&D as a priority, with the aim of consolidating its position as a technological leader.

The main goal of research and development is to provide customers with a clear argument when making their purchase decision, while constantly improving the reliability, functionality, quality, safety, and durability of our products.



Sellier & Bellot continues to make long-term investments in its manufacturing capabilities to maintain its position at the forefront of the world's leading small-caliber ammunition manufacturers. One such **investment is the implementation of a new production line for the 12.7×99 mm (.50 BMG) cartridge**, which was previously absent from the S&B portfolio. The final installation phase of the production line is currently underway, with part of the technological equipment having been relocated from S&B's sister facility swissAA in Switzerland, while additional key components are being newly manufactured within S&B's own production operations. The start of serial production is planned during 2026. By expanding the product portfolio to include this cartridge, which will become the largest caliber for small arms manufactured at S&B, we will further strengthen the plant's technological capabilities and enhance our commercial potential in both domestic and international markets. The project represents a significant strategic milestone and confirms our long-term commitment to expanding manufacturing capacity and technological self-sufficiency.

Sellier & Bellot is also investing in **company facilities for its employees**. It has completed the conversion of unused premises in its former medical center into **new employee housing facilities** in Vlašim, Czech Republic. The project created 18 fully equipped apartments primarily designed to serve as starter housing for new employees relocating to the region for work, or as temporary accommodation for employees facing challenging life circumstances. The initiative contributes to improved employee comfort, as well as greater workforce stability. The conversion represents another step in the company's long-term efforts to create high-quality working conditions for its employees and support their professional and personal lives.



New addition to the Sellier & Bellot portfolio: the 12.7×99 mm cartridge compared to the 9mm Luger

3. OVERVIEW OF FINANCIAL RESULTS

3.1 2025 Financial Review

Revenues

Compared to 2024, the Group’s revenues in 2025 increased by 4.6% to CZK 23.4 billion. The growth was driven by ammunition sales across both the military and law enforcement market and the commercial market, in all key regions, except for the U.S. commercial market. CZ and Colt Canada recorded their strongest performance in history.

Revenues generated in the Czech Republic in 2025 increased y-o-y by 8.8% to CZK 4.8 billion, driven by Mil/LE deliveries to the Czech Ministry of Defense, including hand grenades to the Czech Army and deliveries related to support of Ukraine.

Revenues generated in the United States decreased y-o-y by 23.8% to CZK 6.7 billion due to the softness of the U.S. commercial market, the six-week shutdown of the U.S. federal government in the last quarter of 2025 and lower sales of Colt-branded products. Revenues in Canada reached CZK 1.4 billion in 2025, up by 22.6% y-o-y, driven by large deliveries to military and law enforcement customers.

Revenues generated in Europe (excluding the Czech Republic) increased y-o-y by 30.8% to CZK 8.1 billion in 2025, driven by strong performance of the ammunition segment.

Revenues generated in Africa increased by 29.1% to CZK 228.4 million in 2025 as a result of new M/LE contracts.

Revenues generated in Asia increased by 40.3% y-o-y to CZK 1,319.6 million in 2025, driven by ammunition sales.

In the Latin America region, sales in 2025 amounted to CZK 663.4 million, which is 15.6% more y-o-y. Revenues from sales to other parts of the world reached CZK 128.8 million in 2025, up by 66.2% y-o-y.

THE GROUP’S REVENUES FOR THE INDICATED PERIODS BY REGION:

(in CZK thousand)	FY 2025	FY 2024	Change in %	Share on total revenues 2025 in %
Czech Republic	4,813,221	4,425,720	8.8%	20.6%
USA	6,744,068	8,846,458	(23.8%)	28.8%
Canada	1,408,607	1,148,745	22.6%	6.0%
Europe (excl. the Czech Republic)	8,092,268	6,186,178	30.8%	34.6%
Africa	228,432	176,984	29.1%	1.0%
Asia	1,319,572	940,284	40.3%	5.6%
LATAM	663,413	573,949	15.6%	2.8%
Other	128,755	77,474	66.2%	0.6%
Total	23,398,336	22,375,792	4.6%	100.0%

a. Firearms segment

The firearms segment includes the design, production, assembly and sale of firearms, tactical accessories and optical mounting solutions for the military and law enforcement, personal defense, hunting, sport shooting, and other commercial use.

In 2025, there was a decrease of 8.7% y-o-y in the number of sold firearms to 578,491 units, which affected both short guns and long guns sales. Revenues from the firearms segment reached CZK 12.1 billion in 2025, down by 21.5% y-o-y. Sales of CZ-branded products increased on the annual basis, partially offsetting the decline of Colt-branded products. Sales of Colt-branded products declined on annual basis due to the U.S. commercial market weakness and impact of the six-week shutdown of the U.S. federal government in the last quarter of 2025.

b. Ammunition segment

The ammunition segment consists of the design, production and sale of small-caliber ammunition, including pistol and rifle ammunition, together with shotgun shells for hunting, sport shooting, and the military and law enforcement, as well as the production and sale of grenades and other military material. It also includes the development and production of ammunition manufacturing machinery and tools.

The ammunition segment includes revenues from the Group’s subsidiaries Sellier & Bellot and swissAA, together with the relevant part of revenues of Colt CZ Defence Solutions. In the ammunition

segment, the Group achieved revenues of CZK 11.3 billion in 2025, up by 62.7% y-o-y, driven by strong performance of the segment and also by the effect of the full consolidation of Sellier & Bellot (consolidation of Sellier & Bellot took place from May 16, 2024).

EBITDA and Adjusted EBITDA⁴

In 2025, EBITDA (including extraordinary items) increased by 38.2% to CZK 4.8 billion compared with the same period last year. The increase was primarily driven by the organic growth of the ammunition segment, which generated higher margins, and consolidation of Sellier & Bellot for the full year 2025 (consolidation of Sellier & Bellot took place from May 16, 2024) and also by significantly lower staff costs related to the Employees Share Option Plan (ESOP).

The adjusted EBITDA amounted to CZK 4.7 billion in 2025, up by 1.4% y-o-y. The adjustments were related to ESOP costs and commodity hedging impacts.

Profit (loss) before tax

Profit (loss) before tax of the Group increased in 2025 by 86.4% y-o-y to CZK 2.6 billion, due to the higher operating profitability driven by strong margins of the ammunition segment and by the full consolidation of Sellier & Bellot.

Net profit / Adjusted Net profit⁵

In 2025, net profit increased by 95.7% to CZK 2,044.3 million compared with the same period of last year, due to the higher operating profitability driven by strong margins of the ammunition segment, the full consolidation of Sellier & Bellot, and lower costs related to the Employees Share Option Plan.

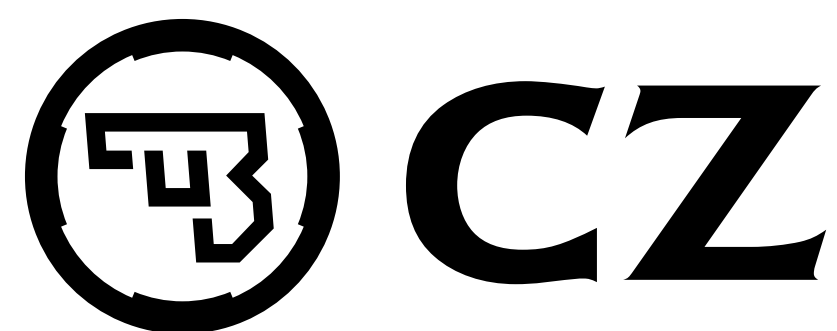
In 2025, net profit adjusted for extraordinary items increased by 5.0% to CZK 2.0 billion compared with the same period in 2024.

Investments

The Group’s capital expenditures were CZK 1,035 million in 2025, up by 12.3% y-o-y. This represents a 4.4% share of the total revenues.

⁴ In 2025, EBITDA was adjusted by one-off items related to M&A expenses and legacy costs related to acquisitions, costs related to the employee stock option plan (negative), one-off expenses connected with inventory step-up in VSS and Sellier & Bellot commodity hedging, which are unrelated to operational performance and value creation in the given period.

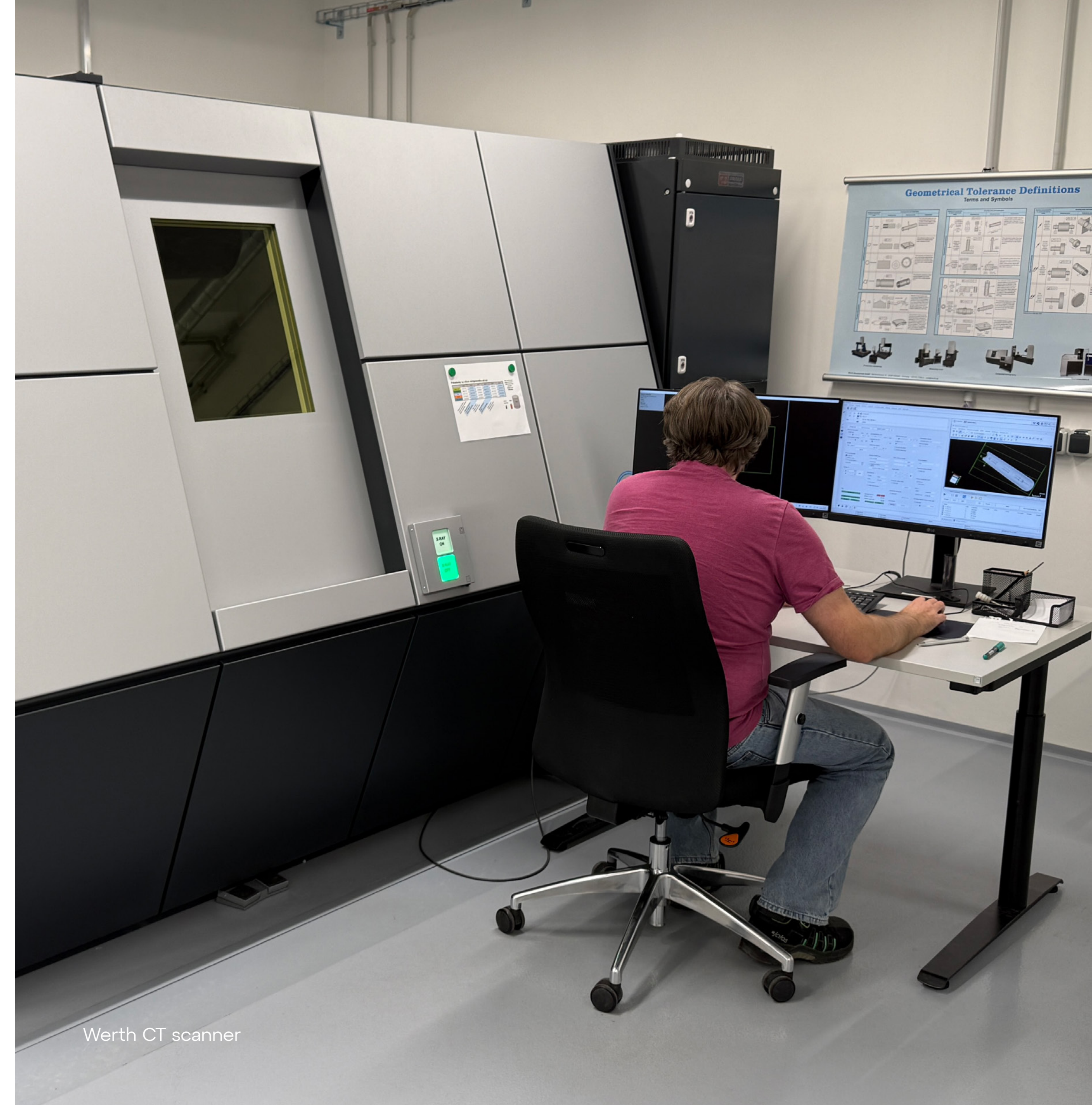
⁵ In 2025, net profit was adjusted by one-off items related to M&A expenses and legacy costs related to acquisitions, costs related to the employee stock option plan (negative), one-off expenses connected with inventory step-up in VSS, bank fees related to acquisition loan and financing cost related to bond issue, which are unrelated to operational performance and value creation in the given period.



Investments in research and development represent a long-term pillar of Česká zbrojovka's growth and a key prerequisite for maintaining its competitiveness. Since 2020, the company has been systematically developing new product platforms across multiple segments – from military models, such as the CZ BREN 3 and CZ GL, to sport and commercial products, including the CZ SHADOW 2 CARRY, CZ SHADOW 2 TARGET, and CZ P-09 NOCTURNE. These projects reflect both end-user requirements and operational demands, with a **strong focus on modularity, ergonomics, safety, and manufacturing efficiency**.

The purchase of an in-house **CT scanner for R&D purposes** in 2025 is an example of such a technological investment. Computed tomography enables non-destructive analysis of the internal structure of components and early detection of defects in the initial stages of development. This capability allows for optimization of design and manufacturing parameters prior to the start of serial production, contributing to shorter development cycles, improved product quality, and reduced risks in later stages of the product lifecycle. This technology is particularly important given the growing share of polymer and MIM components and their increasingly complex designs. In-house access to CT technology significantly strengthens CZ's technological self-sufficiency and its ability to respond efficiently to market requirements.

Systematic investments in new products and development infrastructure thus **reinforce CZ's long-term competitiveness**, enhance its capacity to generate future revenues, and create a solid foundation for sustainable growth and long-term shareholder value.



Werth CT scanner

3.2 Information about the anticipated development and outlook for 2026

Regarding the 2026 outlook, Colt CZ Group continues to identify significant global opportunities in the military and law enforcement segment. Cooperation with NATO and EU member states, as well as with the NATO Support and Procurement Agency (NSPA), remains a key priority, while the Group also sees growing importance of other markets, particularly in Asia. Securing new tenders and the timely execution of signed contracts throughout the year will be critical for achieving the 2026 outlook. The Group is also expected to realize revenues originally anticipated in Q4 2025 that were postponed due to the six-week shutdown of the U.S. federal government. One of the Company’s key objectives for 2026 in the U.S. market is to mitigate the market slowdown and import tariffs while retaining revenues and maintaining profitability in the firearms segment through enhanced cost control and new product launches.

The Group is also expected to benefit from the inclusion of the newly acquired energetics business represented by Synthesia Nitrocellulose and Synthesia Power, which will form a new reporting segment – Energetics. Given the anticipated high profitability of this segment, Energetics is expected to account for approximately 16% of total revenues and 32% of adjusted EBITDA in 2026.

In view of the above, the Group presents the indicative outlook for 2026 for both the original Group and including the contribution of the new Energetics segment:

In million CZK	FY 2025	FY 2025 proforma including Energetics	FY 2026 Guidance
Colt CZ Group			
Revenues	23,399	28,300	30,000 – 33,000
Adjusted EBITDA	4,661	7,100	7,400 – 8,200

The capital expenditures of the Group in 2026 could reach CZK 1.8 – 2 billion, which corresponds to approximately 6% of the expected 2026 revenues, in line with the Company’s medium-term target. Of this amount, EUR 40 million is expected to be allocated to CAPEX in the Energetics segment, aimed at increasing production capacity from 6 thousand to 7 thousand tons.

Proposed Dividend Payment

The Company will propose to the General Meeting a cash dividend of CZK 30 per share from the 2025 profit. The proposed profit distribution is subject to approval by the General Meeting, which will be held at the end of the first half of 2026.



In mid-2025, Colt CZ acquired Colt's long-term supplier **Valley Steel Stamp** (VSS), a Massachusetts-based precision machining company founded in 1971. What began as a two-person operation has grown into a respected manufacturing facility employing more than 50 highly skilled machinists and serving over 300 companies across 10 countries. VSS has built its reputation **on innovation, quality, reliable deliveries, and value**, principles that closely align with Colt's own manufacturing heritage.

This acquisition strengthens Colt's operational capabilities in several important areas. VSS adds meaningful **production capacity for revolvers**, supporting current demand and future product expansion. It also expands Colt's in-house manufacturing of critical components, including upper receivers and other key Colt firearm system components, as well as improving supply chain resilience, quality control, and operational efficiency through increased vertical integration.

VSS also provides valuable engineering and research expertise, particularly in revolver design and precision machining. These capabilities will support continued product innovation and long-term lifecycle enhancements across Colt's portfolio.

In addition, VSS's established workforce training program provides a proven model for developing skilled machinists and sustaining essential manufacturing knowledge. Overall, the acquisition reinforces Colt's commitment to American manufacturing excellence while positioning the company for sustainable growth and enhancing its operational performance.



Manufacturing facility at Valley Steel Stamp in Massachusetts

4. CORPORATE GOVERNANCE REPORT

4.1 BASIC INFORMATION ABOUT THE COMPANY

Legal name:	Colt CZ Group SE
Legal form:	European Company (Societas Europaea - SE)
Address:	náměstí Republiky 2090/3a, 110 00 Prague 1
Registered at:	Prague Municipal Court, Section H, File 962
Comp. ID.:	291 51 961
VAT ID.:	CZ29151961
LEI:	315700O990GR61YDGF96
Telephone:	+420 222 814 617
Email:	info@coltczgroup.com
Date of incorporation:	2013
Website:	www.coltczgroup.com

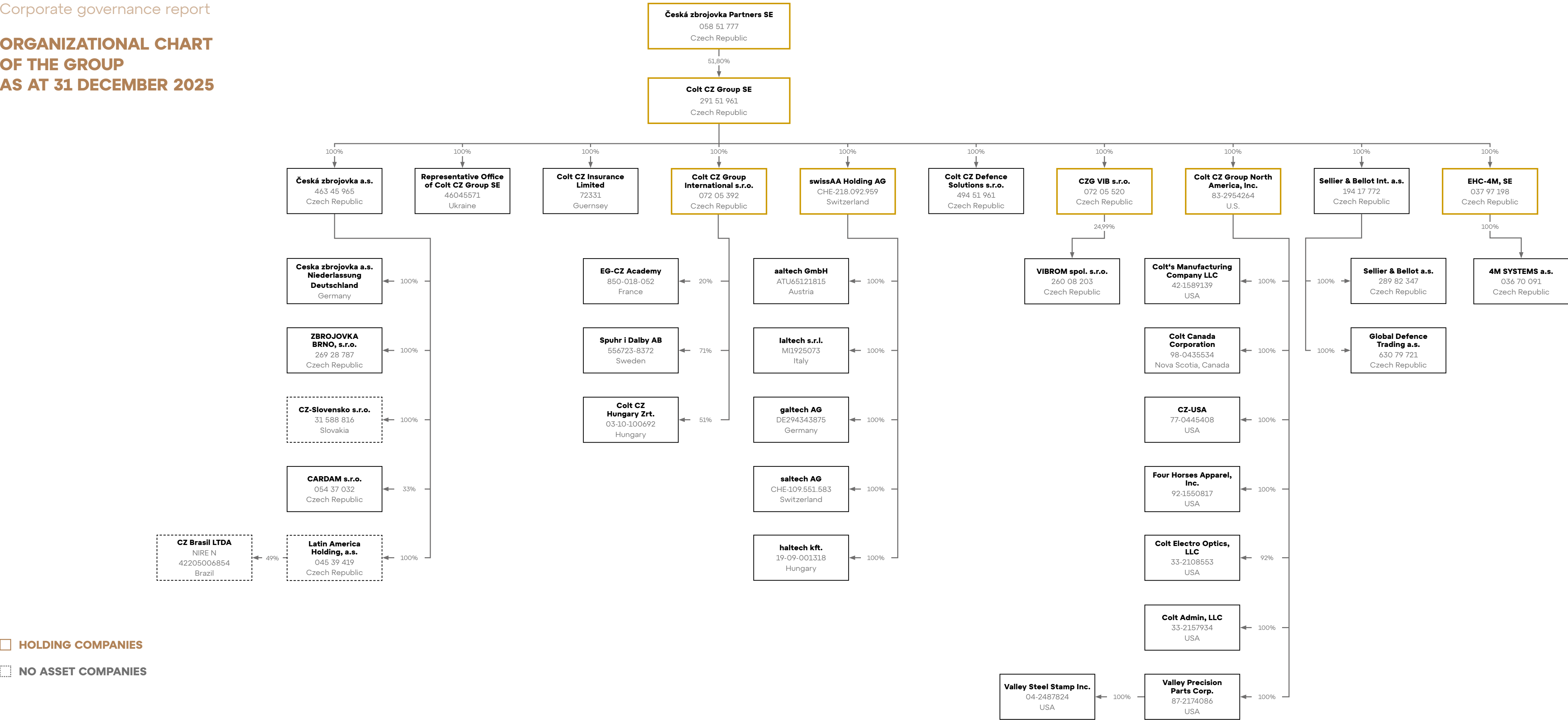
According to Article 2 of Colt CZ’s Articles of Association, the scope of business of the Company includes: a) Management of its own assets, b) Manufacturing, trade, and services not listed in Annex 1 through 3 of the Act No. 455/1991 Coll., on trade licensing, as amended, within the scope of mediation of sales and services, wholesale and retail sales, advisory and consultancy services, and preparation of expert studies and reports.

The Company does not have any branches, operations, or interests abroad.

Information on activities related to environmental protection and employment practices according to the Accounting Act is within chapter 5 of the Sustainability Statement.

A description of the diversity policy applied to the issuer’s managing body is within chapter 5 of the Sustainability Statement.

ORGANIZATIONAL CHART
OF THE GROUP
AS AT 31 DECEMBER 2025

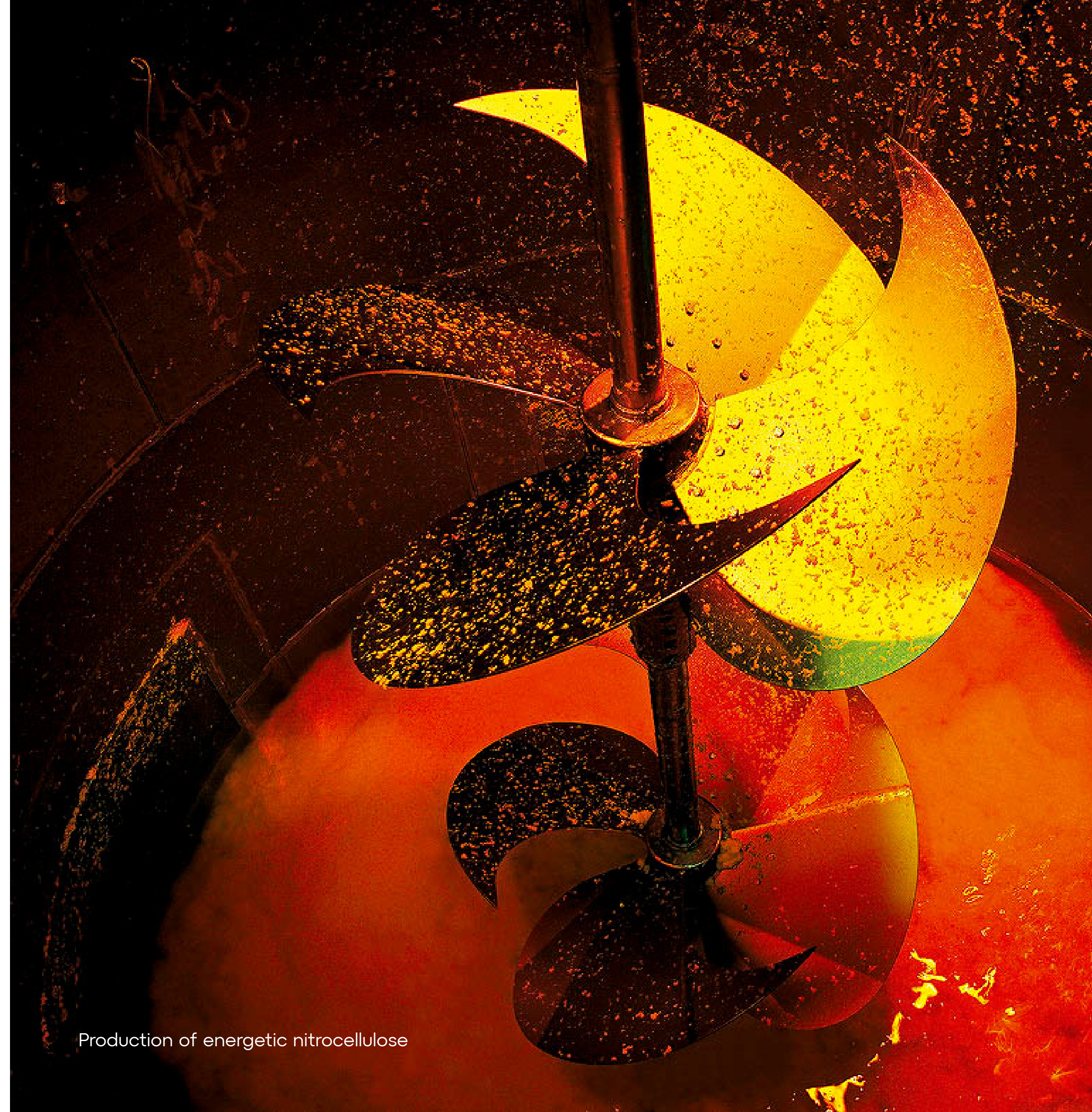




In January 2026, Colt CZ Group successfully closed on the acquisition of a 51% stake in Synthesia Nitrocellulose (SNC), as well as a 51% stake in Synthesia Power from the Kaprain Group. This transaction represents a major step for Colt CZ Group in **enhancing the security of its supply chain and strengthening vertical integration in the production of ammunition and energetic materials.**

SNC is among the world's leading producers of energetic nitrocellulose (eNC), a key material for the production of single-base and multi-base propellants, propellant charges, and subsequently small-, medium-, and large-caliber ammunition. In an environment with a limited number of qualified producers in the Euro-Atlantic area, direct access to this raw material represents a significant strategic advantage. This acquisition enables Colt CZ to reduce dependence on external suppliers and **enhance production stability in the critical ammunition segment.** It also creates a platform for further development of related capabilities in the field of explosives and medium- and large-caliber ammunition.

SNC was established in December 2024 through the spin-off of nitrocellulose production from Synthesia, a.s. It operates a fully integrated manufacturing model, including nitric and sulfuric acid production and its own energy infrastructure, ensuring a high level of control over key inputs and long-term supply stability.



Production of energetic nitrocellulose

4.2 Information about compliance with the Company's corporate governance code

The corporate governance structure of the Company complies with applicable laws, including the Corporations Act. Under Czech law, the Company is not required to comply with any corporate governance code.

Since its listing, the Company has adhered to the Corporate Governance Code CR 2018 (henceforth referred to as the CG Code)⁶ based on the comply or explain principle, which means that the Company either complies with the CG Code or explains why it does not comply with certain rules of the CG Code. In 2025, as at the date of this annual financial report, the Company complied with all provisions of the CG Code, with the exception of the following rules:

2.3.2 The Company should not allow shareholders to make decisions outside the General Meeting (per rollam):

Colt CZ: The Articles of Association allow for per rollam voting at the General Meeting. The Company introduced this manner of voting as one of the measures taken in response to the outbreak

of COVID-19. Even when shareholders make decisions outside the General Meeting, the Company will respect shareholders' rights and guarantee full exercise of these rights to all shareholders. One General Meeting out of the two meetings held in 2025 made decisions outside the meeting (per rollam).

3.2.2. Members of the Company's elected bodies should not serve as members of elected bodies in more than four other business corporations, except in business corporations that form a corporate group with the Company.

Colt CZ: Mr. Lubomír Kovařík is the vice-chairman of the Supervisory Board and serves as a member of elected bodies in more than four business corporations, with some of them associated with the Company's majority owner. The Company does not consider such positions a conflict of interest.

Mr. René Holeček is a member of the Supervisory Board, serves as a member of elected bodies in more than four business corporations

and is also the Company's largest shareholder. The Company does not consider such positions to be a conflict of interest.

Ms. Jana Růžicková is a member of the Supervisory Board and serves as a member of elected bodies in more than four business corporations associated with the Company's majority owner. The Company does not consider such positions a conflict of interest.

⁶ For download: <https://www.mfcr.cz/cs/ministerstvo/kariera-a-vzdelavani/vzdelavani/odborne-studie-a-vyzkumy/2019/kodex-spravy-a-rizeni-spolecnosti-cr-201-34812>

6.2. The Supervisory Board should have at least three members and a sufficient number of its members should be independent. A member of the Supervisory Board should be considered independent only if he/she has no business, family, or other relationships with the Company, its majority shareholder, or the Company's management, and/or is not influenced by other circumstances that may create a conflict of interest that impairs his/her judgement.

Colt CZ: As at the date of this annual financial report, David Aguilar and Daniel Birmann meet the definition of independent members of the Supervisory Board. Mr. Holeček is the majority owner of the Company, Mr. Drahota, Mr. Kovařík and Ms. Růžicková serve on the elected bodies of companies associated with the Company's majority shareholder.

9.2.1 Non-executive committees should be composed of a majority of non-executive members of the Supervisory Board or the Administrative Board.

Colt CZ: As at the day of this annual financial report, no member of the Audit Committee was a member of the Supervisory Board.

As at the date of this annual financial report, the majority of committees established by the Supervisory Board (i.e., the Remuneration Committee, the Strategic Investments and Acquisitions Committee, and Compliance and Ethics Committee) did not consist of non-executive members of the Supervisory Board.

4.3 Information about internal control policies and procedures and the issuer's and its consolidating entity's approach to risks, in relation to the financial reporting process

The Group uses various technical and governance measures to prepare its financial statements. These measures ensure compliance with the relevant accounting standards and provide users of the financial statements with a true and fair view of the financial position, equity position, cash flows, and profitability of the Group.

These measures comprise internal governance, namely the Group's consistent accounting policies and process set-up. This means multi-level checks on transactions being recorded and maximum attention being paid to the automation of booking accounting entries.

Pursuant to Act No. 563/1991 Coll., on accounting, as amended, the Company presents its consolidated financial statements in accordance with IFRS. The Company and its subsidiaries prepare separate financial statements in accordance with local accounting standards and are subject to IFRS consolidation at the Group level.

The subsidiaries use various accounting systems for bookkeeping, with the main subsidiaries using SAP/ 4HANA, Infor/Syteline, and EPICOR.

Governance and process set-up measures control the circulation of documents that support journal entries. As a rule, each accounting record can only be posted following a multi-level approval process. This rule excludes any possibility of a single employee having more than one role in the hierarchy. Approval is carried out online through an approval process.

Only users with appropriate rights have access to the accounting system. Access rights to the system are granted by means of a software application and are subject to approval by the supervisor. Access is provided according to the employee's position and reviewed on a regular basis. Only employees of the relevant department have rights for active operations (postings) in the accounting system. The accounting system maintains an audit trail, which allows for the identification of the user that created, changed, or cancelled any accounting record.

A system of monthly reconciliation of accounts is set up but is not formally documented. Quarterly and annual documentation of accounts reconciliation is documented. Moreover, a thorough review of monthly accounts, compared to the prior year and budgeted figures, is carried out. In addition, plan fulfilment is reviewed on a monthly basis to assess the projected performance of each company for the relevant year.

The Group, as a securities issuer, also publishes its quarterly consolidated financial statements pursuant to stock exchange rules.

In addition, annual financial statements are audited by an external auditor, who audits individual and consolidated financial statements as at the balance sheet date, i.e., 31 December of a given year.

4.4 Description of decision-making processes and composition of the Group's managing body and its committees

The Company has a dual management system consisting of the Board of Directors (the managing body) and the Supervisory Board (supervision body). The Board of Directors represents the Company in all matters and is charged with its day-to-day business management, while the Supervisory Board is responsible for the supervision of the Company's activities and of the Board of Directors and resolves matters defined in the Corporations Act and the Articles of Association, particularly matters with material impact on the value of the Company shares. Under the Corporations Act, the Supervisory Board may not manage the Company's business. A description of the decision-making procedures, and the composition of the Board of Directors is set out in the Company's Articles of Association, Section 13: Board of Directors and its powers. A description of the decision-making procedures and the composition of the Supervisory Board is set out in the Company's Articles of Association, Section 19: The Supervisory Board and its powers. Information on the Supervisory Board Committees, including the Audit Committee, is set out in the Company's Articles of Association, Section 26: Meetings and decision-making of the Audit Committee. The current Articles of Association of the Company are available on the Company's website <https://www.coltczgroup.com/en/investors-corporate-affairs>.

Board of Directors

The Board of Directors is the statutory body of the Company. The Board of Directors shall be in charge of the management of the Company's business and shall act on the Company's behalf. Matters falling within the powers of the Board of Directors include those that are not entrusted to other bodies of the Company by virtue of the Articles of Association or law.

Matters falling within the powers of the Board of Directors primarily include:

- a) Management of the company's business and ensuring the operational affairs of the Company
- b) Ensuring proper maintenance of accounts, books of accounts and other corporate documents required by law
- c) Submitting the annual, extraordinary, and consolidated financial statements to the General Meeting for approval, including interim financial statements, if necessary, and a proposal to distribute profits and other resources of the Company or to cover losses
- d) Submitting the annual financial report to the General Meeting, including the Report on the Company's business and state of assets
- e) Convening the General Meeting and submitting to it matters falling within its powers for discussions and approval
- f) Decisions on the use of funds, except where the use is for a purpose to be decided by the General Meeting
- g) Increasing the Company's share capital, in accordance with the Articles of Association

h) Granting of proxy

- i) Informing the Supervisory Board about changes in the Company's organizational structure and in legal entities controlled by the Company
- j) Informing the Supervisory Board at least once every 3 months about the progress and expected development of the Company's business, strategy, economic performance, risks, and internal control system

The Board of Directors of the Company may establish committees and subcommittees as its advisory bodies.

The Board of Directors shall consist of 6 members. A member of the Board of Directors may be a legal person or an individual. Members of the Board of Directors shall be appointed and removed by the Supervisory Board. The term of office of the members of the Board of Directors shall be 5 years. A member of the Board of Directors may be re-elected.

The Board of Directors meets once a month, usually at the Company's office. Ordinary meetings shall be convened by the Chair or Vice-Chair of the Board of Directors or, in their absence, by any member of the Board of Directors by written invitation.

A quorum of the Board of Directors shall be present if an absolute majority of its members are present at the meeting. A member of the Board of Directors who participates in a meeting by technical means shall be deemed to be present at the meeting. An absolute majority of all members of the Board of Directors,

not just those present, shall be required to take a decision on all matters discussed at a meeting of the Board of Directors. Each member of the Board of Directors shall have one vote. In the event of a tie, the vote of the Chair of the Board shall always prevail.

Two members of the Board of Directors shall act jointly on behalf of the Company, at least one of whom must be the Chair or Vice-Chair of the Board of Directors.

Supervisory Board

The Supervisory Board is the supervision body of the Company and shall supervise the exercising of powers by the Board of Directors and the Company's activities.

Matters falling under the powers of the Supervisory Board include those entrusted to it by law and the Articles of Association. It especially grants prior approval for matters under Article 13.6 of the Company's Articles of Association or its view on matters under Article 13.7 of the Company's Articles of Association.

The Supervisory Board shall be governed by the principles approved by the General Meeting, unless they conflict with the law or the Articles of Association.

The Supervisory Board may establish committees and subcommittees as its advisory bodies (e.g., the Remuneration Committee, the Compliance and Ethics Committee, and the Strategic Investments and Acquisitions Committee).

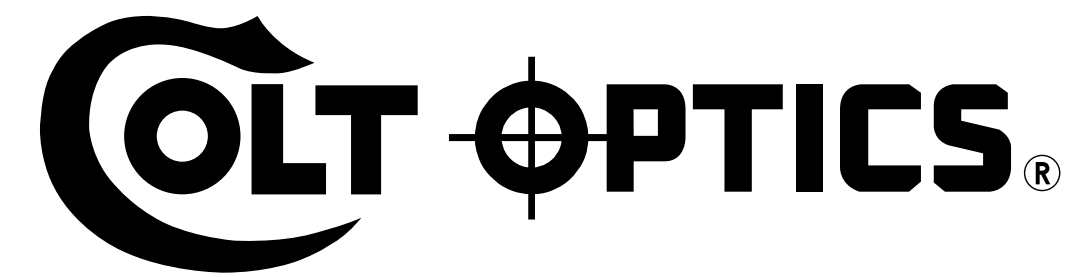
The Supervisory Board has six members. Members of the Supervisory Board are elected and dismissed by the General Meeting. The Supervisory Board elects and recalls its Chairman from among its members. The term of office of the members of the Supervisory Board is 5 years. A member of the Supervisory Board may be re-elected.

The Supervisory Board shall meet as necessary, but at least twice a year. Ordinary meetings shall be convened by the Chairman by written invitation. The Supervisory Board shall take decisions at its meetings. Meetings of the Supervisory Board shall be chaired by its Chairman. A quorum of the Supervisory Board shall be present if an absolute majority of its members are present at the meeting. The affirmative vote of an absolute majority of all members of the Supervisory Board, not just those present, is required for the adoption of resolutions on all matters discussed by the Supervisory Board. Each member of the Supervisory Board shall have one vote. In the event of a tie, the vote of the Chair of the Board shall always prevail. If all members of the Supervisory Board agree, the Supervisory Board may also adopt a decision in writing outside the Supervisory Board meeting (per rollam voting), based on a proposal by the Chair of the Supervisory Board.

Audit Committee and its powers

The Audit Committee shall take decisions at its meetings. A quorum of the Audit Committee shall be present if an absolute majority of its members are present at the meeting. The Audit Committee decides by an absolute majority of votes of its members. Each member of the Audit Committee shall have one vote. In the event of a tie, the vote of the Chair of the Audit Committee shall prevail. If all members of the Audit Committee agree, the Audit Committee may also adopt a decision in writing outside the Audit Committee meeting (per rollam voting), based on a proposal by the Chair of the Audit Committee. Meetings of the Audit Committee shall be held as necessary. The frequency of meetings may be determined in the Rules of Procedure of the Audit Committee.

A detailed description of the Audit Committee and a description of other committees established by the Company are given below in this section.



In 2024, Colt CZ Group made a strategic decision to invest in building its **own brand of optic products**, establishing Colt Optics in Michigan. Colt Optics now consists of a team of industry experts with the necessary passion and skills to rapidly build a world-class firearm optics business that can work effectively with other companies in the Group, as well as stand on its own. It was created to capture opportunities where Group companies would otherwise be less competitive, or unable to compete when reselling third-party products, as has been the case until now.

In the first year of operation, Colt Optics focused on building the core team, establishing the supply chain, and advancing the product development processes needed to prepare for production and the release of eight products in 2026. This year, the Colt Optics team will release several new products, while simultaneously developing the next round of innovations. As a proud partner of its sister company Colt Canada, Colt Optics will provide optic solutions for the Canadian Modular Assault Rifle (CMAR) contract that was awarded to Colt Canada. This contract will provide Canadian Armed Forces with a modern replacement for the current C7/C8 assault rifle fleet, which has been in service for more than 35 years.



Colt Optics VMR1-8 Riflescope

COMPOSITION OF THE COMPANY’S MANAGING BODY:

BOARD OF DIRECTORS

The following table sets out the name and principal position of each member of the Board of Directors.

Name	Position on the Board of Directors / Position in senior management	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
Radek Musil	Vice-Chairman of the Board of Directors / CEO	August 1, 2024	August 1, 2029
Josef Adam	Vice-Chairman of the Board of Directors / Legal, Compliance, and Risk Management Director	November 1, 2021	November 1, 2026
Jan Zajíc	Member of the Board of Directors / CEO of CZUB	November 24, 2020	November 24, 2030
Jan Holeček	Member of the Board of Directors / Group Sales Director	July 1, 2021	July 1, 2026
Vladimír Rada	Member of the Board of Directors / CEO of Sellier & Bellot	December 1, 2025	December 1, 2030
Jan Drahota	Chairman of the Board of Directors	January 17, 2020	September 30, 2025
Dennis Veilleux	Member of the Board of Directors / President of Colt	July 1, 2021	April 1, 2025

The business address of each member of the Board of Directors is náměstí Republiky 2090/3a, 110 00 Prague 1, Czech Republic.

RADEK MUSIL
CEO and Vice-Chairman of the Board of Directors

Radek Musil has been the Vice-Chairman of the Board of Directors of Colt CZ Group SE since August 1, 2024, and CEO of Colt CZ Group since January 1, 2025. From 1999 to 2024, he was CEO and Chairman of the Board at Sellier & Bellot. Previously, he worked for the Czech company TON. He is a graduate of the Faculty of Nuclear and Physical Engineering at the Czech Technical University in Prague and of the Thunderbird School of Global Management in Phoenix, Arizona (USA).

JOSEF ADAM
Vice-Chairman of the Board of Directors

Mr. Adam is a graduate of the Faculty of Law at Charles University in Prague and the joint LL.M. program of Nottingham Trent University and the Faculty of Law at Masaryk University in Brno. Before joining Colt CZ Group, Mr. Adam worked for two years as an attorney and subsequently as a partner at the HAVEL & PARTNERS law firm. He worked for eleven years in various managerial positions at the Prague Airport, Czech Aeroholding, and Czech Airlines, where he served nine years as a member of the Board of Directors. In addition to the legal department, he also managed the finance, HR, and IT departments. At Colt CZ, Mr. Adam is responsible for legal affairs, compliance, and risk management.

JAN ZAJÍC
Member of the Board of Directors

Jan Zajíc graduated from the Faculty of Business and Economics at Mendel University in Brno, with a degree in Economics and Management. Prior to joining CZUB, he held various managerial positions in industrial companies in the Czech Republic and abroad. He started his career in Fatra, a plastic producer based in Napajedla, then in the Continental Barum plants in Otrokovice and Púchov, Slovakia. In the Continental Group, he held various positions in financial management and controlling at its production plant in Kuala Lumpur, Malaysia, and subsequently at the company's headquarters in Hannover, Germany. Mr. Zajíc has been working at CZUB as its Chief Financial Officer since 2019. Since November 2020, he has served as Chief Executive Officer and Chairman of the Board of Directors of CZUB. Mr. Zajíc serves on the Board of Directors at CZUB.

JAN HOLEČEK
Member of the Board of Directors

Jan Holeček studied economics and finance at Bentley University in the USA. In 2016, he started his career at Siemens as a market analyst, and later as a business development specialist. From 2017, he worked at Česká zbrojovka, a. s., first in the position of analyst, then as Marketing Director. From the end of 2019 to December 2021, he was a member of Česká zbrojovka's Board of Directors, with responsibility for its business activities. Since July 2021, he has been a member of Colt CZ Group's Board of Directors, with responsibility for its business activities.

VLADIMÍR RADA
Member of the Board of Directors

Vladimír Rada has more than twenty years of experience in senior management and finance in international industrial companies. He joined Sellier & Bellot in 2023 as Chief Financial Officer and had held the position of interim CEO from January 2025. Previously, he worked for Lindab, Mitas Tires, and ArcelorMittal, where he held top positions in financial management, controlling, and strategy. He is a graduate of the MBA program at ESMA Barcelona Business School. Vladimír Rada was appointed as a member of the Board of Directors of the Group effective December 1, 2025.

Changes in the Board of Directors in 2025

Effective January 1, 2025, the roles of Group CEO and Chairman of the Board of Directors, both positions previously held by Jan Drahota, were separated. Jan Drahota continued to serve as Chairman of the Board of Directors of Colt CZ and Radek Musil, the current CEO of Sellier & Bellot, became the new CEO of Colt CZ.

Mr. Dennis Veilleux stepped down from the position of member of the Board of Directors of the Company effective April 1, 2025.

Effective September 30, 2025, Mr. Jan Drahota resigned from his positions as a member of the Board of Directors and its Chairman.

Jan Zajíc, CEO of Česká zbrojovka a.s., was re-elected as a member of the Board of Directors of Colt CZ following the expiration of his previous five-year term, with effect from November 24, 2025.

Vladimír Rada was appointed as a member of the board of directors of the group effective December 1, 2025.

BELOW IS A LIST OF COMPANIES IN WHICH MEMBERS OF THE BOARD OF DIRECTORS HAVE BEEN MEMBERS OF ADMINISTRATIVE, MANAGING, OR SUPERVISORY BODIES, OR SHAREHOLDERS/MEMBERS AT ANY TIME IN THE PRIOR FIVE YEARS, INDICATING WHETHER THAT PERSON IS STILL A MEMBER OF THE ADMINISTRATIVE, MANAGING, OR SUPERVISORY BODIES, OR A SHAREHOLDER/MEMBER OF THOSE COMPANIES:

Radek Musil
None

Josef Adam
Past positions:
ellipse aero s.r.o. – Member of the Supervisory Board (from December 2020 to January 2022)
KOVACO Electric, a.s. – Member of the Supervisory Board B (from January 2020 to April 2021)

Current positions:
European Holding Company – Member of the Supervisory Board (from November 2021 to date)

Jan Zajíc
Past positions:
None

Current positions:
Iteuro, a.s. – Chairman of the Supervisory Board (October 2020 to date)
Sdružení pro rozvoj Zlínského kraje – Member of Management (September 2021 to date)
Podnikatelský klub REGION 47, z. s. – Member of the Audit Committee (May 2024 to date)

Jan Holeček
None

Vladimír Rada
None



SwissAA plays an important role in the **international standardization and further development of small arms ammunition**. It is an active member of the NATO Sub-Group 1 (SG/1) – Small Arms Ammunition Interchangeability within the Land Capability Group Dismounted Soldier Systems (LCGDSS), which operates under the NATO Army Armaments Group (NAAG). This platform brings together government authorities, test centers, and leading manufacturers with the common objective of **ensuring interchangeability, safety, and performance** in multinational operations.

For swissAA, this involvement is of strategic importance. It provides early access to new requirements, technological developments, and upcoming standards. Rather than simply implementing regulatory specifications, swissAA actively contributes its expertise and helps shape future standards. This creates planning reliability, shortens development cycles, and enables the company to precisely align its products with future market needs and operational requirements.

Continuous collaboration with international partners further strengthens swissAA's innovative capacity and expands its network of contacts within key decision-making institutions. Insights gained from testing, specifications, and best practices flow directly into the company's development and production processes, significantly enhancing the quality, reliability, and interoperability of its solutions. SwissAA's participation also reinforces its position as a **competent and trusted partner** in the international arena. Its active role in standardization and qualification reflects the company's **high technical standards** and **strengthens trust** of customers and authorities alike. SwissAA's involvement in SG/1 combines technical excellence with strategic foresight, ensuring it does not merely respond to change in the industry, but actively helps shape the future of the market.



Swiss army soldier during training, operating a machine gun with linked 12.7x99 mm ammunition supplied by saltech AG from swissAA

COMPOSITION OF THE COMPANY’S MANAGING BODY:

SUPERVISORY BOARD

Name	Position	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
Jan Drahota	Chairman of the Supervisory Board	October 1, 2025	October 1, 2030
David Aguilar	Vice-Chairman of the Supervisory Board, Independent	July 1, 2023	July 1, 2028
Lubomír Kovařík	Vice-Chairman of the Supervisory Board	July 1, 2021	July 1, 2026
René Holeček	Member of the Supervisory Board	July 1, 2023	July 1, 2028
Jana Růžicková	Member of the Supervisory Board	November 1, 2021	November 1, 2026
Daniel Birmann	Member of the Supervisory Board, Independent	June 28, 2024	June 28, 2029
Vladimír Dlouhý	Member of the Supervisory Board, Independent	January 17, 2020	June 30, 2025

The business address of each member of the Supervisory Board is náměstí Republiky 2090/3a, 110 00 Prague 1, Czech Republic.

JAN DRAHOTA

**Chairman of the Supervisory Board since October 1, 2025
(Chairman of the Board of Directors until September 30, 2025)**

Mr. Drahota studied Finance at the University of Economics in Prague and holds a Master of Business Administration degree from the University of Chicago's Booth School of Business. Before joining the Group at the level of a major shareholder in 2014, Mr. Drahota worked for about 15 years in the financial markets and investment banking field, spending most of his career at the Société Générale Group, most recently as its Managing Director, Head of Central and Eastern Europe, based in Paris. From 2014 to 2015, he served as a senior advisor to the Deputy Minister of Finance of the Czech Republic. He also served as an advisor to the Minister for Health with regards to corporate governance of publicly held hospitals and institutions.

Mr. Drahota has broad non-executive director experience and was acting, inter alia, as a representative of the Ministry of Finance on the Supervisory Board of ČEPS, a.s. (the sole Czech energy transmission grid owner and operator). Effective October 1, 2025, Jan Drahota was co-opted to the Supervisory Board, which subsequently elected him as its Chairman

DAVID AGUILAR

**Vice-Chairman of the Supervisory Board
(Chairman of the Supervisory Board until September 30, 2025)**

On March 31, 2013, Mr. Aguilar abandoned his career in U.S. government services, where he had served for 35 years with the U.S. Customs and Border Protection and the United States Border Patrol. During his time there, he acquired extensive knowledge and expertise in law enforcement and administration, domestic and international policing, strategy, tactics, and policy development. He served the last three and a half years of his career as the Acting Commissioner of U.S. Customs and Border Protection, the highest-ranking career officer in the largest U.S. federal law enforcement organization.

Mr. Aguilar's leadership, professional integrity and commitment to excellence have earned him numerous awards, including the Presidential Rank Award in 2008, the President's Excellence Award in 2005, the Department of Homeland Security Distinguished Service Medal, the Washington Homeland Security Roundtable Lifetime Achievement Award, and the Institute for Defense and Government Advancement Lifetime Achievement Award. In addition to his role in the Group, David is currently a Principal at Global Security and Innovative Strategies, where he advises clients on a broad range of national homeland and international security matters, including border security and logistics, global

trade and commerce, supply chain management and security, risk management, viability assessments, and strategic planning and implementation. Mr. Aguilar focuses on tailoring global risk management solutions related to supply chain security, customs compliance, and all issues related to border protection at and between international ports of entry. Until 30 June 2023, Mr. Aguilar acted as an independent, non-executive member of the Board of Directors. On July 1, 2023, he was appointed by the General Meeting as a member of the Company's Supervisory Board.

LUBOMÍR KOVAŘÍK

Vice-Chairman of the Supervisory Board

Mr. Kovařík graduated from the Military Air Force University and earned a Master of Business Administration degree at Sheffield University. He began his career as a pilot in the Army of the Czech Republic, where he reached the rank of major before he retired from the military in the mid-1990's. He began his civilian career in 1995 as manager of Aulis. He joined Škoda Praha as Production Director one year later, where he worked his way up to the position of Chief Executive Officer. He later worked for Eltodo EG and Mavel. From 2006 to 2017, he served as the CEO of CZUB. From 2018 to 2021, he was President and Chairman of the Board of Directors of the Company. Mr. Kovařík has been on the Supervisory Board of the Company since July 2021.

RENÉ HOLEČEK
Member of the Supervisory Board
(Vice-Chairman of the Supervisory Board until September 30, 2025)

Mr. Holeček graduated from Department of Economics and Management in metallurgy at the Technical University in Ostrava. In 1990, he started his career in banking, working at Komerční banka and Pragobanka in various executive positions. Since 1994, Mr. Holeček has been an entrepreneur and industrialist investor. He was part of the landmark privatization of Třinecké železářny, and since then, has built an outstanding track record in the industrial sector. Together with his business partner at the time, he bought CZUB when it was on the verge of bankruptcy and managed to turn it around to become one of the leading manufacturers of small arms worldwide. Since 2014, he has been the Company’s largest shareholder.

JANA RŮŽIČKOVÁ
Member of the Supervisory Board

Ms. Růžičková graduated from the University of Economics in Prague. Since 1997, she has been working for several companies belonging to the Group. She acts as the key economics expert and is responsible for auditing, accounting, tax, and legal matters of the Group. She specializes in corporate restructuring and M&A transactions. She is a member of the Supervisory Boards and Boards of Directors of several companies within the Group. She was co-opted into the Company’s Supervisory Board effective from November 1, 2021. Prior to that, she served as Secretary and Vice-Chair of the Board of Directors of Colt CZ Group.

DANIEL BIRMANN
Member of the Supervisory Board

Mr. Daniel Birman was appointed as a member of the Supervisory Board pursuant to a Nomination Agreement made on May 16, 2024 between Colt CZ Group SE and CBC Europe S.à r.l. in connection with the acquisition of 27.7% shareholding in Colt CZ by CBC. For the last few decades, Mr. Birman has contributed to the success of CBC Global Ammunition Group as a member of the shareholding family, holding different managerial positions in the Group. His extensive experience in the small arms and ammunition sector makes him an expert in the field.

Changes in the Supervisory Board in 2025

Mr. Vladimír Dlouhý resigned from his position as a member of the Supervisory Board of the Company, requesting the termination of his function as of June 30, 2025.

Effective October 1, 2025, Jan Drahota was co-opted to the Supervisory Board, which subsequently elected him as its Chairman. His appointment as a member of the Supervisory Board was confirmed by the General Meeting held on November 14, 2025.

In connection with the appointment of Jan Drahota to the supervisory Board, the current Chairman, Mr. David Aguilar, had been appointed Vice-Chairman of the Supervisory Board. Mr. René Holeček, who previously held the position of Vice-Chairman, will continue to serve as an ordinary member of the Supervisory Board.

BELOW IS A LIST OF COMPANIES IN WHICH MEMBERS OF SUPERVISORY BOARD HAVE BEEN MEMBERS OF ADMINISTRATIVE, MANAGING, OR SUPERVISORY BODIES, OR SHAREHOLDERS/MEMBERS AT ANY TIME IN THE PRIOR FIVE YEARS, INDICATING WHETHER THAT PERSON IS STILL A MEMBER OF THE ADMINISTRATIVE, MANAGING, OR SUPERVISORY BODY, OR A SHAREHOLDER/MEMBER OF THOSE COMPANIES:

Jan Drahota

Past positions:

Zero Emissions Debt Finance, a.s. – Statutory Director (from September 2015 to January 2021)
Česká zbrojovka Partners SE – Member of the Board of Directors (from February 2018 to October 2021)
ČEPS, a.s. – Member of the Supervisory Board (from February 2015 to November 2022)

Current positions:

DCF Partners, s.r.o. – Statutory Representative (from January 2012 to date)
Zero Emissions Debt Finance, a.s. – Chairman of the Administrative Board (from September 2015 to date)
hypo360.cz, SE – Member of the Board of Directors (from October 2016 to date)
Česká zbrojovka Defence SE – Member of the Board of Directors (from November 2021 – to date)

David Aguilar

Past positions:

Global Security and Innovative Strategies – Principal (from April 2014 to May 2022)
Drone Aviation Holding Corp – Member of the Board of Directors (from May 2019 to April 2021)
University of Houston – Borders, Trade, and Immigration Institute
External Advisory Board Member (term expired in 2022)
SAP NS2 Advisory Board Member (from April 2021 to April 2022)

Current positions:

U.S. Border Patrol Foundation – Member of the Board of Directors (from 2013 to date)
Spectredge Wireless, Inc. (Non-publicly held) – Member of the Board of Directors (from March 2023 to date)
DVA Group, LLC – CEO (from May 2023 to date)

René Holeček

Past positions:

Minezit Property Investments a.s. – Member of the Supervisory Board and sole shareholder (from June 2014 to October 2022)
Minezit SE – Member of the Supervisory Board (from September 2015 to May 2022)
Silesia Invests SE – Member of the Supervisory Board (from September 2016 to October 2025)

Current positions:

TRX, s.r.o. – Executive (from September 2015 to date)
Česká zbrojovka Partners SE – Member of the Supervisory Board (from February 2017 to date)
Česká zbrojovka Defence SE – Member of the Supervisory Board (from August 2017 to date)
BAZADO s.r.o. – Associate (from December 2020 to date)
European Holding Company, SE – Chair of the Supervisory Board (from November 2021 to date)
M&H Management a.s. – Member of the Supervisory Board (from October 2021 to date)
and sole shareholder (from September 2022 to date)
CELLINI spol. s r.o. – Associate (from September 2022 to date)
Holeček Family Foundation – Founder (from December 2021 to date)
Kykulin Trade a.s. – Sole shareholder (from September 2022 to date)
OMNES Holding Foundation – Member of the Administrative Board ... (from May 2022 to date)
C-EDUCA Foundation – Founder (from November 2023 to date)

Lubomír Kovařík

Past positions:

Česká zbrojovka Partners SE – Chairman of the Board of Directors (from February 2018 to October 2021)
CZ-SKD Solutions a.s. – Member of the Board of Directors (from January 2019 to September 2020)

Current positions:

Česká zbrojovka Defence SE – Chairman of the Board of Directors ... (November 2021 to date)
Holeček Family Foundation – Vice-Chairman of the Administrative Board (from December 2021 to date)
CEVRO Univerzita, z.ú. – Member of the Management Board (from July 2023 to date)
PRIMARY Capital a.s. – Member of the Management Board (from August 2023 to date)
BIOINVESTIMED a.s. – Member of the Management Board (from November 2023 to date)
PRIMARY Capital Services s.r.o. – Executive (from October 2023 to date)
TR Brands, s.r.o. – Executive (from June 2024 to date)

Daniel Birmann

None

Jana Růžicková

Past positions:

CZ AGRO Servis a.s. – Member of the Supervisory Board (from June 2014 to June 2019)
V.F.H EKONOMICKÝ SERVIS a.s. – Member of the Supervisory Board .. (from January 2011 to December 2020)
RRAIL CARGO a.s. – Member of the Board of Directors (from February 2008 to June 2020)
CZ-SKD Solutions a.s. – Member of the Supervisory Board (from November 2017 to September 2020)
M&H Management a.s. – Statutory Director and Chairwoman of the Administrative Board (from February 2014 to January 2021)
Minezit SE – Member of the Board of Directors (from July 2013 to November 2021)
Kykulin Trade a.s. – Chair of the Administrative Board and Statutory Director (from April 2015 to November 2021)
Minezit Property Investments a.s. – Member of the Board of Directors (from February 2008 to October 2022)
CZ-AUTO SYSTEMS a.s. – Member of the Supervisory Board (from December 2022 to August 2023)
Lundmonte s.r.o. – Statutory Representative (from January 2022 to February 2024)

Current positions:

IT eCompany Management a.s. – Member of the Supervisory Board . (from November 2014 to date)
Silesia Invest SE – Member of the Board of Directors (from September 2016 to date)
CZ AGRO Servis a.s. – Member of the Supervisory Board (from June 2019 to date)
AIT Group – Advanced Industrial Technology Group a.s. – Member of the Supervisory Board (from September 2019 to date)
Česká zbrojovka Partners SE – Member of the Board of Directors (from October 2021 to date)
M&H Management a.s. – Member of the Board of Directors (from October 2021 to date)
European Holding Company, SE – Member of the Board of Directors . (from November 2021 to date)
Kykulin Trade a.s. – Member of the Administrative Board (from November 2021 to date)
Minezit SE – Chairwoman of the Board of Directors (from November 2021 to date)
Holeček Family Foundation – Member of the Supervisory Board (from December 2021 to date)
Minezit Property Investments a.s. – Member of the Supervisory Board (from October 2022 to date)
Leima Equity Three a.s. – Chairwoman of the Administrative Board (from November 2023 to date)
Sequoia, family foundation – Controller (from August 2023 to date)
Leima Valeurs a.s. – Member of the Administrative Board (from September 2024 to date)
TDNG, family foundation – Controller (from November 2024 to date)
Leima Valeurs Prestige a.s. – Member of the Administrative Board (from September 2025 to date)



In 2025, we celebrated the **20th anniversary of Dan Wesson being owned by CZ**. To commemorate this milestone, CZ-USA has led a comprehensive relaunch of the Dan Wesson brand in the United States, focused on reinforcing its position in the premium handgun segment. Key investments include new manufacturing equipment, expansion of the workforce, upgraded packaging, and the overall presentation of the brand.

A redesigned approach to distribution and retail sales was also carried out, including the introduction of MAP (Minimum Advertised Price) policies to support dealer partners and protect long-term brand value, a new website, and, importantly, reengagement with the Dan Wesson family, whose roots trace back to Daniel Baird Wesson, co-founder of Smith & Wesson. This transformation **strengthens the competitiveness of the Dan Wesson brand, improves customer experience, and creates further growth potential** within Colt CZ Group's premium portfolio.



The Dan Wesson Specialist delivers durability, reliability, and refined performance

AUDIT COMMITTEE

The majority of members of the Audit Committee are required to be independent and professionally qualified pursuant to applicable provisions of the Czech Act No. 93/2009 Coll., on Auditors, as amended, and at least one member of the Audit Committee is required to be a current or former statutory auditor or a person whose knowledge and previous experience in the area of accounting entail the presumption and proper performance of the functions of a member of the Audit Committee, with respect to the business of the Company. The chairman of the Audit Committee is required to be independent pursuant to applicable provisions of the Czech Act on Auditors. The business address of each member of the Audit Committee is náměstí Republiky 2090/3a, 110 00 Prague 1, Czech Republic.

The Articles of Association provide that the Audit Committee consists of three members that are appointed for a period of five years. Members of the Audit Committee may be reappointed. No member of the Audit Committee may be a member of the Board of Directors. The powers, responsibilities, and decision-making process of the Audit Committee are defined by the Articles of Association, the Czech Act on Auditors, and the rules of procedure of the Audit Committee.

Key responsibilities and powers of the Audit Committee include, inter alia, monitoring the effectiveness of the Company’s internal control and risk management system, the effectiveness of the Company’s internal audit and ensuring its functional independence; the process of preparation of the Company’s consolidated and non-consolidated financial statements; and the statutory audit process.

THE FOLLOWING TABLE SETS OUT THE NAME AND PRINCIPAL POSITION OF EACH MEMBER OF THE AUDIT COMMITTEE:

Name	Position	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
Jiří Nekovář	Chairman of the Audit Committee	July 1, 2023	July 1,2028
David Ondroušek	Member of the Audit Committee	January 17, 2020	July 1, 2030
Pavel Závitkovský	Member of the Audit Committee	July 1, 2025	July 1, 2030
Věslava Piegzová	Member of the Audit Committee	January 17, 2020	June 30, 2025

JIŘÍ NEKOVÁŘ

Chairman of the Audit Committee

Mr. Nekovář served as President of the Czech Tax Advisers Chamber from 1996 to 2011. He was elected Vice-President of the Confédération Fiscale Européenne in 2006 and served as its president from 2013 to 2014. Mr. Jiří Nekovář is a member of the Czech Finance Minister’s Coordination Committee on Taxes. In December 2010, he was appointed a member of the Government’s National Economic Council (NERV) and has been a member of the Government Legislative Council’s Working Committee for regulation impact assessment (RIA) since 2011. He served as a member of the management board of the General Health Insurance Company (VZP) from 2000 to 2006. He is a Chairman of the Board of Trustees of the University of Economics (VŠEO in Prague and a Vice-Chairman of the Board of Trustees of Brno University of Technology (VÚT). He acts as an arbitrator at the Arbitration Court of the Czech Chamber of Commerce. From August 2013 to May 2017, Jiří Nekovář served as President of the Public Audit Oversight Board. He was named Honorary Tax Advisor of AOTCA in November 2015. He is a founding member of the Global Tax Advisory Platform and was elected Executive Board Director of CFE in September 2020.

DAVID ONDROUŠEK

Member of the Audit Committee

Mr. Ondroušek worked for more than ten years in Deloitte’s Audit Department, followed by 10 months in the WOOD & Company Finance Department. He is currently working with Staněk, Tomíček & Partners tax offices. Mr. Ondroušek is a licensed auditor

of the Chamber of Auditors of the Czech Republic and a member of the Association of Chartered Certified Accountants, an international professional organization. In addition to providing audit services, he focuses primarily on IFRS and consulting for transfer pricing.

PAVEL ZÁVITKOVSKÝ

Member of the Audit Committee

Pavel Závitkovský is a graduate of the University of Economics in Prague. He has been a registered auditor with the Chamber of Auditors of the Czech Republic since 1990 and a certified internal auditor of the Institute of Internal Auditors (CIA) since 2002. Pavel Závitkovský has more than 22 years of experience from KPMG with audits in financial and industrial companies. He has also participated in numerous specific engagements such as due diligence, privatization projects, mergers, acquisitions, and internal audit services. He was one of the founders of the Chamber of Auditors of the Czech Republic. From 1998 to 2001, he served as Chairman of the Supervisory Committee of the Chamber of Auditors of the Czech Republic. From 2001 to 2003, he was Vice-President of the Czech Institute of Internal Auditors. He currently serves as a member or chairman of audit committees at a number of Czech banks.

as alternate members of the Audit Committee. Their appointments were valid until the General Meeting held in June 2025.

In June 2025, the Company’s General Meeting elected Mr. David Ondroušek as a member of the Audit Committee, effective July 1, 2025. At the same meeting, the General Meeting also newly elected Mr. Pavel Závitkovský as a member of the Audit Committee, effective as of July 1, 2025.

REMUNERATION COMMITTEE

The key function of the Remuneration Committee is to ensure the integrity and fairness of the remuneration system in the Company and companies directly or indirectly controlled by the Company.

The Remuneration Committee was established as a permanent advisory body of the Company’s Supervisory Board for matters pertaining to remuneration in the Group, covering the following areas:

- (a) Executive service agreements for members of the Board of Directors
- (b) Setting and evaluating the achievement of annual targets and key performance indicators (KPIs) for members of the Board of Directors
- (c) Extraordinary remuneration (salary) for members of the Board of Directors

CHANGES IN THE AUDIT COMMITTEE IN 2025

The Company appointed Ms. Věslava Piegzová and Mr. David Ondroušek, whose terms of office had expired on January 17, 2025,

- (d) Parameters and conditions of the Group’s Share Program for members of statutory and supervisory bodies, or, if applicable, for key employees of the Group
- (e) Strategies for human resources management
- (f) Appointing members of the statutory and supervisory bodies in the Group

The Committee makes recommendations to the Company’s Supervisory Board on its decision-making in the above areas. The Supervisory Board decides on the composition of the Committee. The Chairman of the Supervisory Board is a mandatory member of the Committee. The Chairman of the Supervisory Board is also the Chairman of the Committee. The Chairman of the Board, and the member of the Board responsible for human resources management, are permanent guests of the Committee.

The Committee meets as needed on agreed-upon dates, usually once per calendar quarter. Only Committee members are entitled to vote at meetings. Each member of the Committee has one vote. A decision of the Committee shall be deemed adopted if a majority of the members of the Committee present agree with it. In all other cases, the decision is deemed not to have been taken. The Chairman of the Committee shall only submit to the Supervisory Board those decisions for discussion and, where appropriate, approval that has been recommended by the Committee to the Company’s Supervisory Board.

THE FOLLOWING TABLE SETS OUT THE NAME AND PRINCIPAL POSITION OF EACH MEMBER OF THE REMUNERATION COMMITTEE:

Name	Position	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
David Aguilar	Chairman of the Remuneration Committee	December 12, 2023	December 12, 2028
Lubomír Kovařík	Member of the Remuneration Committee	September 2, 2021	September 2, 2026
René Holeček	Member of the Remuneration Committee	September 2, 2021	September 2, 2026

DAVID AGUILAR
Chairman of the Remuneration Committee

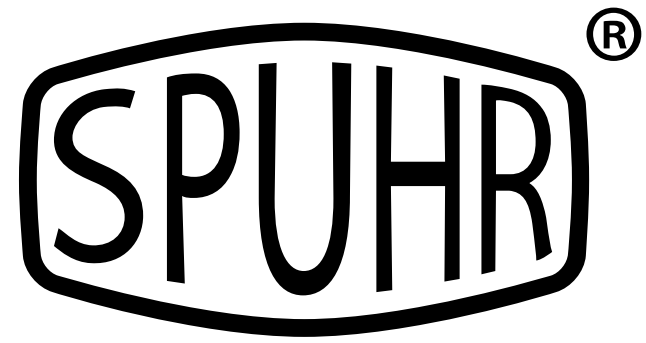
Mr. Aguilar’s CV is provided earlier in this section.

LUBOMÍR KOVAŘÍK
Member of the Remuneration Committee

Mr. Kovařík’s CV is provided earlier in this section.

RENÉ HOLEČEK
Member of the Remuneration Committee

Mr. Holeček’s CV is provided earlier in this section.



Spuhr i Dalby focuses on continuous innovation. Its latest product is the **Spuhr Modular 40mm Mount**, which sets a new standard in mission-adaptable fire-control accessories for 40mm grenade launchers. Developed to maximize first-round hit probability, regardless of munition, the system introduces a groundbreaking **interchangeable Ranging Unit** that delivers unmatched flexibility in the field.

At the core of the design is a robust, easy-to-swap Ranging Unit fitted with **pre-engineered ballistics, including trajectory and spin-drift compensation**. Each Ranging Unit is individually zeroed once, allowing users to maintain precise, repeatable accuracy without re-zeroing when switching between ammunition types. Operators can build a complete set of mission-specific Ranging Units, enabling seamless transitions between different 40mm munitions regardless of whether changing between lethal and/or less-lethal munition.

The built-in ballistic corrections within each Ranging Unit significantly reduce user error, thereby increasing the likelihood of an accurate first-round impact. By integrating spin-drift and trajectory data into the Ranging Unit, the Modular Grenade Launcher Sight Mount is even more user-friendly than the legacy GLSM produced by Spuhr. As each Ranging Unit comes with built-in trajectory and spin-drift compensation, operators require less time and ammo expenditure to become proficient, thereby providing an instant return on investment within the first training sessions.

Whether supporting peacekeeping operations, law enforcement tasks, or military missions, the Spuhr Modular 40mm Mount provides reliable adaptability. Its rugged construction, intuitive Ranging Unit replacement, and consistent precision, make it a force multiplier for units requiring dependable, repeatable performance with multiple ammunition types.



Spuhr Modular 40mm Mount

STRATEGIC INVESTMENTS
AND ACQUISITIONS COMMITTEE

The goal of the Committee is to ensure that the Company, and companies directly or indirectly controlled by the Company, only undertake investments contributing to the development and growth of Group value.

The Committee is established as a permanent advisory body of the Company’s Supervisory Board for matters pertaining to the Company’s strategic and conceptual plans requiring the consent of the Company’s General Meeting or Supervisory Board, in particular:

- (a) Acquiring or increasing a stake in a business corporation or a company that is a member of the Group
- (b) The Company’s acquisition strategies and concepts of growth

The Committee makes recommendations to the Company’s Supervisory Board on its decision-making in the areas above. The Supervisory Board decides on the composition of the Committee. The Chairman of the Supervisory Board is a mandatory member of the Committee. The Chairman of the Supervisory Board is also the Chairman of the Committee. The Chairman of the Board of Directors is a permanent guest of the Committee.

The Committee meets as needed on agreed-upon dates, usually once per calendar quarter. Only Committee members are entitled to vote at meetings. Each member of the Committee has one vote.

THE FOLLOWING TABLE SETS OUT THE NAME AND PRINCIPAL POSITION OF EACH MEMBER OF THE STRATEGIC INVESTMENTS AND ACQUISITIONS COMMITTEE:

Name	Position	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
David Aguilar	Chairman of the Strategic Investments and Acquisitions Committee	December 12, 2023	December 12, 2028
Lubomír Kovařík	Member of the Committee for Strategic Investments and Acquisitions	September 2, 2021	September 2, 2026
René Holeček	Member of the Committee for Strategic Investments and Acquisitions	September 2, 2021	September 2, 2026
Peter Stračár	Member of the Committee for Strategic Investments and Acquisitions	September 2, 2021	September 2, 2026

The CVs of Mr. Aguilar, Mr. Kovařík and Mr. Holeček are provided earlier in this section.

A decision of the Committee shall be deemed adopted if a majority of the members of the Committee present are in agreement. In all other cases, the decision is deemed not to have been taken. The Chairman of the Committee shall only submit to the Supervisory Board those decisions for discussion and, where appropriate, approval of those that have been recommended by the Committee to the Company’s Supervisory Board.

PETER STRAČÁR
Member of the Strategic Investments and Acquisitions Committee

Peter Stračár was the President and Managing Director of GE in Europe from 2018 to 2019. Prior to this post, from 2013, Mr. Stračár worked as the Managing Director for Central and Eastern Europe. Before that, he was the President of Hilti Asia Pacific, based in Hong Kong.

Mr. Stračár earned his Master’s Degree from the Faculty of Electrical Engineering and Informatics at the Technical University in Košice and began his career at IBM Eastern Europe.

COMPLIANCE AND ETHICS COMMITTEE

The goal of the Committee is to monitor and offer suggestions for the development and enhancement of the risk management system, the internal control system, legislation compliance management, industry standards, and the Company’s values.

The Compliance and Ethics Committee was established as a permanent advisory body of the Company’s Supervisory Board for matters pertaining to the Colt CZ Group in the following areas:

- (a) Code of Ethics
- (b) Anti-Corruption Policy
- (c) Prevention of criminal liability of a legal entity
- (d) Internal audit reports
- (e) Remedial actions and measures to improve compliance, risk management, internal control system, and building a responsible employee value system
- (f) Ethics hotline and whistleblower protection
- (g) Measures responding to legislative changes, especially in defense, arms regulation, consumer protection, competition, public procurement, etc.
- (h) Activities in CSR, sponsorship, donation, and philanthropy with respect to business areas of Group companies.

The Committee makes recommendations to the Company’s Supervisory Board on its decision-making in the above areas. The Supervisory Board decides on the composition of the Committee. The Chairman of the Supervisory Board is a mandatory member of the Committee. The Chairman of the Supervisory Board also serves as the Chairman of the Committee. The member of the Board responsible for compliance management is a permanent guest of the Committee.

The Committee meets as needed on agreed-upon dates, usually once per calendar quarter. Only Committee members are entitled to vote at meetings. Each member of the Committee has one vote. A decision of the Committee shall be deemed adopted if a majority of the members of the Committee present agree with it. In all other cases, the decision is deemed not to have been taken. The Chairman of the Committee shall only submit to the Supervisory Board those decisions for discussion and, where appropriate, approvals that have been recommended by the Committee to the Company’s Supervisory Board.

GEN. GEORGE W. CASEY (RET.),
Member of the Compliance and Ethics Committee

General Casey (Ret.) has been a member of the Board of Directors of Colt CZ Group North America, a Colt CZ subsidiary, since 2021. He is a published author, currently lectures at the SC Johnson College of Business at Cornell University and is the Rice Family Professor of Practice in the Korbel School at the University of Denver. Before joining Colt CZ, Gen. Casey served 41 years in the U.S. Army, including as the 36th Army Chief of Staff from 2007 to 2011. From 2004 to 2007 he commanded Multi-National Forces in Iraq.

Gen. Casey also serves as the Chairman of the Board of Governors of the United Service Organizations, a premier support organization for U.S. service personnel; as the Director of Leonardo DRS, a leading innovator of defense technology; and as Director of the Center for Global Development, a research institute focused on promoting economic growth and development around the world. In addition, he serves as a member of several advisory boards for companies engaged in robotics, resilience, and veteran support.

Gen. Casey graduated from the Georgetown University School of Foreign Service and holds a Master’s Degree in international relations from Denver University.

THE FOLLOWING TABLE SETS OUT THE NAME AND PRINCIPAL POSITION OF EACH MEMBER OF THE COMPLIANCE AND ETHICS COMMITTEE:

Name	Position	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
David Aguilar	Chairman of the Compliance and Ethics Committee	December 12, 2023	December 21, 2028
Lubomír Kovařík	Member of the Compliance and Ethics Committe	September 2, 2021	September 2, 2026
Gen. George W. Casey	Member of the Compliance and Ethics Committee	September 2, 2021	September 2, 2026
Petr Kolář	Member of the Compliance and Ethics Committee	September 2, 2021	September 2, 2026
Jillair Kubish	Member of the Compliance and Ethics Committee	September 2, 2021	September 2, 2026

The CVs of Mr. Aguilar and Mr. Kovařík are provided earlier in this section.

JILLAIR KUBISH
Member of the Compliance and Ethics Committee

Jillair has been the interim CEO of Colt’s Manufacturing Company LLC since April 2025. Earlier, Jillair Kubish was the Executive Vice-President for global military and law enforcement business operations at Colt’s Manufacturing Company LLC. Prior to joining Colt, Ms. Kubish was the President of Orchid Advisors, an advisory company for strategic management focusing on transformations in audit and compliance in the defense industry.

Ms. Kubish began her career at the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) within the US Department of Justice. Ms. Kubish has been one of the nation’s leading experts in federal and state firearms and explosives for over a decade. Jillair graduated from Temple University.

PETR KOLÁŘ
Member of the Compliance and Ethics Committee

Petr Kolář is a former Czech diplomat and public figure. He earned his doctoral degree in information technology, library science, and ethnography at Charles University in Prague in 1986. He served as the Czech Ambassador to Russia, the United States, Ireland, and Sweden. Mr. Kolář has held several posts at the Czech Ministry of Foreign Affairs and long served as an advisor to current Czech President, Gen. Petr Pavel.

Additional information concerning members of the Board of Directors, Supervisory Board, Audit Committee, and other senior executives of the Company

In the last five years, none of the members of the Board of Directors, Supervisory Board, Audit Committee, and other senior executives of the Company have been:

- ▶ Convicted of criminal fraud
- ▶ The subject of any official public charges or penalties by statutory or regulatory authorities (including designated professional bodies) and have not been legally disqualified from serving as a member of an administrative, management or supervisory body of any issuer or a management position, or from holding a management or operations position with any other issuer
- ▶ Associated with bankruptcy, administration, or liquidation proceedings, or with companies that have been placed under receivership in the last five years, except for companies listed earlier in this chapter

Conflicts of interest

There are no conflicts of interest between the duties of the members of the Board of Directors, Supervisory Board, Audit Committee, and other senior executives of the Company and their private interests or other obligations.



CZ-USA had an **outstanding 2025** with **revenue growth** in one of the most challenging U.S. firearms markets in recent history. Importantly, CZ-USA grew profitably despite the new 15% U.S. tariff levied on EU imports. Strengthening of the CZ brand in the U.S. market was accomplished through the implementation of a new and consistent approach in the marketplace, working with retailers and distributors to compensate for the impact of the new tariff.

CZ-USA also **expanded its marketing efforts** with exciting initiatives, such as the CZ Edge incentive program for retailers and the Legends Run Forever campaign to support the 50th anniversary of the CZ 75. It also had premier launches for the CZ SHADOW 2 CARRY, CZ P-10 PORTED, and CZ 600+ bolt action centerfire rifle series, which featured authentic U.S. hunting imagery. Moreover, CZ-USA Marketing strengthened its engagement with media outlets and influencers, thereby expanding the brand's reach. Excitement for the CZ brand could also be felt at the SHOT Show, where it showcased its newly redesigned booth and featured visits from notable U.S. influencers, such as Jack Carr, Colion Noir, Joe Mantegna, the UFC's Sean Strickland, and other notable figures.



Hunters in the field with a CZ Wingshooter Elite and a CZ Redhead Premier All-Terrain

4.5 Description of the decision-making procedures and powers of the General Meeting

A description of the decision-making procedures and powers of the General Meeting is set out in the Company's Articles of Association in Section 7. The General Meeting, its status, and powers, are available on the Company's website at <https://www.coltczgroup.com/en/investors-corporate-affairs/>

The General Meeting is the highest corporate body of the Company. The powers of the General Meeting under the Corporations Act and the Articles of Association include among others:

- a)** Decisions to amend the Articles of Association, unless they are an amendment resulting from an increase of the share capital by a duly authorized Board of Directors or an amendment occurring on the basis of other legal facts
- b)** Decisions to change the amount of share capital and to authorize the Board of Directors to increase the share capital
- c)** Decisions to allow the possibility to set off a monetary receivable towards the company against a receivable from the payment of the issue price
- d)** Decisions to increase the share capital by non-monetary contributions
- e)** Decisions on the issue of convertible or preference bonds under Section 286 of the Corporations Act
- f)** Decisions on the exclusion or limitation of the pre-emptive right to acquire convertible or preference bonds under Section 286

of the Corporations Act or on the exclusion or limitation of the shareholders' pre-emptive right to subscribe for new shares in the event of a share capital increase

- g)** Decisions on a change in the type or form of shares, on a change in the rights attached to shares and on a split or merger of shares
- h)** Decisions on the acquisition of treasury shares by the Company, if a decision of the General Meeting is required by law
- i)** Appointment and removal of Supervisory Board members, decisions on their remuneration and on the provision of benefits to Supervisory Board members within the meaning of Section 61 of the Corporations Act; approval of contracts for the performance of the functions of Supervisory Board members
- j)** Appointment and removal of Audit Committee members, decisions on their remuneration and on the provision of benefits to the Audit Committee members within the meaning of Section 61 of the Corporations Act; approval of contracts for the performance of the functions of Audit Committee members
- k)** Approval of the annual, extraordinary, and consolidated financial statements and, in the cases provided for by law, the interim financial statements
- l)** Decisions to distribute profit or the Company's other resources, or to cover the loss
- m)** Decisions to file an application to have the Company's participating securities admitted for trading on a European regulated market or to exclude such securities from trading on a European regulated market
- n)** Decisions to dissolve the Company with liquidation
- o)** Appointment and removal of the liquidator (including the determination of their remuneration)
- p)** Decisions on the approval of the final report on the course of the liquidation and on the approval of the proposal for the use

of the liquidation balance

- q)** Approval of the transfer, lease or pledge of the plant or such part of the assets as would involve a material change in the Company's actual business or activities
- r)** Decisions on a merger, division, transfer of assets to shareholders, change of the Company's legal form, foreign relocation of the registered office or other transformation of the Company
- s)** Approval of a silent partnership agreement, establishing the right to share in the profits or the Company's other resources, including its amendments and termination
- t)** Approval of the rules of procedure of the General Meeting, the rules of voting at the General Meeting, and other organizational measures related to the General Meeting
- u)** Approval of the rules of procedure of the Audit Committee
- v)** Approval of the acquisition or disposal of assets, if required by law
- w)** Establishment of reserve funds and/or other funds, as well as the manner in which such funds are to be created and supplemented (in particular for other capital funds), or their cancellation
- x)** Discussion of measures proposed by the Board of Directors pursuant to the provisions of Section 403 of the Corporations Act
- y)** Discussion of the results of the Supervisory Board's review activities pursuant to the provisions of Section 83(1) and Section 449 of the Corporations Act
- z)** Appointment and removal of the Company's auditor
- aa)** The issue of other resolutions entrusted to the General Meeting by the legislation. The General Meeting may not reserve the decision-making authority in matters that do not fall under its powers under legal regulations or the Articles of Association.

Convening the General Meeting

The General Meeting shall be held as necessary, but at least once every accounting period, namely always no later than 6 months after the last day of the preceding accounting period. The General Meeting shall also be convened at the request of a qualified shareholder under the terms stipulated by the Articles of Associations and the Corporations Act. The General Meeting shall be convened by the Board of Directors or its member. In the event that the Company has not elected a Board of Directors, or the Board of Directors permanently fails to fulfil their duties and none of its members convenes the General Meeting, the General Meeting shall be convened by the Supervisory Board. The Supervisory Board may also convene the General Meeting where required in the interest of the Company.

At least 30 days prior to the date of the General Meeting, the convener shall post an invitation to the General Meeting on the Company's website, i.e., <https://www.coltczgroup.com/>, and in the Commercial Bulletin. Sending the invitation to the addresses of the respective shareholders in the meaning of Section 406 (1) of the Corporations Act is replaced by publishing the invitation in the Commercial Bulletin.

If a qualified shareholder requests the Board of Directors to convene the General Meeting, the General Meeting will be convened within 50 days after the delivery date of the request to convene the General Meeting to the Board of Directors. The announcement

of the General Meeting shall be published no later than 21 days before the date of the General Meeting.

Matters which are not on the proposed agenda of the General Meeting may only be discussed or approved with the consent of all shareholders. The General Meeting shall be cancelled or postponed only in accordance with the Corporations Act. If the General Meeting is convened at the request of the Qualified Shareholder, then it may only be cancelled or postponed with the consent of the respective Qualified Shareholder.

Meetings and decision-making of the General Meeting

The General Meeting shall have a quorum if the present shareholders hold shares whose nominal value exceeds 50% of the Company's share capital as at the relevant date for participation in the General Meeting.

Unless provided otherwise in law or the Articles of Association, the General Meeting adopts a decision by a majority of votes of the present shareholders.

Decisions taken outside of the general meeting (per rollam decisions) are allowed, while the person authorized to convene the General Meeting shall announce all shareholders a proposal of a decision in the manner provided for in the Articles of Association.

COLT CZDEFENCE SOLUTIONS

Colt CZ Defence Solutions, established in 1993 in the Czech Republic, specializes in international trade in military equipment and ammunition for military and law enforcement customers. In 2025, the company focused on **integrating a fire control system and an Air Burst Munition (ABM) programming unit for the MK47 automatic grenade launcher** produced by its sister company Colt in the United States.

The objective of the project is to create a top-tier system combining a modern weapon platform with highly effective ammunition. This new configuration has the potential to enhance the effectiveness of ground units to achieve their objectives while simultaneously strengthening tactical air defense capabilities against low-flying threats, such as drones.

MK47 automatic grenade launcher



4.6 Structure of equity and description of shares

As at December 31, 2025, Colt CZ's share capital was CZK 5,646,302.8 and was fully paid up. It was divided into 56,463,028 ordinary registered book-entry shares with a nominal value of CZK 0.10 each. The Company has not issued preferred shares, rights, convertible bonds, or any other equity or equity-linked securities. All shares bear equal rights. The Company has no authorized unissued shares⁷. The shares of the Company bear no redemption or conversion rights. No capital of any member of the Group is under option, nor is it agreed conditionally or unconditionally to be put under option. Each shareholder of the Company has equal rights, including equal voting rights (one vote per one share), subject to certain exceptions set out in the Corporations Act. According to the Articles of Association, each share of the Company is entitled to one vote at the General Meeting. The Company has not issued any other types of shares than ordinary shares.

Information on ownership of treasury shares or other equity interests

On June 30, 2025, the General Meeting of the Company adopted a resolution outside its meeting (per rollam) approving the acquisition of its own shares. According to this resolution, the Company may acquire a maximum of **3,373,660** of its own shares for a period not exceeding five years for a price ranging from **CZK 0.10 to CZK 1,500** per share.

Within the limits determined by the above-mentioned decision of the General Meeting and in accordance with applicable legislation, the Board of Directors of the Company approved on June 30, 2025, the following terms of the program for the share buy-back of its own shares on the regulated market (the **Program**):

- a) Purpose of the Program:** The acquisition of own shares for (i) fulfilling the Company's obligations arising from existing or future share option programs for employees and members of the Group's governing bodies and/or (ii) for use as stock consideration to pay the purchase price in the context of future acquisitions.
- b) Maximum amount allocated to the Program:** The maximum monetary amount allocated to the Program is set at CZK 847 million.
- c) Duration of the Program:** The Program will run for a maximum period of one year from the General Meeting's resolution, i.e., until June 29, 2026, or until the maximum amount allocated to the Program is reached, whichever comes first.
- d) Maximum Volume:** A maximum of **1,300,000** of the Company's shares will be acquired under the Program.
- e) Price range approved by the General Meeting:** The lowest purchase price is CZK 0.10, and the highest purchase price is CZK 1,500 per share.

f) Regulatory requirements under Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (MAR):

- **Price limit:** The Company will not purchase shares at a price higher than the higher of the following two values: the price of the last independent trade and the highest current independent bid in the trading system where the purchase is carried out.
- **Volume limit:** The volume of shares purchased under the Program on a single day shall not, in accordance with Art. 3(3) (a) of Commission Delegated Regulation (EU) 2016/1052, exceed 25% of the average daily volume of the Company's shares traded on the relevant regulated market in the month preceding the month of the Program's disclosure. For the purposes of the commencement of the Program, this average was calculated from the average daily volume for May 2025 and amounts to **11,817 shares** issued by the Company per day. Above the regulatory requirements, the Company has limited the volume of shares purchased in a single day so that the number of shares purchased under the Program on a specific trading day of the Program's execution shall in no case exceed 50% of the shares traded in the trading system on that trading day.

⁷ With the exception of the approved Share Option Program

g) Disclosure obligation: The Company will, in accordance with MAR, duly inform the relevant supervisory authority (the Czech National Bank), the regulated market operator (Prague Stock Exchange) and the public of all transactions carried out under the Program, no later than by the end of the seventh trading day following the day of such transaction.

The Company appointed **WOOD & Company Financial Services**, a securities broker, to execute the share buy-back under the Program.

Based on the above conditions, the share buy-back commenced on the regulated market organized by the Prague Stock Exchange, a.s. on **July 7, 2025**.

From the launch of the share buy-back program until December 31, 2025, the Company acquired 262,868 of its own treasury shares.

In 2025, the Company did not acquire any other equity interests.

Restrictions on transferability of securities

The transferability of Colt CZ's shares is not restricted.

Significant direct and indirect shares in the issuer's rights

As at 31 December 2025, the majority shareholder of the Company was Česká zbrojovka Partners SE, incorporated as a European Company (Societas Europaea) in the Czech Republic, (henceforth referred to as the Major Shareholder), which owned 29,248,077 shares representing a 51.8% share in the Company's equity and voting rights. The other significant shareholder was

CBC Europe S.à r.l. holding 12 227 843 shares representing a 21.7% stake. The remaining 26.0% of Colt CZ's shares are free float and 0.5% are treasury shares repurchased in the share buyback program. The majority shareholder of the Major Shareholder is European Holding Company, SE (henceforth referred EHC), holding 87.5% of the share capital and voting rights, while the remaining 12.5% is held by the Holeček Family Foundation. 25% of EHC is owned by Mr. René Holeček; the remaining 75% in share capital is owned by OMNES holdingový nadační fond.

The Company's major shareholders do not have different voting rights. The majority shareholder does not control the Company, other than through the exercise of voting rights at General Meetings.

Information on holders of securities with special rights, including a description of these rights

No special rights are attached to any of Colt CZ's shares.

Information on voting rights restrictions

The voting rights attached to Colt CZ's shares are not restricted.

Information on agreements between shareholders that may result in making transferability more difficult, if known to the issuer

Colt CZ is not aware of any agreements between its shareholders that might restrict or limit the transferability of its shares or voting rights.

Information on special rules governing the election and removal of members of the statutory body and amendments to the issuer's Articles of Association or a similar document

The Articles of Association provide that the Board of Directors consists of six members that are elected and recalled by the Supervisory Board. A member of the Board of Directors is elected for a period of five years and may be re-elected. The Supervisory Board may recall a member of the Board of Directors at any time. The Board of Directors appoints its Chairman and two Vice-Chair from amongst its members. The Articles of Association may be amended by a decision of the General Meeting. Apart from standard legal provisions, no special rules are in place for the appointment of, and recalling of, members of the Board of Directors and for adoption of the amendments of the Articles of Association.

Information on the special powers of the statutory body or the administrative board under the Corporations Act

The Company's Board of Directors has no special powers.

The Company has not entered into significant contracts that will become effective, change, or expire, if control over the Company changes as a result of a takeover bid

The Company has not entered into significant contracts that will become effective, change, or expire, if control over the Company changes as a result of a takeover bid.

Information on contracts between the issuer and members of its managing body or employees in which the Company would undertake to provide a performance, in case their service or employment is terminated in relation to a takeover bid

The Company has not entered into any contracts with members of its Board, or its employees, in which the Company would undertake to provide a performance in case their service or employment is terminated in relation to a takeover bid.

Control system of the Share Program under which members of the managing body or employees acquire the Company's participating securities, options over these securities, or other rights provided to them, unless they exercise such rights themselves

In December 2021, the Company's Supervisory Board approved a draft of the Share Program of Colt CZ Group SE (henceforth referred to as the Share Program), which was prepared in accordance with the Remuneration Policy approved by the General Meeting of the Company on June 22, 2021. The total number of share options to be allocated is 3,373,000. On the basis of the Share Program, associates will be allocated options – rights to purchase a predetermined number of Colt CZ Group SE registered book-entry shares with a nominal value of CZK 0.10 per share.

As at December 31, 2025, a total of 1,735,100 options for 83 program participants were settled, which were subjected to the conditions being met as at July 2, 2024.

The control mechanisms for the Share Program in 2025 were, firstly, the conclusion of contracts between the Company and each individual participant and, secondly, the approval of candidates by the Company's managing body. Participants in the Share Program are nominated by the Board of Directors and approved by the Supervisory Board. Since the conditions for allocating the remaining number of shares under the Share Program were not met in 2025, the Share Program was terminated without settlement.



The ambition of 4M Tactical is to deliver innovative solutions to military and law enforcement customers. One of its key areas of development is **thermal camouflage and reduction of detectability in the infrared spectrum** in response to the growing use of thermal imaging systems and unmanned aerial platforms. In cooperation with partners from Respilon and InfraHex, 4M Tactical has participated in the development of materials designed to reduce the infrared signature of the human body. These materials block specific wavelengths while maintaining low weight, breathability, and high mechanical durability suitable for long-term field deployment.

Using these materials, 4M Tactical has developed the **4M Tactical Ghillie Suit for thermal camouflage**. The technology has been successfully validated by end users, including deliveries to Ukrainian armed forces. It is also developing additional solutions intended for the concealment of both personnel and equipment. The products incorporate integrated attachment points that allow the use of both natural and technical camouflage elements.

For the Czech Armed Forces, 4M Tactical has carried out **patterning of modernized pouches, bags, and firearm slings** equipped with new QD buckles. The sling design has been optimized, and more ergonomic variants have been developed, enabling rapid one-hand adjustment.

4M Tactical has also developed pistol holsters featuring a **hybrid polymer-textile construction**, where a laminated textile layer enhances mechanical durability and shape stability. The development also included a holster for the CZ P-10 C pistol with an attached suppressor. In the field of **ballistic protection**, the Mihril I/II project is being implemented in cooperation with the Faculty of Biomedical Engineering at the Czech Technical University in Prague. The project focuses on concealed protection against hybrid threats.



Soldiers equipped with 4M Tactical gear

4.7 Shares and dividend policy

With effect from June 1, 2020, the shares of the Company have been admitted to trading on the Prime Market of the Prague Stock Exchange in the form of a so-called technical listing without a prior public offering of the shares. During September 2020, the Group finalized its IPO and, as of October 2, 2020, its shares are traded on the Prime Market of the Prague Stock Exchange.

INFORMATION ABOUT SHARES

Market	BCPP, Prime Market
No. of issued shares (pieces) as at December 30, 2025	56,463,028
Market capitalization (as at December 30, 2025, price of CZK 741)	CZK 41.8 billion
Ticker	CZG
BIC	BAACZGCE
ISIN	CZ0009008942
Bloomberg ticker	CZG CP Equity
Reuters ticker	CZG.PR
Indices	PX, PX-GLOB, PX-TR, PX-TRnet, CECE (Vienna), MSCI Global Small Cap Indexes

CHART – TRADING OF COLT CZ´S SHARES IN THE PSE IN 2025



Source: Bloomberg

In the period after the IPO, Colt CZ Group has focused on expanding research coverage for the Company and building relationships with analysts, as well as setting up investor relations communications according to the highest market standards. The Company currently has 6 sell-side analysts who publish research on the Company, along with a number of other commenting analysts. Colt CZ Group is dedicated to open and pro-active communication with its shareholders and has implemented a schedule of investor communication events, all of which are fully compliant with market standards for listed companies.

Dividend policy

On September 17, 2020, the Board of Directors of Colt CZ Group adopted a dividend policy pursuant to which, subject to (i) the availability of sufficient distributable cash and (ii) shareholder approval, the Company intends to pay a minimum annual distribution of 33% of its consolidated net profit for the year, based on its consolidated annual financial statements. In 2022, the Company communicated this change in its dividend policy and its intention to pay out at least 50% of net income in dividends in future periods. No official dividend policy had been adopted as at the date of the annual financial report.

Dividend paid in 2025

In June 2025, the Company’s General Meeting held outside its meeting (per rollam) decided on the distribution of profit for the year 2024 and the payment of dividends.

The profit of CZK 846,945,420.00 for 2024 was distributed to the Company’s shareholders in the form of a cash dividend. The dividend for 2024 amounted to CZK 15 per share before tax.

Dividend for 2025

The Company will propose to the General Meeting a cash dividend of CZK 30 per share from the 2025 profit. The proposed profit distribution is subject to approval by the General Meeting, which will be held at the end of the first half of 2026.

EG CZ ACADEMY

The EG-CZ Academy is built on a **highly engineered technical infrastructure designed to ensure maximum safety, environmental control, and athlete comfort**. At the core of the facility is a high-capacity ventilation system delivering 120,000 cubic meters of air per hour, which guarantees continuous air renewal and strict control of airborne particulates generated during shooting activities.

Fresh air is first purified through high-performance filtration units and then thermally conditioned to ensure optimal comfort for shooters, maintaining stable indoor conditions regardless of outdoor weather. Conditioned air is distributed uniformly across the shooting lanes and extracted at the opposite end of the range, creating a controlled laminar airflow that efficiently removes combustion residues and dust particles away from users.

Extracted air undergoes a second filtration stage to capture any remaining particulate matter before passing through a high-efficiency heat exchanger wheel that recuperates approximately 70% of the thermal energy from the outgoing air stream. This recovered energy is reused to preheat incoming fresh air, significantly improving energy efficiency and reducing operational costs before the air is released outside.

Complementing this system is a sophisticated bullet trap target installation engineered for maximum absorption of projectile energy, minimization of ricochet risk, and simplified maintenance. Taken together, these systems position EG-CZ Academy as a **modern, safe, and performance-oriented training environment** aligned with the highest international standards.



Training at the EG-CZ Academy

5. CONSOLIDATED SUSTAINABILITY STATEMENT 2025

Non-financial information to the extent required by Section 32k of the Accounting Act, especially relating to a) environmental issues, b) social and employee issues c) issues of respecting human rights, and d) issues of fighting corruption and bribery, including information to be disclosed in accordance with Article 8 of the Taxonomy Regulation, are included in Chapter 5 of this Consolidated Sustainability Statement.

CONSOLIDATED SUSTAINABILITY STATEMENT 2025

1. ESRS disclosure index	64		
2. General Information	71		
2.1 Basis for preparation	71		
2.1.1 BP-1 General basis for preparation of Sustainability Statement	71		
2.1.2 BP-2 Disclosures in relation to specific circumstances	72		
2.2 Governance	76		
2.2.1 GOV-1 The role of the administrative, management and supervisory bodies	76		
2.2.2 Information provided to and sustainability matters addressed by the Group's administrative, management and supervisory bodies	79		
2.2.3 Integration of sustainability-related performance in incentive schemes	80		
2.2.4 Statement on due diligence	81		
2.2.5 GOV-5 Risk management and internal controls over sustainability reporting	82		
2.3 Strategy & business model	83		
2.3.1 SBM-1 Strategy, business model and value chain	83		
2.3.2 The value chain	84		
2.3.3 SBM-2 Interest and views of stakeholders key stakeholders	85		
2.4 Material impacts, risks and opportunities	88		
2.4.1 SBM-3 Material impacts, risks, and opportunities and their interaction with strategy and business model	88		
2.4.2 IRO-1 Process to identify and assess material impacts, risk and opportunities	89		
3. Environmental information	95		
3.1 Environmental information – Climate change	95		
3.1.1 E1 ESRS 2 SBM-3 Material impacts, risks, and opportunities and their interaction with strategy and business model	95		
3.1.2 E1 ESRS 2 IRO-1 Process to identify and assess material climate-related impacts, risks and opportunities	95		
3.1.3 Resilience analysis	97		
3.1.3 (a) E1 ESRS2 SBM-3 Resilience analysis	97		
3.1.4 Transition plan	98		
3.1.4 (a) E1-1 Transition plan for climate change mitigation	98		
3.1.5 Policies, actions and targets	101		
		(a) E1-2 Policies related to climate change mitigation and adaptation	101
		(b) E1-3 Actions and resources in relation to climate change policies	102
		(c) E1-4 Targets related to climate change mitigation and adaptation	103
	3.1.6	E1 Climate Change Metrics	104
		(a) E1-5 Energy consumption and mix	104
		(b) E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions	106
	3.2	E2 Pollution	111
	3.2.1	E2 ESRS 2 IRO-1 Material impacts, risks and opportunities and their interaction with strategy and business model	111
	3.2.2	E2-1 Policies related to pollution	113
	3.2.3	E2-2 Actions and resources related to pollution	113
	3.2.4	E2-3 Targets related to pollution	113
	3.2.5	E2-4 Pollution of air, water and soil	113
	3.2.6	E2-5 Substances of concern and substances of very high concern	114
	3.2.7	E2 Pollution Metrics	114
	3.3	E3 Water and marine resources	115
	3.3.1	E3 ESRS 2 IRO-1 Material impacts, risks and opportunities and their interaction with strategy and business model	115
	3.3.2	E3-1 Policies related to water and marine resources	116
	3.3.3	E3-2 Actions and resources related to water and marine resources	116
	3.3.4	E3-3 Targets related to water and marine resources	116
	3.3.5	E3-4 Water and Marine Resources Metrics	116
	3.4	E4 Biodiversity and ecosystems	118
	3.4.1	E4 ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model	118
	3.4.2	E4-2 Policies related to biodiversity and ecosystems	119
	3.4.3	E4-3 Actions and resources related to biodiversity and ecosystems	119
	3.4.4	E4-4 Targets related to biodiversity and ecosystems	119
	3.4.5	E4-5 Biodiversity and ecosystems near to our operations	119
	3.5	E5 Resource use and circular economy	120
	3.5.1	E5 ESRS 2 IRO-1 Material impacts, risks and opportunities and their interaction with strategy and business model	120
	3.5.2	E5-1 Policies related to resource use and circular economy	121

3.5.3	E5-2 Actions and resources related to resource use and circular economy	121
3.5.4	E5-3 Targets related to resource use and circular economy	121
3.5.5	E5-4 Resource inflows	122
3.5.6	E5-5 Resource outflows	122
3.5.7	E5 Resource Use and Circular Economy Metrics	123
	(a) Resource inflows	123
	(b) Resource outflows	124
3.6	EU taxonomy	126
4.	Social	134
4.1	S1 Own workforce	134
4.1.1	S1 ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model.....	134
4.1.2	S1-1 Policies related to own workforce	137
4.1.3	S1-2 Processes for engaging with own workforce and workers' representatives	138
4.1.4	S1-3 Processes to remediate negative impacts and channels for own workforce to raise concerns	138
4.1.5	S1-4 Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	139
4.1.6	S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	139
4.1.7	S1 Own Workforce Metrics	139
	(a) S1-6 Characteristics of the Group's employees (headcount)	140
	(b) S1-8 Metrics Collective bargaining coverage and social dialogue	142
	(c) S1-9 Diversity metrics	143
	(d) S1-16 Remuneration metrics (Pay gap and Total remuneration)	144
4.1.8	Description of diversity policy applied to the issuer's managing body	145
4.1.9	S1-10 Adequate wages	146
4.2	Workplace health, integration and skills enhancement: S1-4 Actions, S1-5 Targets and Metrics	146
4.2.1	S1-14 Health and safety metrics	146
4.2.2	S1-15 Work-life balance	147
4.2.3	S1-17 Incidents, complaints and severe human rights impacts metrics	147
4.3	S3 – Affected communities	149
4.3.1	S3 ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model	150

4.3.2	S3-1 Policies related to Affected Communities	152
4.3.3	S3-2 Processes for engaging with affected communities	152
4.3.4	S3-3 Processes to remediate negative impacts and channels for affected communities to raise concerns	152
4.3.5	S3-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	153
4.4	S4 Consumers and end-users	153
4.4.1	S4 ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model	154
4.4.2	S4-1 Policies related to consumers and end-users	155
4.4.3	S4-2 Processes for engaging with consumers and end-users about impacts	156
4.4.4	S4-3 Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	156
4.4.5	S4-4 Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	157
4.4.6	S4-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	157
5.	Governance – Business conduct	158
5.1	G1 ESRS 2 SBM-3 Material impacts, risks and opportunities	159
5.2	G1-1 Corporate culture and business conduct policies	161
5.2.1	G1-1 Business Conduct and corporate culture	164
	(a) G1-1 Protection of whistle-blowers	165
5.3	Corruption and anti-bribery	166
5.3.1	G1-3 Prevention and detection of corruption and bribery	166
5.3.2	G1-3 Corruption and antibribery metrics	166
5.3.3	Action plans and resources to manage its material impacts, risks, and opportunities related to corruption and bribery	166
5.4	G1-5 Political engagement and lobbying activities	167
5.5	Suppliers and payment practices	167
5.5.1	G1-2 Management of relationships with suppliers	167
5.5.2	G1-6 Payment practices and Metrics	168
6.	List of datapoints in cross-cutting and topical standards that derive from other EU legislation (appendix)	169

SUSTAINABILITY AT COLT CZ – INTRODUCTION

Overview of material topics at Colt CZ Group

General	E	S	G
ESRS 1 General requirements	ESRS E1 Climate Change	ESRS S1 Own workforce	ESRS G1 Business Conduct
ESRS 2 General disclosures	ESRS E2 Pollution	ESRS S3 <i>Affected communities¹</i>	
	ESRS E3 Water and marine resources	ESRS S4 <i>Consumers and end-users¹</i>	
	ESRS E4 <i>Biodiversity and ecosystems¹</i>		
	ESRS E5 Resource use and circular economy		

¹ On 11 July 2025, the European Commission adopted a Quick Fix Delegated Regulation extending European Sustainability Reporting Standards (ESRS) phase-in relief. The undertakings may now defer all disclosures on Biodiversity and ecosystems (E4), Workers in the value chain (S2), Affected communities (S3), and Consumers and end-users (S4) for financial years 2025 and 2026.

1. ESRS DISCLOSURE INDEX

The following table includes the list of disclosure requirements complied with in preparing the Sustainability Statement (ESRS 1.52) and the topical standards which are material to Colt CZ Group, including disclosure requirements that are phased-in. Disclosure Requirements (DRs) not presented in this ESRS index have been assessed as not material in accordance with the Group’s double materiality assessment (DMA) and are therefore omitted.

Topic	Description	Chapter	Page	Comments
ESRS 2 – General Disclosures				
BP-1	General basis for preparation of Sustainability Statements	General disclosures	71	
BP-2	Disclosures in relation to specific circumstances	General disclosures	72-75	
GOV-1	The role of the administrative, management and supervisory bodies of the Group	General disclosures	76-79	
GOV-2	Information provided to and sustainability matters addressed by the Group’s administrative, management and supervisory bodies	General disclosures	79-80	
GOV-3	Integration of sustainability-related performance in incentive schemes at Colt CZ	General disclosures	80	
GOV-4	Statement on sustainability due diligence	General disclosures	81	
GOV-5	Risk management and internal controls over sustainability reporting	General disclosures	82-83	
SBM-1	Strategy, business model & value chain	General disclosures	83-85	
SBM-2	Interest and views of stakeholders and key stakeholders	General disclosures	85-88	
SBM-3	Double materiality assessment	General disclosures	88-94	
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	General disclosures	89-94	
IRO-2	Overview of disclosure requirements included in the Sustainability Statement of Colt CZ	General disclosures	93-94	
MDR-P, BP_2	Overview of adopted policies	General disclosures	102, 113, 116, 137, 155, 161-163	
SBM-3_09	Disclosure of anticipated financial effects of material risks and opportunities on financial position, financial performance and cash flows over short-, medium- and long-term	General disclosures		Phased-in/Delayed

Topic	Description	Chapter	Page	Comments
E1 Climate Change				
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	Environment	95-98	
E1-1	Transition plan for climate change mitigation	Environment	98-101	
E1-2	Policies related to climate change mitigation and adaptation	Environment	101-102	
E1-3	Actions and resources in relation to climate change policies	Environment	102	
E1-4	Targets related to climate change mitigation and adaptation	Environment	103	
E1-5	Energy consumption and mix	Environment	104-106	
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	Environment	106-110	
E1-9	Anticipated financial effects from material physical risk	Environment		Phased-in/Delayed
E2 Pollution				
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	Environment	111-112	
E2-1	Policies related to pollution	Environment	113	
E2-2	Actions and resources related to pollution	Environment	113	
E2-3	Targets related to pollution	Environment	113	
E2-4	Pollution of air, water and soil	Environment	113	
E2-5	Substances of concern and substances of very high concern	Environment	114	5(d) – Intellectual property/know-how exemption
E2-6	Anticipated financial effects from material pollution-related risks and opportunities	Environment		Phased-in/Delayed

Topic	Description	Chapter	Page	Comments
E3 Water and marine resources				
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	Environment	115	
E3-1	Policies related to water and marine resources	Environment	116	
E3-2	Actions and resources related to water and marine resources	Environment	116	
E3-3	Targets related to water and marine resources	Environment	116	
E3-4	Water consumption	Environment	116-118	
E3-5	Anticipated financial effects of material risks and opportunities arising from water and marine resources-related impacts	Environment		Phased-in/Delayed
E4 Biodiversity and ecosystems				
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	Environment	118-119	Phase-in applied for ESRS E4 (including quick fix); partial disclosure.
E4-2	Policies related to biodiversity and ecosystems	Environment	119	Phase-in applied for ESRS E4 (including quick fix); partial disclosure.
E4-3	Actions and resources related to biodiversity and ecosystems	Environment	119	Phase-in applied for ESRS E4 (including quick fix); partial disclosure.
E4-4	Targets related to biodiversity and ecosystems	Environment	119	Phase-in applied for ESRS E4 (including quick fix); partial disclosure.
E4-5	Impact metrics related to biodiversity and ecosystems change	Environment	119	Phase-in applied for ESRS E4 (including quick fix); partial disclosure.
E4-6	Anticipated financial effects of material risks and opportunities arising from biodiversity- and ecosystem-related impacts and dependencies	Environment		Phase-in applied for ESRS E4 (including quick fix); partial disclosure.

Topic	Description	Chapter	Page	Comments
E5 Resource use and circular economy				
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	Environment	120-121	
E5-1	Policies related to resource use and circular economy	Environment	121	
E5-2	Actions and resources related to resource use and circular economy	Environment	121	
E5-3	Targets related to resource use and circular economy	Environment	121	
E5-4	Resource inflows	Environment	122-125	ESRS 1 Section 7.7 Classified and sensitive information and information on intellectual property, know-how or results of innovation
E5-5	Resource outflows	Environment	122-125	ESRS 1 Section 7.7 Classified and sensitive information and information on intellectual property, know-how or results of innovation
E5-6	Anticipated financial effects of material risks and opportunities arising from resource use and circular economy-related impacts	–		Phased-in/Delayed
	EU taxonomy	Environment	126-132	

Topic	Description	Chapter	Page	Comments
S1 Own workforce				
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	Social	131-136	
S1 SBM-3	Own workforce IRO	Social	136	
S1-1	Policies related to own workforce	Social	137	
S1-2	Processes for engaging with own workforce and workers’ representatives	Social	138	
S1-3	Processes to remediate negative impacts and channels for own workforce to raise concerns	Social	138	
S1-4	Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	Social	138	
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Social	139	
S1-6	Characteristics of own workforce, tables, charts	Social	139-142	
S1-7	Characteristics of non-employees in the undertaking’s own workforce	–		Phased-in/Delayed
S1-8	Collective bargaining coverage and social dialogue	Social	142-143	
S1-9	Diversity metrics	Social	143-144	
S1-10	Adequate wages	Social	146	
S1-11	Social protection	–		Phased-in/Delayed
S1-12	Persons with disabilities	–		Phased-in/Delayed
S1-13	Training and Skills Development metrics	–		Phased-in/Delayed
S1-14	Health and safety metrics	Social	146-147	
S1-14 (06-12)	Health and safety metrics - number of days lost	–		Phased-in/Delayed
S1-15	Work-life balance	–	147	Phased-in/Delayed
S1-16	Remuneration metrics	Social	144-145	
S1-17	Incidents, complaints and severe human rights impacts	Social	147-148	

Topic	Description	Chapter	Page	Comments
S3 Affected communities				
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	Social	150-151	Phase-in applied for ESRS S3 (including quick fix); partial disclosure.
S3-1	Policies related to affected communities	Social	152	Phase-in applied for ESRS S3 (including quick fix); partial disclosure.
S3-2	Processes for engaging with affected communities	Social	153	Phase-in applied for ESRS S3 (including quick fix); partial disclosure.
S3-3	Processes to remediate negative impacts and channels for affected communities to raise concerns	Social	152	Phase-in applied for ESRS S3 (including quick fix); partial disclosure.
S3-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Social	153	Phase-in applied for ESRS S3 (including quick fix); partial disclosure.
S4 Consumers and end-users				
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	Social	154	Phase-in applied for ESRS S4 (including quick fix); partial disclosure.
S4-1	Policies related to consumers and end-users	Social	155-156	Phase-in applied for ESRS S4 (including quick fix); partial disclosure.
S4-2	Processes for engaging with consumers and end-users about impacts	Social	156	Phase-in applied for ESRS S4 (including quick fix); partial disclosure.
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	Social	156	Phase-in applied for ESRS S4 (including quick fix); partial disclosure.
S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	Social	157	Phase-in applied for ESRS S4 (including quick fix); partial disclosure.
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Social	157	Phase-in applied for ESRS S4 (including quick fix); partial disclosure.

Topic	Description	Chapter	Page	Comments
G1 Business conduct				
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	Governance	159-160	
G1-1	Business conduct policies and corporate culture	Governance	161-164	
G1-2	Management of relationships with suppliers	Governance	167	
G1-3	Prevention and detection of corruption and bribery	Governance	166	
G1-4	Incidents of corruption or bribery	Governance	166-167	
G1-5	Political influence and lobbying activities	Governance	167	
G1-6	Payment practices	Governance	168	

2. GENERAL INFORMATION

2.1 Basis for preparation

2.1.1 BP-1 General basis for preparation of Sustainability Statement

The Consolidated Sustainability Statement (Sustainability Statement) presented in this Annual Financial Report forms an integrated part of Management’s Review addressing sustainability matters within environmental, social and governance areas material to the Colt CZ Group SE (Colt CZ or the Company) and its subsidiaries (collectively the Group) for the reporting year 2025.

The Sustainability Statement has been prepared in accordance with the European Sustainability Reporting Standards (ESRS, EU 2023/2772) as incorporated into Czech law.

Consolidation

The Sustainability Statement for Colt CZ has been prepared on a consolidated basis [ESRS-2_BP-1_5a] applying to the same consolidation group as in the financial statements of this Annual Financial Report (please refer to Note 2.1 *Identification of the Group* of the Consolidated Financial Statements). The consolidation group has been determined in accordance with IFRS 10 and includes the ultimate parent company of the Group Colt CZ Group SE and its subsidiaries over which the Company has operational control. This also includes the Company holding more than 50 per cent

of the voting rights of another entity and no other factors precluding control. [ESRS-2_BP-1_b(ii)].

Subsidiaries acquired during the year 2025 are recognised in the Sustainability Statement from the date Colt CZ gained control of the subsidiary (the acquisition date).

All subsidiaries are exempted from individual sustainability reporting under Articles 19a(9) or 29a(8), as they are included in the consolidated sustainability report of the Group.

Upstream and downstream value chain [ESRS-2_BP-1_5c]

The Sustainability Statement covers value chain information relating to the Group’s direct and indirect business relationships in the upstream and downstream value chain. The entire value chain was considered during the impacts, risks and opportunities (IROs) assessment, which is outlined in the statement of material IROs in section 2.4.1 *SBM-3 Material impacts, risks, and opportunities and their interaction with strategy and business model*. For specific information on Group’s value chain see section 2.3.2.

Colt CZ applies transitional provisions relating to some value chain information, which are further described under the individual topics.

Targets and Action Plans

Unless otherwise stated in the respective sections of this Sustainability Statement, the Group has not yet established specific targets or formal action plans for the reported sustainability matters. The Group is currently in the process of developing its target-setting and action planning framework, and relevant targets and action plans are expected to be defined in future reporting periods.

Omission of information

According to the ESRS 1 Section 7.7 Classified and sensitive information and information on intellectual property, know-how or results of innovation, the Group omitted information corresponding to intellectual property, know-how or the results of innovation [ESRS-2_BP-1_5d] and applied exemption for disclosing information on impending developments or matters in the course of negotiation has been used [ESRS-2_BP-1_5e].

In particular, the Group has not disclosed detailed information on:

- the composition of mixtures used in production processes (E2-5 Substances of concern and substances of very high concern),

- specific product characteristics, including durability, repairability and material composition, as well as information on recyclable content and packaging (E5-4 Resource inflows and E5-5 Resource outflows).

This information is considered commercially sensitive and constitutes intellectual property and know-how. Its disclosure could adversely affect the Group’s competitive position.

The Group confirms that, despite these omissions, all relevant substances, materials and processes are managed in compliance with applicable legal and regulatory requirements.

Phased-in provisions

The Group has elected to apply phased-in provisions for [ESRS-2_SBM-1_40b] (breakdown of total revenue by significant ESRS sectors) and [ESRS-2_SBM-1_40c] (list of additional significant ESRS sectors) in line with ESRS 1 Appendix C (List of phased-in disclosures requirements).

In 2025, the transitional provision in ESRS 1:137 allowing for phasing-in (in accordance with Appendix C of ESRS 1) certain datapoint disclosures have been applied, more specifically:

E1 (E1-9), E2 (E2-6), E3 (E3-5), E4 (E4-6), E5 (E5-6) and S1 (S1-7, S1-11, S1-12, S1-13, S1-14_06-12, S1-15).

On 11 July 2025, the European Commission adopted a Quick Fix Delegated Regulation extending European Sustainability Reporting

Standards (ESRS) phase-in relief. The undertakings may now defer all disclosures on Biodiversity and ecosystems (E4), Workers in the value chain (S2), Affected communities (S3), and Consumers and end-users (S4) for financial years 2025 and 2026.

A full list of phased-in datapoints can be found in section 1, ESRS disclosure index.

2.1.2 BP-2 Disclosures in relation to specific circumstances

Time horizons [ESRS-2_BP-2_9a]

In preparing its Sustainability Statement the Group has applied the following forward-looking time horizons as defined in ESRS 1:

- Short-term (1 year):

Impacts related to corporate governance, ethics, compliance, and workforce policies are expected to materialize quickly.

- Medium term (1-5 years):

Impacts related to the climate change transition risks, pollution mitigation, water and resource management, and consumer rights policies will be felt in the medium term. Regulatory changes such as EU sustainability legislation and emission targets will require adaptation.

- Long-term (more than 5 years):

Climate-related physical risks (e.g. extreme weather events, resource scarcity and infrastructure disruptions) will have lasting effects on business operations and supply chains. Additionally, the transition to a circular economy and renewable energy adoption will continue to evolve, with long-term financial and strategic planning necessary to mitigate risks and capitalize on sustainability opportunities.

All time horizons for data in the Sustainability Statement follow the financial statements of this Annual Financial Report.

Value chain estimation

The following table contains the metrics that include value chain data estimated using indirect sources.

Metric	Section	Basis of preparation	Level of accuracy	Planned actions to improve accuracy
Scope 3 GHG emissions [ESRS-2_BP-2_10a]	3.1.6.	Scope 3 GHG emissions are calculated using a combination of primary data sources, for example, energy use and transport data, and recognised secondary data sources, such as emission factors and industry-average data. (please refer to more details in section 3.1.6.) [ESRS-2_BP-2_10b].	The use of secondary data sources, such as emission factors and industry-average data results in less accurate information than if only primary sources were used. The details of the level of uncertainty are described in section 3.1.6 [ESRS-2_BP-2_10c].	The Group is working to limit the use of secondary data sources with actual data to enhance the accuracy of Scope 3 GHG emissions estimates, by introducing GHG reporting requirements in supplier contracts [ESRS-2_BP-2_10d].

Sources of estimation and outcome uncertainty

In May 2025, the Group acquired Valley Steel Stamp Inc. in the USA. The acquisition was completed on 16 June 2025. No estimations were applied in relation to this acquisition, as all reported data are based on actual data provided by the acquired entity. For the purposes of ESG reporting, data for Valley Steel Stamp Inc. are included for a period of seven months. The difference of 16 days compared to a full seven-month period is considered immaterial for reporting purposes. Metrics representing flows (e.g. emissions, energy consumption, water use) are reported for the seven-month period following the acquisition, while metrics representing positions at a specific point in time (e.g. headcount) are reported as at 31 December 2025.

An estimation was applied in Colt’s Manufacturing Company in the category of resource inflows due to the unavailability of complete and accurate data for the reporting year. This estimation is considered not to have a material impact on the overall reported figures.

Water-related data (consumption, withdrawals and discharges) are primarily based on direct measurements from on-site metering devices; where such measurements are not available, immaterial estimates may be used based on invoices or other supporting documentation.

Forward-looking information

This Sustainability Statement contains forward-looking information, including, but not limited to, the development of the Group’s climate transition plan and ESG-related strategies and targets. It also includes the expected impact of acquisitions completed after the reporting period.

In January 2026, the Group acquired Synthesia Nitrocellulose, a.s. and Synthesia Power, a.s. These acquisitions represent the establishment of a new energetics segment within the Group’s portfolio. Synthesia Nitrocellulose, a.s. primarily produces energetic nitrocellulose used in the production of propellants, while Synthesia Power, a.s. operates a coal-fired power plant. A portion of the energy produced is supplied to Synthesia Nitrocellulose, a.s., with the remaining output sold to third parties.

The newly established segment is expected to represent a significant part of the Group’s activities, with an anticipated contribution of approximately one-third of total Group revenues. The integration of these entities and their impact on the Group’s sustainability performance are subject to ongoing assessment.

Such information is based on current assumptions, estimates and expectations and is subject to change due to evolving regulatory requirements, market conditions and internal developments. Accordingly, actual outcomes may differ from those expressed or implied in these forward-looking statements.

Datapoints validation

Unless otherwise stated for a specific data point, the measurement of the given indicator has not been validated by any external body other than the Limited assurance service provider. [\[ESRS-2_MDR-M_77b\]](#).

Changes in preparation or presentation of sustainability information

No changes were made in the preparation and presentation of sustainability information compared to the previous reporting period. [\[ESRS-2_BP-2_14a\]](#). [\[ESRS-2_BP-2_13a\]](#).

Reporting errors in prior periods

[\[ESRS-2_BP-2_14a\]](#)

During the reporting period, the Group identified an error in the 2024 reported data related to resource inflows for one subsidiary. The error was caused by incorrect unit reporting, where certain values were disclosed in kilograms instead of tonnes.

As a result, the comparative information for 2024 has been restated to ensure consistency and accuracy of the reported data. The restatement affected disclosures under ESRS E5-4 Resource inflows, including related percentages.

The Group has implemented additional review controls to prevent similar inconsistencies in future reporting periods. No other restatements or corrections were identified.

Disclosures stemming from other legislation or generally accepted sustainability reporting standards and frameworks [\[ESRS-2_BP-2_15\]](#)

Disclosures stemming from other EU legislation, as identified in the ESRS appendix List of datapoints that derive from other EU legislation, have been considered as part of the Group’s double materiality assessment (DMA) and are included in this statement where material.

The Group does not explicitly align its reporting with other generally accepted sustainability reporting standards or frameworks.

Incorporation by reference [ESRS-2_BP-2_16]

To enhance the readability of the Sustainability Statement the Group incorporates certain information by reference to another section of the Annual Financial Report. The table below provides a list of the disclosure requirements which are incorporated by reference:

ESRS	ESRS disclosure requirement	Data Points	Information	Chapter of the Report
2	GOV-1:	20c, 21a, 21b, 21d, 21c, 21e, 22a, 23b	Information about the composition and diversity of the members of the administrative, management and supervisory bodies. Detailed profiles, background and qualifications of the Board members	4.4 Description of decision-making processes and the composition of the Group’s managing body and its committees
2	GOV-5	34b	Information related to risk management approach	4.3 Information on internal control policies and procedures and the issuer’s and its consolidating entity’s approach to risks, in relation to the financial and non-financial reporting process
2 MDR	SBM-1_06	40b, 40e, 40f	Total revenue	Breakdowns of revenues by segments is provided in Chapter 3 overview of financial results.
2 MDR	SBM-1_01, 02	40a	Description of significant group of products and services offered. Description of significant markets and (or) customer groups served	Chapter 2.1 Identification of the Group of the Consolidated Financial Statements. Information about the Group’s products and markets is provided in the Annual Financial Report (chapter 2.1 and 2.2).
E5	E5-5	35	The undertaking shall provide a description of the key products and materials that come out of the undertaking’s production process and that are designed along circular principles, including durability, reusability, repairability, disassembly, remanufacturing, refurbishment, recycling, recirculation by the biological cycle, or optimisation of the use of the product or material through other circular business models.	Information about the Group’s products is provided in the Annual Financial Report (chapter 2.1 and 2.2).

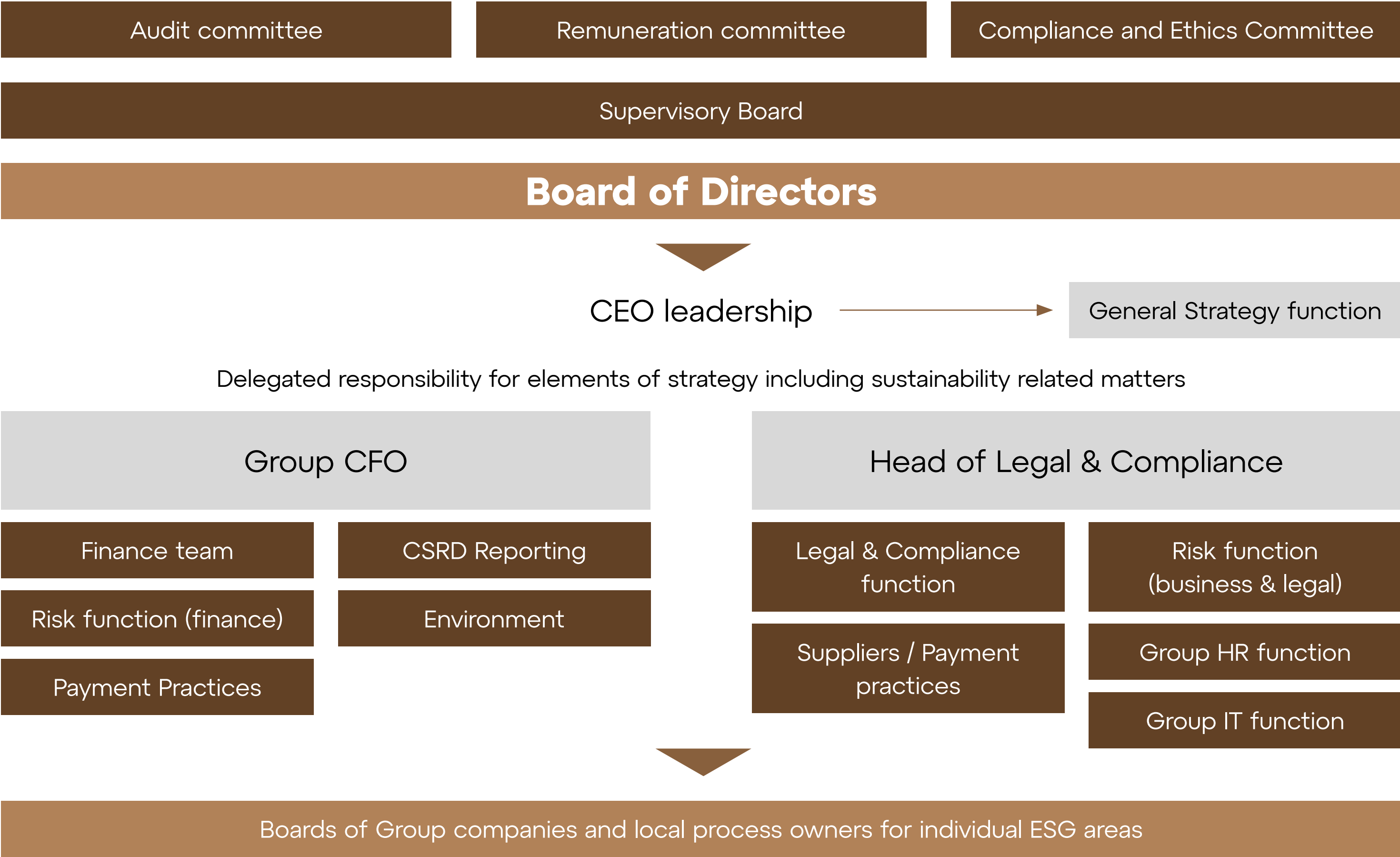
2.2 Governance

2.2.1 GOV-1 The role of the administrative, management and supervisory bodies

Sustainability and ESG form an integral part of our everyday operations and business strategy, and we need to ensure full integration with our governance and reporting systems.

The ESG management and decision-making process is aligned with Colt CZ’s strategy that is built on 2 pillars, led by Group CFO and Group Head of Legal and Compliance. Each pillar has its management process, reporting line, and KPI targets and reports via the Group Chief Executive Officer to the Board of Directors as the highest authority for ESG decision-making.

At the level of individual Group companies, responsible personnel / process owners are assigned to each topic and are responsible for coordination of ESG activities and data reporting in their respective business unit/ location.



The role of the Board of Directors

The highest decision-making body for the area of ESG at Colt CZ Group is the Board of Directors (the Board). Based on section 13.7 of the Articles of Association, the Board of Directors shall obtain the prior opinion of the Supervisory Board on the following matters which relate to sustainability [ESRS-2_GOV-1_22a]:

- ▶ Approval of the concept of the Company’s business operations and any changes thereto (mission, vision, key areas, strategic goals).
- ▶ Adoption of compliance policies governing the rules of conduct within the Company, prevention of fraudulent conduct, prevention of criminal liability of legal entities, corrective measures, measures for improvement in the field of compliance, risk management, and the internal control system of the Company and its subsidiaries.
- ▶ Decisions to engage in activities in the field of corporate social responsibility (CSR), sponsorship, donations and philanthropy.

As part of the annual strategic planning cycle, the Board conducts a formal review and approval of all proposed targets. These targets are grounded in the DMA. Once validated, targets are aligned with the Group’s vision and cascaded across relevant functions and business units to support implementation. The Board meets regularly (at least monthly), with sustainability-related impacts, risks and opportunities included in its regular agenda. The Board reviews performance

and progress across the Group and its subsidiaries towards achieving their targets [ESRS-2_GOV-1_22d]. This includes the outcomes of internal audits, risk analyses, the effectiveness of mitigation strategies, and any necessary corrective actions related to sustainability matters.

The Board is composed exclusively of executive members from the management of the Group and its subsidiaries, with no independent members or employee representatives. The Supervisory Board includes two independent members and no employee representatives.

The composition of the administrative, management and supervisory bodies including committees, their roles and responsibilities and access to expertise and skills is described in chapter 4.4 *Description of decision-making processes and the composition of the Group’s managing body and its committees* of this Annual Financial Report.

Committees in place to support Board oversight

At this moment, the Board of Directors has not set up any committees and sub-committees as its advisory bodies. All committees currently in place were set up by the Supervisory Board, according to section 19.7 of the Articles of Association.

Each committee has its own terms of references which describe the scope of its decision making and responsibilities, details of which are described below [ESRS-2_GOV-1_22b].

Audit committee

The full scope of decision making and responsibilities is described in the section 24 of the Articles of Association.

The following activities in particular belong within the scope of competencies of the Audit Committee, among others:

- ▶ Monitoring the process whereby the financial statements, the consolidated financial statements and sustainability report are being compiled
- ▶ Monitoring the effectiveness of internal controlling and risk management
- ▶ Monitoring the effectiveness of internal audit and its functional independence
- ▶ Monitoring the process of the mandatory audit;

Remuneration Committee

The diversity policy is part of the agenda of the **Remuneration Committee**, which was established as a permanent advisory body of the Company’s Supervisory Board. In addition, this Committee assists the Supervisory Board in overseeing measures and outcomes as they pertain to executive remuneration.

Compliance and Ethics Committee

The Compliance and Ethics Committee, which oversees matters in the following areas:

- ▶ Code of Conduct
- ▶ Anti-Corruption Policy
- ▶ Prevention of criminal liability of a legal entity
- ▶ Remedial actions and measures to improve compliance, risk management, internal control system, and building a responsible employee value system
- ▶ Ethics hotline and whistleblower protection
- ▶ Activities in CSR, sponsorship, donation, and philanthropy, with respect to the business areas of companies in the Group

Internal audit

The main function at Colt CZ to track and measure effectiveness of sustainability actions and processes is the Group internal audit. It is an independent, objective assurance and advisory activity aimed at adding value and improving processes at Colt CZ. Internal audit function assists Colt CZ Group in achieving its goals by bringing a systematic approach to evaluate and improve, among others:

- ▶ the management and administration of the entire Colt CZ Group,
- ▶ risk management system (identification, assessment, and control) including sustainability matters and
- ▶ internal management and control system. The status of internal audit in conducting audits and extraordinary investigations is independent and objective at any level throughout Colt CZ Group.

Role of the Board of Directors [ESRS-2_GOV-1_22c]

The Board delegates the responsibility of executing strategy, including sustainability-related matters, to the CEO, CFO and Head of Group Legal & Compliance through role descriptions specifying mandates.

These three functions work together with the different departments and Boards of Group subsidiaries to incorporate ESG considerations into business operations, making sustainability a collective responsibility that is integral to the Group’s strategy.

Key roles that are delegated to executives to support Board oversight include

CEO: is responsible for sustainability-related matters at the highest level and is responsible for ensuring that sustainability-related matters are embedded in the Group’s core values and long-term strategy.

Group CFO: responsible for incorporating sustainability-related considerations into the Group’s financial practices and reporting process and payment practices including CAPEX planning and budgeting. This includes responsibility for sustainability-related financial disclosures, CSRD reporting and ensuring consistency and coherence across financial statements and all other external communications. The CFO plays a key role in aligning financial and sustainability narratives to support transparency and informed decision-making. In addition, the CFO shares responsibility for risk management in finance area and payment practices.

At Colt CZ, Group CFO is also responsible for overseeing sustainability matters [ESRS-2_GOV-1_22c(i)] and is tasked with coordinating the management of sustainability issues, playing a critical role in integrating sustainability into the core operations and strategy of the Group, including the monitoring the Group’s IROs and achievement of related targets [ESRS-2_GOV-1_22d], once these are established and adopted by the Group. The CFO is responsible for the consolidation of Sustainability-related data at the Group level and the preparation of the Sustainability Report and supervising the team which collects the data, validates and reviews it [ESRS-2_GOV-1_22c(ii)].

Group CFO is also responsible for identifying, assessing and managing financial risk across the Group, including those related to sustainability-related matters. Also responsible for integration of sustainability-related risk into overall risk management framework to reduce the potential magnitude and consequence.

Head of Group Legal & Compliance: is responsible for the business ethics compliance programme and integrating sustainability-related matters into the Group’s compliance framework to help mitigate risks and enhance reputation. In addition, his responsible for identifying, assessing and managing business & legal risk across the Group, including those related to sustainability-related matters. Also responsible for integration payment practices framework and management of suppliers related matters. At Colt CZ, Head of Group Legal & Compliance supervises Group Human Resources and IT.

At the level of individual Group companies, responsible personnel/ process owners are assigned to each topic and are responsible for coordination of ESG activities and data reporting in their respective business unit/ location.

Sustainability-related expertise [ESRS-2_GOV-1_23]

Member of the Board of Directors and individual Boards of Group companies and Executive management members have knowledge of sustainability maintained by workshops and presentations made to the Board by the Company’s ESG advisors. They have expertise in different fields, such as social matters, business conduct or climate change for which material IROs have been identified:

- The Boards includes members with diverse backgrounds in environmental science, CSR, corporate Governance including business conduct and corporate sustainability.

- The Executive Team has professional expertise in sustainability management and sustainability reporting with a focus on CSRD and ESRS requirements.
- Audit Committee members contribute knowledge of risk management, internal audit and regulatory compliance.
- The Compliance & Ethics Committee comprises members with demonstrated expertise in corporate ethics, regulatory integrity, and compliance frameworks, contributing to the Group’s alignment with sustainability-related conduct standards and responsible business practices.
- The Remuneration Committee includes professionals experienced in integrating sustainability metrics into executive compensation.

Detailed profiles, background and qualifications of the Board members are listed in the Corporate Governance section of the Annual Financial Report [ESRS-2_GOV-1_21c].

In addition to the comprehensive inductions upon appointment, the Group invests in training and development. The members of the administrative, management and supervisory bodies receive mandatory training, to continue their development and maintain their knowledge in key areas of focus for the Group, where the topics are determined by strategic priorities. In 2025, these topics included cybersecurity, whistleblowing, compliance (CMS) and health & safety [ESRS-2_GOV-1_23b].

The Group also leverages external experts and consultants to provide additional insights and guidance on complex sustainability issues [ESRS-2_GOV-1_23a]. By facilitating access to sustainability-related expertise for administrative, management, and supervisory bodies, the Group supports the oversight and achievement of its sustainability goals, including managing risks, addressing material impacts, and identifying opportunities [ESRS-2_GOV-1_23b].

Since 2022, the Company has been actively working with professional advisors to get assistance with development of ESG strategy and material topics, advisory in connection with nonfinancial reporting, obtaining guidance on EU taxonomy requirements and its implementation and decarbonization project. In the reporting period 2025 the progress of the decarbonisation project had been regularly presented at the level of the Group’s Board of Directors and Supervisory Board and at the management level of key Group’s subsidiaries.

2.2.2 Information provided to and sustainability matters addressed by the Group’s administrative, management and supervisory bodies

The Board of Directors, Supervisory Board and its relevant committees are regularly informed of and address sustainability matters. The reporting lines for information on material IROs are disclosed earlier, in the chapter “*The role of the administrative, management and supervisory bodies*”.

The Group’s administrative, management and supervisory bodies (i.e. the Board of Directors, Supervisory Board and its relevant committees) are informed about the ESG development approximately on monthly basis as sustainability matters are included in the agenda of the Board of Directors for either for information or submitted for approval. Supervisory Board members as well as members of relevant committees are invited to attend Board of Directors meetings. The sustainability management is integrated into Group’s regular risk management processes and controls.

The Board of Directors is typically required to take actions regarding validation of final datapoints, next strategic steps and the commitment of resources. The reports presented to the Board of Directors informed by DMA and sustainability due diligence, actions to prevent, mitigate, or remediate identified impacts and is presented to the Board of Directors. Discussions and their outcome is then summarized in the Board of Directors Meeting minutes.

In 2025, the Board did not identify any new material IROs as the double materiality assessment remained unchanged from 2024. In 2025, the Board of Directors paid special attention to the development of the decarbonisation project and the transition plan via regular status updates. [\[ESRS-2_GOV-2_26c\]](#)

2.2.3 Integration of sustainability-related performance in incentive schemes

[\[ESRS-2_GOV-3_29\]](#)

The Company hereby issued its Remuneration Policy for Members of the Board of Directors, the Supervisory Board, and the Audit Committee of the Company (the Remuneration Policy) in relation to the provisions of Section 121k et seq. of Act No. 256/2004 Sb., on capital market business, as amended, which was approved by the Company’s General Meeting on 27 May 2022 and is available on the Company’s website.

The Remuneration Policy summarizes the principles, rules, and criteria for determining the remuneration of members of the Board of Directors, the Supervisory Board, and the Audit Committee of the Company. In addition, the Remuneration Policy contributes to the fulfillment of the Company’s business strategy, defending its long-term interests and promoting its sustainability, and at the same time serves to secure, retain and motivate members of the Board of Directors, the Audit Committee and the Supervisory Board of the Company to fill these positions in accordance with the Company’s needs, with regard to the qualifications, capabilities, experience, commitment and roles of these individuals within the Company.

The Supervisory Board usually approves key financial and non-financial indicators by the end of the first calendar quarter of the relevant year, which are a condition for the entitlement to annual bonus, remuneration in the form of shares, or extra bonus, and which relate to the Board of Directors’ activities, its priorities in the relevant calendar year and, as the case may be, to annual goals of individual members of the Board of Directors.

The evaluation of the approved indicators is performed by the Company’s Supervisory Board once a year upon the issuance of an independent auditor’s report on the Company’s annual financial report. In evaluating the set financial and non-financial indicators, the Company’s Supervisory Board determines the degree of fulfillment of the relevant indicator as percentage.

There are currently no sustainability-related targets and (or) impacts used to assess the performance of members of administrative, management and supervisory bodies. The Company’s Remuneration Policy in 2025 does not contain variable remuneration dependent on sustainability-related targets and (or) impacts.

There are currently no explicit non-financial indicators in the Remuneration Policy which is assessed against the GHG emission reduction targets reported under Disclosure Requirement E1-4. Nevertheless, the management of subsidiaries has environmental responsibilities included in their job description and is incentivized to achieve certain targets e.g. energy savings. The ultimate environmental responsibility sits with the CEO and the Board of Directors on both Group level and level of individual subsidiaries.

The Remuneration Report of the Group is prepared annually, pursuant to Sections 121o and 121p of Act No. 256/2004 Sb., on Capital Market Business, as amended, and follows up on the Company’s Remuneration Policy. The Remuneration Report provides a complete overview of remuneration, including all benefits in any form whatsoever provided or payable in the respective financial year to persons in the position of a member of the Company’s Board of Directors, Supervisory Board, or Audit Committee.

2.2.4 Statement on due diligence

[ESRS-2_GOV-4_30, 31, 32]

Achieving sustainable business practices is a complex journey that requires careful and continuous efforts throughout all manufacturing operations. Central to the Group’s daily activities is a comprehensive due diligence process, which is an ongoing series of actions designed to identify, prevent, mitigate and account for how the Group addresses the actual and potential negative impacts on the environment and people. This process is fundamental to The Group’s business, aiding in the refinement of both strategic and operational aspects. The table below outlines the specific processes and their location in the Sustainability Statement.

Core elements of due diligence	Sustainability Statements Reference	
Embedding due diligence in governance, strategy and business model	GOV-1	The role of the administrative, management and supervisory bodies of the Group, page 76
	GOV-2	Information provided to and sustainability matters addressed by the Group’s administrative, management and supervisory bodies, page 79
	GOV-3	Integration of sustainability-related performance in incentive schemes page 80
	SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model., page 88
	SBM-1	Strategy, business model & value chain, page 83
Engaging with affected stakeholders in all key steps of the due diligence	GOV-2	Information provided to and sustainability matters addressed by the Group’s administrative, management and supervisory bodies, page 79
	SBM-2	Interest and views of stakeholders and key stakeholders, page 85
	SBM-3	Double materiality assessment, page 89
	IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities, page 89
Identifying and assessing adverse impacts on people and the environment	SBM-3	Double materiality assessment, page 89
	IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities, page 89
Taking actions to address those adverse impacts on people and the environment	ESRS 2 MDR-A E1-1 Actions and resources in relation to climate change mitigation and adaptation page 98 E1-3 Actions and resources related to pollution page 102 E3-3 Actions and resources related to water and marine resources page 116 E4-3 Actions and resources related to biodiversity and ecosystems page 119 E5-2 Actions and resources related to resource use and circular economy, page 121 S1-4 Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions page 139 Action plans and resources to manage its material impacts, risks, and opportunities related to corruption and bribery page 166	
Tracking the effectiveness of these efforts and communicating	GOV-4	Statement on sustainability due diligence, page 81

2.2.5 GOV-5 Risk management and internal controls over sustainability reporting

Scope, Main Features, and Components of Risk Management and Internal Control Processes [ESRS-2_GOV-5_36a]

As part of the Group’s risk management process, risk management and internal controls encompass all aspects of annual sustainability reporting. These processes include the identification, assessment, and mitigation of inherent material misstatements risks arising among others from potential human error or data incompleteness that could impact the accuracy of sustainability reporting. (see Chapter 4.3 *Information on internal control policies and procedures and the issuer’s and its consolidating entity’s approach to risks, in relation to the financial reporting process* of this report, page 27) Key components related specifically to sustainability reporting include:

- 1. **Risk Identification and Risk Assessment:** systematic identification, assessment and ongoing evaluation of potential risks that could lead to inaccuracies, omissions, or misstatements in sustainability reporting.
- 2. **Control Activities:** implementation of controls to ensure data accuracy, completeness, and compliance with external reporting standards and internal documents.
- 3. **Information and Communication:** effective communication channels to ensure that relevant information is disseminated across the organisation.

4. **Monitoring:** regular reviews and internal audits to assess the effectiveness of controls and identify areas for improvement.

Risk Assessment Approach and Prioritisation Methodology [ESRS-2_GOV-5_36b]

The Group’s risk assessment approach involves a systematic evaluation of potential risks based on their likelihood and impact. Sustainability reporting related risks are incorporated into the company’s risk management framework which prioritizes risks using a risk matrix that categorises them as high, medium, or low priority. This methodology allows to focus resources on the most significant risks to the sustainability reporting process.

At Colt CZ, risks and controls over sustainability reporting are assessed and communicated on a case-by-case basis as the data collection happens at the level of individual subsidiaries. We assess risks associated with incomplete or inconsistent sustainability reporting, including risks related to the accuracy of data and manual errors when consolidating data from different systems and subsidiaries. With regards to the double materiality assessment, we performed controls of the process for identifying material impacts, risks and opportunities and underlying documentation. Group’s lines of business, responsible data owners and the Group Finance team members assess the risks associated with sustainability data and implement appropriate controls. A headquarter function of the Group Finance team maintains an overall risk assessment of sustainability reporting and determines the level of internal controls required for each subsidiary, depending on the materiality of the risks.

Main Risks Identified and Mitigation Strategies [ESRS-2_GOV-5_36c]

The sustainability reporting process presents several risks, including incompleteness, errors, data inaccuracies, regulatory non-compliance, and operational disruptions. To mitigate these identified risks, internal controls are applied in the reporting streams and a structured framework is in place to support the reliability and accuracy of reported data. Segregation of responsibilities is applied in the reporting process, where data collection, validation, and review are conducted by separate individuals. A key component of this framework is data verification, which includes reconciling reported data with source documents and analysing material differences compared to prior years.

To support regulatory compliance, legislative changes and updates are continuously monitored to achieve alignment with reporting requirements. Given the reliance on key personnel within the reporting organisation, these measures help address risks related to workforce availability and expertise, supporting consistency in disclosures.

The main risks identified relate to value chain data (downstream), as Colt CZ does not extract nor does it have operational control of them. To mitigate risks, the Group Finance team works with internal and external subject-matter experts to gain knowledge on operational procedures and establish processes of data collection, validation and control systems. For value chain information, Colt CZ and its subsidiaries would engage in dialogue with suppliers and customers to ensure a common understanding of the data

needs and data quality. The Group and its subsidiaries apply strict verification procedures to suppliers, as well as wholesale and retail customers. Suppliers are asked to accept and adhere to our Code of Conduct. Compliance with the Code of Conduct is regularly monitored and assessed, and non-compliance results in the severing of cooperation with the non-compliant supplier.

Integration of findings of Risk Assessment and Internal Controls into Internal Functions and Processes [ESRS-2_GOV-5_36d]

As outlined above, the sustainability reporting risks are incorporated into the internal risk management system and the findings from risk assessments and internal controls are integrated into internal functions through regular updates to the policies and procedures. The Group aims to ensure that all departments are aligned with the sustainability reporting objectives and that any identified risks are addressed promptly. The Group also conducts training sessions to keep employees who are involved in the reporting function informed about the latest developments in sustainability reporting.

Periodic Reporting to Administrative, Management, and Supervisory Bodies [ESRS-2_GOV-5_36e]

Internal Audit provides quarterly reports on the findings of the risk assessments and internal audits to the Audit Committee. Reports include summaries related to the outcomes of conducted internal audits, the analyses of risks, internal control activities, the effectiveness of mitigation strategies, and any necessary corrective

actions. This ensures that the Group’s leadership is fully informed and can make data-driven decisions to enhance sustainability performance.

2.3 Strategy & business model

2.3.1 SBM-1 Strategy, business model and value chain

The Group is one of the world’s leading producers of firearms and ammunition [ESRS-2_SBM-1_40a(i)]. We serve a wide range of customers, from the military and law enforcement to customers that require commercial products for hunting, sport shooting and personal defense². The Group includes several well-known brands with long histories, such as Colt, CZ, Colt Canada, Sellier & Bellot, Dan Wesson, swissAA, Spuhr i Dalby, Colt CZ Defence Solutions and 4M SYSTEMS (*chapter 2.1 Identification of the Group* of the Consolidated Financial Statements). The Group’s revenues in 2025 reached CZK 23,398 million (52% firearms segment and 48% ammunition segment), which represents an increase of 4.6% y-o-y, and a result is a combination of both the organic growth of the firearms segment driven by long guns sales and the consolidation of Valley Steel Stamp Inc. The breakdown of the Group’s revenues by geography is presented in the table below. Detailed information about financial performance and acquisition you can find in Consolidated Financial Statements (Note 4 and Note 22).

Geographical breakdown of revenues		
	2025	2024
Czech Republic	4,813,221	4,425,720
USA	6,744,068	8,846,458
Canada	1,408,607	1,148,745
Europe (w/o Czech Republic)	8,092,267	6,186,178
Africa	228,432	176,984
Asia	1,319,572	940,284
LATAM	663,413	573,949
Other	128,756	77,474
Total	23,398,336	22,375,792

² Overview of Groups products, markets and business is provided in chapter 2 of this report

The number of firearms sold in 2025 increased by 8.4% compared to the same period in 2024, reaching 403 thousand units sold. Full review of financial performance of the Group in 2025, refer to chapter 3 of the Annual Financial Report 2025.

No. of employees (Headcount) [ESRS-2_SBM-1_40a(iii)]		2025	2024
By Region			
	Czech Republic	3,066	3,084
	USA	703	536
	Canada	165	131
	Switzerland	17	18
	Hungary	90	80
	Sweden	34	35
	Other	8	8
Group Total		4,083	3,892

The increase in Headcount is mainly attributable to acquisitions Valley Steel Stamp Inc. completed during the year.

Colt CZ is headquartered in Prague, Czech Republic and has production facilities in the Czech Republic, the United States, Canada, Hungary, Switzerland and Sweden. [ESRS-2_SBM-1_40a(ii)].

Their products are available in more than 100 markets. The Company is a joint stock company publicly listed on the Prague Stock Exchange since October 2020.

Our military and law enforcement customers (app. 51 % of Group’s 2024 revenues and 54% of 2025 revenues) include members of army units and special forces, state and municipal police agencies, border guards, prison guards, and units that protect constitutional officials. The Group’s commercial customers include hunters, outdoor enthusiasts and hobby shooters, as well as competitive sport shooters who participate in various competitions and those who purchase weapons for self-defense.

2.3.2 The value chain

The Group’s simplified value chain is structured into three main stages: upstream (suppliers), own operations, and downstream (distribution and customers), as described below:

(a) Purchasing of raw materials and other supplies (upstream)

At the Group, the upstream stage of the value chain relies on a range of key inputs and collaborative relationships. By the end of 2025, the Group had, via a combination of short-term and medium-term contracts, over 4,000 suppliers of materials, firearm component machining, MIM components for handguns and rifles, and complete products.

When managing our relationship with suppliers, we emphasize transparency, ethical behavior and compliance with legal requirements and regulations, and most of all, quality and reliability. As we supply our products to governments, we must comply with strict rules and requirements and must ensure that our suppliers fulfil the same expectations and standards. We therefore have strict policies and protocols in place, as well as regularly evaluating our suppliers and auditing new and selected key suppliers.

We ask our suppliers to follow our Code of Conduct. In the US, we incorporated responsible sourcing of minerals into policies for rifle component suppliers.

(b) Design, engineering, manufacturing, and testing (own operations)

We place strong emphasis on the design and engineering of firearms to drive innovation, quality, and the safety of our products and manufacturing processes. This helps us to determine the best specifications, materials, components, and manufacturing and testing methods.

Our production plants are located across Europe, the United States and Canada. All differ significantly in terms of complexity and production output.

Rigorous testing of finished products is not only a legal requirement, but also a prerequisite to delivering safe and reliable products to our customers.

(c) Distribution and customers (downstream)

Downstream, we work closely with our representatives and distribution partners. As we operate in a highly regulated industry, where breaches can have serious consequences for our reputation, we place the utmost importance on compliance with all applicable laws and regulations, including adherence to the Group’s anti-bribery and anti-corruption rules and policies.

Colt CZ Group’s production program is not associated with any controversial weapons [ESRS-2_SBM-1_40d] or nuclear deterrence, which are excluded from ESG labelling in most countries. Our products are generally regarded as conventional weapons (source: UN Register of Conventional Arms) as opposed to weapons of mass destruction, which are often referred to as controversial weapons. A key point of focus regarding this class of weapon is the level of control on the impact of the weapon (in space, and in time) when used, and the risk of collateral damage. Controversial weapons include biological weapons, cluster munitions, antipersonnel landmines, nuclear weapons, incendiary weapons, blinding lasers, depleted uranium, and white phosphorus munitions.

The Group strictly adheres to local laws on distribution, ensuring that practices align with local regulations, in order to foster trust with customers and partners [ESRS-2_SBM-1_40a(iv)].

Our diverse customer base is characterized by a wide range of needs and priorities:

Military and law enforcement market

We sell by way of tenders to the military and law enforcement agencies. These include members of regular army units and special armed forces, state and municipal police, border guards, prison guards, and units in charge of the protection of constitutional officials.

Commercial market

The Group accesses the commercial market via wholesalers and distributors. It also owns an online platform (CZ Configurator), which sells customized firearms and accessories, and three retail stores in the Czech Republic that showcase its products.

2.3.3 SBM-2 Interest and views of stakeholders key stakeholders

Engaging key stakeholders in sustainability is essential for Colt CZ to ensure environmental responsibility, regulatory compliance, and long-term operational effectiveness. We ensure that the interests and views of stakeholders are presented to the Board of Directors of the Group as a part of the regular sustainability agenda. Boards of Directors of individual subsidiaries receive reports on customer satisfaction, employees’ surveys, suppliers survey and audits and cooperation with R&D partners. Representatives of trade unions are included in the management decisions in accordance with

the legislation of the respective countries. The Board and Executive Management Team actively incorporate stakeholder insights when overseeing the Group’s strategy, particularly in relation to major transactions and the overall risk management process [ESRS-2_SBM-2_45d].

Stakeholders’ views are considered in the strategy and business model as a core input to decision-making and long-term value creation. The Company systematically identifies key stakeholder groups, gathers their expectations through structured engagement, and evaluates their relevance based on impact and influence. These insights provide input for business strategy (reflecting customer needs in product propositions), risk management (feedback provided from regulators and authorities is reflected in compliance processes, and investors and shareholders expectation influence the decision of resource allocation and employees feedback is shaping company’s culture and working environment and are continuously embedded into the business model.

The table below described key stakeholders’ groups and the nature of the engagement and value creation. Their views are taken into consideration when reevaluating the strategy and business model, as presented in the table below [ESRS-2_SBM-2_45a, 45a(i), 45a(ii), 45a(iii), 45a(iv), 45a(v), 45b]. More specifically, in 2025 the Company gathered feedback from shareholders, investors and financial community via participation in capital market conferences and also run the employees surveys.

Key stakeholders

Stakeholder	Stakeholder interests and views and purpose of engagement	Stakeholder engagement	Impact on strategy and business model
Public Governmental Authorities, Regulators/ policy makers	- Ensuring regulatory compliance - Understanding sustainability requirements - Alignment with national sustainability goals	- Meetings with state institutions - Round table discussions, - Conferences - Participation in industry associations	- Aligning business model and strategy - Value creation and compliance risk mitigation - Alignment of projects with best practice
Shareholders	- Understanding expectations for sustainability - Attracting responsible shareholders - Enhancing transparency and credibility in dialogue with shareholders	- General Shareholders’ meetings - Periodic reports, financial filings - Earnings conference calls	- Responses to shareholders’ queries - Providing transparency in sustainability reporting
Financial community/ Investors	- Understanding expectations for sustainability - Attracting responsible investors - Enhancing transparency and credibility - Attracting sustainable investments and ESG-focused funding	- Roadshows, investor calls and Conferences - Digital channels, incl. social media (LinkedIn) - Periodic reports, financial filing - Surveys	- Alignment with best practice - ESG rating plans - Responses to investor queries - Provide transparency in sustainability reporting
Media	- Building a public image of a sustainable market and industry leader - Enhancing transparency and credibility in communication	- Press releases - Media days - Email, phone, personal communication - Digital channels, incl. website and social media	- Alignment with best practice - Responses to media queries - Demonstrate sustainability efforts to the public
Suppliers	- Compliance with our code of conduct - Promoting responsible sourcing, incl. of minerals and metals - Decarbonizing the supply chain	- Surveys - Audits - Digital channels, incl. social media - Face-to-face meetings, over the phone interactions	- Streamlined supplier expectations - Supplier improvement plans - Informed selection of suppliers - Green procurement
R&D Partners	- Providing sustainable solutions and innovation for defence technologies - Understanding expectations to sustainability	- Surveys - Digital channels, incl. social media - Face-to-face meetings, over the phone interactions - Project collaborations, industry research, sharing feedback and information	- Product improvements - Innovation initiatives - Sustainable solutions

Stakeholder	Stakeholder interests and views and purpose of engagement	Stakeholder engagement	Impact on strategy and business model
Customers	• Building trust • Providing sustainable solutions • Enabling customers to achieve their targets • Customers are interested in product quality, sustainability and ethical sourcing.	▶ Satisfaction Surveys ▶ Digital channels, incl. social media ▶ Face-to-face meetings, over the phone interactions	• Product improvements • Adaptation of marketing strategies
Local Communities and NGOs	• Addressing community concerns, questions, and feedback • Building trust and community support • Ensuring community benefits	▶ Digital channels, incl. social media ▶ Face-to-face meetings ▶ Event partnerships	• Understanding community benefits • Support of local projects • Alignment of projects with best practice
Employees	• Contributing to a sustainable workplace and work /life balance • Seeking opportunities for growth and personal development as well as a workplace that values diversity and a good safe working environment	▶ Engagement Surveys ▶ Internal newsletter and quarterly magazine ▶ Digital channels, incl. social media ▶ Face-to-face meetings, regular CEO round table meetings	• Internal policy updates • Improvements and action plans • Communications from management • Global initiatives and campaigns • Including employees' perceptions and experiences
Trade Unions	• Contributing to a sustainable workplace, work/life balance and diversity • Understanding expectations for sustainability	▶ Meetings ▶ Surveys ▶ Digital channels, incl. social media	• Communications from management • Improvements and action plans • Responses to TU queries
Management	• Contributing to a sustainable workplace and working life • Embedding a sustainable approach in management decisions	▶ Survey ▶ Meetings	• Adaptation of internal communication on sustainability practices • Aligning the business model and strategy • Promoting diversity

When we engage with our stakeholders, we aim to:

- ▶ Facilitate a workplace that respects diversity and allows for personal and professional development.
- ▶ Strengthening our customer relations through responsible and active engagement, listening and incorporating feedback, while protecting privacy. Our products are mainly sold through distributors to the commercial segment, with a significantly smaller portion executed via direct sales and online. We participate directly in tenders for supplies to the armed forces and law enforcement. It is important for us to collect feedback from our customers and incorporate it in our products and processes. We carry out regular surveys, especially with our B2B customers, focusing on quality, price, technical parameters and other expectations, and track the customer satisfaction index to drive continuous improvement.
- ▶ Engage our suppliers to commit to the same ethical principles as we do, creating a more sustainable environment.
- ▶ Generate long-term value for our shareholders.
- ▶ Build investor confidence by meeting their key demands and delivering on our commitments.
- ▶ Communicate openly and transparently with our investors and shareholders when delivering both good and bad news.
- ▶ Collaborate with our partners on innovative projects to share knowledge and support new approaches.

- ▶ Build transparent relationships with key institutions and bodies.
- ▶ Contribute to the economic and social development of the communities where we operate.

Stakeholder engagements are expected to strengthen stakeholder trust and reinforce its reputation as a responsible and responsive brand [ESRS-2_SBM-2_45c, 45c(i), 45c(ii), 45c(iii)].

2.4 Material impacts, risks and opportunities

2.4.1 SBM-3 Material impacts, risks, and opportunities and their interaction with strategy and business model

The Group conducted a double materiality assessment (DMA) to identify the material impacts, risks and opportunities. This resulted in the material IROs as outlined below. The overview illustrates where these IROs are located in the operations and value chain, connecting them to the overarching strategy and business model. A more detailed explanation of material IROs specific to each topic can be found under the SBM-3 section related to each topical standard.

[ESRS-2_SBM-3_48a, 48b, 48c(i), 48c(ii), 48c(iii), 48c(iv); E1.SBM-3_18]

Resilience of the Group’s strategy and business model

The Group performed a resilience assessment of its strategy and business model. This assessment process involves a comprehensive evaluation of the strategy’s and business model’s ability to adapt to address material impacts and risks and to take advantage of identified opportunities. The resilience assessment is covered in the sections below regarding the effects of the identified material IRO’s on the business model, value chain, strategy and decision making, current financial effects and anticipated financial effects. In addition, the climate change resilience assessment can be found in section 3.1.3.

Effects of identified material IRO’s on the Group’s business model, value chain, strategy and decision making

[ESRS-2_SBM-3_48b, 48f]

As mentioned in section 2.3.1, a reciprocal relationship exists between the Group’s strategy and business model and the identified IROs. On one hand, the identified material IROs affect the Group’s strategic direction and, on the other hand, strategic decisions affect the IROs.

In response to the identified IROs listed in individual chapters, the Group adapted its business model and strategy to remain resilient and to capitalise on opportunities. The previously implemented sustainability strategy plays a key role in addressing environmental IROs. The main aspects of this strategy include reducing the environmental carbon footprint and enhancing efficient sourcing. To achieve this, the Group is improving energy efficiency,

switching to renewable electricity, engaging actively with suppliers. Additionally, the Group is expanding the product portfolio to lead-free ammunition replacing traditional lead bullets without the risks associated with lead fragmentation which can be harmful to the environment.

The IROs identified concerning the Group’s own workforce underscore the importance of fostering an inclusive, respectful and safe workplace, which in turn guides strategic decision-making. The identification of these IROs has increased awareness of the importance of considering potential effects on the workforce in relation to the Group’s strategy, business model, and decision-making. It has also emphasized the importance of staying connected with the workforce through regular group meeting with employees at Group subsidiaries.

In addition, the identification of IROs has resulted in the Group increasing its focus on responsible and ethical business conduct. Specifically, it is actively collaborating with partners across the value chain to identify and mitigate the business conduct risks such as corruption and bribery.

As of the reporting year 2025, the Group has not established specific quantitative targets for selected products, services, customer categories, geographies or stakeholder groups in relation to the identified IROs.

The Group is currently in the process of further developing its sustainability strategy and may define such targeted objectives in future reporting periods.

Current financial effects [ESRS-2_SBM-3_48d] and Anticipated financial effects [ESRS-2_SBM-3_48e, 48f]

In 2025, the Company did not quantify or determine values of current and anticipated financial effects of material risks and opportunities on financial position, financial performance and cash flows. It had, however, considered factors that could affect its financial position, cash flow, access to external financing or costs of capital.

2.4.2 IRO-1 Process to identify and assess material impacts, risk and opportunities

Double materiality assessment introduction (DMA)

The Company conducted its currently valid double materiality assessment process in 2024. The Company conducted a double materiality assessment across the individual subsidiaries and the holding company with the assistance of external advisors in accordance with the requirements of ESRS 1 to determine material sustainability topics for the entire Group. In 2025, there have been no material changes to the Group’s double materiality process from

2024. The acquisition of Valley Steel Stamp Inc. in June 2025 did not result in any additional IROs for the Group, the results of the double materiality process for VSS reflect the results achieved for the Group in 2024. Based on this finding, the double materiality process conducted in 2024 remains the basis for the 2025 sustainability reporting.

A comprehensive update of the Group’s double materiality assessment is planned for 2026. This update will reflect evolving regulatory requirements, as well as changes in the Group’s structure. A key structural change is the acquisition of Synthesia Nitrocellulose, a.s. and Synthesia Power, a.s., which became effective as of 1 January 2026.

DMA was done on subsidiary level and then validated on the Group level (bottom-up approach). The assessment consisted of impacts, risks and opportunities (IROs) based on activities connected to topics defined by ESRS (ESRS topical standards and entity-specific topics). In evaluating the DMA, all subsidiaries have taken into account all the risks and opportunities that arise or may arise from their business activities. Departments and/or persons responsible for the assessment scoring on the subsidiary side were defined as well. We did not identify any entity-specific issues that were considered significant in this analysis.

Even though some matters were not relevant at the level of all entities, Colt CZ decided to make these matters material at the Group level.

Steps taken during the DMA

The process consists of 5 steps, which are described in detail below, each aimed to ensure that it identifies the material sustainability topics relevant to the business and stakeholders [ESRS-2_IRO-1_53a, 53b]. In line with the principle of double materiality, sustainability-related topics were considered material if they were material from the perspective of impact materiality or from the perspective of financial materiality, or both.

STEP 1 Context analysis

The initial phase of Colt CZ’s sustainability journey involved a comprehensive analysis of both its internal operations and the broader external sustainability landscape. This analysis was crucial for understanding Colt CZ’s business model, value chain, and stakeholders, setting the groundwork for effective sustainability strategies.

In order to obtain input for our materiality analysis, we have explored trends in our industry, took into consideration applicable regulations and other mandatory requirements and industry best practice, conducted a peer analysis, ran media searches, and interacted with our key stakeholders (see Interest and views of stakeholders and key stakeholders). Stakeholder dialogue process involved mapping and validating material topics, in order to gather insights on the perceived impact, risk and opportunity of the identified sustainability impacts. In addition, workshops were organised to discuss

preliminary findings, validate the topics, and collaboratively prioritise them based on shared input [ESRS-2_IRO-1_53b(iii)].

Main business activities were then identified and described based on Colt CZ’s value chain, laying the foundation for subsequent phases, particularly in mapping out IROs.

Additionally, a thorough mapping of the global environmental, social, and corporate governance (ESG) regulatory context was conducted, analyzing international standards, legal requirements, regional and local standards, economic policies, and self-regulation standards.

Benchmarking against industry leaders and analyzing sectoral reports provided further insights into global trends, challenges, and risks relevant to Colt CZ’s sustainability efforts. Materials used by investors, including reports and methodologies from ESG rating agencies, were also considered, reflecting the growing importance of sustainability in investment decisions.

STEP 2 Identification of topics, sub-topics, impacts, risks and opportunities (IRO identification)

In the process of mapping impacts based on identified activities across Colt CZ subsidiaries’ value chain, a database was compiled, encompassing impacts related to environmental, social, and governance matters. This assessment aimed to gauge the scope and extent of the impacts, as well as the likelihood of their occurrence in the short, medium, and/or long term.

As the result of the contextual analysis performed in the previous step led to a preliminary list of topics and sub-topics that are potentially material for Colt CZ. Similarly, a set of impacts, risks, and opportunities linked to each of the identified topics and sub-topics were defined based on identified activities throughout the value chain. This comprehensive approach ensured that Colt CZ considered a wide range of factors in its sustainability strategy, including both internal and external perspectives.

Similarly, for risks and opportunities mapping, a database was established focusing on financial materiality, considering factors that could affect Colt CZ’s financial position, performance, cash flows, access to finance, or cost of capital. Risks and opportunities were evaluated based on their time horizon, size, and probability of occurrence, providing insights into potential financial impacts over different time frames.

Both impact mapping and risk and opportunity mapping play crucial roles in understanding the broader sustainability landscape and informing Colt CZ’s strategic decisions.

STEP 3 Assessment of impacts, risks and opportunities related to sustainability matters

At first, criteria were set, a specific interface of values with an appropriate description, from which a value was selected based on the environmental impact of the business or the financial risks faced by the business.

Criteria are applied to assess both the impacts of our business on society and the environment (impact materiality) and how sustainability topics affect the Group in the form of business risks and opportunities (financial materiality), in order to determine the material impacts and material risks and opportunities. This assessment is performed without considering mitigating actions.

The interface was set up as follows:

Impact materiality assessment

The materiality assessment for impacts distinguishes between actual and potential impacts, in line with ESRS requirements. For the purposes of this assessment, severity is understood as a function of the scale and scope of an impact, and, in the case of negative impacts, also its irremediability. All impacts are assessed consistently across the short-, medium- and long-term time horizons, as applicable.

For negative impacts, actual impacts are assessed solely based on severity, while potential impacts are assessed based on severity and likelihood. In the case of potential negative impacts on human rights, severity takes precedence over likelihood. This ensures that the sustainability strategy focuses on addressing the most serious potential harms, even where the probability of occurrence is lower.

For positive impacts, actual impacts are assessed based on extend, while potential impacts are assessed based on severity and likelihood, reflecting the expected magnitude and probability of the beneficial effect materialising over time.

All relevant impact materiality criteria are evaluated using defined scoring scales to support consistent judgement. Scale and scope are rated on a six-point qualitative scale from 0 to 5, where 0 indicates no impact and 5 represents the highest level of impact. Scale is a relative measure reflecting the intensity of the impact, up to an absolute or highest level of effect, while scope reflects how widespread the impact is, from a limited local context up to a global level.

For negative impacts, irremediability is assessed separately using a corresponding six-point scale, ranging from impacts that are very easy to remedy to those that are irreversible, reflecting the extent to which the harm can be remediated or reversed.

Likelihood of occurrence is assessed on a calibrated six-point scale from 0 to 1, (0, 0.2, 0.4, 0.6, 0.8 and 1 corresponding to indicative ranges of approximately 0%, 20%, 40%, 60%, 80% and 100%), ranging from never occurring to guaranteed occurrence, with intermediate steps reflecting increasing probability. For potential impacts, likelihood is considered together with severity, while for potential negative impacts on human rights, severity takes precedence. The assessment is supported by a combination of internal evidence and external sources, complemented by documented qualitative judgement where quantification is not feasible. [ESRS-2_IRO-1_53b(iv), 53c, 53c(i)].

Financial materiality assessment

The financial materiality of risks and opportunities is assessed based on the probability of occurrence and the magnitude of financial

effects on the Group. All risks and opportunities are assessed consistently across the short, medium and long term time horizons and in alignment with the Group’s enterprise risk management framework, ensuring consistency in time horizons and the risk universe.

Magnitude reflects the potential impact on the Group’s financial position, financial performance and future development, including possible hindrance to or acceleration of growth and profitability. It is assessed using a six point scoring scale from 0 to 5 ranging from no or negligible financial effects to very significant or potentially transformative financial effects.

Probability of occurrence reflects the likelihood that a given risk or opportunity may materialise and is assessed using a corresponding six point graduated scale (0, 0.2, 0.4, 0.6, 0.8 and 1 corresponding to indicative ranges of approximately 0%, 20%, 40%, 60%, 80% and 100%), ranging from never, through very unlikely, to certain.

Where precise quantification is not feasible, the assessment is supported by qualitative judgement. The magnitude and probability scores are then combined into an overall financial materiality score, consistent with the approach applied for impact materiality.

Financial risks, including sustainability related risks, are assessed systematically through the Group’s risk management framework, which integrates sustainability considerations into overall risk prioritisation and enables comparison with other financial, operational, reputational and compliance risks. [ESRS-2_IRO-1_53c(iii)].

STEP 4 Determination of material issues

The determination of material issues is based on the evaluation of impacts, risks and opportunities (IROs) using the estimated scores derived in the previous steps. These evaluations form the basis for assessing their significance in the context of the Colt CZ Group’s sustainability priorities. Materiality is determined by comparing the resulting scores against predefined materiality thresholds, whereby IROs exceeding the relevant threshold are classified as material.

The scoring outcomes are derived through consistently applied mathematical aggregation of the underlying assessment criteria, ensuring objectivity, comparability and reproducibility of results across topics and reporting periods.

Materiality thresholds were calibrated using a $\pm 10\%$ interval around the midpoint of the scoring scales, allowing for a differentiated yet consistent treatment of various types of impacts, risks and opportunities, while preserving the explanatory value of the assessment outcomes. Thresholds are defined by the undertaking and calibrated according to the nature of the impact rather than relying solely on a single uniform midpoint.

As a reference point, the mathematical midpoint of the scale (2.5) represents a neutral medium level of impact and was applied to environmental negative impacts (actual and potential) and negative actual social and governance impacts. For negative potential impacts

in the social and governance areas, a lower threshold of 2.0 was applied, reflecting the preventative logic of the ESRS framework and enabling earlier identification and prioritisation of potentially significant impacts before they materialise.

For positive impacts across environmental, social and governance areas (both actual and potential), a lower threshold of 2.0. This methodological adjustment reflects the fact that positive impacts were assessed more conservatively than negative impacts and therefore enables a more proportionate and realistic representation of their relative significance.

In the financial materiality assessment, the midpoint (2.5) was applied to financial risks as a neutral reference level of financial significance. For financial opportunities, a higher threshold of 3.0 was applied, reflecting the greater uncertainty associated with substantiating and quantifying potential future financial benefits. This stricter threshold ensures that only sufficiently robust and credible opportunities are classified as material.

STEP 5. Oversight and validation of materiality

In this step, we presented and cross-checked the results obtained from the evaluation process. This involved collaboration with all relevant areas at a global level that participated in the process, as well as consultation with various experts and managers. The results were first validated by the management of each subsidiary

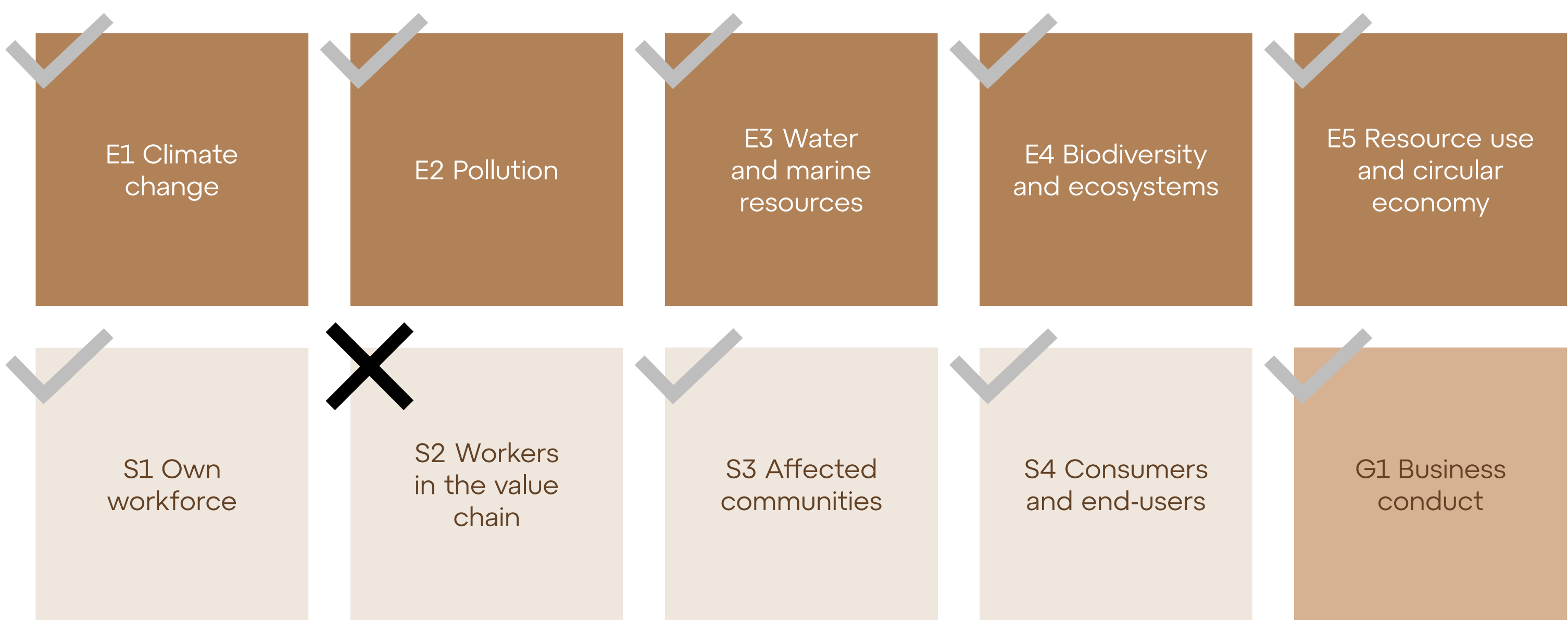
and subsequently validated by Colt CZ’s top management [ESRS-2_IRO-1_53b(iii)], specifically the Board of Directors, to ensure a comprehensive overview and oversight. This validation process ensures that the materiality assessments accurately reflect Colt CZ’s sustainability priorities and align with its strategic objectives.

With validation complete, the findings and recommendations are compiled in a comprehensive report, which is submitted to the Board for final approval [ESRS-2_IRO-1_53d].

Final List of Materiality Topics
for Colt CZ Group

Each topic is associated
with **prescribed disclosure
data** according to the ESRS
standard

Material topics **correspond**
with 2024’s results.



General Information

The identified material IROs are described in detail under each topic in this Sustainability Statement.

IROs relate to Group’s ability to develop and manufacture firearms and ammunition for military and law enforcement and also for commercial use. Due to the proximity of our material IROs to our business model, the majority of these IROs are being managed in the regular course of business in our operations, as the Group can take direct action itself. This includes IROs related to business conduct and ethics, own workforce, and partially environmental IROs related to climate change, pollution, water and resource use and circular economy.

In the case of the environmental IROs identified in our upstream and downstream value chain, the Group may influence those by strengthening its environmental policies and procedures, by investing into cleaner and more efficient technologies as well as integrating the processes for identifying and analyzing IROs in the existing Environmental Management System (EMS). Responsible and sustainable procurement programs are priorities for our Company, including material sourcing, to enhance environmental stewardship and social responsibility.

The identified material Environmental impacts relate to the Group’s business model including the manufacturing, procurement and facility management processes: CO₂ emission from energy consumption and material processing, various pollutions and noise,

water withdrawal and treatment, dependence on non-renewable materials and generation of waste, primarily metal and including hazardous waste materials.

With respect to Social impacts, these relate to own activities of the Group – security of employment, challenging working condition, OHS, wage policy and excessive working hours The Group has mitigating tools, including policies in place, to address potential negative impacts. The identified negative social impacts may differ for each subsidiary due to cultural differences, awareness, standards and frameworks in various countries in the EU, in the US and Canada.

Positive social impacts result from the the Group business model and defence sector specifics such as contribution to safety of civilians and improving lives of soldiers and their families. Other positive social impact relates to stable and fair working conditions for employees.

The identified impacts related to Governance are connected to sector challenges and related to business conduct and ethical business behavior. However, the Group has mitigating tools in place, including a full range of adopted policies in governance to address these potential negative impacts.

The Group aims to regularly review material topics and IROs, as new topics can emerge and gain significance over time, particularly taking into consideration potential new acquisitions and sectoral changes.

3. ENVIRONMENTAL INFORMATION

3.1 Environmental information – Climate change

We focus on minimizing the environmental impact of our operations by saving energy, limiting water consumption, preventing pollution and reducing waste. We aim to achieve reduction of GHG emissions, and other hazardous substances used in production, by investing into improvements of energy, water, and waste management.

3.1.1 E1 ESRS 2 SBM-3 Material impacts, risks, and opportunities and their interaction with strategy and business model

As a global defence group with sourcing, manufacturing, and sales across the world, Colt CZ has impacts on climate change and the environment through energy consumption, pollution, waste generation and water consumption.

3.1.2 E1 ESRS 2 IRO-1 Process to identify and assess material climate-related impacts, risks and opportunities

The identified climate change IROs, which are actual and negative, relate to The Group's business model:

► Climate change mitigation / Climate change adaptation

The extraction, production, processing and transport of materials such as aluminum, steel, polymers, glass, rubber, etc., requires the burning of fossil fuels in mining equipment and transport vehicles, leading to CO₂ emissions and accelerating climate change.

During the manufacturing process, significant CO₂ emissions occur primarily from two points: a. Energy: CO₂ emissions often occur as a result of energy consumption during the manufacturing process (running machinery, heating, cooling). b. Material processing: The processing and manipulation of raw materials to create the products results in CO₂ emissions (machining, molding, coating processes etc.)

The distribution of finished products contributes to CO₂ emissions when fossil fuel powered vehicles are used (air, land and sea transport). In the longer term, as these transport assets reach the end of their useful life and are recycled, additional emissions may arise from processes such as the recovery of metals from scrap.

► Climate change mitigation / Climate change adaptation / Energy

During the manufacturing process, significant CO₂ emissions occur primarily from two points: a. Energy: CO₂ emissions often occur as a result of energy consumption during the manufacturing process

(running machinery, heating, cooling). b. Material processing: The processing and manipulation of raw materials to create the products results in CO₂ emissions (machining, molding, coating processes etc.)

► Energy

Inefficient use of energy during the manufacturing process can lead to excessive energy waste.

Group's manufacturing processes are energy-intensive due to the need for machinery to cut, shape, and assemble parts. Activities such as molding, casting, machining, and finishing use a significant amount of energy.

The consumption of energy by administrative offices, car fleet and other supporting facilities leads to the production of greenhouse gas emissions.

During the manufacturing process, significant CO₂ emissions occur primarily from two points: Energy: CO₂ emissions often occur as a result of energy consumption during the manufacturing process (running machinery, heating, cooling).

Majority of impact originates in our own operations in mid-to-long-term horizon.

The material topics covered in this chapter include:

Sub-topic	Material impact	Material risk / opportunity	Value chain location			Time horizon		
			Upstream	Own operations	Downstream	Short-term	Mid-term	Long-term
Climate change Adaptation	Actual negative impact	–		×			×	×
Climate change mitigation / Climate change adaptation	Actual negative impact	Material risk	×	×			×	×
Climate change mitigation / Climate change adaptation / Energy	Actual negative impact	–		×			×	×
Energy	Actual negative impact	Material risk	×	×			×	×

3.1.3 Resilience analysis

(a) E1 ESRS2 SBM-3 Resilience analysis

Colt CZ carried out resilience analysis as part of its sustainability assessment together with the double materiality assesment between 2024 - 2025. The Group has conducted a resilience analysis in relation to climate-related risks and opportunities. However, as of the reporting year 2025, this analysis has not yet resulted in the definition of specific targets or financial plans.

The Group is currently in the process of developing its transition plan, and the outcomes of the resilience analysis will be used to inform the setting of future targets and related financial planning.

The analysis was based on the number of climate-related policies already announced or implemented in each country. The applied methodology used analyses from government sites, and databases such as the EU Climate Change Mitigation Policies and Measures, IEA Policy Database, WTO Environmental Database and Climate Watch.

As the sustainability assessment project is still in progress, the climate scenario analysis and stress testing have not yet been implemented and the results of the assessment has not been approved by Group’s Board of Directors.

The identification of physical climate risks was carried out based on two basic scenarios, namely RCP4.5-SSP24.5 and RCP8.5-SSP58.5, in three horizons: short-term, medium-term (2030) and

long-term (2050). All assets owned by the Group were assessed. The granularity of the analysis was determined at the level of individual assets, i.e. for specific asset coordinates. The analysis was carried out through a computational tool that considers physical climate risks within the scope of TCFD definitions and interprets the results as the significance of the assets’ exposure and their vulnerability to physical climate risks. Significant physical risks were identified as those risks whose severity reached a very high level of exposure and vulnerability.

The analysis is based on the Nationally Determined Contributions (NDCs) of each country. The NDCs are commitments that countries make to reduce their greenhouse gas emissions as part of climate change mitigation. These commitments include the necessary policies and measures for achieving the global targets set out in the Paris Agreement. This methodology helps assess mid-term risk related to climate change mitigation, by providing a prospective risk assessment on political risk related to climate change mitigation.

The main physical risks for the Group until 2030 include cold, flood, drought, extreme weather and temperature, which represents a high to very high risk for most locations. By 2050, the risk profile worsens further, with the influence of drought, extreme weather and temperature increasing significantly, becoming a key risk across locations, in some locations reaches a very high level. Risks associated with flooding continue to persist in the long term.

Heatwaves and floods disrupt our own operations, supply chains, and infrastructure (e.g., local energy transmission, water treatment plants,

waste facilities, and manufacturing sites). Droughts impact water availability for industrial processes. Extreme weather events may affect the availability of resources.

As part of the analysis of transition risks and opportunities, potentially significant climate-related risks and opportunities were identified and assessed based on political, legislative, market and social developments and expert estimates. Taking into account the likelihood, magnitude and duration of the identified transition events, based on the Task Force on Climate-related Financial Disclosures (TCFD) classification.

Key transition events identified include increased pricing of GHG emissions, mandates on and regulation of existing products and services, costs associated with the transition to lower-emission technologies, increased cost of raw materials, and potential stigmatization of the sector.

Identified climate related transition risks relevant for the Group:

Transition risk	Description
Policy and legal	Increased pricing of GHG emission: changes in carbon tariffs / price changes due to the transition of suppliers or changes in the approach of non-European suppliers towards Group companies
	Mandates on and regulation of existing products and services. Change in carbon reduction laws, water management and waste regulations may result in legal and financial risks.
Technology	Costs of transition to lower emission technology: In the long term, high investment costs can be associated with new technologies (e.g., waste management, GHG emission reduction, renewable energy and water recycling).
Market	Increased cost of raw materials: In particular the risk of dependence on unstable regions/countries for importing materials, the impacts that may occur when carbon tariffs/costs associated with decarbonization increase
Reputation	Stigmatization of sector and shifts in consumer preferences: Failure to meet sustainability standards may impact on contracts and government procurement primarily in the MLE segment and demand for Company’s products

The identification of climate risks associated with the transition was carried out using time horizons (short-term, medium-term and long-term) and the Net Zero 2050 climate scenario defined by the International Energy Agency. This scenario assumes the achievement of net zero emissions by 2050. The material financial risk identified during the double materiality assessment corresponds to the transition risks defined in this scenario. The assessment included all directly owned assets by the Group that are exposed to these risks due to the nature of the business.

3.1.4 Transition plan

(a) E1-1 Transition plan for climate change mitigation

In 2024, the Group initiated a project based on GHG disclosures aimed at developing a comprehensive carbon footprint covering Scope 1, 2 and 3 emissions, as well as a transition plan for climate change mitigation and the assessment of climate-related risks. The Group also aims to adopt leading practices for defining targets and metrics.

In 2025, the Group continued work on the transition plan. However, in light of the acquisition of Synthesia Nitrocellulose, the Group decided to temporarily pause the project in order to incorporate the impact of this acquisition and ensure consistency of the overall approach.

As of the reporting date, the elements described in this chapter, including the approach to emissions baselines, scenario analysis, target setting, decarbonization roadmap, as well as considerations related to locked-in emissions and assets’ compatibility with the transition to a climate-neutral economy, remain under development. These elements represent preliminary proposals and have not yet been formally approved by the Board of Directors.

Climate transition plan is a structured plan aimed at reducing or eliminating greenhouse gas (GHG) emissions across an organization’s operations and value chain. A climate action roadmap was created outlining how a company will transition to a low-carbon or net-zero emissions in the future.

The decarbonization strategy of the Group should include these four steps:

- Baseline assessment – the measurement of current GHG emissions

- Target setting – Establishment of science-based targets aligned with international frameworks (Paris Agreement)
- Action plan – Implementing energy efficiency, fleet electrification, renewable energy, responsible procurement, carbon capture, and nature-based solutions
- Monitoring and Reporting – Tracking progress and disclosing results transparently

Strategic Alignment with climate goals

The Group is in the process of developing a climate Transition Plan (CTP) aimed at aligning its business model with a 1.5°C pathway, consistent with the Paris Agreement and the EU’s climate neutrality objective by 2050 [E1-1_AR_1]. The Transition Plan is intended to be anchored in the sustainability strategy and to define future ambitions and accountabilities across the Group [E1-1_14].

The plan is expected to outline steps to decarbonize the value chain, manage climate-related risks and support the long-term resilience of the Group’s operations. It is intended to be integrated into the overall business strategy and financial planning processes, including capital allocation, operational budgeting and risk management. The Group anticipates that the plan will be subject to regular review to reflect regulatory, scientific and market developments.

As of the reporting date, the climate Transition Plan has not yet been formally approved and remains under development. It does not yet

include all disclosure elements required by ESRS. A more detailed version of the plan is expected to be made publicly available once finalized and approved. The Group expects the climate transition plan to be finalized and approved during 2026.

Compatibility with a 1.5°C pathway

The Group is in the process of developing climate targets intended to support alignment with limiting global warming to 1.5°C, in line with the Paris Agreement [E1-1_16a]. These targets are expected to cover Scope 1 and 2 GHG emissions as well as relevant categories of Scope 3 GHG emissions.

Based on the Group’s preliminary emissions baseline for 2024, initial modelling has been performed to assess potential reduction pathways, including indicative reductions in Scope 1 and 2 emissions and selected Scope 3 categories by 2040. These analyses are supported by internal modelling and external frameworks used in the development of potential targets.

As of the reporting date, these targets and associated reduction pathways remain under development and have not yet been formally approved. The Group therefore does not currently claim alignment with EU Paris-aligned Benchmarks [E1-1_16g].

Key Decarbonisation levers and actions

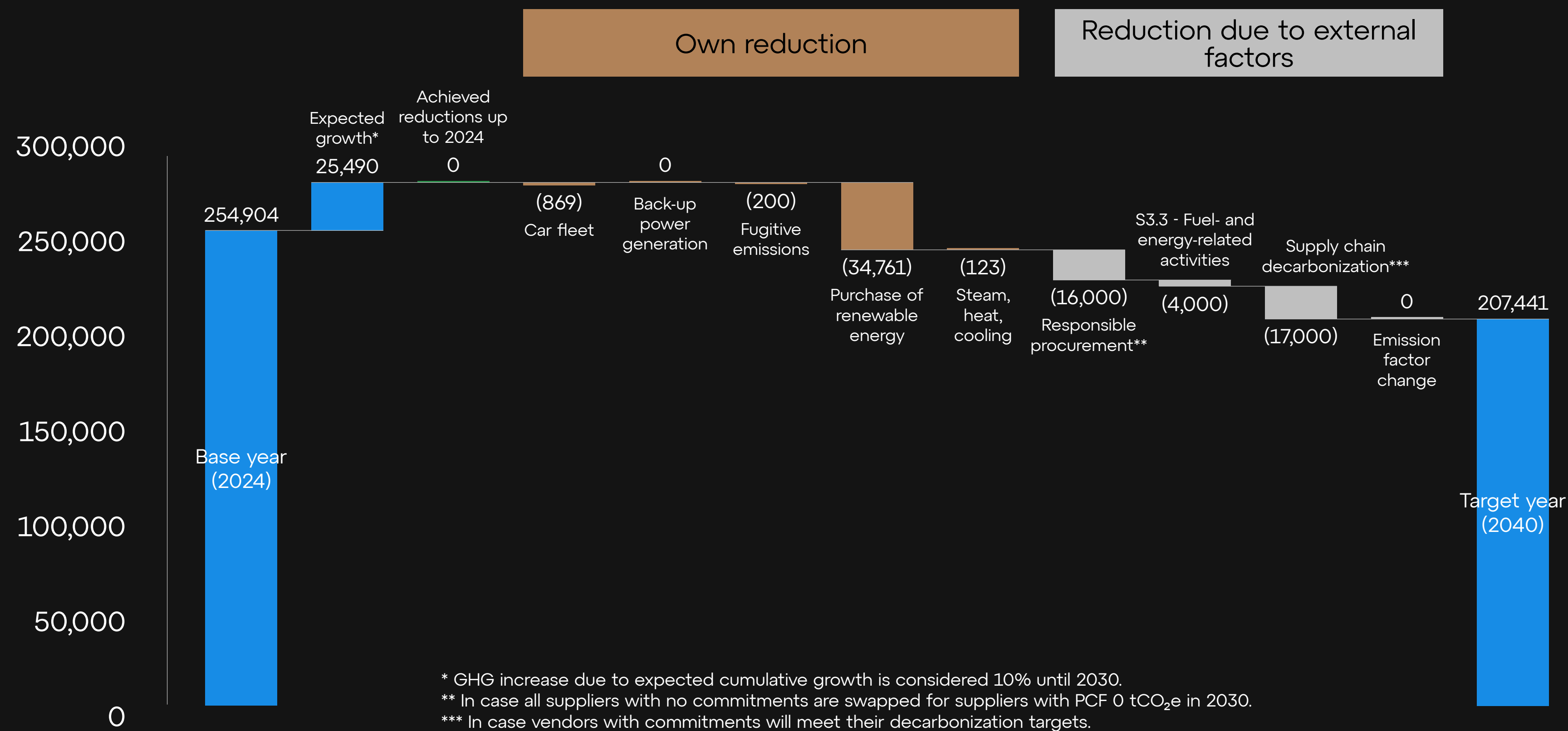
To achieve the GHG emissions reduction targets, the Group has prioritised key decarbonisation levers based on their mitigation potential, feasibility and materiality [E1-1_16b].

Decarbonization Lever	Scope	Potential for savings
Car fleet	Scope 1	869 tCO ₂ e
Building efficiency	Scope 1	200 tCO ₂ e
Green electricity	Scope 2	34,761 tCO ₂ e
Green heating	Scope 2	123 tCO ₂ e
Purchased goods and services	Scope 3	152,976 tCO ₂ e
Capital goods	Scope 3	9,372 tCO ₂ e

The expected GHG emissions reduction, demonstrated in the Group’s decarbonisation roadmap, is shown in the figure below [E1-1_AR_31]. The main reduction needs to be achieved in Scope 3 GHG emissions. The Group aims to do this by active supplier engagement. The Group’s focus is on transitioning to renewable energy sources, fleet modernization and building efficiency. However, decarbonising Scope 3 GHG emissions through responsible procurement presents a complex challenge which continuously requires the Group’s attention and is a key element of the decarbonisation strategy.

Emissions decarbonization levers

By fully utilizing decarbonization levers, the Group can decrease its emissions by additional 50,000 tCO₂e



Status of the Climate Transition Plan

Colt CZ has been able to use some of the outcomes from the transition risks analysis in this consolidated Sustainability Statement, although the final approval of the transition plan at the level of Group Board of directors has not yet occurred. Consequently, and given that climate targets are not yet fully aligned with ESRS requirements (E1-4), the transition plan is also not yet fully aligned with ESRS requirements (E1-1). Colt CZ believes that it will be able to commit to targets related for climate change mitigation after the internal approval and adaptation of the decarbonization plan in the course of 2026.

3.1.5 Policies, actions and targets

(a) E1-2 Policies related to climate change mitigation and adaptation

The Group’s operations are subject to, and must comply with, a variety of national and international laws and regulations regarding the protection of the environment, health, and safety. These laws and regulations address, among other things, the identification, acceptance, treatment, storage, handling, transportation and disposal of hazardous materials and waste, as well as air and water emissions, soil and water contamination, noise, the prevention or minimization of climate change, and exposure of employees

and others to hazardous materials and waste. The Group has no specific climate related policy in place as climate related matter are an integral part of general environmental policies and ISO certifications across the Group.

Production facilities in the Czech Republic are ISO 14001 certified (Environmental Management Systems), which is complemented by policies and systems in place above the legal requirements. Our aspiration is to obtain ISO 50001 certification to improve energy efficiency management. Our safety, health and the environment (SHE) policy includes commitments to continuously improve the integrated SHE system, maintain active leadership in the area of employees’ environmental impact awareness, and act in a way that motivates everyone to remain attentive to the risks of environmental impacts. All operations and departments are subject to environmental impact assessments every two years, or sooner, if a change is implemented. An environmental impact assessment is part of any purchase of machinery or equipment. By implementing the latest industrial methods of manufacturing and energy efficient technologies, together with improving equipment efficiency, we aim to reduce the environmental impact of our manufacturing. We have dedicated employees responsible for environmental management. The ultimate environmental responsibility sits with our CEO and the Board of Directors.

Our facilities in the US and Canada are not ISO 14001, 45000 and 50001 certified, but we are preparing a plan to implement

environmental policies in the future. In the US, we have two dedicated full-time employees who are responsible for environmental management. We also contract with an outside firm to review, coach, and lead us towards responsible environmental improvements. We follow the Environmental Protection Agency’s regulations and its effluent guidelines on discharge into the environment. In Canada, we follow the Canadian Environmental Protection Act (CEPA) and industry standards for environmental guidelines. Colt Canada has one employee who supports environmental activities to ensure we are compliant. We are working to align both internal and external resources that will better support Colt Canada to setup a comprehensive environmental management system. The ultimate environmental responsibility sits with the CEO of Colt USA and the CEO of Colt Canada, respectively.

In line with the legislative framework of the Czech Republic, we also have an energy audit for the production facilities in the Czech Republic, including a proposal for saving measures, such as insulation of buildings, more efficient lighting systems, exchange of transformers, and installation of new boilers. One of the proposals for savings in the decarbonization project is to increase renewable energy in our energy mix

Policy and Internal document	Key contents	Scope of application	Implemented by	Availability
Energy policy	Energy Policy in accordance with ISO 50001	CZUB	Vice-chairman of BoD	Internal
Environmental Policy Statement	Minimizing waste generation and increase recycling efforts where practical, Conserving natural resources such as water and energy usage when possible, Implementing emergency response protocols to quickly respond to spills and releases to protect the environment, and Provide regular training on how to properly manage areas of environmental concern to meet Colt's environmental objectives.	Colt's Manufacturing Company, LLC All employees	CEO	Internal
Integrated Management System Policy	Minimalization of environmental impacts Prevention of pollution of air, water and soil Waste management Reduction of energy consumption Reduction of waste	Sellier & Bellot	CEO	Website

(b) E1-3 Actions and resources in relation to climate change policies

The Group recognises the critical importance of addressing the impacts, risks and opportunities of climate change throughout the whole value chain [MDR-A_68b]. Its commitment to sustainability is reflected in the ongoing efforts to mitigate climate-related

impacts and to adapt to the evolving environmental landscape. The Group has been working on minimizing the environmental impact of its operations by preventing pollution, reducing waste, energy, and water consumption. In addition, we are using innovative technologies to produce reliable, resilient, and durable products, fostering enduring relationships with our customers. The Group aims to achieve the climate-related policies objectives and contribute

positively to the environment [E1-3_27, 28, 29c(ii), 16c].

To minimize impacts on climate change where possible, we are continually assessing options to lower our greenhouse gas emissions (GHG). As electricity and natural gas are the most significant CO₂ equivalent emitters, this is where we need to focus our efforts and channel investments.

As explained in the Group's Transition Plan, the largest reduction in GHG emissions would need to be achieved in Scope 3 GHG emissions. The related actions are part of the Purchased goods and services decarbonisation lever. Although achieving these potential targets is challenging as the Group would be dependent on the actions of its partners in the value chain, the Group would actively engage with suppliers in order to achieve these potential targets. No specific targets have been set and approved by the Company. The Group prioritises suppliers who adhere to environmentally friendly practices and commit to Group's Supplier Manual. For information on the other actions, please refer to the table below. [E1-3_29b].

Decarbonisation lever [E1-3_29a; MDR-A_68a]	Description	Scope key actions [MDR-A_68b]	Time horizons to complete [MDR-A_68c]
Decarbonisation of the fleet	Fleet electrification Hydrogen vehicles Hybrid vehicles & Alternative fuels	Own operations All companies	2040
Building efficiency – regulator maintenance, refrigerants replacement	Preventive Maintenance Programs: Regular Leak Detection and Repair Programs: Upgrading Equipment: Using Low-GWP Refrigerants: Training and Awareness: Proper Disposal and Recycling	Own operations All companies	2040
Procurement of green energy	Purchased electricity On-site power generation Procurement of steam, heat and cooling from sustainable energy sources	Own operations All companies	2040
Purchased goods and services	Transfer to committed suppliers, responsible procurement, push on suppliers to lower their emissions	Own operations All companies	2040
Capital goods	Transfer to committed suppliers, responsible procurement, push on suppliers to lower their emissions	Upstream value chain All companies	

(c) E1-4 Targets related to climate change mitigation and adaptation

The Group is actively exploring methodologies to enhance its ability to measure these effects, in order to have sufficient information to set a realistic target and to track the effectiveness of the related policies and actions [MDR-T_81b]. Our goal is to reduce energy consumption and emissions of climate-altering gases in all areas of the Company to combat climate change. The Group currently has not established any specific targets related to GHG emissions and the material climate change-related risks and opportunities.

As described in the Group’s Transition Plan, the Group has identified decarbonisation levers. The Group believes that it will be able to commit to targets related for climate change mitigation after the internal approval and adaptation of the decarbonization plan in the course of 2026.

3.1.6 E1 Climate Change Metrics

(a) E1-5 Energy consumption and mix

The Group operates primarily in the manufacturing sector (NACE C25.40 – Manufacture of weapons and ammunition), which is classified as a high climate impact sector in accordance with ESRS requirements. Therefore, 100% of the Group’s energy consumption is considered to fall within high climate impact sectors for the purpose of calculating energy intensity.

Total energy consumption in MWh related to the Group’s operations:

ESRS Ref.	Indicator	Unit	2025	2024
E1-5, 37.	Total energy consumption related to own operations	MWh	117,175	90,255
	Total energy consumption related to own operations in high climate impact sector	%	100	100
	Energy intensity	MWh/ m CZK	5.008	4.034
E1-5, 37. (a)	Total energy consumption from fossil sources	MWh	81,260	67,181
E1-5, 37. (b)	Total energy consumption from nuclear sources	MWh	21,934	17,336
E1-5, 37. (c)	Total energy consumption from renewable sources	MWh	13,982	5,738
E1-5, 37. (c), i.	Consumption of fuels from renewable sources	MWh	16	13
E1-5, 37. (c), iii.	Consumption of purchased or acquired energy from renewable sources	MWh	13,399	5,290
E1-5, 37. (c), ii.	Consumption of self-generated non-fuel renewable energy	MWh	567	435
E1-5, AR 34.	Share of fossil sources in total energy consumption	%	69	74
E1-5, AR 34.	Share of nuclear sources in total energy consumption	%	19	19
E1-5, AR 34.	Share of renewable sources in total energy consumption	%	12	16
E1-5, 39.	Total production of non-renewable energy	MWh	32,504	19,716
	Heat	MWh	32,504	19,716
E1-5, 39.	Total production of renewable energy	MWh	758	435
	Electricity	MWh	758	435

ESRS Ref.		Unit	2025	2024
E1-5, 37. (a)	Stationary consumption of fuels from non-renewable sources	MWh	47,769	34,338
E1-5, 38. (a)	Fuel consumption of coal and coal products	MWh	–	–
E1-5, 38. (b)	Fuel consumption of crude oil and petroleum products	MWh	–	98
E1-5, 38. (c)	Fuel consumption of natural gas	MWh	47,769	34,240
E1-5, 38. (d)	Fuel consumption from other fossil sources (process, waste and other fuels used for energy purposes)	MWh	–	–
E1-5, 38. (e)	Consumption of purchased or obtained electricity, heat, steam and cooling from fossil sources	MWh	29,742	29,952
E1-5, 37. (a)	Mobile consumption of fuels from non-renewable sources	MWh	3,749	2,891
	Gasoline	l	46,564	43,970
	Diesel	l	281,893	214,919
	LPG	l	–	–
	CNG	kg	1,188	1,135
	Propane - Butane	kg	16,661	11,833
	Other fuels from non-renewable sources	l	24,946	16,277
E1-5, 37. (c), i	Mobile consumption of fuels from renewable sources	MWh	16	13
	Other biofuel	l	2,500	2,000

Total energy consumption increased year-on-year from 90,255 MWh in 2024 to 117,175 MWh in 2025, primarily due to acquisitions and higher production volumes/ changes in production mix across the Group.

Energy consumption from fossil sources increased, mainly driven by higher natural gas usage in production processes. Consumption of fuels for mobile sources also rose in line with increased logistics and operational activity.

Changes in the distribution of energy consumption between fossil and renewable sources are primarily driven by changes in the energy mixes of the countries in which the Group operates. Although renewable energy consumption increased in absolute terms, particularly due to higher procurement of renewable electricity, its overall share decreased from 16% to 12%, as total energy consumption increased at a faster rate.

Energy intensity increased from 4.034 to 5.008 MWh/m CZK, reflecting the combined effect of higher energy consumption and changes in revenue development.

The increase in non-renewable energy production is mainly related to higher heat generation from fossil sources, while renewable energy production increased moderately, reflecting gradual development of on-site renewable capacity.

Accounting Principles [MDR-M_77a]

E1-5, 37. Total energy consumption related to own operations
the Group’s energy consumption in own operations forms the input to scope 1 and 2. It includes energy consumption based on fossil nuclear and renewable sources.

E1-5, 37. (a) Total energy consumption from fossil sources
the Group’s energy consumption consists of energy mix based delivered by energy distributors, which consists of among other sources, fossil. The Group has no direct fossil sources.

E1-5, 37. (b) Total energy consumption from nuclear sources
the Group’s energy consumption consists of energy mix based delivered by energy distributors, which consists of among other sources, nuclear. The Group has no direct nuclear sources.

E1-5, 37. (c) Total energy consumption from renewable sources
Majority of the Group’s energy consumption from renewable sources consists of energy mix based delivered by energy distributors, which consists of among other sources, renewable.

E1-5, AR 34. Share of fossil sources in total energy consumption
The indicator of fossil share stating how much of the total energy consumed comes from fossil sources.

E1-5, AR 34. Share of nuclear sources in total energy consumption
The indicator of nuclear share stating how much of the total energy consumed comes from nuclear sources.

E1-5, AR 34. Share of renewable sources in total energy consumption
The indicator of renewable energy share stating how much of the total energy consumed comes from renewable energy sources.

E1-5, 39. Total production of non-renewable energy
Total production of non-renewable energy consists of production of heat from burning gas.

E1-5, 39. Total production of renewable energy
Total production of renewable energy consists of production of electricity.

E1-5, 37(a) Stationary consumption of fuels from non-renewable sources
Total consumption of primary energy carriers for energy production burned in stationary technologies (e.g. cogeneration unit, diesel generator).

E1-5, 37.(a) Mobile consumption of fuels from non-renewable sources
Total consumption of own vehicles for operational purposes.

E1-5, 38 (e) Consumption of purchased or obtained electricity, heat, steam and cooling from fossil sources
Total consumption of purchased/acquired energy from external and internal suppliers.

E1-5, 37. (c), I Mobile consumption of fuels from renewable sources
Total consumption of own vehicles for operational purposes.

E1-5, 43 Energy intensity is calculated as total energy consumption related to own operations divided by the Group’s net revenue. The net revenue used as the denominator is consistent with the revenue reported in the consolidated financial statements (see consolidated financial statements, chapter 5).

(b) E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions

The Group’s Scope 1, 2 and 3 GHG emissions are shown in the table below, disaggregated by scope and emissions source.

Total GHG emissions disaggregated by Scopes 1 and 2 and significant Scope 3

In tonnes CO ₂		2025	2024
Scope 1 GHG emissions by location of significant assets			
E1-6_07	Gross Scope 1 GHG emissions, (tCO ₂ eq)	10,428	10,146
	Europe - Gross Scope 1 GHG emissions (tCO ₂ eq)	9,014	8,855
	North America - Gross Scope 1 GHG emissions (tCO ₂ eq)	1,414	1,291
Scope 2 GHG emissions			
E1-6_09	Gross location-based Scope 2 GHG emissions (tCO ₂ eq)	20,752	20,636
E1-6_10	Gross market-based Scope 2 GHG emissions (tCO ₂ eq)	33,909	34,898

Scope 1

Direct greenhouse gas emissions of the Group within Scope 1 include the consumption of natural gas, fuel and the replenishment of coolants for machinery.

The Group has assessed its operations and identified no material biogenic Scope 1 greenhouse gas emissions. Any potential emissions from the use of bio-based fuels are considered immaterial and are therefore not separately disclosed.

Scope 1 emissions at the Group tend to decrease in the long run as a result of a decreasing natural gas consumption, due to investments in modernization of the heating system in production. Natural gas is supplied from the public distribution network. There is no Scope 1 emissions covered by the EU emissions trading scheme.

Scope 2

At the Group, Scope 2 emissions primarily consist of electricity consumption to a lesser extent purchased heat. Group companies based in the Czech Republic purchase electricity from the public energy network, which is a mix of conventional energy sources, such as fossil fuels and nuclear, that are supplemented by sources producing electricity from renewable sources. US companies purchase electricity from regional grid the Northeast Power Coordinating Council (NPCC) which has more favorable energy mix (a higher share of nuclear, hydro, wind, and biomass) than the US national fuel mix. In 2025, none of our energy is covered by the guarantees of origin.

The Group has assessed the presence of biogenic greenhouse gas emissions in Scope 2. No separate biogenic Scope 2 emissions

are disclosed, as emissions from purchased electricity, heat, steam, and cooling are calculated using supplier-, residual- or grid-based emission factors, which do not distinguish between fossil and biogenic components. The Group does not have supply-specific information linking its energy consumption to biogenic sources. Majority of savings are typically realized from the installation of more energy efficient machinery and new manufacturing equipment.

In tonnes CO ₂		2025	2024
Significant scope 3 GHG emissions			
E1-6_11	Total Gross indirect (Scope 3) GHG emissions (tCO ₂ eq)	228,661	209,859
	1 Purchased goods and services	163,418	152,976
	2 Capital goods	10,773	9,372
	3 Fuel and energy-related Activities (not included in Scope1 or Scope 2)	7,391	7,183
	4 Upstream transportation and distribution	3,114	6,009
	5 Waste generated in operations	21,300	17,836
	6 Business traveling	1,898	2,147
	7 Employee commuting	3,899	2,999
	9 Downstream transportation	13,282	7,761
	12 End-of-life treatment of sold products	289	278
	13 Downstream leased assets	2,383	2,383
	15 Investments	914	914
Total GHG emissions			
E1-6_12	Total GHG emissions (location-based) (tCO ₂ eq)	259,840	240,641
E1-6_13	Total GHG emissions (market-based) (tCO ₂ eq)	272,998	254,904

Significant Scope 3 GHG emissions

The volume of total annual emissions of other indirect GHG broken down into categories according to the Greenhouse Gas Protocol. The absolute majority of Scope 3 comes from the category Purchased goods and services and results from the business model of the Company.

The Group has assessed its operations and identified no material biogenic Scope 3 greenhouse gas emissions. Any potential emissions from the use of bio-based fuels are considered immaterial and are therefore not separately disclosed.

In tonnes CO ₂		2025	2024
GHG intensity per net revenue			
E1-6_30	Total GHG emissions (location-based) per net revenue (tCO ₂ eq/ m CZK)	11.10	9.63
E1-6_31	Total GHG emissions (market-based) per net revenue (tCO ₂ eq/ m CZK)	11.67	10.18

Year-on-year changes in total GHG emissions are moderate and primarily reflect the overall development of the Group, including increased production volumes and the impact of acquisitions.

Total GHG emissions (location-based) increased from 240,641 tCO₂eq in 2024 to 259,840 tCO₂eq in 2025. This increase is mainly driven by higher Scope 3 emissions, particularly in purchased goods and services and waste generated in operations, in line with the expansion of business activities.

Scope 1 and Scope 2 emissions remained relatively stable year-on-year, indicating no significant changes in direct energy consumption patterns.

GHG intensity per net revenue increased from 9.63 to 11.10 tCO₂eq/m CZK, reflecting that the growth in emissions slightly outpaced revenue growth, primarily due to the higher contribution of indirect (Scope 3) emissions.

Direct GHG emissions of the Group within Scope 1 include the consumption of natural gas, fuel and the replenishment of coolants for machinery. Most of the carbon footprint in Scope 1 in 2025 (over 90%) was created by burning natural gas, primarily for technological processes and heating. Investments in modernization of the heating system are one of key mitigating factors to reduce Scope 1. The assessment was based on the Greenhouse Gas Protocol (GHG Protocol) methodology.

Accounting principles GHG emissions [E1-6_AR_39b]

E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions: the Group's carbon footprint provides a general overview of Group's greenhouse gas emissions converted into CO₂ equivalents (CO₂e). It is based on reported data from internal and external systems and calculated by external company. All data for GHG emissions calculation was taken from internal sources.

- All 7 Kyoto protocols greenhouse gases were taken into account in the calculation of the carbon footprint.
- GWPs from the latest IPCC Assessment Report (AR6) were used to convert GHGs to CO₂eq.

The Group uses the combination of following resources to obtain the EF for the Scope 3 calculation: Environmentally extended input-output (EEIO), US Environmental Protection Agency (EPA), Department for Environment, Food & Rural Affairs (DEFRA), European Investment Bank (EIB), National Inventory Documents (NID), Common Reporting Tables (CRT), International Energy Agency (IEA), Association of Issuing Bodies (AIB), Carbon Database Initiative (CaDI), Product Carbon Footprint (PCF). All these factors were based on their most recent versions.

GHG emissions are calculated based on activities under the Group's operational control or ownership, in accordance with the GHG Protocol.

E1-6_09 & E1-6_10 Gross location- and market-based Scope 2

GHG: The volume of total Scope 2 GHG emissions from purchased energy using the grid emission factor and the volume of total Scope 2 GHG emissions from purchased energy using supplier-specific emission factors.

E1-6_11 Gross Scope 3 GHG: Scope 3 includes indirect emissions from the Group's activities in the value chain. Most of the volume of Scope 3 comes from the category Purchased goods and services and results from the business model of the Company. The majority of Scope 3 emissions (86%) were calculated using secondary data, with the spend-based method being the most widely applied.

Categories not included in the Group's unified methodological approach were assessed by the Group management as not relevant/material to the business model or activities carried out.

- **S3.8 Upstream leased assets** – the Group does not have any leased assets that are not in Group control
- **S3.10 Processing of sold products** – the Group place on market final product which do not require any further processing or transformation, no intermediate products
- **S3.11. Use of sold products** – Due to the nature of the Group's products, significant uncertainty regarding their actual use, and the lack of reliable emission factors for the use phase of ammunition and grenades, the quantification of this category

would require disproportionate effort without materially improving the relevance of the reported information. No alternative approach was identified that would be both methodologically robust and cost-effective. The selected approach is therefore considered consistent with the ESRS framework, as well as the principles of relevance and proportionality under the GHG Protocol.

- **S3.14 Franchises** – the Group does not operate any franchises therefore is the category not relevant

The total GHG emission (location-based) and (market based) is based on a sum of Scope 1, 2 (respectively, location- and market-based) and Scope 3 categories.

E1-6_30 Total GHG emissions per net revenue: GHG emissions intensity is based on total GHG emissions (location-based and market-based) in tonnes CO₂e, divided by revenue from the consolidated financial statements refer to Note 5 in consolidated financial statement.

3.2 E2 Pollution

3.2.1 E2 ESRS 2 IRO-1 Material impacts, risks and opportunities and their interaction with strategy and business model

The identified material pollution IROs relate to the Group’s business model and manufacturing processes refer to note 2.4.2.:

As part of the double materiality assessment, the Group evaluated impacts, risks and opportunities related to pollution across its operations, with a focus on emissions to air, water and soil, as well as the use and management of hazardous substances. The assessment considered the nature of production processes, types of substances used, and potential pathways of environmental impact.

The evaluation was carried out in line with the application requirements of ESRS E2, including the identification of pollution sources, types of emissions and substances of concern, as well as their potential impacts on the environment and human health. The Group also assessed existing control measures, such as emission monitoring, wastewater treatment, handling of hazardous substances and compliance with regulatory requirements.

Particular attention was given to substances of concern and substances of very high concern (SVHC), their use in production processes, and the effectiveness of risk management measures in place. This assessment supports the identification of material pollution-related impacts and associated risks and opportunities.

► Pollution of living organisms and food resources

Pollution of living organisms as a result of an accident during the manufacture of products or parts thereof.

► Microplastics

Use of plastic materials during manufacture (e.g., packaging materials, protective clothing, etc.) which are not properly disposed of, can lead to degradation into microplastics over time.

► Pollution of air

When metals are processed, particularly through cutting or reshaping methods using heat, various pollutants are released as metal fumes. These fumes contain microscopic particles of metal or metal oxide, e.g. iron oxide, zinc oxide, manganese, lead fumes. The application of coatings (for protection of the product) releases volatile organic compounds (VOCs) into the air. High levels of VOCs can contribute to the creation of ground-level ozone or smog.

Possibility of an operational accident with a negative impact on the environment (contamination of individual components of the environment). We have complex policies in place to reduce risks related to the pollution of air. In the Czech Republic, we have implemented policies, codes, procedures, and guidelines with respect to health and safety, the environment (SHE). All are in line with requirements set out in ISO 9001, 14001 and 45001.

► Pollution of soil (and respective loads)

The extraction of raw materials like iron often involves significant land disturbance, which can cause soil erosion, loss of topsoil and possible contamination with heavy metals. Rainwater or other water sources can pick up pollutants from production and storage areas and carry them to surrounding soil, causing contamination. Accidental leakage or spills of chemicals used during the manufacturing process can contaminate the surrounding soil.

► Substances of concern and substances of very high concern

During manufacturing, substances of concern and substances of very high concern (lead and hexavalent chromium) may be used. If not handled properly, these substances are harmful to the environment. Release of hexavalent chromium into soil, water and air could be very harmful to the environment.

► Pollution of water

Possibility of operational accidents of wastewater treatment plants within the production of products or parts thereof with negative impact on the environment (contamination of individual components of the environment). The discharged treated water may contain more metal ions, when the company’s wastewater treatment plant and filters fail, all process water flows to the municipal wastewater treatment plant.

Sub-topic	Material impact	Material risk / opportunity	Value chain location			Time horizon		
			Upstream	Own operations	Downstream	Short-term	Mid-term	Long-term
Pollution of living organisms and food resources	Actual negative impact	–	×	×		×	×	×
General Noise, light, odor pollution and vibrations from manufacture processes.	Negative potential impact	Material risk	×	×			×	
Microplastics	Actual negative impact	Material risk		×	×		×	
Pollution of air	Actual negative impact	Material risk	×	×			×	×
Pollution of soil (and respective loads)	Actual negative impact	–	×	×			×	×
Pollution of soil (and respective loads)	Potential negative impact	Material risk	×	×			×	
Pollution of water	Actual negative impact	–	×	×		×	×	
Substances of concern (SVHC)	Actual negative impact	Material risk	×				×	
Substances of very high concern (SVHC)	Actual negative impact	Material risk	×	×	×	×	×	×

3.2.2 E2-1 Policies related to pollution

The Group has no specific pollution related policy in place as pollution related matters are an integral part of general environmental policies and ISO certifications across the Group.

Policy and Internal document	Key contents	Scope of application	Implemented by	Availability
Environmental Policies	Energy Policy in accordance with ISO 50001	Subsidiaries	Subsidiaries	Internal

3.2.3 E2-2 Actions and resources related to pollution

The Group has not established a formal action plan that fully meets ESRS E2 (MDR-A) requirements. However, a range of operational-level actions and measures are implemented across the Group to prevent and reduce pollution.

We limit the impact of our operations on the environment by preventing pollution of soil and water through the reduced consumption of raw materials and water, and by lowering production of waste, with a focus on producing waste that is less hazardous. We recycle materials where possible to minimize the amount of waste going to landfills. When possible, we try to reduce the consumption of chemicals and hazardous substances. One of the leading examples of our initiatives is the demolition of the old neutralization station for disposing of wastewater from the chromium, electroplating and tempering plant at its subsidiary CZUB which started in 2023. Demolition of the idle building lifted its historical environmental burden and subsequently created a green

area, allowing the Group to actively contribute to a healthy and sustainable environment.

In relation to air pollution, the Group implements measures to reduce emissions from production processes, including the control of metal fumes and volatile organic compounds (VOCs) through ventilation, filtration and process optimization. The Group continuously monitors emissions and seeks to improve air quality within its operations.

We have designated storage for chemicals. We perform regular inspections of technical equipment and systems used for their storage and handling, including their ongoing renewal and modernization. The same requirements are applied to our suppliers.

We limit the use of plastic materials to the greatest possible extent and, if possible, we recycle. We are also monitoring recycling in our value chain, particularly in the upstream. The pollution impact on the customer side is hard to control as regulations differ from country to country.

At our production facility in Uherský Brod, we are taking measures to reduce noise produced by our machinery. Due to historical reasons, the facility is centrally located and the noise it produces impacts on the local population. In the past years, a noise cancelling solution has been installed in our compressor rooms, factory exhausts and foundry, which eliminated noise from areas that manufacture our main components. We are planning to continue with more projects that will lower noise pollution. The noise associated with shooting can be eliminated by investments in modern testing equipment.

3.2.4 E2-3 Targets related to pollution

We have not set any material targets relevant to disclose. Our established processes are anchored within the functions that have responsibility for ensuring adherence to our policies.

3.2.5 E2-4 Pollution of air, water and soil

In the Czech Republic, wastewater and rainwater are treated at the company’s biological treatment plant and are then released in accordance with the relevant permit into a specified watercourse. Wastewater from metallurgy operations passes through a preliminary neutralization treatment. In the US, water and waste results are closely monitored and evaluated each week by our environmental team and made publicly available.

Our ammunition production facilities at swissAA in Switzerland are ISO 14001 certified (Environmental Management Systems). The wastewater is treated at an in-house biological treatment plant and reused in the closed water cycle. As a result, consumption of ground water at swissAA is limited. The water treatment is regularly checked by local Swiss cantonal authorities, which take samples. Waste material from the water treatment, such as slug, is burned in an official incineration plant.

3.2.6 E2-5 Substances of concern and substances of very high concern

In the industry we operate, the use of chemicals is a necessary part of the production process and therefore this topic is material for us.

CZUB uses hexavalent chromium in their production processes, which may represent a significant environmental threat, severely impacting environment and natural resources, especially water and soil. Hexavalent chromium is used to produce a hard chrome for use in galvanic platin (it is no longer hexavalent chromium at the end of the process). CZUB sources the chemicals from the chemical company MacDermid, which is based in the USA. The use of chemicals is subject to the permits issued for the supplier. Chromium plating is performed under strict hygiene and SHE supervision, with all workers monitored regularly.

At some production facilities, the indoor firing/shooting range contains lead. The lead is cleaned by an external company and sent to a certified treatment facility. In some production subsidiaries, as part of the manufacturing process, lead is dispelled daily, there is a programme and policy in place for lead disposal.

Our products contain mixtures that include substances classified as Substances of Concern (SC) under the CLP and ECHA regulation, specifically nitrocellulose and Substances of Very High Concern (SVHC) under the REACH Regulation, specifically nitroglycerin. Due to the known environmental and health risks associated with such substances, therefore Group implements strict risk management measures, including safety protocols, exposure monitoring, and full compliance with applicable legal requirements.

We also monitor developments in potential alternatives and substitution technologies, with the long-term goal of minimizing both environmental and health-related impacts.

The detailed composition of the mixtures used in our production processes constitutes a trade secret. For intellectual property protection reasons, we do not disclose this information publicly. However, we ensure that all components comply with relevant legislation and are properly managed throughout the production process.

3.2.7 E2 Pollution Metrics

With regards to disclosure of metrics and datapoints for pollution, the Group monitors and reports pollution related metrics to relevant authorities in each jurisdiction, however those values do not exceed thresholds required for ESRS disclosure (Appendix II Regulation (EC) No 166/2006). The only pollutant that exceeds the threshold is lead measured in soil at our operation in Sellier & Bellot in Vlašim.

The measurement of lead levels in the soil is carried out using a probe and takes place once every five years. Therefore, this value will not change until the next measurement in 2029.

ESRS Ref.	Indicator - (CAS number) and Pollu-tant	Unit	2025	2024
E2-4, 28. (a)	Lead and compounds (as Pb)	kg	34,900	34,900

3.3 E3 Water and marine resources

3.3.1 E3 ESRS 2 IRO-1 Material impacts, risks and opportunities and their interaction with strategy and business model

This topic is only material from the impact perspective and related to facility management and procurement processes refer to note 2.4.2.

As part of the double materiality assessment, the Group evaluated impacts, risks and opportunities related to water and marine resources across its operations, with a focus on site-specific conditions. The assessment considered the geographical location of individual entities, including whether operations are situated in areas of water stress, as well as the sources of water, patterns of water use and existing water treatment and discharge practices.

The evaluation was carried out in line with the application requirements of ESRS E3, including the differentiation between water withdrawals, consumption and discharges, identification of water sources and consideration of local water stress conditions. The Group also assessed the adequacy of water management practices, including monitoring, treatment and efficiency measures, to identify potential impacts and related risks and opportunities.

The identified IROs relate to withdrawal of water from the water supply system for building operations which can place a strain on the groundwater resources in the area. Water is used heavily in processing raw materials such as metals and washing the surfaces of product parts, leading to changes in water levels in those areas, and potentially impacting local aquatic ecosystems.

The identified material pollution IROs relate to the Group’s business model and manufacturing processes:

- ▶ Water
- Water may be used heavily in the extraction and processing of raw materials such as metals, leading to changes in water levels in those areas, and potentially impacting local aquatic ecosystems.
- ▶ Marine Resources
- Disruption of the ecosystem by the extensive use of shipping.

Sub-topic	Material impact	Material risk / opportunity	Value chain location			Time horizon		
			Upstream	Own operations	Downstream	Short-term	Mid-term	Long-term
Water	Actual negative impact	–	×				×	×
Marine Resources	Actual negative impact	–	×	×			×	

3.3.2 E3-1 Policies related to water and marine resources

The Group has no specific policy related to water in place as water related matters are an integral part of general environmental policies and ISO certifications across the Group.

In our double materiality assessment (DMA), marine resources were identified as a material topic primarily due to impacts occurring in the value chain, specifically related to upstream/downstream transportation and the use of shipping. The topic however does not occur in our own operation. Although we select carriers who commit to meet our environmental requirements that are part of our contractual relationship and Suppliers manual, we currently have no specific policies in place for marine resources.

3.3.3 E3-2 Actions and resources related to water and marine resources

The Group is committed to reducing water consumption and preventing contamination in various industrial processes. Measures concerning the water treatment and water recycling at the Group which ultimately lead to water savings are described in chapter Pollution of water in this consolidated Sustainability Statement. There are no investments currently planned, and no financial resources were allocated for 2025.

Although CZUB is not situated in a high-water stress area, the company recognizes the importance of responsible water

Policy and Internal document	Key contents	Scope of application	Implemented by	Availability
Environmental Policies	Energy Policy in accordance with ISO 50001	Subsidiaries	Subsidiaries	Internal

management as part of its broader environmental and sustainability strategy. The following actions have been implemented or are under development:

- Continuous tracking of water usage across production processes and identification of high-consumption activities for optimization.
- Replacement of older equipment with water-efficient technologies.
- Regular inspections of pipelines and valves to reduce water leaks and losses.

3.3.4 E3-3 Targets related to water and marine resources

We have not set any targets with regards to water and marine resources in 2025. Our established processes are anchored within the functions that have responsibility for ensuring adherence to our policies. Environmental topics are also addressed on a continuous basis through our ISO certifications.

3.3.5 E3-4 Water and Marine Resources Metrics

Water consumption

Most of our water consumption stems from manufacturing, specifically from washing the surfaces of parts. We use groundwater for our technological processes and follow strict guidelines, especially during discharge.

In Switzerland, the wastewater is treated at an in-house biological treatment plant and reused in the closed water cycle and therefore significantly reduces the consumption of ground water.

ESRS Ref.	Indicator	Unit	2025	2024
E3-4, 28. (a)	Total water consumption	m³	(91,640)	(138,018)
E3-4, 28. (c)	Total volume of reused and re-cycled water	m ³	–	–
E3-4, 28. (d)	Total water stored at the be-ginning of the reported period	m ³	37,170	37,170
E3-4, 28. (d)	Total water stored at the end of the reported period	m ³	40,200	37,170
E3-4, 28. (d)	Changes in water storage	m ³	3,030	–
E3-4, 29.	Water Consumption Intensity Ratio	m³/ m CZK	(3.92e⁻¹⁰)	(6.17e⁻¹⁰)
E3-4, AR 32.	Water withdrawals – Total	m³	293,867	263,626
	Water withdrawals – from surface water	m ³	100,812	79,917
	Water withdrawals – from groundwater	m ³	83,758	68,125
	Water withdrawals – from seawater (water in a sea or in an ocean)	m ³	–	–
	Water withdrawals – from produced water (water that enters an organization’s boundary as a result of organizational activities, ex. extraction)	m ³	–	–
	Water withdrawals – from third-party water (refers to municipal water suppliers and municipal wastewater treatment plants, public or private utilities, and other organizations involved in water use and effluents)	m ³	109,297	115,584
E3-4, AR 32.	Water discharges – Total	m³	385,508	401,644
	Water discharges – to surface water (water that occurs naturally on the Earth’s surface)	m ³	376,799	392,830
	Water discharges – to groundwater (water that is being held in, and that can be recovered from, an underground formation)	m ³	–	–
	Water discharges – to seawater (water in a sea or in an ocean)	m ³	–	–
	Water discharges – to third-party water (refers to municipal water suppliers and municipal wastewater treatment plants, public or private utilities, and other organizations involved in water use and effluents)	m ³	8,709	8,814

Year-on-year changes in water consumption and water discharges are in line with the expansion of production capacities and the Group’s acquisition activities.

Water discharges slightly decreased compared to the previous year, despite increased production volumes. This development is mainly attributable to lower precipitation levels and the implementation of improved water management and water reuse technologies.

Only one of our production plants is located in a water stress area. Česká zbrojovka a.s. operates its primary manufacturing site in Uherský Brod, located in the South Moravian Region of the Czech Republic. According to the international water stress mapping tools (e.g. Aqueduct by WRI), this region is not classified as the high water stress area, but is considered moderate risk, especially during prolonged drought periods, which have become more frequent due to climate change.

ESRS Ref.	Indicator	Unit	2025	2024
E3-4, 28. (b)	Total Water Consumption in the areas of water stress	m³	99,058	105,926
	Groundwater	m ³	238	513
	Surface water	m ³	–	–
	Drinking water	m ³	98,820	105,413

While the South Moravian Region does not currently face extreme water scarcity, CZUB maintains a proactive approach to water stewardship to minimize risks and ensure long-term resource sustainability. The company continues to monitor regional developments and adapts its water strategy accordingly.

Despite increased production volumes, the CZUB achieved a reduction in total water consumption between 2024 and 2025.

Accounting Policies: [MDR-M_77a]

Water consumption, withdrawals and discharges are based primarily on direct measurements from metering devices installed at individual production sites. The Group collects data from on-site water meters, which provide the basis for reported figures. Where direct measurement is not available, data may be supplemented by estimates based on invoices or other supporting documentation; however, such cases are not considered material.

E3-4, 28. (a) Total water consumption: Total water consumption in own operations in m³.

E3-4, AR 32. Water withdrawals – Total: Total water withdrawals in own operations in m³.

E3-4, AR 32. Water discharges – Total: Total water discharges in own operations in m³.

E3-4, 28. (b) Total Water Consumption in the areas of water stress: The area of stress occurs only in location of one production subsidiary, CZUB in the Czech Republic.

3.4 E4 Biodiversity and ecosystems

The Group applies the phase-in provisions for ESRS E4 (Biodiversity and ecosystems) as permitted by the ESRS transitional provisions, including the extensions introduced by the quick fix amendments.

Accordingly, not all ESRS E4 data points are disclosed in the reporting period, as the Group is making use of the available phase-in relief. The Group will progressively enhance its disclosures in line with the applicable requirements in future reporting periods.

3.4.1 E4 ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

This topic came out as material for some subsidiaries (Canada and Sweden), but as it is tied to specific locations, it is locally material refer to note 2.4.2. Manufacturing activities cause habitat alteration or destruction, pollution (including air, water, soil, noise, and light pollution), and significant water usage for industrial processes, which leads to biodiversity loss. Machinery and operations can cause significant noise and light pollution affecting nearby wildlife.

The actual positive impact is related to the ammunition production and the use of final products for hunting can have a positive effect on the regulation of the game population.

The identified material biodiversity IROs relate to the Group’s business model and manufacturing processes:

- ▶ Direct impact drivers of biodiversity loss

The production, extraction and processing of raw materials required for the subsequent production of semi-finished products, components and final products in supply chains has a negative impact on existing biodiversity (in particular open cast metal mining, soil, water and air pollution) including habitat disturbance

- ▶ Impact on the state of species

Mining activities of raw materials can lead to land degradation and habitat destruction, negatively impacting local biodiversity.

The use of final products for hunting can have a positive effect on the controlled shooting of game (e.g. sick game, overpopulated game), etc.

- ▶ Impact on the extent and condition of ecosystems

Machinery and operations can cause significant noise and light pollution affecting nearby wildlife.

3.4.2 E4-2 Policies related to biodiversity and ecosystems

The Group has no specific biodiversity and ecosystem-related policy in place as biodiversity and ecosystem-related matters are an integral part of general environmental policies and ISO certifications across the Group. [MDR-P_01-06]

3.4.3 E4-3 Actions and resources related to biodiversity and ecosystems

We are taking measures to reduce the noise produced by our machinery. The Company also supports gamekeeping (protection of animals and their health).

Our companies in the US support the following wildlife conservation organizations by providing funding, products, public seminars and more: Costal Conservation Association; Pheasant Forever & Quail Forever; Missouri Conservation Federation; and the National Wild Turkey Federation.

The Group also supports various gamekeeping organization and also provides them with financial support to help with the purchasing of feed and day-to-day operations. Local gamekeeping organizations are among key stakeholders of selected subsidiaries in the Czech Republic.

Mining raw materials is not part of our activity. Nevertheless, we try to manage this risk by selecting our suppliers. As part of our

value chain management, we require our suppliers to comply with our environmental standards, a commitment formalized through contractual agreements. Currently, however, we do not have a formalized system in place to monitor or verify supplier compliance with biodiversity-related requirements.

3.4.4 E4-4 Targets related to biodiversity and ecosystems

We have not identified any material targets relevant to disclose. Our established processes are anchored within the functions that have responsibility for ensuring adherence to our policies. Environmental topics are also addressed on a continuous basis through our ISO certifications.

3.4.5 E4-5 Biodiversity and ecosystems near to our operations

The Group is aware of the presence of protected biodiversity and ecosystem areas near some of its operations. While this topic was identified as material in our DMA only for our sites in Canada and Sweden, we are committed to acting responsibly towards all neighboring biodiversity areas across our operations. In Canada, our facility is located near the Kitchener’s Natural Heritage System, and in Sweden, near the Löddeåns Mynning bird habitat. Currently, there are no restrictions or reporting obligations to the authorities related to these locations.

3.5 E5 Resource use and circular economy

3.5.1 E5 ESRS 2 IRO-1 Material impacts, risks and opportunities and their interaction with strategy and business model

The Group is one of the world’s leading producers of firearms and ammunition. An overview of Group’s products is available in Section 2 Business & Strategy.

The identified material Resource use and circular economy IROs relate to the Group’s business model and manufacturing processes refer to note 2.4.2.

As part of the double materiality assessment, the Group evaluated impacts, risks and opportunities related to resource use and circular economy across its operations, with a focus on material inflows, product-related outflows and waste generation. The assessment considered the types and volumes of materials used, including metals, chemicals and other technical materials, as well as the nature of production processes and resulting waste streams.

The evaluation was carried out in line with the application requirements of ESRS E5, including the classification of materials, differentiation between renewable and non-renewable resources, and the identification of resource inflows and outflows. The Group

also assessed waste generation, including hazardous and non-hazardous waste, and the extent of recycling and recovery practices.

Particular attention was given to material efficiency, opportunities for reducing resource consumption, substitution of hazardous materials where feasible, and increasing circularity through recycling and reuse. The assessment also considered the Group’s exposure to risks related to resource availability, cost volatility and evolving regulatory requirements on circular economy and waste management.

Resource inflows, including resource use

Dependence on non-renewable materials such as metals, polymers, coatings/adhesives, dyes and abrasives that are essential to the manufacturing process.

► Resource outflows, related to product and services

Scrap metal, waste from machining processes, used grinding wheels, discarded parts, packaging materials are the primary resource outflows related to manufacturing. Steel products can cause environmental pollution at the end of their life if not properly managed. For the management, more resources are used.

► Waste

Generating of considerable amount of waste, including scrap metal and dust, which can cause environmental problems if not properly managed. Waste from spent ammunition with environmental impact (in particular consumer waste).

The topic Resource use and circular economy is material from both the impact and financial perspectives and related to procurement and manufacturing processes in upstream and own operations.

Sub-topic	Material impact	Material risk / opportunity	Value chain location			Time horizon		
			Upstream	Own operations	Downstream	Short-term	Mid-term	Long-term
Resource inflows, including resource use	Actual negative impact	Material risk	×	×			×	
Resource outflows, related to product and services	Actual negative impact	Material risk		×			×	
Waste	Actual negative impact	Material risk		×			×	

For some Group subsidiaries, the topic is material impact and financial perspectives, for others there is only impact materiality.

3.5.2 E5-1 Policies related to resource use and circular economy

The Group has not adopted specific policy for resource use and circular economy as resource use and circular economy related matters are an integral part of general environmental policies and ISO certifications across the Group. Sellier& Bellott was awarded the certificate of responsible company with regards to waste sorting by EKO-KOM. [\[MDR_P_01-06\]](#)

3.5.3 E5-2 Actions and resources related to resource use and circular economy

We limit the impact of our operations on the environment through reduced consumption of raw materials and by lowering the production of waste, with a focus on producing waste that is less hazardous. We recycle materials where possible to minimize the amount of waste going to landfills. The Group is in the process of setting concrete targets to reduce production of waste and hazardous waste. Actions and resources related to resource use and circular economy closely relate to actions and resources regarding pollution described in chapter Actions and resources related to pollution (E2).

3.5.4 E5-3 Targets related to resource use and circular economy

We have not set any material targets relevant to disclose in 2025. Our established processes are anchored within the functions that have responsibility for ensuring adherence to our policies. Environmental topics are also addressed on a continuous basis through our ISO certifications. The Group is in the process of setting concrete targets to reduce production of waste and hazardous waste.

3.5.5 E5-4 Resource inflows

In 2025, the Group had, via a combination of short-term and medium-term contracts, over 2,000 suppliers of materials, firearm component machining, MIM components for handguns and rifles, and complete products. An environmental impact assessment is part of any purchase of machinery or equipment.

In the US, we incorporated responsible sourcing of minerals into policies for rifle component suppliers.

We have decided not to disclose more detail information regarding resource inflows, including details on materials, products (including packaging), water, and property, plant and equipment used in our own operations and upstream value chain, due to the sensitive nature of this data. These inputs represent strategic business information, and their disclosure could potentially compromise our competitive position. Therefore, we consider this information to be confidential.

3.5.6 E5-5 Resource outflows

Information about the Group’s products is provided in the Annual Financial Report chapter 2.1 and 2.2.

At Colt CZ, the waste that is produced goes through an extensive sorting process. The volume of scrap metal is proportionate to production volumes. In the Czech Republic, all of metal waste is forwarded to recycling, therefore contributing to the fulfillment of the principles of circular economy. Other types of waste, such as oils, paper and plastics, are also handled by our waste management program and are either sent to recycling or energy recovery. Most production waste does not fall in the category of hazardous waste, which facilitates its subsequent recycling, reprocessing or a further use. Biological waste is composted. The Group has no radioactive waste.

We have decided not to disclose information regarding our products and their components, including expected durability and repairability, as well as the rates of recyclable packaging and product content, due to the commercially sensitive nature of this data. These aspects are considered strategic, and their disclosure could negatively affect our competitive advantage. Therefore, we treat this information as confidential.

3.5.7 E5 Resource Use and Circular Economy Metrics

(a) Resource inflows

ESRS Ref.	Indicator	Unit	2025	2024*
Resource inflows				
E5-4, 31. (a)	Overall total weight of products and technical and biological materials used during the reporting period	t	32,780	22,758
E5-4, 31. (c)	The absolute weight of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging)	t	24,873	16,864
E5-4, 31. (b)	Share of biological materials (and biofuels used for non-energy purposes) used to manufacture the undertaking's products and services (including packaging) that is sustainably sourced	%	4	–
E5-4, 31. (c)	Share of secondary reused or recycled compo-nents, secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging)	%	77	74

**In 2025, the Group identified an error in the prior-year disclosure of resource inflows related to one subsidiary, where values were incorrectly reported in kilograms instead of tonnes.*

As a result, comparative figures for 2024 have been restated. Specifically, the value disclosed under E5-4, 31. (a) was corrected from 19,895,807 to 22,758 tonnes, and the value under E5-4, 31. (c) was corrected from 16,841,757 to 16,864 tonnes.

Consequently, the related percentage was also adjusted from 85% to 74%.

These corrections improve the accuracy and consistency of the reported data and have no impact on the Group's current year figures.

Accounting principles [MDR-M_77a]:

Reported data reflects the materials in their original state without any further manipulation or adjustments. In Colt's Manufacturing Company, data reported under E5-4, 31(a) (overall total weight of products and materials used) are based on an estimation due to the unavailability of complete primary data for the reporting period.

The estimation was derived from the prior year's reported data and adjusted to reflect the decrease in production volumes of approximately 33% in 2025. This approach is considered to provide a reasonable approximation of actual material inflows. The impact of this estimation on the overall reported figures is not considered material.

The Group is taking steps to improve data collection processes and data availability to ensure that future reporting will be based on complete and directly measured data.

E5-4, 31. (a) Overall total weight of products and technical and biological materials used during the reporting period.

Includes primarily non-ferrous metals such copper, brass, bronze, aluminum, chemicals and metallurgical materials.

ESRS Ref.	Indicator	Unit	2025	2024
E5-5, 37. (a)	Total amount of waste generated	t	15,424	10,971
	Total amount of waste generated transferred to authorized entities	t	14,993	10,971
E5-5, 37. (b)	Hazardous waste diverted from disposal	t	519	905
E5-5, 37. (b)	Hazardous waste diverted from disposal as a result of preparation for reuse	t	–	–
E5-5, 37. (b)	Hazardous waste diverted from disposal due to recycling	t	514	904
E5-5, 37. (b)	Hazardous waste diverted from disposal due to other recovery operations	t	5	1
E5-5, 37. (b)	Other waste diverted from disposal	t	11,215	7,497
E5-5, 37. (b)	Other waste diverted from disposal as a result of preparation for reuse	t	148	75
E5-5, 37. (b)	Other waste diverted from disposal due to recycling	t	10,952	7,281
E5-5, 37. (b)	Other waste diverted from disposal due to other recovery operations	t	115	141
E5-5, 37. (c)	Hazardous waste intended for waste treatment	t	1,986	1,768
E5-5, 37. (c)	Hazardous waste intended for incineration	t	108	440
E5-5, 37. (c)	Hazardous waste intended for landfill	t	99	421
E5-5, 37. (c)	Hazardous waste intended for treatment by other disposal operations	t	1,793	907
E5-5, 37. (c)	Other waste intended for waste processing	t	1,697	800
E5-5, 37. (c)	Other waste intended for incineration	t	50	2
E5-5, 37. (c)	Other waste intended for landfill	t	1,374	649
E5-5, 37. (c)	Other waste intended for treatment by other disposal operations	t	273	149

(b) Resource outflows

Year-on-year changes in waste generation are in line with increased production volumes across individual entities and the Group’s acquisition activities. The year-on-year decrease in hazardous waste is primarily driven by changes in the production mix across the Group, which can significantly influence the volume of hazardous waste generated. In addition, the Group continues to implement measures aimed at optimizing production processes and reducing the generation of hazardous waste.

Accounting principles [MDR-M_77a]:

E5-5, 37. (a) Total amount of waste generated. The total amount of waste generated in the reporting period, for all Group operations combined, according to the legal reporting requirements. All waste generated in the Group in the reporting period was transferred to authorized entities for waste handling.

Environmental information

ESRS Ref.	Indicator	Unit	2025	2024
E5-5, 37. (d)	Non-recycled waste	t	3,958	2,785
E5-5, 37. (d)	Non-recycled waste	%	26	25
E5-5, 39.	Total amount of hazardous waste	t	2,512	2,673
	Total amount of non-hazardous waste	t	12,912	8,297
E5-5, 39.	Total amount of radioactive waste	t	–	–

3.6 EU taxonomy

Colt CZ Group Reporting Approach

The Taxonomy Regulation (EU) 2020/852 is part of the Action Plan on Financing Sustainable Growth and the European Union’s Green Deal. It establishes a classification system to identify sustainable economic activities.

The Group is committed to contribute to sustainable development however Group’s core business within the defence sector is not fully covered by the EU Taxonomy, which affects the percentages of eligibility and alignment.

In compliance with the current regulatory framework and requirements, Colt CZ Group discloses the information for the fiscal year 2025 and 2024, regarding the percentages of turnover, capital expenditures (Capex) and operating expenditures (Opex) relating to Taxonomy-eligible and non-eligible activities, as well as aligned and non-aligned activities including relevant contextual information. In this context, there have been no material changes between 2025 and 2024.

The focus of the assessment has been determined based on the provisions of the Delegated Regulations, which develop and complement the Taxonomy Regulation 2020/852, and their corresponding annexes.

The Group has decided to maintain the same approach to EU Taxonomy reporting in 2025 as in 2024 and will not apply additional simplification measures („red tape reliefs“) resulting from recent regulatory developments.

The Group’s primary economic activity, which involves the production of firearms, ammunition and related equipment, is not currently included in the EU taxonomy. As expressed by the EU Commission, economic activities not included in the EU Taxonomy are not necessarily unsustainable, nor are all activities that can make a substantial contribution to the environmental objectives yet part of the EU Taxonomy, as activities will be added over time.

As in previous years, the Group has identified eligible taxonomy activities for 2025 exclusively related to ancillary economic activities in connection with Capex and Opex. Following a thorough review of all Delegated Acts, the Group did not identify any eligible activities that could be linked to revenue.

In cases where a taxonomy activity has been identified across multiple environmental objectives, the goal of climate change mitigation (CCM) is prioritized due to opportunities in reducing carbon footprint and increasing energy efficiency.

Group has identified, according to the Taxonomy, the following activities as Taxonomy-eligible:

- **CCM 7.3 Installation, maintenance and repair of energy efficiency equipment:**
- Activities carried by the Group in 2025: installation of new and more energy efficient heating/cooling systems and related Capex and Opex costs.

Assessment of Alignment

The assessment of alignment has been conducted for the activity 7.3, however, in this stage, the company does not fulfil the criteria, particularly due to the fact that the potential alignment is not representative in the context of the Group analysis which consists of compliance with technical criteria, do no significant harm (DNSH) principle or minimum safeguards has not been demonstrated for this activity.

Accounting Policies and Key elements of change during reporting period

The financial ratios were defined based on guidelines given in Annex I to the Delegated Act of July 6, 2021, for definition of the denominators of turnover, Capex and Opex, amended by Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 and Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023.

We have performed allocation of figures from accounting to identified eligible activities and based on our analysis and allocation performed we have identified that the proportion of the Capex that we were able to pair to the eligible activity is immaterial, therefore

we have decided to report the CAPEX category as zero because the value of purchased Capex was close to zero on a percentage basis.

For the OPEX KPI we have applied the exemption from reporting OPEX since the operating expenditure is not material to our business model as described below.

Turnover and CAPEX information are shown below in accordance with the template of Annex V of Delegated Regulation (EU) 2023/2486.

There has been no change in the KPIs calculation methodology between reporting periods.

3.6.1 Turnover

In the absence of sustainable activities set out in the Climate delegated act and Environmental delegated act for the defense sector, no turnover/net sales were considered as eligible or/and aligned.

Turnover for the year amounted to MCZK 23,398 (2024 – MCZK 22,376) corresponding to a growth of 4.6%. 100% (2024 – 100%) of Turnover was related to the defense sector and therefore Taxonomy-eligible / Taxonomy-aligned activities represents 0% (2024 – 0%) of total. The total turnover defined as Revenues from the sale of own products, goods, and services can be found in the consolidated financial statements of the annual financial report for 2025, referring to Note 5.

3.6.2 CAPEX

The denominator is taken directly from the audited Group's IFRS consolidated financial statements (after the elimination of intra-group transactions). The scope covered corresponds to the entire scope of the consolidated financial statements, excluding associates and joint ventures accounted for using the equity method. Capital expenditure includes inflows of property, plant, and equipment, and intangible assets during the fiscal year under review, before depreciation, amortization, and revaluation, and inflows of property, plant, and equipment, and intangible assets from business combinations excluding goodwill.

The numerator includes the share of capital expenditure related to the identified eligible and/or aligned activities.

Total CAPEX MCZK 1,509 (2024 – MCZK 13,611) decrease is primarily driven by acquisition of Sellier & Bellot a.s. in 2024 which caused significant increase in reported capex. CAPEX 2025 mainly consist of capacity increase, innovation, modernization and automatization of manufacturing processes and CAPEX due to acquisition of Valley Steel Stamp Inc. The percentage of Taxonomy-eligible / Taxonomy-aligned CAPEX activities represent almost 0% (2024 – almost 0%) refer to note 24 of consolidated financial statements.

During the analysis of eligible activities, we found that the CAPEX invested in these activities, which we were able to allocate to our operations for reporting periods (2025 and 2024), is immaterial due to acquisition, and for this reason, we have decided not to report it.

3.6.3 OPEX

The denominator is taken directly from the audited Group's IFRS consolidated financial statements (after the elimination of intra-group transactions). The scope covered corresponds to the entire scope of the consolidated financial statements, excluding associates and joint ventures accounted for using the equity method. The denominator covers direct non-capitalized costs that relate to research and development, building renovation, short-term leases, maintenance and repair, and any other direct expenditure relating to the day-to-day servicing of property, plant, and equipment that are necessary to ensure the continued and effective functioning of such assets.

Total OPEX MCZK 740 (2024 – MCZK 696) increase is primarily driven by acquisition of Sellier & Bellot a.s. done in 2024 but in 2025 whole year consolidation of financial figures, and Valley Steel Stamp Inc. acquired in 2025. In 2025 there is a significant increase in expenses related to R&D refer to note 8 for services costs and note 24.1. for R&D cost in consolidated financial statements.

For the numerator are expenditures on building renovation, short-term leases, maintenance and repair, and any other direct expenditure relating to the day-to-day servicing of property, plant, and equipment that are necessary to ensure the continued and effective functioning of such assets.

Since none of our turnover is considered Taxonomy-eligible / Taxonomy-aligned, we are unable to allocate OPEX to these

activities. Given that the activities included in the numerator would be an immaterial part of total OPEX we have decided to apply the exemption based on Section 1.1.3.2 of Annex I in the EU Taxonomy Delegated Act. Non-financial undertakings are exempt from calculating the numerator of the OpEx KPI if the operating expenditure is not material to the business model of the undertaking. As a result, these values will not be reported.

Financial year 2025	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')												
Economic Activities	Code	Turnover	Proportion of Turnover, year 2025	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year 2024	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year 2023	Category enabling activity	Category transitional activity		
Text		MCZK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES																						
A.1. Environmentally sustainable activities (Taxonomy-aligned)																						
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	A	A	A	A	A	A	A	A	0%	0%			
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%	E		
Of which transitional		0	0%	0%						N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%		T	
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																						
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL													
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%	0%	0%	0%	0%	0%	0%								0%	0%				
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		0	0%	0%	0%	0%	0%	0%	0%								0%	0%				
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																						
Turnover of Taxonomy-non-eligible activities		23,398	100%																			
TOTAL		23,398	100%																			

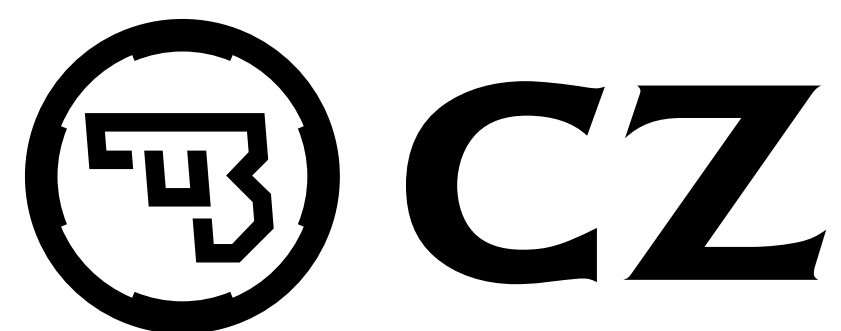
Environmental information

Financial year 2025	Year			Substantial contribution criteria						DNSH criteria (‘Does Not Significantly Harm’)											
Economic Activities	Code	CapEx	Proportion of CapEx, year 2025	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomyaligned (A.1.) or-eligible (A.2.) CapEx, year 2024	Proportion of Taxonomyaligned (A.1.) or-eligible (A.2.) CapEx, year 2023	Category enabling activity	Category transitional activity	
Text		MCZK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	Y	0%	0%		
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%	E	
Of which transitional		0	0%	0%						N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL												
Installation, maintenance and repair of energy efficiency equipment		7.3	0	0%	EL	EL	N/EL	N/EL	N/EL												N/EL
Installation, maintenance and repair of renewable energy technologies		7.6	0	0%	EL	EL	N/EL	N/EL	N/EL												N/EL
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%	0%	0%	0%	0%	0%	0%												
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		0	0%	0%	0%	0%	0%	0%	0%												
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
CapEx of Taxonomy-non-eligible activities		1,509	100%																		
TOTAL		1,509	100%																		

Environmental information

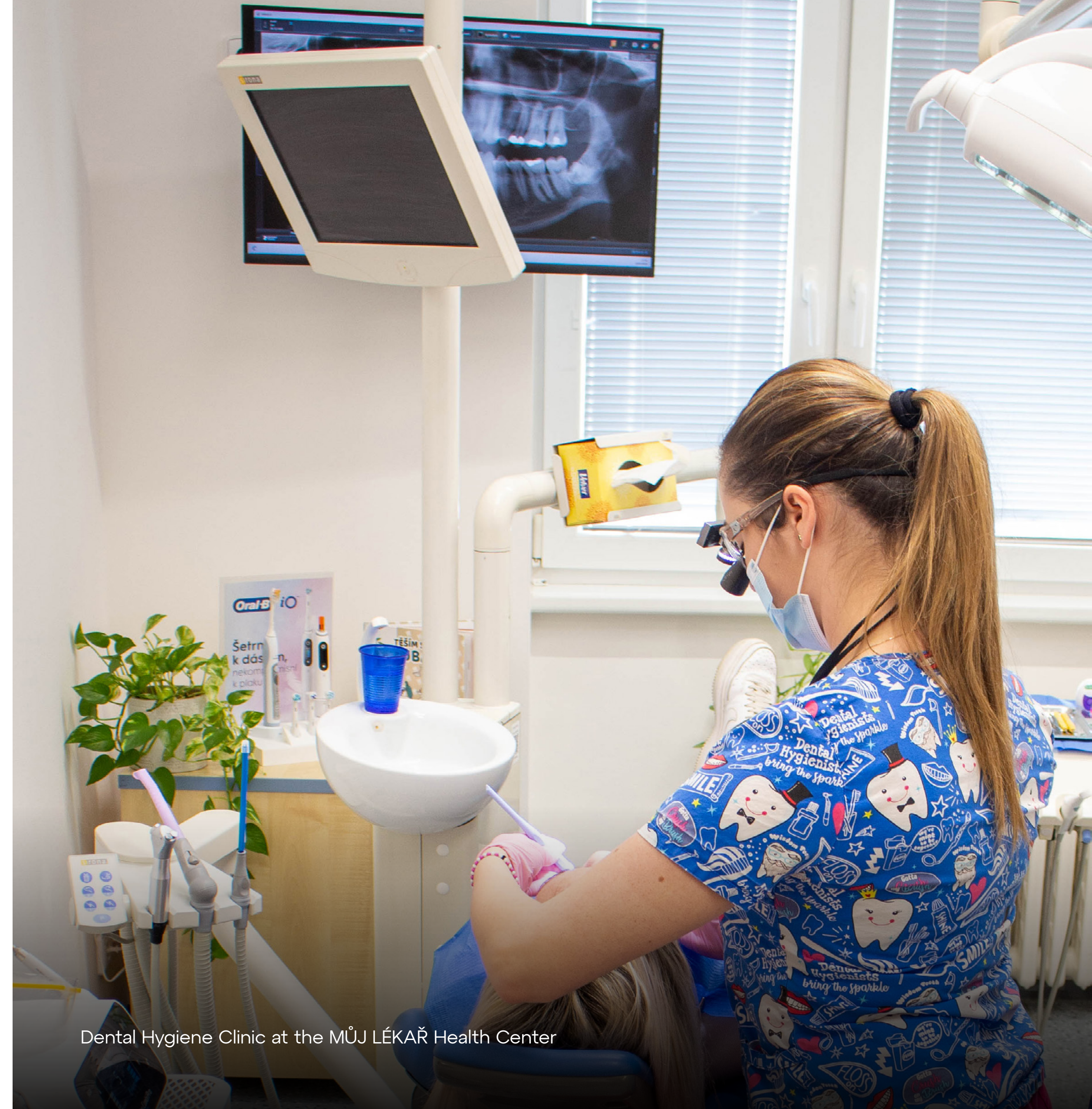
Financial year 2025	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')															
Economic Activities	Code	OpEx	Proportion of OpEx, year 2025	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomyaligned (A.1.) or-eligible (A.2.) OpEx, year 2024	Proportion of Taxonomyaligned (A.1.) or-eligible (A.2.) OpEx, year 2023	Category enabling activity	Category transitional activity					
Text		Currency	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T				
A. TAXONOMY-ELIGIBLE ACTIVITIES																									
A.1. Environmentally sustainable activities (Taxonomy-aligned)																									
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	Y	%	%						
Of which enabling			0	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%	E					
Of which transitional			0	0%	0%					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%		T				
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																									
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL																
Installation, maintenance and repair of energy efficiency equipment			7.3	0	0%	EL	EL	N/EL	N/EL	EL	N/EL							0%		0%					
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			0	0%	0%	0%	0%	0%	0%	0%											0%		0%		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)			0	0%	0%	0%	0%	0%	0%	0%											0%		0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																									
OpEx of Taxonomy-non-eligible activities		739.6	100%																						
TOTAL		739.6	100%																						

Template 1 Nuclear and fossil gas related activities		
Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO



CZ employees in Uherský Brod, Czech Republic, benefit from a broad range of benefits. One of them is **access to the services of the MŮJ LÉKAŘ Health Center**, a top-tier medical facility located just a five-minute walk from CZ premises. The clinic offers a wide spectrum of medical services, including general practitioners, dentistry and dental hygiene, physiotherapy, rehabilitation medicine, nutritional counseling, and clinical psychology. The clinic focuses on accessible and comprehensive care that combines modern technologies, a personalized approach, and the latest trends in medical practices.

The clinic places **long-term emphasis on prevention, as well as promotion of a healthy lifestyle**. It regularly organizes free screening events for employees, such as blood pressure measurements and cardiac assessments accompanied by individual consultations. Each month, lectures on topics such as lifestyle diseases, oral health care, stress management, and mental wellbeing are held directly at CZ premises. Preventive programs conducted within the company are also popular. These include mole screenings by a dermatologist, vaccination campaigns, and regular exercise sessions with yoga elements adapted to shift work. The clinic also continues to invest in modern equipment, including ultrasound technology enhanced with artificial intelligence. In addition, it offers vitamin therapies, massages, SM system exercises, and EMS training aimed at improving physical fitness and alleviating musculoskeletal pain.



Dental Hygiene Clinic at the MŮJ LÉKAŘ Health Center

4. SOCIAL

Our Ambition is to attract and nurture talent in an inclusive environment, while ensuring the health and well-being of our people and strengthening the communities where we operate.

4.1 S1 Own workforce

4.1.1 S1 ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

Our employees are the core of our business. We are committed to their personal and professional growth and strive to create an inclusive culture where every individual feels valued and supported. We provide career opportunities for all team members, regardless of their gender, age, or location. We foster a culture that will help us achieve operational excellence to deliver upon our customers' expectations, adhering to the highest standards of quality and integrity, while protecting the health, safety and well-being of our employees.

As own workforce is a top priority for the Group, we have identified numerous topics related to it, referring to 2.4.2. *IRO-1 Process to identify and assess material impacts, risks and opportunities.* However, only Working conditions S1/ Health and Safety (Deficiencies in prevention and training of employees in the OSH system - low coverage of employees by the OSH system resulting in high number of non-fatal accidents and high levels of work-related

ill health), in all horizons was found material from both impact and financial perspective. Other topics are material only from either impact of financial perspective, yet highly relevant for our operations.

The Group has not identified specific groups of employees that would be disproportionately affected by the material impacts identified. The impacts are considered to apply broadly across the workforce, particularly to employees involved in production activities, where exposure to occupational health and safety risks may be higher due to the nature of the operations.

► Adequate wages

Insufficiently monitored and optimized wage policy can lead to unfair or low wages.

► Health and Safety

Improper working conditions in own workforce can lead to equipment damage or damage to employee health - illness, work-related injury or death.

Deficiencies in prevention and training of employees in the OSH system - low coverage of employees by the OSH system can lead to:

- ▷ High number of non-fatal accidents
- ▷ High levels of work-related illness,
- ▷ Many lost working days
- ▷ High fatality rate, fatal accidents

► Secure employment/ Health and Safety

Challenging working conditions for a sustainable, healthy and long-term working life, e.g. very frequent carrying of heavy objects, stressful work, working in noisy/dusty environments and physical stress resulting from product testing.

► Work-life balance

Stable and fair working conditions for employees, including the provision of various benefits, health care and well-being programs to maintain good work ethic, job satisfaction, performance and long-term sustainability.

An inadequate employee protection system or process that prevents employees from taking family leave to which they are entitled: limited opportunity for family leave, limited opportunity for flexible working and limited access to childcare.

Social

► Working time

Insufficient monitoring of excessive working hours - encouraging excessive working hours without adequate breaks can lead to employee burnout, more mistakes and a higher likelihood of workplace accidents.

► Equal treatment and opportunities

Occurrence of violence and harassment in the workplace: can lead to psychological disorders and other forms of harm and human rights violations. Absence of structured programs and initiatives aimed at enhancing the knowledge, competencies, and abilities of employees, enabling them to perform their roles effectively and to adapt to changing job requirements or career advancements can lead to low amount and unequal distribution of training and low percentage of employees with regular performance and development reviews.

Lack of an inclusive work environment that recognizes and values the skills and perspectives of people with disabilities; and absence of measures to improve accessibility for employees with disabilities. A low representation of employees with disabilities may reflect

potential barriers to accessibility and equal participation in the workplace, which could negatively affect inclusive employment practices. Low proportion of women in top management and in the workforce caused a significant gender pay gap.

► Equal treatment and opportunities

Possible breach of employees' personal data: breach of trust, impact on the company's reputation, loss of workforce.

Social

The material topics include:

Sub-topic	Material impact	Material risk / opportunity	Value chain location			Time horizon		
			Upstream	Own operations	Downstream	Short-term	Mid-term	Long-term
Working conditions S1/ Health and Safety Deficiencies in prevention and training of employees in the OSH system can lead to high number of non-fatal accidents, work related illnesses and lost working days	Actual negative impact	–	×	×	×	×	×	
Working conditions S1/ Health and Safety Improper working conditions in your own workforce can lead to equipment damage or damage to employee health - Damage to employee health: illness, work-related injury or death.	Actual negative impact	Material risk	×	×	×	×	×	×
Working conditions S1/ Working time Insufficient monitoring of excessive working hours - encouraging excessive working hours without adequate breaks can lead to employee burnout, more mistakes and a higher likelihood of workplace accidents.	Actual negative impact	–	×	×	×	×		
Working conditions S1/ Secure employment/ Health and Safety	Actual negative impact	–		×		×		
Working conditions S1/ Work-life balance Inadequate employee protection system or process that prevents employees from taking family leave to which they are entitled - Limited opportunity for family leave - Limited opportunity for flexible working - Limited access to childcare	Actual negative impact	–	×	×	×	×		
Working conditions S1/ Work-life balance Stable and fair working conditions for employees, including the provision of various benefits, health care and well-being programs to maintain good work ethic, job satisfaction, performance and long-term sustainability	Actual positive impact	–	×	×	×		×	×
Working conditions S1/Adequate wages	Negative potential impact	–		×			×	
Equal treatment and opportunities Measures against violence and harassment in the workplace	Actual negative impact	–	×	×	×	×	×	×
Equal treatment and opportunities Diversity	Negative potential impact	–	×	×	×	×	×	×
Equal treatment and opportunities Training and skills development	Negative potential impact	Material risk	×	×	×	×	×	×
Equal treatment and opportunities Employment and inclusion of persons with disabilities	Negative potential impact	–	×	×	×	×	×	
Other work-related rights S1 Privacy	Negative potential impact	–		×		×	×	

4.1.2 S1-1 Policies related to own workforce

The main policies regarding own workforce are Human Resource policy and SHE policy.

We have complex policies in place to reduce risks to the health and safety of our employees. In the Czech Republic, we have implemented policies, codes, procedures, and guidelines with respect to health and safety, the environment (SHE) and stakeholder relationships. All are in line with requirements set out in ISO 9001, 14001 and 45001.

The Group’s policies on equal treatment and non-discrimination are designed to prevent discrimination on the basis of protected characteristics, including, among others, racial and ethnic origin, colour, sex, sexual orientation, gender identity, disability, age, religion, political opinion, national extraction and social origin, in line with applicable EU and national legislation.

In North America, we follow Occupational Safety and Health Administration (OSHA) standards and regulations for industrial companies. We have a set of policies in place and our sites are ISO 9001 certified.

Policy and Internal document	Key contents	Scope of application	Implemented by	Availability
Human Resources policy	Principles and requirements for HR Selection and recruitment Development, education, training Evaluation, Benefits Roles and duties	Group, subsidiaries	Group HR	Internal
SHE (Safety, Health and Environment) Policy 2022	Substances of concern Energy management Prevention, risk management to mitigate negative impacts Compliance with legislation Trainings Communication with employees	CZUB	BoD	Internal
Payroll & HR	Key controls of the Payroll and HR (New hires, changes, terminations) processes	CZ-USA, Kansas City and Norwich, New York	Finance, Legal, HR	Internal
Payroll & HR	Key controls of the Payroll and HR (New hires, changes, terminations) processes	Colt’ Manufacturing Company	Finance, HR	Internal
Remuneration Policy	Remuneration process	CZUB	CEO	Internal
Affirmative action and equal employment opportunity policy statement	Implementation of equal employment policy	Colt’s Manufacturing Company	CEO	Internal

4.1.3 S1-2 Processes for engaging with own workforce and workers' representatives

The Group prioritises the engagement and wellbeing of its employees, recognising that an open and transparent engagement process is essential for fostering a positive work environment and ensures that employees' voices are heard. The Group's engagement process is designed to address the needs and concerns of its workforce.

The Group respects its employees' rights to be members of unions, and we do not tolerate any retaliation or hostile action towards employees who choose to do so. We respect the core standards of the International Labour Organization (ILO), especially regarding freedom of association and the right to collective bargaining.

The involvement of employees of the Company is governed by relevant provisions of the Council regulation, the Council Directive, and the SE Act. Within the scope set out by law, the employees of the Company have a right to information and a right to consultation. They exercise this right through a representative body of employees or in another way as may have been set forth in an agreement within the meaning of Sec. 54 (2) of the SE Act stipulating the manner and scope of employee involvement at the Company. [S1-2_27a]

At Colt CZ, we conduct regular employee satisfaction surveys every two years, looking closely at the results and acting on the feedback we receive. The results of the satisfaction survey are discussed at the management meetings and at the level of the local

Board of Directors. The results of the employee satisfaction survey measure and assess the level of engagement, satisfaction and motivation among employees, with the overall goal of understanding our employees' perceptions, experiences and sentiments regarding their work, workplace environment, leadership and overall organizational culture. [S1-2_27e] In 2025, the Group's bi-annual employee engagement survey had a 62% response rate.

The Group engages with employees through various channels and stages [S1-2_27b] to ensure their [S1-2_27a] perspectives inform their decisions and activities [S1-2_27]. To support internal communication, Colt CZ publishes newsletters on Group level as well as on the level of selected subsidiaries, informing employees about benefits, which include health and well-being, learning opportunities, events and other important information. We also run an internal group on social media. Some subsidiaries regularly have picnics with employees.

The Group Board of Directors holds overall responsibility for stakeholder engagement with employees. It oversees that engagement processes are effectively implemented across the Group and ensures that the outcomes of such engagement are reflected in the Group's decision-making, including strategic and operational matters.

4.1.4 S1-3 Processes to remediate negative impacts and channels for own workforce to raise concerns

Being aware of its obligation to monitor and promote compliance with laws and moral and ethical principles, Colt CZ has implemented a uniform system for reporting suspicions of unethical conduct, which may be used by anyone (employees, customers, partner, etc.) to report any such conduct. Colt CZ protects whistleblowers' identity and guarantees protection against retaliation. All reports are evaluated confidentially, impartially and the whistleblower is notified of the results of the investigation. Any violation of human rights can and should be reported through a publicly available Colt CZ Group whistleblowing hotline.

The Group implemented Whistlelink, a whistleblowing solution offering the most easy-to-implement platform for any organization wishing to be fully compliant with the EU Whistleblowing Directive 2019/ 1937. Whistlelink is available in all Group companies.

The Group also assesses employees' awareness of and trust in the whistleblowing system through regular employee satisfaction surveys and internal communication channels. These surveys include questions related to employees' understanding of available reporting mechanisms and their confidence in using them without fear of retaliation.

The results are reviewed by management and used to improve communication, training and the overall effectiveness of the reporting framework.

4.1.5 S1-4 Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

The Group has complex policies in place to reduce risks to the health and safety of our employees. We conduct third party bi-annual audits of our health and safety procedures, including inspections by representatives of labor unions, if applicable. We conduct regular educational campaigns using electronic media (intranet), as well as the physical distribution of leaflets and hanging posters at our sites. Every employee must undergo certification upon joining our organization and they are regularly re-certified on our health and safety procedures. As a government contractor, we are subject to specific checks carried out by representatives from the government. In addition, we have ergonomic teams, comprised of engineers, union representatives and members of our human resources department, who work together to prevent injuries and ensure ergonomic principles are followed at the workplace.

Employees working at a shooting range are obliged to undergo specialized training, including first aid and wound management. Close monitoring of work-related injuries and illnesses is in place, with results reviewed monthly. We invest in new technologies to prevent work-related injuries, especially those involving firearm testing or other repetitive tasks. Our goal is to carry out robust product safety controls above those required by law.

Our remuneration policy is designed to encourage employees to deliver on our purpose and strategy, as well as to create stakeholder value, and to motivate and retain them. We are committed to ensuring equal pay for equal work. In the Czech Republic, we are closely following the statistics and undertaking regular reviews, including benchmarking against external data, and implementing a corresponding grading system with limited leeway for deviations. If possible, we allow for part-time contracts.

In the Czech Republic, the remuneration policy is the subject of an agreement made within the framework of collective bargaining with unions and worker’s council each year. Wages and benefits are negotiated each year. At Colt USA, the collective bargaining agreement is carried out every other year. In the US, we use internally developed benchmarks, while in Canada we conduct pay equity reviews and assess all positions based on standard criteria and set wage bands. All new hires are assessed using the same criteria and must be paid within the established bands.

4.1.6 S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

We have not set any material targets relevant to disclose in 2025. Our established processes are anchored within the functions that have responsibility for ensuring adherence to our policies.

[MDR-T_80d]

4.1.7 S1 Own Workforce Metrics

The Group is committed to transparency of the employee and diversity metrics, specifically focusing on eliminating incidents of discrimination, closing regional gender pay gaps and increasing gender representation at the top management level. The Group also aims to offer a workplace for all people of all ages.

(a) S1-6 Characteristics of the Group’s employees (headcount)

Unit			2025	2024
S1-6 50. (a)				
	Headcount	No. of Employees Group Total	4,083	3,892
	FTE	Average no. of employees	3,952	3,215

Unit			2025	2024
S1-6 50. (a)	Headcount	Total	4,083	3,892
S1-6 50. (a)	Headcount	Male	2,777	2,592
S1-6 50. (a)	Headcount	Female	1,306	1,300
Gender distribution ratio	%	Male	68	67
		Female	32	33

Country distribution	Unit		2025	2024
S1-6 50. (a)	Headcount	Czech Republic	3,066	3,084
	Headcount	USA	703	536
	Headcount	Canada	165	131
	Headcount	Sweden	17	18
	Headcount	Switzerland	90	80
	Headcount	Hungary	34	35
	Headcount	Other	8	8

By Employment Contract	Unit		2025	2024
S1-6 50. (a)	Headcount	Permanent employees	3,938	3,691
	Headcount	Male	2,677	2,464
	Headcount	Female	1,261	1,227
	Headcount	Temporary employees	114	163
	Headcount	Male	78	99
	Headcount	Female	36	64
	Headcount	Non-guaranteed hours employees	31	38
	Headcount	Male	23	31
	Headcount	Female	8	7
Employee turnover	Unit		2025	2024
S1-6, 50. (c) + AR 59.	Headcount	Employees who have left undertaking	401	296
S1-6, 50. (c) + AR 59.	%	Employee turnover	9.8	7.6

Year-on-year changes in employee-related metrics reflect the expansion of production capacities and the Group’s acquisition activities.

Accounting principles [MDR-M_77a]:

S1-6 50. (a) Number of employees Group total: The headcount represents the number of employees with employment status ‘active’. All figures are an average of headcounts during each month of the reporting period, with the figures determined at the end of each month.

S1-6 50. (a) Average no. of employees Full-time equivalent FTE: Full-Time Equivalent (FTE) measures the total number of hours worked by employees in relation to a full-time work schedule. FTE employees number you can find as well in our consolidated financial statements note 9. Personal expenses.

S1-6 50. (a) Total gender distribution headcount and total gender distribution ratio: Total headcounts are split into male, female, not reported and others in the organization, and also reported as respective ratios. Gender is specified by the employees themselves.

S1-6 50. (a) Country distribution Total headcount split into the main countries of operation, i.e. location of Group’s subsidiaries.

S1-6 50. (a) Number of employees by employment contract Total headcount split by permanent, temporary and non-guaranteed hours employees. Definition of the categories is based on local jurisdiction in each country.

S1-6, 50. (c) + AR 59. Employees who have left undertaking: Total leavers include both voluntary and involuntary leavers, leaves due to retirement or death in service. The share of leavers within the year is calculated by dividing the number by the average total headcount.

S1-6, 50. (c) + AR 59. Employee turnover (%): The turnover rate is based on the total share of employees leaving within the year divided by the average total headcount during the financial year.

(b) S1-8 Metrics Collective bargaining coverage and social dialogue

The larger subsidiaries in the Czech Republic, CZUB and Sellier & Bellot are subject to collective bargaining agreement and workers representatives are present at companies’ statutory bodies. The interests of Colt employees in the US are defended by the United Auto Workers, a US union representing workers in the automotive, aerospace, and agricultural industries. Colt Canada is not subject to a collective bargaining agreement. There are no unions at the level of small-size subsidiaries or subsidiaries without manufacturing facilities.

S1-8, 60.(a)	Collective Bargaining Coverage		Social dialogue
	Coverage Rate		
	Employees – EEA (For countries with >50 empl. representing >10% total empl.)	Employees – non-EEA (Estimate for regions with >50 empl. representing >10% total empl)	Workplace representation (EEA only) (For countries with >50 empl. representing >10% total empl)
0 – 19 %	Switzerland, Sweden and Hungary	–	All EEA countries
20 – 39 %	–	North America	–
40 – 59 %	–	–	–
60 – 79 %	–	–	–
80 – 100 %	Czech Republic	–	–

Accounting principles [MDR_M_77a]:

S1-8_01 Percentage of total employees covered by collective bargaining agreements: Employees that have a collective bargaining agreement divided by headcount per country. There is a total of 3 different collective bargaining agreement across the Group. EEA means European economic area and covers Czech Republic, Sweden, Switzerland and Hungary. Non-EEA countries cover North America (USA and Canada).

S1-8_06 Employees covered by workers’ representatives: The total percentage of employees covered by workers’ representatives based on headcount, reported at the level of each EEA country.

(c) S1-9 Diversity metrics

Gender distribution in management and top management:

Employees in Top Management by gender			Unit	2025	2024
S1-9, 66. (a)			Headcount	53	43
			Headcount	47	38
			%	89	88
			Headcount	6	5
			%	11	12
			Headcount	–	–
			%	–	–
Employees in Management by gender					
S1-9, 66. (a)			Headcount	279	214
			Headcount	220	170
			%	79	79
			Headcount	59	44
			%	21	21
			Headcount	–	–
			%	–	–

Accounting principles [MDR_M_77a]:

S1-9, 66. (a) Number of employees in top management by gender:
The headcount represents the average number of employees in top management position, i.e. two levels below the Board of Directors of the Group.

S1-9, 66. (a) Number of employees in management by gender:
The headcount represents the average number of employees in management positions – managerial positions and team leaders other than top management positions.

We attach great importance to creating an environment of inclusion and belonging. We are a diverse team made up of some 4,083 individuals (Headcount 2025), all with different backgrounds, perspectives, and experiences. Because of the nature of our work, where the required skills are learned over many years, we are proud to report that more than 38% of our employees (2025) are over the age of 50. At the same time, we focus on the development of talents and young employees. In the Czech Republic, we have long-term cooperation with the local secondary technical school, offering graduates comprehensive learning and development opportunities. Our Czech subsidiaries are one of the most popular employers in the region and a top choice for graduates and students.

Employee age groups

Employee age groups	Unit		2025	2024
S1-9, 66. (b)	Headcount	Under 30	520	502
S1-9, 66. (b)	Headcount	30-50	2,010	1,845
S1-9, 66. (b)	Headcount	Over 50	1,553	1,528

Accounting policies [MDR_M_77a]:

S1-9, 66. (b) Employee age groups (headcount): The age groups are calculated at the end of the reporting period and include all headcounts in the Group. The age groups are >30, 30-50 and 50+years.

(d) S1-16 Remuneration metrics (Pay gap and Total remuneration)

The Group upholds the principle of fair and equitable remuneration for every employee. In 2025, its global gender pay gap was 26% in favor of men [S1-16_97a]. This figure represents the average difference in pay between male and female employees across the Group. This gap can be broken down into two components: the explained and the unexplained pay gap.

Global gender pay gap primarily reflects the workforce profile of the Group and the industry in which it operates [S1-16_97c].

The explained pay gap reflects historical factors in the manufacturing industry for defences sector, where more men pursue technical education required for manufacturing and engineering professions. Therefore, men make up the majority of the talent pool, which is evident in our leadership levels and throughout the organization. Many of our diversity initiatives aim to balance gender representation in leadership and throughout the organization and achieve pay equity for equal qualifications and jobs. Although we practice equal pay for equal work, the overall figures are affected by the gender imbalance in the sector. Without these sector-specific impacts, our gender pay data reflects equality.

In contrast, the unexplained pay gap represents the portion of the pay gap that these factors cannot explain.

	Unit		2025	2024
S1-16, 97. (a)	%	Gender pay gap ratio	25.5	24.8
S1-16_02		Annual total remuneration ratio	16:1	11:1

Accounting principles [MDR-M-77a]:

S1-16, 97. (a) The gender pay ratio is calculated on the basis of all Group employees’ gross hourly pay levels including full-time and part-time employees. The average gross hourly pay level of male employees is subtracted by the average gross hourly pay level of female employees, which is divided by the average gross hourly pay level of male employees and ultimately multiplied by 100.

S1-16_02 Annual total remuneration ratio Total annual compensation for the highest paid employee of the company to the median total annual compensation of all employees (excluding the highest paid employee). The Group median is determined by first calculating the median total annual compensation within each entity, excluding the highest paid individual in that entity. These entity-level medians are then aggregated into a Group median using a weighted average based on the number of employees in each entity. The numerator represents the total annual compensation of the highest paid individual within the Group.

4.1.8 Description of diversity policy applied to the issuer’s managing body

The Group pursues a diversity policy that results in a balanced set of persons in the Company’s managing bodies, with respect to a balance of male and female representatives, nationality, age, education, professional experience and expertise. The Group evaluates candidates for open positions, whether in the Board of Directors, Supervisory Board or in a broader management group, considering diversity principles in order to get the most benefits from the mixed background in respect to age, education, and gender for the Group.

As of 31 December 2025, women were not represented in the Company’s Board of Directors. However, on the Supervisory Board, women made up 1/6 (approximately 16.67%) of the members, with a female-to-male ratio of 1:5. As of 31. December 2024 women were not represented in the Company’s Board of Directors. However, on the Supervisory Board, women made up 1/6 (approximately 16.67%) of the members, with a female-to-male ratio of 1:5

The Company’s managing body includes representatives of different nationalities and countries, reflecting the Group’s global orientation. As at the date of the annual financial report, the youngest member on the Board of Directors was 32 and the oldest member was 56 years old. The members of the Board of Directors have had a variety of professional experience and expertise ranging from defense, industry, arms and accessories, and manufacturing, to finance, business, law, administration, and politics.

The diversity policy is part of the agenda of the Remuneration Committee. The activities of the Remuneration Committee include, inter alia, ensuring and regularly reviewing the structure and composition of the managing bodies in order to reflect professional experience, technical knowledge, managerial skills, and other requirements. The Company ensures that the CEO’s of its largest subsidiaries are represented on the Group’s Board of Directors.

The diversity policy is described in the Group’s Ethics Code, which is subject to approval by the Company’s management body. The Code of Ethics defines the corporate and ethical values of conduct in the Group. By implementing this Code of Ethics, Colt CZ Group commits to respecting the defined values and principles that form the basic framework for its business and social actions, conduct and behavior. Key ethical values of the diversity policy stipulated in the Code of Ethics include equal opportunities, equal treatment, non-discrimination, respect for personal dignity, privacy, and creating

conditions for good interpersonal relationships. At the Group, we do not tolerate unacceptable treatment of employees and strive to support a culture of interpersonal relationships based on respect.

4.1.9 S1-10 Adequate wages

Our remuneration policy is designed to encourage employees to deliver on our purpose and strategy, as well as to create stakeholder value, and to motivate and retain them. All Group employees are paid an adequate wage in accordance with applicable benchmarks (i.e. statutory minimum wage, collective and labour agreements, inflation adjustments/ valorizations, or market benchmarks) and legislation.

The Group is committed to ensuring that all its employees across Europe and North America receive adequate wages, ensuring fair and equitable compensation across all regions. Historically, the topic of adequate wages is not managed centrally by the global functions of the Group. However, its performance indicates that the Group did not experience cases of employees being paid below the minimum wage.

To attract and retain talent, the Group offers competitive salaries and regularly reviews local payment practices. Paying minimum wage is enshrined in the Human Rights Policy.

4.2 Workplace health, integration and skills enhancement: S1-4 Actions, S1-5 Targets and Metrics

4.2.1 S1-14 Health and safety metrics

At Colt CZ, caring for the safety, health, and well-being of our employees is at the top of our priorities. We strive for a work environment that is free of injuries and illnesses.

We prevent accidents at work and occupational diseases to ensure the health and well-being of all employees. We implement innovative technologies and solutions to minimize harm to employees and promote awareness among the entire workforce of the importance

of health and safety, including management of work-related stress. Our analysis shows that most of the accidents happen around lunch breaks and at the end of work shift. We are implementing a more robust prevention plan to improve concentration during work hours.

Operational health and safety guidelines are clearly communicated via internal mails, posters and signs that are accessible to all employees, with frequent trainings in place. Employees are continuously trained as frequently as needed for the following topics – prior to starting work as a new hire, to address newly identified hazards, after any injury or incident, and when new equipment or procedures are introduced. Employees working at a shooting range are obliged to undergo specialized training, including first aid and wound management. Close monitoring of work-related injuries and illnesses is in place, with KPIs reviewed monthly. We invest in new technologies to prevent work-related injuries, especially those involving firearm testing or other repetitive tasks.

	Unit		2025	2024
S1-14, 88. (a)	%	Percentage of employees covered by health and safety management system	100	98.3
S1-14, 88. (c)	Number	Number of recordable work-related accidents	75	87
S1-14, 88. (c)	Number	Rate of recordable work-related accidents	11.8	16.1
S1-14, 88. (a)	Number	Number of cases of recordable work-related ill health	1	–
S1-14, 88. (a)	Number	Number of days lost due to work-related injuries from work-related accidents	–	–
S1-14, 88. (b)	Number	Number of fatalities as a result of work-related injuries/ill health	–	–

Accounting principles [MDR-M-77a]:

- S1-14, 88. (a) Percentage of employees covered by health and safety management system** *is calculated as a percentage of average number of employees in own workforce who are covered by health and safety management system based on legal requirements and (or) recognised standards or guidelines.*
- S1-14, 88. (c) Number of work-related accidents** – *The consolidated number of accidents occurred for all employees within the reporting period recorded in health and safety management systems of Group entities.*
- S1-14, 88. (c) Rate of recordable work-related accidents** – *This rate represents the number of work-related accident cases per one million hours worked. The number of registered cases in the reporting period divided by the aggregated working hours in Colt CZ Group and multiplied by one million.*
- S1-14, 88. (a) Number of days lost** – *The number of days lost, including the first full day and last day of absence and including all calendar days of the period (e.g., incl. weekends and public holidays).*
- S1-14, 88. (b) Number of fatalities as a result of work-related injuries/ill health** – *The number of fatalities registered across the Group and other workers working on Group premises and sites resulting from work-related injuries or work-related ill health.*

4.2.2 S1-15 Work-life balance

We pride ourselves on being a family-oriented company. At Colt CZ, we support and celebrate our employees’ important milestones. We offer paid leave on special occasions, such as for the birth of child or a wedding, and make financial contributions for care of a newborn or a funeral when one of our employees passes away. We provide support for our employees above the minimal legal requirements. In the Czech Republic, we offer a range of benefits, including 25 days of annual leave and contributions towards medical treatments, meal vouchers and mobil phone bills. In the US, we pay above minimum wage, and benefits include 14 days of paid leave each year, fully-funded health insurance plans, HSA contributions, dental insurance, life Insurance, AD&D, short- and long-term disability insurance, telemedicine services and an employee assistance program.

4.2.3 S1-17 Incidents, complaints and severe human rights impacts metrics

The Group confirms its commitment to all relevant international conventions and declarations. It respects, protects, and enforces all applicable regulations for the protection of human rights and children’s rights as a fundamental and general requirement worldwide. The Company applies internal policies and procedures to prevent any violation of human rights. The Group firmly rejects the use of child labor, forced or compulsory labor, and all forms

of modern slavery and human trafficking. This policy applies not only to the Company’s internal operations but also to the behavior of its business partners. For greater clarity, the Code of Conduct provides examples for employees on how to proceed against violations of the Code of Conduct. The Group’s approach follows the UN Guiding Principles on Business and Human Rights that further refer to the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises, Business Ethics Policies and Corporate Culture. Any violation of human rights can and should be reported through a publicly available Colt CZ Group whistleblowing hotline (Whistlelink). Given the sensitive nature of these matters, we do not disclose details about the incidents. Each report or complaint is handled with the highest level of confidentiality. The Group has not been accused of human rights violations and has not been convicted of human and labor rights violations during reported year 2025.

S1-17_02 Incidents of discrimination

Unit			2025	2024
S1-17 103.a)	Number	Incidents of discrimination, including harassment	–	1
S1-17 103.b)		Complaints filed	–	1
S1-17 103.c)	Thous. CZK	Fines, penalties and compensation – relating to discrimination	–	546
S1-17 104.a)		Number of severe human rights incidents	–	–
S1-17 104.b)		Fines, penalties, and compensation – relating to severe human rights incidents	–	–

Accounting policies [MDR-M-77a]:

S1-17 103.a) Number of incidents of discrimination. Discrimination is a collective term for cases of discrimination, bullying, sexual harassment and other types of harassment that can occur at the workplace. Cases are reported to the HR department through leaders, union or employee representatives or through Colt CZ Group whistleblowing hotline. In the reporting period, there was only one incident reported and filed in the subsidiary in Canada.

S1-17 103.c) Fines, penalties and compensation – relating to discrimination Includes the amount of material fines, penalties and compensation for damages due to violations of social and human rights factors imposed by state administrative and/or judicial authorities due to impacts on human and social rights of your employees, including discrimination and harassment.

4.3 S3 – Affected communities

We aim to improve the lives of those who are less fortunate or in need of aid and supporting communities that we impact through employee volunteerism, charitable contributions, and sponsorships.

The Group applies the phase-in provisions for ESRS S3 (Affected communities) as permitted by the ESRS transitional provisions, including the extensions introduced by the quick fix amendments.

Accordingly, not all ESRS S3 data points are disclosed in the reporting period, as the Group is making use of the available phase-in relief. The Group will progressively enhance its disclosures in line with the applicable requirements in future reporting periods.

S3 Affected communities		Page #
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	150-151
S3-1	Policies related to affected communities	152
S3-2	Processes for engaging with affected communities	153
S3-3	Processes to remediate negative impacts and channels for affected communities to raise concerns	152
S3-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	153

4.3.1 S3 ESRs 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

The topic Affected communities is material from both the impact and financial perspectives and related to all own activities refer to 2.4.2. *IRO-1 Process to identify and assess material impacts, risks and opportunities.*

The material topics covered chapter include:

► Communities’ economic, social and cultural rights

Security-related impacts: Adverse impact on the health and safety of local communities as a result of the handling/ production of hazardous substances (spill or accident).

► Communities’ civil and political rights

Freedom of expression/ Freedom of assembly/ Impacts on human rights defenders: Restricting protests and freedom of assembly, preventing discussion with local communities.

► General

Restrictions on the rights of indigenous peoples due to the opening of new operations (for extraction of raw materials and materials), relocation of indigenous peoples.

Supporting active duty soldiers, veterans and their families to improve their socio-economic well-being. Providing retraining, internships, gifts, volunteering.

Local communities: Restricting protests and freedom of assembly, preventing discussion with local communities.

Impact on community safety through product sales to security forces and civilian users.

Sub-topic	Material impact	Material risk / opportunity	Value chain location			Time horizon		
			Upstream	Own operations	Downstream	Short-term	Mid-term	Long-term
Communities’ economic, social and cultural rights								
Security-related impacts	Potential negative impact	–	×	×			×	
Adverse impact on the health and safety of local communities as a result of the handling/production of hazardous substances (spill or accident)								
Communities’ economic, social and cultural rights								
Local communities	Positive Actual impact	–	×	×			×	×
Communities’ civil and political rights								
Freedom of expression/ Freedom of assembly/ Impacts on human rights defenders	Potential negative impact	–		×	×		×	
General								
Restrictions on the rights of indigenous peoples due to the opening of new operations (for extraction of raw materials and materials), relocation of indigenous peoples	Actual negative impact	–			×		×	
General								
Supporting active-duty soldiers, veterans and their families to improve their socio-economic well-being. Providing retraining, internships, gifts, volunteering	Positive actual impact	–	×	×	×	×	×	×
General								
Local communities, Restricting protests and freedom of assembly, preventing discussion with local communities	Potential negative impact	–	×	×			×	×
General								
Impact on community safety through product sales to security forces and civilian users	Positive actual impact	Material opportunity		×	×		×	×

4.3.2 S3-1 Policies related to Affected Communities

The Group has not adopted specific policy for affected communities as affected communities related matters are an integral part of general environmental policies and ISO certifications across the Group and governance policies. [S3 MDR-P_07-08]

The Group’s Compliance and Ethics Committee oversees the Group’s CSR policy. The main policy regarding Affected communities on the Group level is the Code of Conduct and Corporate Philanthropy and Sponsoring Policy. Policies do not specifically cover provisions for preventing and addressing impacts on indigenous people.

The Group’s approach follows the UN Guiding Principles on Business and Human Rights that further refer to the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises, Business Ethics Policies and Corporate Culture.

With respect to impacts on the health and safety of local communities as a result of the handling/production of hazardous substances (spill or accident), these are covered by our environmental and SHE policies described in E2 and S1.

We are not currently taking action on material impacts on affected communities, nor have we yet implemented specific approaches or policies to managing material risks and pursuing material

opportunities related to these communities. However, we are in the process of developing the necessary processes and policies that will enable us to address these areas effectively in the future, including evaluating the effectiveness of such actions once implemented.

Nevertheless, we do have other channels in place through which we seek to respond to potential impacts on affected communities, ensuring that their concerns are acknowledged and considered even as we work towards a more structured and comprehensive approach.

4.3.3 S3-2 Processes for engaging with affected communities

We support active members of the armed forces and veterans, together with their families, to improve their mental and economic well-being. Colt CZ also engages with local governments and non-profit organizations to improve the standing of their communities and seek to employ local suppliers and sub-contractors.

We will actively engage with communities where we operate and provide support through volunteering, internships, and donations. We also lend a helping hand to beneficial charitable projects, non-profit organizations, foundations, interest groups, sport clubs, gamekeeping, members of the armed forces, the police and the fire brigade. There is no given frequency of engagement and communication with affected communities and the Group doesn’t track effectiveness of its engagement with affected communities.

The Company is an active supporter of the school system, science and education, including the promotion of the athletic and educational activities of pupils, students and young people in general.

Since Affected communities are among our key stakeholders, further information on how we engage with Affected communities can be found in in chapter Interest and views of stakeholders and key stakeholders.

The Group does not have any vulnerable or marginalized communities among its key stakeholders or affected communities.

Human rights impacts are addressed in the chapter related to own workforce and is governed by the Group Code of Conduct. This policy applies not only to the Company’s internal operations but also to the behavior of external parties.

4.3.4 S3-3 Processes to remediate negative impacts and channels for affected communities to raise concerns

A further information on how to remediate negative impacts on the health and safety of local communities as a result of the handling/production of hazardous substances (spill or accident) are covered in chapter Actions and resources related to pollution.

Processes and channels for affected communities are described in chapter Interest and views of stakeholders and key stakeholders,

page 86-89. With respect to local communities, we engage via digital channels, partnership events and physical meetings that are common channels through which local communities can directly raise concerns. There are no dedicated channels exclusively for affected communities or specific processes for raising concerns in place. The language of communication accommodates needs of affected communities in each country of operation. The Group doesn’t track the effectiveness of these channels and processes.

4.3.5 S3-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

We have not set any material targets relevant to disclose. Our established processes are anchored within the functions that have responsibility for ensuring adherence to our policies. [\[S3 MDR-T_14-19\]](#)

4.4 S4 Consumers and end-users

The Group applies the phase-in provisions for ESRS S4 (Consumers and end-users) as permitted by the ESRS transitional provisions, including the extensions introduced by the quick fix amendments.

S4 Consumers and end-users		Page #
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	154
S4-1	Policies related to consumers and end-users	155-156
S4-2	Processes for engaging with consumers and end-users about impacts	156
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	156
S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	157
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	157

4.4.1 S4 ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

The topic Consumers and end-users is material from the impact perspectives and related to use of products by consumers refer to 2.4.2. *IRO-1 Process to identify and assess material impacts, risks and opportunities*. Impacts represent mainly non-transparent promotion of products or services, misuse or abuse of consumers’ personal data, and insufficient protection of individuals from physical or psychological harm and to ensure their well-being and integrity when working with products, services or systems.

The material topics covered in S4 include:

- Personal safety of consumers and/or end-users

Health and safety/ Security of a person/ Protection of children:

Misuse or abuse of consumers’ personal data may lead to abusive or discriminatory practices based on information about their background, health or other personal characteristics. Insufficient protection of individuals from physical or psychological harm and to ensure their well-being and integrity when working with products, services or systems.

- Information-related impacts for consumers and/or end-users

Privacy/ Freedom of expression/ Access to (quality) information: Preventing all individuals or communities to easily and affordably obtain and use goods, services or information without barriers or

discrimination. Insufficient protection of individuals from physical or psychological harm and to ensure their well-being and integrity when working with products, services or systems. Misuse or abuse of consumers’ personal data may lead to abusive or discriminatory practices based on information about their background, health or other personal characteristics. Insufficient protection of individuals from physical or psychological harm and to ensure their well-being and integrity when working with products, services or systems.

- Social inclusion of consumers and/or end-users

Non-discrimination/ Access to products and services/ Responsible marketing practices: Non-transparent promotion of products or services, ensuring that the information presented is accurate, fair and not misleading and that it respects the rights, culture and welfare of the target audience.

Sub-topic	Material impact	Material risk / opportunity	Value chain location			Time horizon		
			Upstream	Own operations	Downstream	Short-term	Mid-term	Long-term
Personal safety of consumers and/or end-users Health and safety/ Security of a person/ Protection of children	Potential negative impact	–	×	×	×		×	×
Information-related impacts for consumers and/or end-users Privacy/ Freedom of expression/ Access to (quality) information	Potential negative impact	–	×	×	×		×	
Information-related impacts for consumers and/or end-users Health and safety/ Security of a person/ Protection of children	Potential negative impact	–	×	×			×	×
Social inclusion of consumers and/or end-users Non-discrimination/ Access to products and services/ Responsible marketing practices	Potential negative impact	–	×	×	×	×	×	×

4.4.2 S4-1 Policies related to consumers and end-users

These are primarily the Code of Conduct, Anticorruption policy, Ethical marketing of firearms policy and Quality management policy.

The defense industry is subject to strict privacy, security, and safety regulations concerning a wide range of information.

Export of firearms to foreign countries is subject to regulations of the countries where the product is manufactured. In the Czech Republic, the Group spends a considerable amount of time and effort to obtain export licenses, especially in the case of military firearms. This includes obtaining a positive decision from the Czech Ministry of Defense, Czech Ministry of the Interior, Czech General Directorate of Customs and Excise, and the Czech Ministry of Foreign Affairs, as well as registration to the list maintained by the Czech Ministry of Industry and Trade. After an export license is granted, the Group has to maintain all conditions so that the license is not revoked. In the United States and Canada, obtaining export licenses is also required to export the Group’s products and services. The issuance of an export license lies within the discretion of the issuing governmental authority. In the United States, all of the Group’s export licenses are processed and issued by the Directorate of Defense Trade Controls within the U.S. Department of State, in accordance with Executive Order 13637 and the International Traffic

Policy and Internal document	Key contents	Scope of application	Implemented by	Availability
Code of Conduct	Corporate and ethical values Compliance Anti-corruption Prevention of conflict of interest Human rights and freedoms, nondiscrimination Occupational Safety and Health and Environmental Protection Competition rules Whistleblowing	Group	Group Legal	Company’s website
Anticorruption policy	Rules of prevention Areas to which the policy applies Reporting non-compliance Policy violations Role and responsibilities	Group	Group Legal	Internal
Ethical marketing of firearms	Rules and procedures Guidelines for marketing to customers Roles and responsibilities	Group	Group Legal	Internal
Quality Management Policy	Quality management of all processes, products and services Sustainable operations Strong brand Linked to Code of Conduct and CMS	Subsidiaries	Subsidiaries	Internal

in Arms Regulations (No 22 CFR 120-130), which implement the Arms Export Control Act (No. 22 U.S.C. 2778). In the case of large transactions, DDTC is required to notify the U.S. Congress before it issues an export license. As regulated by the Firearms Act (SC 1995, c. 39) in Canada, export licenses are processed and issued by the Foreign Affairs, Trade, and Development Canada (commonly referred to as Global Affairs Canada). However, imports from Canada into the USA require the importer to obtain an import license from the U.S. Bureau of Alcohol, Tobacco, Firearms (ATF). The Group is also subject to export control rules of Switzerland. The Swiss export control rules for the export of ammunition are primarily governed by the Swiss federal act of 13 December 1996 on war material, as amended, and the Swiss ordinance of 25 February 1998 on war material, as amended. Under these regulations, the export of ammunition requires an official export license issued by the Swiss State Secretariat for Economic Affairs. The assessment criteria for granting an export license include considerations of international law, human rights, internal and external security, and the country of final destination's commitment to non-proliferation of weapons of mass destruction. The Swiss legislation emphasizes Switzerland's neutrality and commitment to peace, thus imposing strict controls on the export of war material, including ammunition, to prevent its use in internal conflicts or by regimes violating human rights.

4.4.3 S4-2 Processes for engaging with consumers and end-users about impacts

Our customers expect our products to adhere to the highest standards of quality. We are committed to ensuring product quality

and safety and have complex systems in place to make sure we deliver on our commitment.

We strengthen our customer relations through responsible and active engagement, listening and incorporating feedback, while protecting privacy. Our products are mainly sold through distributors to the commercial segment, with a significantly smaller portion executed via direct sales and online. Our commercial customers can interact with us through dedicated customer e-mail address or raise concerns and questions through third-party distributor. We participate directly in tenders for supplies to the armed forces and law enforcement. Our MLE (Military & Law Enforcement) customers can raise concerns and questions through dedicated sales representative based on the contractual terms and conditions. It is important for us to collect feedback from our customers and incorporate it in our products and processes. We carry out regular surveys, especially with our B2B customers, focusing on quality, price, technical parameters and other expectations, and track the customer satisfaction index to drive continuous improvement. Group do not engage with particularly vulnerable or marginalized consumer groups

4.4.4 S4-3 Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

All our facilities are ISO 9001 certified for quality management, demonstrating that we are taking due care in maintaining high standards, reducing the chance of product faults, recalls or service shortcomings, and ensuring our customers can trust our products.

We also hold industry specific certificates, such as Production Organization Approval to produce aviation units as per Part 21, Subpart G, Maintenance Organization Approval for the maintenance of aviation units as per Part 145, and Certificate of Quality Management System compliant with Czech Defense Standard ČOS 051672 (NATO standard AQAP 2110). We also subject our firearms to testing under the Permanent International Commission (C.I.P.) program for testing of firearms, and even those that are exported to countries outside C.I.P. Our customers and regulators conduct regular audits at our sites.

In order to protect the safety of our customers and demonstrate our commitment to the highest standards of quality, we immediately initiated a voluntary product recall when a safety issue was identified. When a recall action is launched, customers can check the serial number of their product on our website to see if the recall concerns their product and how to proceed. We are making every effort to fix the issue and quickly return the firearm to our customers.

With respect to product testing, we also invest in the latest testing technologies to protect our customers from harm. The more robust the testing process, the more likely it is that we will detect hidden defects and thus prevent the sale of a potentially defective product to the end user. We strive to adhere to the highest standards of safety of our products and go well beyond the minimum legal requirements. Our goal is to carry out robust product safety controls above those required by law.

4.4.5 S4-4 Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions

We invest in the latest testing technologies to protect our employees and customers from harm. The more robust the testing process, the more likely it is that we will detect hidden defects and thus prevent the sale of a potentially defective product to the end user. We strive to adhere to the highest standards of safety of our products and we go well beyond the minimum legal requirements. Our goal is to carry out robust product safety controls above those required by law. Where finished products are concerned, we focused on digitalization of the checks and testing results to improve our ability to quickly and more reliably analyze opportunities for improvements in both mass production and the development of new products.

We are making sure that IT systems are kept up to date. We carry out regular testing and engage external auditors in the process to ensure the robustness of our systems. We have a governance structure in place for cybersecurity management, including IT specialists.

Some Group companies adopted ISO27001:2022 standards and implemented them in their internal processes and functions. It involved several steps - to establish, implement, maintain, and continually improve the Information Security Management System (ISMS). The commitment of senior management was secured in the early stages, ensuring allocation of the necessary resources and relevant support. During the implementation and rollout process,

the organization successfully defined all necessary Information Security Policies fully aligned with the key objectives of the Company, established governing bodies within the organizational structure, conducted comprehensive risk assessment and treatment analyses, deployed relevant risk mitigation measures and treatment plans, created a Risk Management Framework, and employed mechanisms for continuous improvement in the area of ISMS. In parallel, recognizing the importance of the human factor in information security, the Company launched comprehensive training programs aimed to educate employees about their roles in maintaining information security, fostering a culture of vigilance and compliance. Going forward, the Group will continue to roll out ISO certification in other Group subsidiaries as well.

In 2025 Group recognized no reported incidents of consumer harm or severe human rights issues.

4.4.6 S4-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

We have not set any material targets relevant to disclose in 2025. Our established processes are anchored within the functions that have responsibility for ensuring adherence to our policies.

[S4 MDR-T 14-19]

5. GOVERNANCE – BUSINESS CONDUCT

We are committed to always upholding our values in doing business correctly, responsibly and transparently, together with making investments to strengthen our practices and supporting systems. All with the goal of having our people, and those who work with us, adhere to the same high ethical standards.

G1 Business conduct		Page #
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	159-160
G1-1	Business conduct policies and corporate culture	161-164
G1-2	Management of relationships with suppliers	167
G1-3	Action plans and resources to manage its material impacts, risks, and opportunities related to corruption and bribery	166
G1-4	Incidents of corruption or bribery	166-167
G1-5	Political influence and lobbying activities	167
G1-6	Payment practices	168

As a defence sector group engaged in development, production and sales including exports of firearms and ammunition, responsible business conduct is fundamental for the Group’s business, its credibility, and its ability to succeed with its strategy.

We have not set any material targets relevant to disclose. Our established processes are anchored within the functions that have responsibility for ensuring adherence to our policies.

5.1 G1 ESRS 2 SBM-3 Material impacts, risks and opportunities

In the double materiality assessment, the only impact related to the management of supplier relations including payment practices and corruption or bribery were considered material, from both impact and financial perspective. IROs related to corporate culture, protection of whistle blowers, political engagement and lobbying activities were identified as material from impact perspective.

The identified material Governance IROs relate to the Group’s business model and its relations with key stakeholders refer to 2.4.2. *IRO-1 Process to identify and assess material impacts, risks and opportunities:*

► Corporate culture

A company culture that tolerates or encourages unhealthy competition, discrimination or harassment can result in a toxic work environment: lower employee morale and higher turnover. Unethical decision-making - if the prevailing culture prioritizes profit over ethics, this can lead to decisions that harm customers, the environment or other stakeholders.

► Management of relationships with suppliers, including payment practices

Inadequate management of supplier relationships according to specific requirements for the arms industry can lead to interrupted supply of materials / downstream products, which can lead to destabilization of customers.

► Corruption and bribery

Unethical practices involving the offering, giving, receiving or soliciting of anything of value to influence the actions of a person in a management position.

► Political engagement and lobbying activities

Overly aggressive or unethical lobbying activities and initiatives by companies seeking to influence public policy, regulation and government decisions concerning their activities.

► Protection of whistle-blowers

Insufficient protection of whistle-blowers leading to unethical business conduct and retaliation against whistle-blowers.

Sub-topic	Material impact	Material risk / opportunity	Value chain location			Time horizon		
			Upstream	Own operations	Downstream	Short-term	Mid-term	Long-term
Business conduct Management of relationships with suppliers, including payment practices	Actual negative impact	Material risk	×	×	×	×	×	×
Business conduct Corporate culture	Negative potential impact	–	×	×	×	×	×	×
Business conduct Corruption and bribery	Negative potential impact	Material risk	×	×	×	×	×	×
Business conduct Political engagement and lobbying activities	Negative potential impact	–		×	×		×	×
Business conduct Protection of whistle-blowers	Negative potential impact	–	×	×	×	×	×	×

5.2 G1-1 Corporate culture and business conduct policies

Our policies outline our commitment to Governance and the summary of policies related to Governance can be found in the table below. [\[G1 MDR-P 01-06\]](#)

Policy and Internal document	Key contents	Scope of application	Implemented by	Availability
Code of Conduct	Corporate and ethical values Compliance Anti-corruption Prevention of conflict of interest Human rights and freedoms, non-discrimination Occupational Safety and Health and Environmental Protection Competition rules Whistleblowing	Group	Group Legal	Company's website
Ethical Business Conduct Policy	Colt's policy concerning conduct of its business in a lawful and ethical manner	Colt's Manufacturing Company	Legal	Internal
Code of Conduct	Zero tolerance of corruption Anti-corruption Compliance Reporting corruption	Sellier & Bellott	Legal	Website
Code of Ethics	Corporate and ethical values Compliance Anti-corruption Prevention of conflict of interest Human rights and freedoms, non-discrimination Occupational Safety and Health and Environmental Protection Competition rules Whistleblowing	CZUB	Legal	Internal
Anti-Trust Laws Policy	Policy to sell to customers on a non-discriminatory basis and purchase products and services on the basis of the best evaluation as to quality, price, delivery and service	Colt's Manufacturing Company	Legal	Internal

<i>Policy and Internal document</i>	<i>Key contents</i>	<i>Scope of application</i>	<i>Implemented by</i>	<i>Availability</i>
Whistleblowing policy	Platform How to report Protection of whistleblowers	Group	Group Legal	Internal
Anticorruption policy - aligned with the principles of the United Nations Convention against Corruption (UNCAC)	Rules of prevention Areas to which the policy applies Reporting non-compliance Policy violations Role and responsibilities	Group	Group Legal	Internal
Compliance management system (CMS) policy	Operations of CMS Prevention Due diligence of third parties Other preventive measures Reporting of an event of non-compliance Response to reports Roles and Responsibilities	Group	Group Legal	Internal
Policy of Group Governance principles	Dotted line reporting in the Group Roles of Group executives Roles of subsidiaries CEOs	Group	Group legal	Internal
Data Privacy Policy		Group	Group IT	Internal
Colt Incident and Response Policy	Response to breaches to the information management sys-tem in terms of electronic and physical controlled infor-mation, and to outline the recovery option	Colt's Manufacturing Company	IT, Legal	Internal
Management of corrective actions	Risk management Role of internal audit Actions plans for corrective actions Evidence Implementation of corrective actions Reporting Responsibilities and duties	Group	Group legal	Internal

<i>Policy and Internal document</i>	<i>Key contents</i>	<i>Scope of application</i>	<i>Implemented by</i>	<i>Availability</i>
Supplier Manual	Procedures for assuring timeli-ness of deliveries and quality of purchased prod-ucts Supplier Audit Environmental requirements	Subsidiaries	Group	Company’s website
Supplier Quality Manual	Quality assurance expectations and requirements	Colt Canada	Quality and Purchasing dept.	Internal
Purchasing	Procurement activities including military and commercial rifle & handgun products	Colt’s Manufacturing Company	Materiels	Internal
Ethical marketing of firearms	Rules and procedures	Group	Group legal	Internal
Bookings – Consolidated Domestic, Law Enforcement and Commercial Sales	The key controls of the Bookings process for domestic Commercial and Law Enforcefment sales	Colt Manufacturing Company	Sales, Legal, Finance	Internal
Bookings – US Government and Military	The key controls of the United States (U.S.) Government and Military bookings process	Colt Manufacturing Company	Contracts, Operations, Finance	Internal
Bookings – Export (International Sales)	The key controls of the Book-ings process with respect to international sales	Colt Manufacturing Company	Sales	Internal

The Anti-Corruption Policy provides guidance and restrictions in dealing with the public and private sectors in regard to hospitality, corporate events, gifts and charity. The Group's Anti-Corruption Policy is motivated by the following purpose:

- ▶ To describe the Group's anti-bribery and anti-corruption rules in all business operations.
- ▶ To prevent any corruption on behalf of, as well as in, connection with the Group and its relevant persons; to ensure compliance with the requirements of applicable anti-corruption laws whenever the Company is involved in business activities.
- ▶ To enhance the Group's commitment to do business globally in accordance with the strictest requirements for honesty and integrity.
- ▶ To improve and develop the Group's corporate culture, apply best practices and standards of responsible business conduct, including compliance with the Anti-Corruption Policy.

The Anti-corruption policy defines roles and responsibilities of employees, compliance officer and governing body with respect to anti-corruption system of the Group. Their roles are not separated from executive and managerial roles within the Group. The established the Compliance and Ethics Committee as a permanent advisory body of the Company's Supervisory Board for matters relating to, among others, corruption and bribery. The roles and responsibilities of the Compliance and Ethics Committee are

described in chapter 4.4 Description of decision-making processes and composition of the Group's managing body and its committee of the Annual Financial Report refer to page 28.

5.2.1 G1-1 Business Conduct and corporate culture

The Company's Code of Conduct is a versatile guideline for defining the elementary standards of conduct. It sets out the fundamental, ethical obligations for employees of the Group, which is the obligation to (i) act in line with applicable law, (ii) avoid any acts that may be related to bribery, (iii) avoid any conflicts of interest, and (iv) protect the good standing of Colt CZ. The rules set out in the Code of Conduct must be kept in mind as the starting point, especially when facing moral dilemmas.

Individual elements of the Code of Conduct are apparent in all subsequent instruments of the Compliance Program, such as specific policies (anti-corruption, protection of personal data, competition compliance), instructions and various communication.

To ensure implementation, Colt CZ has a comprehensive Compliance Management System, the aim of which is to respond to cases of non-compliance with legal regulations, requirements, rules, and organizational standards regulating the Group's business, with standards of good governance and generally accepted practices and values declared by the company, and to respond adequately to identified risks and cases of non-compliance with preventive measures.

Under its compliance management system, Colt CZ's Board of Directors appoints an employee of the Group as a Compliance Officer. The Compliance Officer is primarily obliged to oversee the proper functioning of the compliance system, (ii) review internal guidelines, (iii) conduct assessments of significant risks, and (iv) deliver measures to prevent instances of non-compliance or acceleration of identified risks to the Board of Directors for approval. The Group Compliance Officer function is currently assumed by the Group Head of Legal.

Colt CZ systematically monitors all changes in statutory obligations and compliance therewith. Measures are adopted, and changes are implemented, in the modified compliance rules in consideration of the monitoring results and in accordance with best practices. Colt CZ regularly conducts risk assessment, reviews the rules for the individual areas of compliance, reduces associated risks and assesses the effectiveness of the existing Compliance Program.

Awareness of the relevant persons of the principles, and rules set for the individual areas of compliance, is one of the fundamentals of the Compliance Program. For this purpose, Colt CZ provides training to selective employees and relevant people correspondingly in all the specific areas of compliance.

Competition laws promote, or are aimed at, protecting competition in the market by regulating behavior that distorts competition. The Competition Compliance Policy provides guidance for dealing with competitors, suppliers, distributors and customers, and prevents abuse of market position. The Competition Compliance Policy

is an integral part of the Compliance Program, and it is part of the commitment of Colt CZ to ensure that its business activities are carried out ethically and in compliance with all applicable laws and its own principles laid down in the Code of Conduct in all areas of Colt CZ’s operations.

(a) G1-1 Protection of whistle-blowers

Being aware of its obligation to monitor and promote compliance with laws, as well as moral and ethical principles, Colt CZ has implemented a uniform system (Whistleblowing) for reporting suspicions of unethical conduct that may be used by anyone (employee, customer, partner, etc.) to report any such conduct. In 2023, the Group implemented Whistlelink, a whistleblowing solution offering the most easy-to-implement platform for any organization wishing to be fully compliant with the EU Whistleblowing Directive 2019/ 1937. Whistlelink is available for all stakeholders. Information about Whistleblowing are provided to our employees during compliance training.

Every employee shall report a suspected or actual Event of Non-Compliance. Employees may report any instance, occurrence, or practice that they, in good faith, believe is inconsistent with, or in violation of, the Code or other Company policies, including any suspected violations of the laws. This may include, but is not limited to, the following:

- (i) possible improprieties in matters of financial reporting;
- (ii) corruption, fraud, or bribery;
- (iii) financial mismanagement;

- (iv) facilitation of tax evasion;
- (v) criminal offenses;
- (vi) failure to comply with a legal or regulatory obligation;
- (vii) endangering the health and safety of an individual;
- (viii) unauthorized disclosure of confidential information;
- (ix) breach of public tendering laws and regulations;
- (x) damage to the environment;
- (xi) the existence of modern slavery practices in our supply chain;
- (xii) deliberate concealment of any of the above, or
- (xiii) any other Event of Non-Compliance.

All reports are evaluated confidentially, impartially and the whistleblower is notified of the results of the investigation.

Protection of the Whistleblower (described in full in the Policy for Reporting Violations and Complaints (Whistleblowing Policy))
[G1-1 10c]

Whistleblower may submit a report on a confidential or anonymous basis. The company will not discharge, demote, suspend, threaten, harass, or in any other manner discriminate or retaliate against any Whistleblower in the terms and conditions of the Whistleblower’s employment. Retaliation in any form against any Whistleblower acting in good faith will not be tolerated. The company guarantees protection to the Whistleblower in order to ensure an objective and impartial investigation of the matter. At the request of the Whistleblower, the identity of the Whistleblower shall be kept confidential. The confidentiality of the identity of the Whistleblower must be ensured throughout the investigation of the Report as well as after its completion and may only be disclosed if legally required.

5.3 Corruption and anti-bribery

5.3.1 G1-3 Prevention and detection of corruption and bribery

The on-line compliance training is mandatory for all new admin hires in the Czech Republic. In addition, employees across the Group attend on-line course for Trace Anti-corruption. Apart from the general compliance training, the Group offers Export/ Import compliance training and Military & Law Enforcement Export/ Import compliance training to selected employees depending on their functions. [\[G1-1 10g\]](#)

5.3.2 G1-3 Corruption and antibribery metrics

	Unit	Prevention and detection of corruption and bribery	2025	2024
G1 G1-3, 21. (b) -3	%	Percentage of functions-at-risk covered by training programs	100	100

Accounting principles [\[MDR-M_77a\]](#):

G1 -3 A Percentage of risk functions covered by training programs. *Risk functions are functions that are considered at risk of corruption and bribery due to their tasks and responsibilities (e.g. communication with business partners, purchasing, decision-making). We primarily identify employees in the sales departments and members of the governing bodies of the Group's companies as high-risk positions.*

make up the Compliance Management System (CMS) [\[G1-1 10g\]](#). The Compliance Officer, in collaboration with the Head of Human Resources, is required to ensure that all employees and members of Colt CZ governing bodies:

- ▶ Are kept informed of changes and updates to the internal guidelines
- ▶ Have received training related to the CMS and its individual components at least once every two years, either in person or electronically (e.g., e-learning or video training) or as part of other training. New employees must be familiarized with the CMS as part of their initial training. According to a systematic risk assessment, training can be differentiated in content by individual positions. The training may include a test to verify their knowledge.

5.3.3 Action plans and resources to manage its material impacts, risks, and opportunities related to corruption and bribery G1 MDR-A 01-12

Colt CZ emphasizes that all employees need to be clearly familiar with the contents of the rules, procedures and processes that

	Unit	Incidents of corruption or bribery	2025	2024
G1-4, 25. (a)	Number	Number of convictions for violation of anti-corruption and anti- bribery laws	–	–
G1-4, 24. (a)	Number	Amount of fines for violation of anti-corruption and anti- bribery laws	–	–

Accounting Principles [MDR-M_77a]:

G1-4 Incidents of corruption or bribery *Information on confirmed cases of corruption or bribery during the reporting period. Confirmation is understood as a situation where a complaint has been assessed as justified (i.e., an investigation has been closed by the Compliance Department or the Legal Department at the Company’s level) and the case has been reported to the relevant law enforcement authorities, or where these authorities have themselves communicated the allegations (the case has not been investigated internally).*

5.4 G1-5 Political engagement and lobbying activities

As the Group is one of the leading firearms and ammunition manufacturers, the Company considers as indispensable the need to establish and maintain transparent relationships with all stakeholders, including political entities, government bodies and public institutions. The Group places great emphasis on an open dialogue with government and public institutions. The Group also strongly cherishes its strictly apolitical stance. The Company does not participate in any political discussions and does not provide any contributions to any political parties. The Company expresses its acceptance of its responsibility through its membership in a range

of industry associations and unions. In any activities related to political and public events, the Company acts strictly in accordance with the applicable legislation and internal regulations governing ethics Compliance.

In compliance with the Anti-corruption Policy and other procedures in place, the Group does not finance and is in no way involved with any sponsorship that results in obtaining any unlawful privileges or advantages regarding its business activities. All sponsorship and charity-related financial activities of the Group are reflected in a detailed and trustworthy manner in the accounting records; thanks to its charitable contribution monitoring procedures, the Group is able to prove with a reasonable degree of certainty that any contributions made are not concealed bribes. The Group does not finance, or in any other manner support, political parties or their members, including candidates for political posts, election campaigns or political events, or any political organization or movements.

In 2025, the Company did not appoint any members of administrative, management and supervisory bodies who held comparable position in public administration in the two years preceding such appointment.

In 2025, the Group and its subsidiaries did not engage in lobbying activities, did not make financial or in-kind political contributions and are not registered in the EU Transparency Register or in an equivalent transparency register in an EU Member State.

5.5 Suppliers and payment practices

5.5.1 G1-2 Management of relationships with suppliers

The Group and its subsidiaries apply strict verification procedures to suppliers, as well as wholesale and retail customers. Suppliers are asked to accept and adhere to our Code of Conduct. Compliance with the Code of Conduct is regularly monitored and assessed, and non-compliance results in the severing of cooperation with the non-compliant supplier.

In addition, we have public procurement and competition policies in place and supplier development directives. We carry out supplier audits before the start of the cooperation and then every two years for key suppliers, according to our audit plan. Our focus is on transparency, supplier stability, quality, financial situation, and available references. Information resources are available on the website (US) for our supplier to help them comply with our conditions.

For specific contracts, we require AQAP 2110 – NATO quality requirements providing assurance of the organization’s ability to deliver a product that meets the requirements as agreed in the contract with our customer. For military contracts, additional checks and supplier audits are carried out. In the US, the sourcing of minerals responsible is a government requirement and is part of our

internal supplier policy for our rifle component suppliers.
[G1-2 15a-b]

Responsibility for the safety, health and well-being of individuals is embraced at all stages of the Group’s operations, including supply chains. The objective of sustainable supply chain management at Colt CZ is to ensure the alignment of our supplier’s social, ethical, environmental and safety and health responsibilities with our own sustainability commitments. We plan to proactively manage our supply chain to reduce carbon emissions, mitigate risk and safeguard valuable resources.

5.5.2 G1-6 Payment practices and Metrics

Payment terms are not centralized function of the Group or individual companies’ policy but are defined by contractual agreements with individual business partners. Group companies evaluate the maturity of their receivables and payables on a regular basis.

Main policies regarding payment practices:

Policy and Internal document	Key contents	Scope of application	Implemented by	Availability
Invoicing, Accounts Receivable and Collections	The process and key controls of the Invoicing/Accounts Receivable cycle	CZ-USA	Accounting	Internal
Accounts Payable/Accrued Expenses	The process and identify the key controls of the Accounts Payable and Accrued Expenses process	Colt Manufacturing Company’s West Hartford	Accounting, Sales, Finance, Receiving	Internal
Accounts Payable/Accrued Expenses	The process and identify the key controls of the Accounts Payable and Accrued Ex-penses process	Colt Manufacturing Company’s West Hartford	Accounting	Internal

	Unit	Payment practices	2025	2024
G1-6, 33. (a)	Number of days	Average number of days to pay invoice	40.73	36.96
G1-6, 33. (b)	%	Percentage of payments aligned with standard payment term	89	88
G1-6, 33. (c)	Number	Number of outstanding legal proceedings for late payments	–	–

Accounting principles [MDR-M_77a]:

G1-6, 33. (a) Average number of days to pay invoice – The average time needed to pay the invoice from the day the contractual or legal due date begins to be calculated (= average due date of Company’s own liabilities in days).

G1-6, 33. (c) Number of outstanding legal proceedings for late payments – Number of legal proceedings currently included in the backlog due to late payments

6. LIST OF DATAPOINTS IN CROSS-CUTTING AND TOPICAL STANDARDS THAT DERIVE FROM OTHER EU LEGISLATION (APPENDIX)

The table below outlines the data points derived from other EU legislation as listed in ESRS 2 Appendix B, where these data points can be found in the Annual Financial Report and identifies those data points that are assessed as Not material, Not relevant or phased-in.

Disclosure Requirement	Data point	SFDR	SFDR	Benchmark Regulation reference	EU Climate Law reference	Relevant Y/N	Section/Page
ESRS 2 GOV-1 Board's gender diversity	21 (d)	x		x		Y	Sustainability Statement, Social
ESRS 2 GOV-1 Percentage of board members who are independent	21 (e)			x		Y	Corporate Governance Report
ESRS 2 GOV-4 Statement on due diligence	30	x				Y	Sustainability Statement, General Disclosures
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities	40 (d) i	x	x	x		N	
ESRS 2 SBM-1 Involvement in activities related to chemical production	40 (d) ii	x		x		N	
ESRS 2 SBM-1 Involvement in activities related to controversial weapons	40 (d) iii	x		x		N	
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco	40 (d) iv			x		N	

Disclosure Requirement	Data point	SFDR	SFDR	Benchmark Regulation reference	EU Climate Law reference	Relevant Y/N	Section/Page
ESRS E1-1 Transition plan to reach climate neutrality by 2050	14				x	Y	Sustainability Statement, Environment
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks	16 (g)		x	x		N	
ESRS E1-4 GHG emission reduction targets	34	x	x	x		Y	Sustainability Statement, Environment
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	38	x				Y	Sustainability Statement, Environment
ESRS E1-5 Energy consumption and mix	37	x				Y	Sustainability Statement, Environment
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors	40 to 43	x				Y	Sustainability Statement, Environment
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions	44	x	x	x		Y	Sustainability Statement, Environment
ESRS E1-6 Gross GHG emissions intensity	53 to 55	x	x	x		Y	Sustainability Statement, Environment
ESRS E1-7 GHG removals and carbon credits	56				x	N	
ESRS E1-9 Exposure of the bench-mark portfolio to climate-related physical risks	66			x		Phased/ delayed	
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk	66 (a), 66 (c)		x			Phased/ delayed	
ESRS E1-9 Location of significant assets at material physical risk							
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes	67 (c)		x			Phased/ delayed	

Disclosure Requirement	Data point	SFDR	SFDR	Benchmark Regulation reference	EU Climate Law reference	Relevant Y/N	Section/Page
ESRS E1-9 Degree of exposure of the portfolio to climate- related opportunities	69			x		Phased/ delayed	
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (Europe-an Pollutant Release and Transfer Register) emitted to air, water and soil	28	x				Y	Sustainability Statement, Environment
ESRS E3-1 Water and marine resources	9	x				Y	Sustainability Statement, Environment
ESRS E3-1 Dedicated policy	13	x				Phased/ delayed	
ESRS E3-1 Sustainable oceans and seas	14	x				N	
ESRS E3-4 Total water recycled and reused	28 (c)	x				Y	Sustainability Statement, Environment
ESRS E3-4 Total water consumption in m ³ per net revenue on own operations	29	x				Y	Sustainability Statement, Environment
ESRS 2 – SBM 3 – E4	16 (a) i	x				Y	Sustainability Statement, Environment
ESRS 2 – SBM 3 – E4	16 (b)	x				Y	Sustainability Statement, Environment
ESRS 2 – SBM 3 – E4	16 (c)	x				Y	Sustainability Statement, Environment
ESRS E4-2 Sustainable land / agriculture practices or policies	24 (b)	x				N	
ESRS E4-2 Sustainable oceans / seas practices or policies	24 (c)	x				N	
ESRS E4-2 Policies to address deforestation	24 (d)	x				N	
ESRS E5-5 Non-recycled waste	37 (d)	x				Y	Sustainability Statement, Environment

Disclosure Requirement	Data point	SFDR	SFDR	Benchmark Regulation reference	EU Climate Law reference	Relevant Y/N	Section/Page
ESRS E5-5 Hazardous waste and radioactive waste	39	x				Y	Sustainability Statement, Environment
ESRS 2 – SBM3 – S1 Risk of incidents of forced labour	14 (f)	x				Y	Sustainability Statement, Social
ESRS 2 – SBM3 – S1 Risk of incidents of child labour	14 (g)	x				Y	Sustainability Statement, Social
ESRS S1-1 Human rights policy commitments	20	x				Y	Sustainability Statement, Social
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8,	21			x		Y	Sustainability Statement, Social
ESRS S1-1 processes and measures for preventing trafficking in human beings	22	x				Y	Sustainability Statement, Social
ESRS S1-1 workplace accident prevention policy or management system	23	x				Y	Sustainability Statement, Social
ESRS S1-3 grievance/complaints handling mechanisms	32 (c)	x				Y	Sustainability Statement, Social
ESRS S1-14 Number of fatalities and number and rate of work-related accidents	88 (b) and (c)	x		x		Y	Sustainability Statement, Social
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness	88 (e)	x				Y	Sustainability Statement, Social
ESRS S1-16 Unadjusted gender pay gap	97 (a)	x		x		Y	Sustainability Statement, Social
ESRS S1-16 Excessive CEO pay ratio	97 (b)	x				Y	Sustainability Statement, Social
ESRS S1-17 Incidents of discrimination	103 (a)	x				Y	Sustainability Statement, Social
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD Guidelines	104 (a)	x		x		Y	Sustainability Statement, Social
ESRS 2 – SBM3 – S2 Significant risk of child labour or forced labour in the value chain	11 (b)	x				N	

Disclosure Requirement	Data point	SFDR	SFDR	Benchmark Regulation reference	EU Climate Law reference	Relevant Y/N	Section/Page
ESRS S2-1 Human rights policy commitments paragraph	17	x				N	
ESRS S2-1 Policies related to value chain workers	18					N	
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	19	x		x		N	
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	19			x		N	
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain	36	x				N	
ESRS S3-1 Human rights policy commitments	16	x				Y	Sustainability Statement, Social
ESRS S3-1 non-respect of UNGPs on Business and Human Rights, ILO principles or OECD guidelines	17	x		x		Y	Sustainability Statement, Social
ESRS S3-4 Human rights issues and incidents	36	x				N	
ESRS S4-1 Policies related to consumers and end-users	16	x				Y	Sustainability Statement, Social
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines	17	x		x		Y	Sustainability Statement, Social
ESRS S4-4 Human rights issues and incidents	35	x				N	
ESRS G1-1 United Nations Convention against Corruption	10 (b)	x				N	
ESRS G1-1 Protection of whistle- blowers	10 (d)	x				N	
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws	24 (a)	x		x		Y	Sustainability Statement, Governance
ESRS G1-4 Standards of anti- corruption and anti- bribery	24 (b)	x				Y	Sustainability Statement, Governance

**„THE REPORT BELOW REPRESENTS
THE AUDITOR’S REPORT THAT RELATES SOLELY
AND EXCLUSIVELY TO THE OFFICIAL ANNUAL
FINANCIAL REPORT PREPARED IN THE XHTML
FORMAT.“**

INDEPENDENT AUDITOR’S LIMITED ASSURANCE REPORT ON THE CONSOLIDATED SUSTAINABILITY STATEMENT OF Colt CZ Group SE To the Shareholders of Colt CZ Group SE

Having its registered office at: náměstí Republiky 2090/3a, Nové Město, 110 00 Prague 1

We have conducted a limited assurance engagement on the Consolidated Sustainability Statement of Colt CZ Group SE (hereafter the “Company”) and its subsidiaries (hereafter the “Group”) included in section 5. Consolidated Sustainability Statement of the Annual Financial Report including the information incorporated in the Consolidated Sustainability Statement by reference, as disclosed in note 2.1.2 BP-2 Disclosures in relation to specific circumstances (the “Consolidated Sustainability Statement”) as at 31 December 2025 and for the year then ended.

Identification of Applicable Criteria

The Consolidated Sustainability Statement was prepared by the Board of Directors of the Company in order to satisfy the requirements of Section 32k of the Czech Accounting Act implementing 29a of the EU Directive 2013/34/EU, including:

- Compliance with the European Sustainability Reporting Standards introduced by Commission Delegated Regulation (EU) of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council (“ESRS”), including that the process carried out by the Group to identify the information reported in the Consolidated Sustainability Statement (the “Process”) is in accordance with the description set out in note 2.4.2 IRO-1 Process to identify and assess material impacts, risk and opportunities; and
- Compliance of the disclosures in note 3.6 EU taxonomy within subsection 3. Environmental information of the Consolidated Sustainability Statement with Article 8 of EU Regulation 2020/852 (the “Taxonomy Regulation”).

Inherent Limitations in Preparing the Consolidated Sustainability Statement

The criteria, nature of the Consolidated Sustainability Statement, and absence of long-standing established authoritative guidance, standard applications and reporting practices allow for different, but acceptable, measurement methodologies to be adopted which may result in variances between entities. The adopted measurement methodologies may also impact the comparability of sustainability matters reported by different organisations and from year to year within an organisation as methodologies evolve.

In reporting forward looking information in accordance with ESRS, management of the Group is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcome is likely to be different since anticipated events frequently do not occur as expected.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

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In determining the disclosures in the Consolidated Sustainability Statement, management of the Group interprets undefined legal and other terms. Undefined legal and other terms may be interpreted differently, including the legal conformity of their interpretation and, accordingly, are subject to uncertainties.

Responsibility of the Company's Board of Directors, Supervisory Board and the Audit Committee for the Consolidated Sustainability Statement

The Board of Directors is responsible for designing and implementing a process to identify the information reported in the Consolidated Sustainability Statement in accordance with the ESRS and for disclosing this process in note 2.4.2 IRO-1 Process to identify and assess material impacts, risk and opportunities of the Consolidated Sustainability Statement. This responsibility includes:

- Understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- The identification of the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the entity's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- The assessment of the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- Making assumptions that are reasonable in the circumstances.

The Board of Directors is further responsible for the preparation of the Consolidated Sustainability Statement, in accordance with Section 32k of the Czech Accounting Act implementing 29a of the EU Directive 2013/34/EU, including:

- Compliance with the ESRS;
- Preparing the disclosures in note 3.6 EU taxonomy within subsection 3. Environmental information of the Consolidated Sustainability Statement, in compliance with Article 8 of the Taxonomy Regulation;
- Designing, implementing and maintaining such internal controls that management determines are necessary to enable the preparation of the Consolidated Sustainability Statement that is free from material misstatement, whether due to fraud or error; and
- The selection and application of appropriate sustainability reporting methods and making assumptions and estimates about individual sustainability disclosures that are reasonable in the circumstances.

The Supervisory Board and the Audit Committee are responsible for overseeing the Group's sustainability reporting process.

Our Responsibility

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the Consolidated Sustainability Statement is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Consolidated Sustainability Statement as a whole.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised) we exercise professional judgment and maintain professional skepticism throughout the engagement.

Our responsibilities in respect of the Consolidated Sustainability Statement, in relation to the Process, include:

- Obtaining an understanding of the Process but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process;
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in note 2.4.2 IRO-1 Process to identify and assess material impacts, risk and opportunities.

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Our other responsibilities in respect of the Consolidated Sustainability Statement include:

- Obtaining an understanding of the entity's control environment, processes and information systems relevant to the preparation of the Consolidated Sustainability Statement but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- Identifying disclosures where material misstatements are likely to arise, whether due to fraud or error.
- Designing and performing procedures responsive to disclosures in the Consolidated Sustainability Statement where material misstatements are likely to arise, whether due to fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our Independence and Quality Management

We complied with the applicable independence and other ethical requirements of the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic (the "Code"). The Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We applied International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of Work Performed

A limited assurance engagement involves performing procedures to obtain evidence about the Consolidated Sustainability Statement.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Consolidated Sustainability Statement.

In conducting our limited assurance engagement, with respect to the Process, we:

- Obtained an understanding of the Process by:
 - performing inquiries to understand the sources of the information used by management; and
 - reviewing the Group's internal documentation of its Process;
- Evaluated whether the evidence obtained from our procedures about the Process implemented by the Group was consistent with the description of the Process set out in note 2.4.2 IRO-1 Process to identify and assess material impacts, risk and opportunities.

In conducting our limited assurance engagement, with respect to the Consolidated Sustainability Statement, we:

- Obtained an understanding of the Group's reporting processes relevant to the preparation of its Consolidated Sustainability Statement by performing inquiries to understand the Group's control environment, processes and information systems relevant to the preparation of the consolidated sustainability statements;
- Evaluated whether material information identified by the Process to identify the information reported in the Consolidated Sustainability Statement is included in the Consolidated Sustainability Statement;
- Evaluated whether the structure and the presentation of the Consolidated Sustainability Statement is in accordance with the ESRS;
- Performed inquiries of relevant personnel and analytical procedures on selected disclosures in the Consolidated Sustainability Statement;
- Performed substantive assurance procedures based on a sample basis on selected disclosures in the Consolidated Sustainability Statement;
- Obtained evidence on the methods for developing material estimates and forward-looking information and on how these methods were applied;
- Obtained an understanding of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Consolidated Sustainability Statement;
- Conducted site visits at selected locations to test the application of the Company's reporting procedures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Consolidated Sustainability Statement is not prepared, in all material respects, in accordance with Section 32k of the Czech Accounting Act implementing 29(a) of the of the EU Directive 2013/34/EU, including:

- Compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Group to identify the information reported in the Consolidated Sustainability Statement is in accordance with the description set out in note 2.4.2 IRO-1 Process to identify and assess material impacts, risk and opportunities; and
- Compliance of the disclosures in note 3.6 EU taxonomy within subsection 3. Environmental information of the Consolidated Sustainability Statement with Article 8 of the Taxonomy Regulation.

In Prague on 24 April 2026

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

Martin Tesař
registration no. 2030



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7. SUBSEQUENT EVENTS

An overview of subsequent events is set out in the consolidated financial statements in Chapter 47.

8. REPORT ON RELATIONS BETWEEN THE CONTROLLING ENTITY AND THE CONTROLLED ENTITY, AND BETWEEN THE CONTROLLED ENTITY AND OTHER ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY FOR 2025

Colt CZ Group SE, with its registered office at náměstí Republiky 2090/3a, 110 00 Prague 1, company ID: 291 51 961, registered in the Commercial Register of the Municipal Court in Prague under File No. H 962 (the **Controlled Entity** or **Colt CZ**), is obligated to prepare a report of the Board of Directors for the 2025 reporting period (i.e., from 1 January until 31 December 2025, the **Reporting Period**), on relations between the Controlling Entity and the Controlled Entity, and between the Controlled Entity and entities controlled by the same Controlling Entity (the **Report on Relations**) in compliance with Section 82 et seq. of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the **Business Corporations Act**).

8.1 Controlling Entity

The entity directly controlling the Controlled Entity is Česká zbrojovka Partners SE, with its registered office at Opletalova 1284/37, Nové Město, 110 00 Prague 1, company ID: 058 51 777, registered in the Commercial Register of the Municipal Court in Prague under File No. H 1879 (the **Controlling Entity**).

Česká zbrojovka Partners SE owns 51.8 % of shares in the Controlled Entity.

Česká zbrojovka Partners SE controls the Controlled Entity by exercising voting rights at the Controlled Entity's general meeting.

The directly controlling entity of Česká zbrojovka Partners SE is European Holding Company, SE, with its registered office at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Identification No.: 241 96 975, registered in the Commercial Register of the Municipal Court in Prague under File No. H 499. The ultimate beneficial owner of European Holding Company, SE, is Mr. René Holeček.

8.2 Role of the Controlled Entity within the Business Group

The Controlled Entity is a part of a business group focused on the production and sale of firearms and tactical accessories for military and law enforcement units, personal defense, hunting, sport shooting and other commercial uses. The group is one of the major global producers in this segment.

The role of the Controlled Entity primarily comprises of overseeing the activities of the subsidiaries within the group. Control over the subsidiaries is exercised through voting at the companies' general meeting.

8.3 Manners and Means of Control

As a majority shareholder, Česká zbrojovka Partners SE exercises its control of the Controlled Entity through voting at the general meeting and electing members of the Supervisory Board who then elect members of the Board of Directors.

Control is exercised through decisions of the Supervisory Board and General Meeting as stated in the articles of association of the Controlled Entity.

8.4 Overview of Actions Pursuant to Section 82 (2) (d) of the Business Corporations Act

In the 2025 Reporting Period, no actions were performed by the Controlled Entity in the interest, or at the initiative, of the Controlling Entity, or the entities controlled by the Controlling Entity involving assets exceeding 10% of the Controlled Entity's equity as determined based on the most recent set of financial statements.

8.5 Overview of Mutual Contractual Relationships

In the 2025 Reporting Period, the following agreements existed or were concluded between the Controlled Entity and the Controlling Entity or entities controlled by the same Controlling Entity:

Entity	Mutual relationship	Concluded on	Effective date
Česká zbrojovka a.s.	Intercompany service agreement	15. 12. 2022	01. 01. 2021 – 01. 01. 2026
Česká zbrojovka a.s.	Personal Data Processing Agreement	18. 05. 2022	From 18. 05. 2022
Česká zbrojovka a.s.	Long-term loan agreement	26. 01. 2022	26. 01. 2022 – 22. 01. 2029
Česká zbrojovka a.s.	Agreement for the provision of IT services - consultancy	26. 08. 2021	From 26. 08. 2021
Česká zbrojovka a.s.	Intercompany service agreement	18. 04. 2023	01. 01. 2023 – 31. 12. 2025
Česká zbrojovka a.s.	Car sublease agreement	02. 01. 2023	02. 01. 2023 – 31. 05. 2026
Česká zbrojovka a.s.	Intercompany Trademark License Agreement	19. 03. 2024	From 01. 09. 2022
Česká zbrojovka a.s.	Intercompany sales service agreement	01. 09. 2023	From 01. 09. 2023
Česká zbrojovka a.s.	Loan Agreement	12. 05. 2025	18. 05. 2025 – 31. 12. 2025
Colt CZ Defence Solutions s.r.o.	Intercompany service agreement	15. 12. 2022	01. 01. 2021 – 01. 01. 2026
Colt CZ Defence Solutions s.r.o.	Intercompany Trademark License Agreement	05. 04. 2023	05. 04. 2023 – 31. 10. 2027

Entity	Mutual relationship	Concluded on	Effective date
Colt CZ Defence Solutions s.r.o.	Intercompany service agreement	01. 01. 2023	01. 01. 2023 – 31. 12. 2025
Colt CZ Defence Solutions s.r.o.	Intercompany service agreement – economic, financial, commercial, new technologies, controlling, IT, and other services	31. 12. 2019	From 01. 01. 2020
Colt CZ Defence Solutions s.r.o.	Accession agreement to the Vodafone OneNet Framework Agreement for the sale of goods and provision of services	02. 12. 2022	From 02. 12. 2022
EHC-4M, SE	Intercompany service agreement	31. 01. 2020	From 01. 02. 2020
EHC-4M, SE	Loan agreement	29. 07. 2020	29. 07. 2020 – 31. 12. 2025
EHC-4M, SE	Loan agreement	31. 08. 2020	31. 08. 2020 – 31. 12. 2025
EHC-4M, SE	Loan agreement	14. 09. 2020	14. 09. 2020 – 31. 12. 2025
EHC-4M, SE	Loan agreement	19. 10. 2020	19. 10. 2020 – 31. 12. 2025
CZG VIB s.r.o.	Intercompany service agreement – Accounting Services	31. 01. 2020	From 31. 01. 2020

Report on relations between the controlling entity and the controlled entity, and between the controlled entity and other entities controlled by the same controlling entity for 2025

Entity	Mutual relationship	Concluded on	Effective date
CZG VIB s.r.o.	Intercompany service agreement	31. 01. 2020	From 01. 02. 2020
Colt CZ Group International s.r.o.	Intercompany service agreement – Accounting Services	31. 01. 2020	From 01. 02. 2020
Colt CZ Group International s.r.o.	Loan agreement	31. 12. 2020	31. 12. 2020 – 31. 12. 2025
Colt CZ Group International s.r.o.	Loan agreement	30. 09. 2024	From 30. 09. 2024
Colt CZ Group International s.r.o.	Loan agreement	03. 01. 2024	From 03. 01. 2024
Colt CZ Group North America	Consolidation Loan made pursuant to the Amendment Agreement relating to the loans dated 9 March 2021 and the two loans dated 21 May 2021	01. 06. 2021	09. 03. 2021 – 31. 12. 2026
Colt CZ Group North America	Loan Agreement	13. 06. 2025	11. 7. 2025 – 31. 12. 2026
4M SYSTEMS a.s.	Intercompany service agreement – Advisory	15. 12. 2022	01. 01. 2021 – 01. 01. 2026
4M SYSTEMS a.s.	Intercompany service agreement – Accounting Services	31. 01. 2020	From 01. 02. 2020

Entity	Mutual relationship	Concluded on	Effective date
4M SYSTEMS a.s.	Intercompany service agreement	01. 01. 2023	01. 01. 2023 – 31. 12. 2025
4M SYSTEMS a.s.	Intercompany service agreement	31. 12. 2019	From 01. 01. 2020
4M SYSTEMS a.s.	Power of Attorney	12. 11. 2024	From 12. 11. 2024
Zbrojovka Brno, s.r.o.	Intercompany service agreement – Advisory	15. 12. 2022	01. 01. 2021 – 01. 01. 2025
Four Horses Apparel, Inc	Loan agreement	05. 06. 2023	From 05. 06. 2023
Four Horses Apparel, Inc	Loan agreement	24. 10. 2024	From 24. 10. 2024
Four Horses Apparel, Inc	Loan agreement	24. 04. 2024	From 24. 04. 2024
Four Horses Apparel, Inc	Loan agreement	01. 07. 2024	From 01. 07. 2024
CZ-USA	Intercompany service agreement – Advisory	15. 12. 2022	01. 01. 2021 – 01. 01. 2026
Colt Canada Corporation	Intercompany service agreement – Advisory	15. 12. 2022	01. 01. 2021 – 01. 01. 2026
Colt’s Manufacturing Company LLC	Intercompany service agreement – Advisory	15. 12. 2022	01. 01. 2021 – 01. 01. 2026
Colt's Manufacturing Company LLC	Loan agreement	28. 12. 2023	28. 12. 2023 – 02. 01. 2024

Report on relations between the controlling entity and the controlled entity, and between the controlled entity and other entities controlled by the same controlling entity for 2025

Entity	Mutual relationship	Concluded on	Effective date
Colt's Manufacturing Company LLC	Loan agreement	9. 12. 2024	09. 12. 2024 – 31. 03. 2025
Colt’s Manufacturing Company LLC	Loan Agreement	12. 05. 2025	18. 05. 2025 – 31. 12. 2025
Colt's Manufacturing Company LLC	Intercompany Cost Recharge Agreement	09. 06. 2025	From 01. 01. 2025
Colt's Manufacturing Company LLC	Intercompany Trademark Royalties Agreement	01. 10. 2025	From 01. 03. 2023
Colt CZ Hungary Zrt.	Trademark License Agreement	21. 08. 2023	From 21. 08. 2023
Colt CZ Hungary Zrt.	Loan agreement	29. 01. 2024	29. 01. 2024 – 31. 12. 2025
Colt CZ Hungary Zrt.	Mutual NDA	19. 02. 2024	From 16. 02. 2024
saltech AG	Intercompany service agreement	01. 07. 2023	01. 07. 2023 – 31. 12. 2025
saltech AG	Debt Security agreement	01. 03. 2024	From 01. 03. 2024
Spuhr i Dalby AB	Intercompany service agreement – Advisory	15. 12. 2022	12. 10. 2022 – 31. 12. 2025
Sellier & Bellot Int. a.s.	Loan agreement	18. 12. 2023	18. 12. 2023 – 01. 07. 2025
Sellier & Bellot Int. a.s.	Loan agreement	29. 12. 2023	29. 12. 2023 – 01. 01. 2025
Sellier & Bellot Int. a.s.	Loan agreement USD	19. 06. 2024	From 19. 06. 2024

Entity	Mutual relationship	Concluded on	Effective date
Sellier & Bellot Int. a.s.	Loan agreement EUR	19. 06. 2024	From 19. 06. 2024
Sellier & Bellot Int. a.s.	Loan agreement	01. 02. 2024	01. 02. 2024 – 01. 01. 2025
Sellier & Bellot Int. a.s.	Loan agreement	31. 01. 2024	31. 01. 2024 – 01. 01. 2025
Sellier & Bellot Int. a.s.	Intercompany service agreement – Accounting Services	27. 06. 2024	From 01. 01. 2024
Sellier & Bellot Int. a.s.	Forward Agreement USD	16. 05. 2024	16. 05. 2024 – 30. 06. 2025
Sellier & Bellot Int. a.s.	Forward Agreement EUR	16. 05. 2024	16. 05. 2024 – 30. 06. 2025
Sellier & Bellot a.s.	Intercompany service agreement – Advisory	16. 05. 2024	16. 05. 2024 – 31. 12. 2025
Sellier & Bellot a.s.	Agreement on the provision of a cash supplement outside the share capital and agreement on the set-off of a claim	18. 06. 2025	From 01. 01. 2025
Sellier & Bellot a.s.	Purchase agreement	17. 01. 2025	From 15. 01. 2025

From the point of view of the Controlled Entity, performances under the above agreements corresponded to the arm's length principle, i.e., corresponding to normal commercial relations for performances provided on the market to third parties, or by third parties. No other acts or performances pursuant to Section 82 (2)(e) of the Business Corporations Act occurred in the Reporting Period.

8.6 Assessment of whether the Controlled Entity Incurred Damage and Assessment of its Compensation under Sections 71 and 72 of the Business Corporations Act

Upon evaluation, the Board of Directors of the Controlled Entity states that:

- (a) no acts described in this Report on Relations resulted in a loss to the Controlled Entity in the Reporting Period
- (b) it is not aware of any other measures, acts or other performances in the Reporting Period which would result in a loss to the Controlled Entity.

8.7 Advantages and disadvantages of the Relationships within the Business Group

The Board of Directors of the Controlled Entity evaluated the acts realized between the Controlled Entity, controlling entities, and entities controlled by them in the Reporting Period and states that they were concluded under conditions corresponding with the arm's length principle and no advantages or disadvantages related to the control arose. The Controlled Entity did not incur any harm to

be settled in accordance with Sections 71 and 72 of the Business Corporations Act.

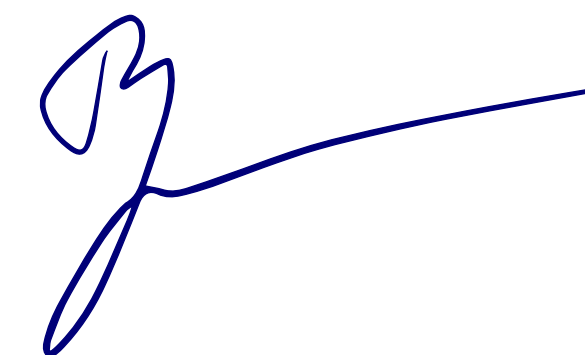
The relationships between the Controlled Entity, the controlling entities and the entities controlled by them do not present any risks in the future.

8.8 Conclusion

This Report on Relations has been discussed and approved at the regular meeting of the Board of Directors of the Controlled Entity. The Board of Directors of the Controlled Entity declares that it expended all due effort when collecting and verifying the information included in this Report on Relations, and that its conclusions were formulated following thorough consideration, and that all data in this Report on Relations is considered correct and complete.

This Report on Relations will be submitted to the Supervisory Board of the Controlled Entity for review pursuant to Section 83 (1) of the Business Corporations Act and submitted to the auditor performing the audit of the financial statements of the Controlled Entity pursuant to a special act. As the Controlled Entity prepares an annual report, this Report on Relations will be appended to it within the meaning of Section 84 of the Business Corporations Act and will be filed in the Collection of Instruments of the Commercial Register held by the Municipal Court in Prague as an inherent part of the annual report.

In Prague, on March 24, 2026



Radek Musil
Vice-Chairman of the Board of Directors



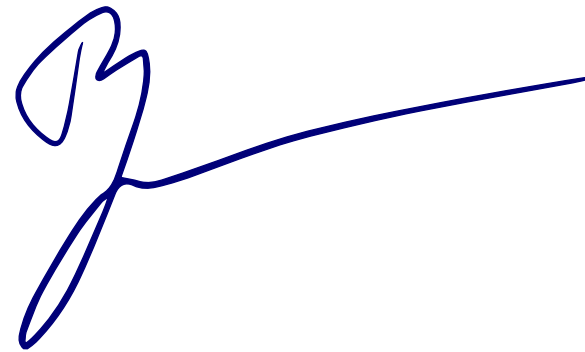
Josef Adam
Vice-Chairman of the Board of Directors

9. DECLARATION OF AUTHORIZED PERSONS

To the best of our knowledge, these consolidated financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of assets, liabilities, financial position, and profit of the Group and entities included in the consolidated group, and the consolidated annual financial report under the Accounting Act provides a true overview of the development and results of Colt CZ Group SE and the position of Colt CZ Group SE and entities included in the consolidated group, together with a description of major risks and uncertainties it is facing. The consolidated Sustainability Statement is prepared in accordance with the sustainability reporting standards adopted by the European Commission and the requirements set out under Article 8(4) of the Taxonomy Regulation.

In Prague, on April 22, 2026

Signed on behalf of the Board of Directors:



Radek Musil
Vice-Chairman of the Board of Directors



Josef Adam
Vice-Chairman of the Board of Directors

10. ALTERNATIVE PERFORMANCE MEASURES

This Report contains certain financial measures that are not defined or recognized under IFRS, and which are considered to be alternative performance measures, as defined in the ESMA Guidelines on Alternative Performance Measures, issued by the European Securities and Markets Authority on 5 October 2015 (the Alternative Performance Measures). This report includes the following alternative Performance Measures: EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted net income margin, adjusted earnings per share, net financial debt, and net leverage ratio. The Company has included the Alternative Performance Measures because they represent key measures used by management to evaluate the Group's operating performance. Further, management believes that the presentation of the Alternative Performance Measures is helpful to prospective investors, because these and other similar measures and related ratios are widely used by certain investors, securities analysts, and other interested parties, as supplemental measures of performance and liquidity to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures, and working capital requirements. Management also believes that the presentation of Alternative Performance Measures facilitates operating performance comparisons on a period-to-period basis, to exclude the impact of non-recurring items, which management does not consider being indicative of the Group's core operating performance.

The Alternative Performance Measures are not sourced directly from the Audited Financial Statements but are derived from the financial information contained therein. These measures have not been audited or reviewed by an independent auditor. The Alternative Performance Measures are not defined in the IFRS and should neither be treated as metrics of financial performance

or operating cash flows, nor deemed an alternative to profit data. Those performance measures should only be read as additional information to, and not as a substitute for or superior to, the financial information prepared in accordance with the IFRS, as adopted by the EU. The Alternative Performance Measures should not be given more prominence than measures sourced directly from the Audited Financial Statements. The Alternative Performance Measures should be read in conjunction with the Audited Financial Statements. There are no generally accepted principles governing the calculation of the Alternative Performance Measures and the criteria upon which the Alternative Performance Measures are based can vary from company to company, limiting the usefulness of such measures as comparative measures. Even though the Alternative Performance Measures are used by management to assess the Group's financial results, and these types of measures are commonly used by investors, they have important limitations as analytical tools and, by themselves, do not provide a sufficient basis to compare the Company's performance with that of other companies and should not be considered in isolation, or as a substitute to, the revenue, profit before tax, or cash flows from operations calculated in accordance with IFRS for analysis of the Group's position or performance.

The Alternative Performance Measures have limitations as analytical tools, such as:

- ▶ They do not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments.
- ▶ They do not reflect changes in, or cash requirements for, the Group's working capital needs.

- ▶ They do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on the Group's debt.
- ▶ Although depreciation and amortization are non-monetary charges, the assets being depreciated and amortized will often need to be replaced in the future and the Alternative Performance Measures do not reflect any cash requirements that would be required for such replacements.
- ▶ Some of the exceptional items the Company eliminates in calculating the Alternative Performance Measures reflect cash payments that were made, or will be made in the future.
- ▶ The fact that other companies in the Group's industry may calculate the Alternative Performance Measures differently than the Company does, limits their usefulness as comparative measures.
- ▶ The terms used for alternative measures may not have the same or similar meaning as other terms that may be defined in other documentation for other financial liabilities of the Group.
- ▶ Alternative measures presented in this annual financial report may differ from alternative measures in annual financial reports of prior periods. To assess the Group's financial performance, the Company uses such Alternative Performance Measures that it deems relevant and indicative of its financial position in a given year.

THE FOLLOWING TABLE GIVES A DESCRIPTION OF THE RESPECTIVE ALTERNATIVE MEASURES IN RELATION TO THE COMPANY’S FINANCIAL STATEMENTS

(in thousands of CZK, unless stated otherwise)	For the year ended 31 December	
	2025	2024
EBITDA ⁽¹⁾	4,807,617	3,479,842
EBITDA margin ⁽²⁾	20.5%	15.6%
Adjusted EBITDA ⁽³⁾	4,661,356	4,598,864
Adjusted EBITDA margin ⁽⁴⁾	19.9%	20.6%
Net income margin ⁽⁵⁾	8.7%	4.7%
Adjusted income ⁽⁶⁾	2,029,903	1,933,205
Adjusted net income margin ⁽⁷⁾	8.7%	8.6%
Adjusted earnings per share ⁽⁸⁾	36	41
Net financial debt at the end of the period ⁽⁹⁾	8,544,972	11,974,558
Net leverage ratio (x) ⁽¹⁰⁾	1.80x	2.26x

⁽¹⁾ The Group’s management considers EBITDA a crucial performance measure in assessing the Group’s business. As described above, EBITDA is not a measure described or acknowledged under IFRS. The Group calculates EBITDA based on the figures included in the Audited Financial Statements. EBITDA is calculated as profit after tax for the period, plus income tax, less other financial income, plus other financial expenses, less interest income, plus interest expense, less share of profit of associates and profit from investments in associated companies, adjusted by gains or losses from derivatives operations, plus depreciation and amortization minus gain on investments in associated companies, and profit from the bargain purchase of swissAA. All items of the EBITDA calculation come from the consolidated statement of profit or loss and statement of other comprehensive income of the Audited Financial Statements.

⁽²⁾ EBITDA margin is defined as a percentage of EBITDA and revenues from the sale of the Company’s own products, goods, and services. EBITDA margin allows for a comparison of one company’s performance relative to others in its industry. All items of the EBITDA margin calculation come from the consolidated statement of profit or loss and statement of other comprehensive income of the Audited Financial Statements.

⁽³⁾ In 2025, EBITDA was adjusted by one-off items related to M&A expenses and legacy costs related to acquisitions, costs related to the employee stock option plan (negative), one-off expenses connected with inventory step-up in VSS and Sellier & Bellot commodity hedging, which are unrelated to operational performance and value creation in the given period. In 2024, EBITDA was adjusted by one-off items related to unrealized M&A expenses and legacy costs related to acquisitions, payments related to the employee stock option plan, one-off expenses connected with the acquisition of Sellier & Bellot – inventory step up and commodity hedging and expenses related to wasted investments, which are unrelated to operational performance and value creation in the given period. Expenses on professional advisors and expenses associated with acquisitions are presented under Services in the consolidated statement of profit or loss and other comprehensive income of the Audited Financial Statements. Share-based payments are presented under Personnel expenses and Other operating expenses in the consolidated statement of profit or loss and other comprehensive income of the Audited Financial Statements.

⁽⁴⁾ Adjusted EBITDA margin is defined as a percentage of adjusted EBITDA and revenues from the sale of the Group’s own products, goods, and services. All items of the adjusted EBITDA margin calculation come from the consolidated statement of profit or loss and statement of other comprehensive income of the Audited Financial Statements.

⁽⁵⁾ Net income margin is defined as a percentage of profit for the period and revenues from the sale of the Group’s own products, goods, and services. Both items of the percentage are taken over from the consolidated statement of profit or loss and statement of other comprehensive income of the Audited Financial Statements. Net income margin is used in ratio analysis to determine the proportional profitability of a business.

⁽⁶⁾ In 2025, net profit was adjusted by one-off items related to M&A expenses and legacy costs related to acquisitions, costs related to the employee stock option plan (negative), one-off expenses connected with inventory step-up in VSS, bank fees related to acquisition loan and financing cost related to bond issue, which are unrelated to operational performance and value creation in the given period. In 2024, net profit was adjusted by one-off costs related to unrealized M&A expenses and legacy costs related to acquisitions, payments related to the employee stock option plan, one-off expenses connected with the acquisition of Sellier & Bellot – inventory step up and commodity hedging, expenses related to wasted investments and bank fees related with acquisition loan and financing costs related to bond issue, which are unrelated to operational performance and value creation in the given period. The cost of the bond issue is presented under Other financial expenses in the consolidated statement of profit or loss and other comprehensive income of the Audited Financial Statements.

⁽⁷⁾ Adjusted net income margin is defined as a percentage of profit for the period and revenues from the sale of the Group’s own products, goods, and services. Both items of the percentage are taken over from the consolidated statement of profit or loss and statement of other comprehensive income of the Audited Financial Statements.

⁽⁸⁾ The Company calculates adjusted net earnings per share as adjusted net income for the period divided by the average number of shares issued by the Company. All items of the adjusted net earnings per share calculation come from the consolidated statement of profit or loss and statement of other comprehensive income of the Audited Financial Statements.

⁽⁹⁾ The Group defines net financial debt as long-term and short-term bonds, bank loans, borrowings, and lease payables (non-current and current), less cash and cash equivalents as reported in the consolidated statement of financial position in the Audited Financial Statements. Net financial debt is used by the Group to assess its indebtedness to financial institutions, which includes banks, leasing companies, and bond investors.

⁽¹⁰⁾ Net leverage ratio is defined as the ratio of net financial debt at the end of the period to adjusted EBITDA for the period.

Alternative Performance Measures

THE FOLLOWING TABLE SETS FORTH THE GROUP’S NET FINANCIAL DEBT FOR THE PERIODS INDICATED.

(CZK ‘000)	For the year ended December 31	
	2025	2024
Bonds, bank loans and borrowings (current and non-current)	21,267,174	17,811,137
Lease payables (current and non-current)	96,924	81,189
Less: Cash and cash equivalents and other financial assets	12,819,126	5,917,768
Net financial debt at the end of the period	8,544,972	11,974,558

THE FOLLOWING TABLE PROVIDES A COMPARISON OF PROFIT OR LOSS AFTER TAX AND EBITDA FOR THE PERIODS.

(CZK ‘000)	For the year ended December 31	
	2025	2024
Profit for the period	2,044,267	1,044,575
Income tax	528,208	335,263
Interest income	491,470	784,854
Interest expense	1,097,309	1,307,949
Depreciation and amortization	1,545,619	1,478,824
Other financial income	30,372	113,159
Other financial expenses	620,081	202,902
Gains from derivative transactions	504,122	–
Losses from derivative transactions	–	8,872
Share in the profit of associates	1,903	530
Gain on investments in associated companies (step acquisition)	–	–
EBITDA	4,807,617	3,479,842

THE FOLLOWING TABLE PROVIDES A COMPARISON OF PROFIT OR LOSS AFTER TAX AND EBITDA FOR THE PERIODS.

(CZK '000)	For the year ended December 31	
	2025	2024
Share-based payments associated with the employee option plan	(159,729)	418,730
Costs of acquisition-related services	37,466	14,960
Legacy cost related to acquisitions	27,515	24,136
Wasted investment Colt	–	69,624
Wasted investment Foundry	–	21,642
One-off expenses connected with the acquisition of VSS/ Sellier & Bellot – inventory step up	23,306	513,596
Sellier & Bellot – commodity hedging	(74,819)	56,334
Adjusted EBITDA	4,661,356	4,598,864

THE FOLLOWING TABLE PROVIDES THE CALCULATION OF ADJUSTED NET INCOME AND ADJUSTED NET EARNINGS PER SHARE.

(CZK ‘000 / thousand pcs)	For the year ended 31 December	
	2025	2024
Profit before tax	2,572,475	1,379,838
Share-based payments relating to employee option plan	(159,729)	418,730
Wasted investment Colt	–	69,624
Wasted investment Foundry	–	21,642
Costs of acquisition-related services	37,466	14,960
Legacy cost related to acquisitions	27,515	24,136
One-off expenses connected with the acquisitions of VSS/ Sellier & Bellot – inventory step up	23,306	513,596
Bank fee – an S&B acquisition loan	39,921	100,864
One-off financial expenses associated with the bond issue	13,446	10,289
Effective tax rate	20.5%	24.3%
Subtotal of adjusted items	(18,075)	1,173,841
Adjusted profit before tax	2,554,400	2,553,679
Tax effect on the adjustment	(524,497)	(620,474)
Numerator		
Adjusted net income	2,029,903	1,933,205
Denominator		
Average number of shares	56,422	47,619
Adjusted net earnings per share (CZK/share)	36	41

11. GLOSSARY

CARDAM s.r.o.

CARDAM is a partially owned subsidiary of CZUB based in Dolní Břežany, Czech Republic, with CZUB owning 33% of CARDAM's share capital. The shareholding grants the Group access to research conducted at the Institute of Physics of the Czech Academy of Sciences, as well as its in-house research and development platform. CARDAM serves as the Group's center of research and development for additive manufacturing and advanced surface treatment technologies.

CBC Europe S.à r.l.

CBC Europe S.à r.l. is a holding company based in Luxembourg that holds shares in international companies active in the ammunition sector. In May 2024, it became the company's second largest shareholder.

Colt Canada Corporation

Colt Canada Corporation is Colt's manufacturing plant in Canada. Colt Canada manufactures and supplies firearms, including sub guns, select fire rifles, sniper rifles, carbines, and grenade launchers to the Canadian government and European defense corps. Colt Canada Corporation is a member of the Canadian Munitions Supply Program and has a Strategic Source Agreement with the Canadian government as a key supplier of small arms, spare parts, and accessories to the Canadian government.

Colt CZ Group SE

Colt CZ Group SE is a holding and parent company of all Group subsidiaries, with a registered address at náměstí Republiky 2090/3a, 110 01 Prague 1, Czech Republic.

Colt's Manufacturing Company LLC

Colt's Manufacturing Company LLC is the operating company of Colt in the United States. Colt Manufacturing Company LLC manufactures and supplies firearms to the US commercial market, the US government, international military forces, and global defense corps and security agencies. Colt offers a wide range of quality firearms, including rifles, carbines, pistols, and other small arms to US and international military and law enforcement customers. Colt also offers a wide range of rifles, pistols, and revolvers for sport shooting and self-defense, as well as for collectors, to customers in the US and international commercial markets.

Colt CZ Group North America, Inc.

Colt CZ Group North America is a fully-owned subsidiary of the Group based in Kansas City, Kansas, United States. It is a holding company that does not conduct any business operations of its own and has no employees. The main asset of the company is its direct shareholdings in companies in the USA and Canada.

CZ-USA, Inc.

CZ-USA is a fully-owned subsidiary of Colt CZ Group North America and is based in Kansas City, Kansas, United States. CZ-USA's principal activity is the import of products from the Group's manufacturing facility in the Czech Republic. Due to regulations in the United States, CZ-USA does not sell directly to end customers, but rather to wholesalers and other retailers.

Colt Electro Optics, LLC

Colt Electro Optics, LLC was established in 2024 in Michigan, USA, to produce precision sighting and targeting products built to meet the real-world demands of professional users.

Colt CZ Defence Solutions s.r.o.

Colt CZ Defence Solutions is a fully-owned subsidiary of the Company and is based in the Czech Republic. It specializes in the international sale of military equipment and material. It also provides financing, training, and support throughout the entire lifecycle of delivered products and technologies.

Colt CZ Group International s.r.o.

Colt CZ Group International is a fully-owned subsidiary of the Company and is based in Prague, Czech Republic. Colt CZ Group International does not conduct any business operations of its own and has no employees. The main asset of the company is its direct 20% shareholding in EG-CZ Academy, a 71% stake in Spuhr i Dalby, and since 2023, a 51% stake in Colt CZ Hungary Zrt.

Colt CZ Hungary Zrt.

Colt CZ Hungary Zrt. is a joint-venture between Colt CZ Group (51%) and the Hungarian state-owned company N7 Holding Ltd (49 %). Its main purpose is to create reliable production capacities that meet the needs of both shareholders. Its production facility is located in Kiskunfélegyháza, Hungary.

Colt CZ Insurance Limited

Colt CZ Insurance Limited is a wholly owned subsidiary based in Guernsey. It is a captive reinsurance company, which contributes to more effective risk management

CZG VIB s.r.o.

CZG VIB is a fully-owned subsidiary of the Company and is based in Prague, Czech Republic. The company does not conduct any business operations of its own and has no employees. The main asset of CZG VIB is its approximately 24.99% direct shareholding in VIBROM spol. s r.o.Česká zbrojovka a.s.

Česká zbrojovka a.s.

Česká Zbrojovka a.s. is a fully-owned subsidiary of the Company and is based in Uherský Brod, Czech Republic. It produces firearms for commercial, military and law enforcement customers worldwide.

Česká zbrojovka Partners SE

Česká zbrojovka Partners SE is the majority shareholder of the Company. An 87.5% stake is held and controlled by EHC. The remaining 12.5% stake is held by the Holeček Family Foundation.

EG-CZ Academy

EG-CZ Academy is a partially-owned subsidiary of Colt CZ Group International s.r.o. and is based in Quimper, France. The Group owns a 20% stake in EG-CZ Academy.

EHC-4M, SE

EHC-4M is a fully-owned subsidiary of the Company and is based in Prague, Czech Republic. The company does not conduct any business operations of its own and has no employees. The main asset of the company is its 100% shareholding in 4M SYSTEMS a.s.

European Holding Company, SE

European Holding Company, SE is the majority shareholder of Česká zbrojovka Partners SE. It holds 87.5% of the share capital and has voting rights in Česká zbrojovka Partners SE. 25% of EHC is owned

by Mr. René Holeček, with the remaining 75% in share capital owned by OMNES holdingový nadační fond.

Four Horses Apparel Ltd.

Four Horses Apparel Ltd. is a company that was founded in the USA and is dedicated to selling luxury fashion apparel and accessories that build on Colt’s rich history, as well as American and military motifs.

Global Defence Trading a.s.

Global Defence Trading is a fully-owned subsidiary of the Company and is based in the Czech Republic. It specializes in the international sale of military equipment and material.

Sellier & Bellot, a.s. and Sellier & Bellot, Int. a.s.

Sellier & Bellot, founded in 1825, is a traditional Czech manufacturer of small caliber ammunition, which it supplies to Czech and international military and law enforcement customers, as well as to the commercial market. Its product portfolio includes a wide range of hunting and sport ammunition, together with ammunition for the military and law enforcement customers. The company has approximately 1,600 employees and operates a production facility in Vlašim, Czech Republic. It has been part of the group since May 2024. On July 1, 2025, the division by spin-off of Sellier & Bellot, a.s. into Sellier & Bellot, Int. a.s. became legally effective, with effect from January 1, 2025. Sellier & Bellot, Int. a.s. is the successor of business operations

Spuhr i Dalby AB

SPUHR is a renowned Swedish manufacturer of class leading optical mounting solutions for firearms and is wholly-owned by the Group.

swissAA Holding AG

swissAA Holding AG is a 100% owned subsidiary based in Switzerland. It manufactures ammunition and technologies for the M/LE segment, specializing in small caliber ammunition. It consists of several fully-owned subsidiaries based in Switzerland and Hungary.

Valley Steel Stamp Inc.

VSS was established in 1971 and is based in Massachusetts, USA. Company is a manufacturer of revolver frames, cylinders, and precision-machined components for the commercial firearms market.

VIBROM spol. s r.o.

VIBROM is a strategic equity investment of the Group and is based in Třebechovice pod Orebem, Czech Republic. It specializes in powder injection molding (PIM), which is a modern technology that combines plastics and conventional powder methods, allowing for cost-effective series production of durable precision MIM (metal) and ceramic powder injection molding (CIM) components.

ZBROJOVKA BRNO, s.r.o.

Zbrojovka Brno is a fully-owned subsidiary of CZUB and is based in Brno, Czech Republic. Zbrojovka Brno was formerly an independent firearm producer, with a long and well-regarded production history. It was acquired by the Group in 2004.

4M SYSTEMS a.s.

4M SYSTEMS is a fully-owned subsidiary of EHC-4M, SE and is based in Prague, Czech Republic. The activities of 4M SYSTEMS include the development, production, and sale of tactical equipment for the armed forces, such as the military, police, customs, prison service, border security, etc.

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of terms within this Report in connection with the Group and the Group's business activities. The terms and their meaning may not correspond to the meanings or usage of these terms elsewhere.

Striker-fired

One of the most common pistol firing mechanisms that eliminates the use of a hammer. Striker-fired pistols use a spring that provides kinetic energy to the firing pin that strikes the cartridge primer.

Long guns

All firearms, except pistols and revolvers.

Small arms

Pistols and revolvers.

MIM

Metal injection molding is a metalworking process, in which finely powdered metal is mixed with a binder to form a feedstock, which is then shaped and solidified using injection molding. The molding process allows a large number of complex parts to be produced in a single step.

Bolt-action

A type of firearm action where the handling of cartridges into and out of the barrel chamber is performed by manually manipulating the bolt via a handle.

Rimfire rifle

A rifle in which the firing pin strikes the rim of the cartridge case head to ignite the primer.

Break-action

A type of firearm action in which the barrel is hinged and rotates perpendicular to the bore axis to expose the chamber, allowing for the loading and unloading of cartridges.

Centerfire rifle

A rifle that has a primer located in the center of the cartridge case head.

Sub gun

A self-loading automatic or semi-automatic firearm with a detachable magazine that is commonly chambered in pistol cartridges. It's primarily designed for military and law enforcement use. Depending on region-specific legislation, semi-automatic versions are available for commercial use.

Tactical accessories

Firearm accessories, tactical and ballistic equipment, and apparel.

Select fire rifle

A self-loading automatic rifle with a detachable magazine chambered in intermediate cartridges. Exclusively designed for military or armed forces use.

Locked breech

A wide-spread firearm mechanism design that confines high pressure gas to the barrel and slows down the opening of the breech to ensure flawless operation.

Magazine-fed

A design feature of a firearm in which ammunition is directly drawn from a magazine.

GLOSSARY OF OTHER TERMS

ESG

Environmental, Social and Corporate Governance, which refers to environmental, social and governance issues. It concerns responsible behavior of companies in relation to the environment, society/ people, and corporate governance.

IDPA

The International Defensive Pistol Association (IDPA), based in Texas, USA.

IFRS

International Financial Reporting Standards are accounting standards that are issued by the IFRS Foundation and the International Accounting Standards Board.

IPSC

The International Practical Shooting Confederation is the world’s largest shooting sports association. It is the biggest and oldest for practical shooting.

ESMA

The European Securities and Markets Authority (ESMA) is an independent EU organization whose mission is to help ensure the stability of EU financial systems by strengthening protection of investors and promoting the stable and orderly functioning of financial markets.

Prime Market

The Prime Market is a market intended for trading shares of the largest and most profitable (blue chip) Czech and international companies that have been accepted for trading on the Prague Stock Exchange.

PSE

The Prague Stock Exchange (PSE) is the main operator of the securities market in the Czech Republic.

USPSA

The United States Practical Shooting Association (USPSA) is the national governing body of practical shooting in the United States under the International Practical Shooting Confederation (IPSC).

SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2025
prepared in accordance with IFRS Accounting Standards
as adopted by the European Union

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

		2025	2024
	Note	CZK '000	CZK '000
Revenues from the sale of own services	5	154,977	155,890
Other operating income	6	10,949	66
Share in profit of subsidiaries	7	1,720,361	1,174,800
Raw materials and consumables used	8	(1,183)	(1,398)
Personnel expenses	9	(79,489)	(313,449)
Depreciation and amortisation	12	(13,046)	(12,093)
Services	11	(95,269)	(75,630)
Other operating expenses	13	(900)	(22,996)
Operating profit or loss		1,696,400	905,190
Interest income	15	858,349	1,206,337
Other financial income	15	–	610,688
Interest expense	15	(820,262)	(996,611)
Other financial expenses	15	(316,310)	(76,725)
Gains or losses from derivative transactions	16	652,199	(625,276)
Profit before tax		2,070,376	1,023,603
Income tax	17, 18	(71,245)	(32,849)
Profit for the period		1,999,131	990,754
Items that may be subsequently reclassified to the statement of profit or loss			
Cash flow hedges – remeasurement of effective portion of hedging instruments	19	(127,691)	(157,212)
Other comprehensive income		(127,691)	(157,212)
Total comprehensive income for the period		1,871,440	833,542

These notes are an integral part of these financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

		31 December 2025	31 December 2024
	Note	CZK '000	CZK '000
Assets			
Non-current assets			
Intangible assets	20	52,465	53,989
Property, plant and equipment	20	24,655	29,513
Investments in subsidiaries	21	17,200,700	8,165,506
Provided loans	22	2,414,992	15,715,001
Financial derivatives	35	506,542	163,578
Deferred tax assets	18	36,491	1,320
Total non-current assets		20,235,845	24,128,907
Current assets			
Trade and other receivables	24	132,701	678,051
Provided loans	22	6,215,245	2,425,090
Financial derivatives	35	39,770	6,066
Other receivables	25	6,895	3,755
Tax receivables	17	–	9,928
Cash and cash equivalents	26	9,568,950	3,004,319
Total current assets		15,963,561	6,127,209
Total assets		36,199,406	30,256,116
EQUITY AND LIABILITIES			
Capital and reserves			
Registered capital	27	5,646	5,646
Treasury shares	28	(189,767)	–
Share premium	27	13,477,795	13,477,795
Capital funds	28	1,712,111	1,712,111
Cash flow hedge reserve	28	(78,995)	48,696
Accumulated profits		3,758,301	2,762,006
Total equity		18,685,091	18,006,254
Non-current liabilities			
Bonds, bank loans and borrowings	29	15,444,450	10,547,387
Financial derivatives	35	183,556	456,152
Lease liabilities	32	7,749	11,667
Provisions	14	27,210	35,308
Total non-current liabilities		15,662,965	11,050,514
Current liabilities			
Bonds, bank loans and borrowings	29	1,721,134	627,810
Financial derivatives	35	–	477,419
Lease liabilities	32	3,513	4,819
Trade and other payables	30	45,645	59,539
Other payables	31	58,944	29,761
Tax liabilities	17	22,114	–
Total current liabilities		1,851,350	1,199,348
Total liabilities		17,514,315	12,249,862
Total equity and liabilities		36,199,406	30,256,116

These notes are an integral part of these financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

	Registered capital (Note 27)	Treasury shares (Note 28)	Share premium (Note 27)	Other capital funds (Note 28)	Cash flow hedge reserve (Note 28)	Accumulated profits	Total equity
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
Balance at 31 Dec 2023	3,516	-	1,942,818	1,712,111	205,908	2,893,010	6,757,363
Profit for the period	-	-	-	-	-	990,754	990,754
Other comprehensive income	-	-	-	-	(157,212)	-	(157,212)
Total comprehensive income for the period	-	-	-	-	(157,212)	990,754	833,542
Issue of shares (Note 27)	2,130	-	11,534,977	-	-	-	11,537,107
Dividends	-	-	-	-	-	(1,511,069)	(1,511,069)
Share-based payments (Note 10)	-	-	-	-	-	389,310	389,310
Rounding	-	-	-	-	-	-	1
Balance at 31 Dec 2024	5,646	-	13,477,795	1,712,111	48,696	2,762,005	18,006,254
Profit for the period	-	-	-	-	-	1,999,131	1,999,131
Other comprehensive income	-	-	-	-	(127,691)	-	(127,691)
Total comprehensive income for the period	-	-	-	-	(127,691)	1,999,131	1,871,440
Dividends	-	-	-	-	-	(846,945)	(846,945)
Acquisition of Treasury shares (Note 28)	-	(189,767)	-	-	-	-	(189,767)
Share-based payments (Note 10)	-	-	-	-	-	(155,891)	(155,891)
Rounding	-	-	-	-	-	1	-
Balance at 31 Dec 2025	5,646	(189,767)	13,477,795	1,712,111	(78,995)	3,758,301	18,685,091

These notes are an integral part of these financial statements.

SEPARATE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025	2024
		CZK '000	CZK '000
Cash flows from principal economic activity (operating activity)			
Profit from ordinary activity before tax		2,070,376	1,023,603
Adjustments for non-cash transactions			
Depreciation/amortisation of non-current assets	12, 20	13,046	12,093
Change in allowances and provisions	14	(8,098)	20,122
Revenues from profit shares	7	(1,720,361)	(1,174,800)
Interest expense and interest income	15	(38,087)	(209,726)
Effect of unrealised foreign exchange gains and losses	15	997,009	(812,159)
Remeasurement of other financial assets	15	–	(113,402)
Cash flow hedges – remeasurement of effective portion of hedging instruments	35	(127,691)	(157,212)
Share-based payments	10	(44,467)	223,578
Adjustments for other non-cash transactions		39,840	16,377
Net operating cash flows before changes in working capital		1,181,567	(1,171,526)
Change in working capital			
Change in receivables and deferrals	24, 25	156,361	301,396
Change in liabilities and accruals	30, 31	(748,437)	675,632
Net cash flow from operating activities		589,491	(194,498)
Paid interest	15	(781,708)	(1,043,853)
Interest received	15	723,137	1,069,912
Income tax paid for ordinary activity	17	(40,090)	(96,137)
Dividends received	7	1,695,000	599,800
Net cash flow from operating activities		2,185,830	335,223
Cash flows from investing activities			
Acquisition of non-current assets	20	(5,716)	(3,649)
Income from the sale of Other financial assets		–	1,021,982
Provided loans	22	(1,480,830)	(11,575,092)
Repayment of loans provided to other parties	22	2,372	1,158,774
Net cash flow from investing activities		(1,484,174)	(9,397,985)
Cash flows from financing activities			
Net proceeds from issue of bonds	29	5,942,665	588,000
Proceeds from issue of shares	27	–	10,286,483
Proceeds from drawing on loans	29	2,303	3,383,828
Purchase of treasury shares	28	(189,767)	–
Dividends paid to owners		(846,945)	(260,445)
Repayment of loans	29	(1,069,230)	(2,385,683)
Repayment of leases	32	(4,910)	(5,309)
Net cash flow from financing activities		3,834,116	11,606,874
Net change in cash and cash equivalents		4,535,772	2,544,112
Opening balance of cash and cash equivalents	26	3,763,456	1,211,901
Effect of exchange rate on cash and cash equivalents		(87,042)	7,442
Closing balance of cash and cash equivalents	26	8,212,186	3,763,456

These notes are an integral part of these financial statements.

COLT CZ GROUP SE

Separate Financial Statements
for the year ended 31 December 2025
prepared in accordance with IFRS
as adopted by the European Union

TABLE OF CONTENTS

1.	GENERAL INFORMATION ABOUT THE COMPANY	201
2.	MATERIAL EVENTS IN THE CURRENT PERIOD	202
3.	NEWLY ADOPTED STANDARDS AND INTERPRETATIONS	202
4.	SIGNIFICANT ACCOUNTING POLICIES	203
5.	REVENUES FROM THE SALE OF OWN SERVICES	211
6.	OTHER OPERATING INCOME	211
7.	SHARE IN PROFIT OF SUBSIDIARIES	211
8.	RAW MATERIALS AND CONSUMABLES USED	212
9.	PERSONNEL EXPENSES	212
10.	SHARE-BASED PAYMENT ARRANGEMENTS	212
11.	SERVICES	215
12.	DEPRECIATION AND AMORTISATION	215
13.	OTHER OPERATING EXPENSES	216
14.	PROVISIONS	216
15.	INTEREST AND OTHER FINANCIAL INCOME AND EXPENSES	216
16.	GAINS/LOSSES FROM DERIVATIVE TRANSACTIONS	217
17.	INCOME TAX	217
18.	DEFERRED TAX	218
19.	OTHER COMPREHENSIVE INCOME	218
20.	NON-CURRENT ASSETS	219
21.	INVESTMENTS IN SUBSIDIARIES	221
22.	PROVIDED LOANS	225
23.	RECEIVABLES AND LIABILITIES FROM FINANCIAL DERIVATIVES	226
24.	TRADE AND OTHER RECEIVABLES	226
25.	OTHER RECEIVABLES	227
26.	CASH AND CASH EQUIVALENTS	227
27.	REGISTERED CAPITAL AND SHARE PREMIUM	227
28.	OTHER COMPONENTS OF EQUITY	228
29.	BONDS, BANK LOANS AND BORROWINGS	228
30.	TRADE AND OTHER PAYABLES	231
31.	OTHER PAYABLES	231
32.	LEASE LIABILITIES	231
33.	FINANCIAL ASSETS AND LIABILITIES	233
34.	RISK MANAGEMENT PROCEDURES	236
35.	DERIVATIVE INSTRUMENTS	243
36.	RELATED PARTIES	248
37.	OFF-BALANCE SHEET COMMITMENTS	249
38.	AUDITOR'S FEE	249
39.	SUBSEQUENT MATERIAL EVENTS	250

1. GENERAL INFORMATION ABOUT THE COMPANY

Colt CZ Group SE (the Company) is a *societas Europaea* recorded in the Register of Companies held by the Municipal Court in Prague on 10 January 2013, having its registered office at náměstí Republiky 2090/3a, Nové Město, 110 00 Prague 1, Czech Republic, corporate ID No. 291 51 961. The principal activities are the manufacture, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act. The Company is a holding company established to hold interests in subsidiaries and to provide management services to related parties.

The following table shows individuals and legal entities with an equity interest greater than 10 percent:

Shareholder	Ownership percentage as at	
	31 December 2025	31 December 2024
Česká zbrojovka Partners SE	51.80%	51.80%
CBC Europe S.à r.l.	21.66%	24.37%

Since 2017, the majority owner of the Company has been Česká zbrojovka Partners, SE, based at Opletalova 1284/37, Nové Město, 110 00 Prague 1 Czech Republic.

The Company is part of a larger consolidation group of the ultimate parent company European Holding Company, SE, based at Opletalova 1284/37, Nové Město, 110 00 Prague 1 Czech Republic. Ultimate majority owner of the Company is Mr René Holeček.

Members of the Board of Directors and Supervisory Board as of the balance sheet date:

Board of Directors	
Chair:	Jan Drahota (until 30 September 2025)
Vice-chair:	Radek Musil
Vice-chair:	Josef Adam
Member:	Vladimír Rada (from 1 December 2025)
Member:	Jan Holeček
Member:	Jan Zajíc
Supervisory Board	
Chair:	Jan Drahota (from 1 October 2025)
Vice-chair:	David Aguilar (from 1 October 2025)
Vice-chair:	Lubomír Kovařík
Member:	René Holeček (from 1 October 2025)
Member:	Daniel Birmann
Member:	Jana Růžičková

Mr Radek Musil was elected Vice-chair of the Company's Board of Directors with effect from 1 January 2025.

Mr Dennis Veilleux resigned from his position as member of the Company's Board of Directors with effect from 1 April 2025.

Mr Vladimír Dlouhý resigned from his position as member of the Company's Supervisory Board with effect from 30 June 2025. The position of member of the Supervisory Board will remain temporarily vacant.

On 30 September 2025, Mr Jan Drahota resigned from his position as member and Chair of the Company's Board of Directors. With effect from 1 October 2025, Mr Drahota was co-opted to the Supervisory Board, which subsequently elected him as its Chair. In connection with the appointment of Mr Jan Drahota to the Supervisory Board, the former Chair of the Supervisory Board, Mr David Aguilar, was appointed Vice-chair of the Supervisory Board. Mr René Holeček, who previously held the position of Vice-chair, continues to serve as a member of the Supervisory Board.

On 18 November 2025, Mr Jan Zajíc, Chief Executive Officer of Česká zbrojovka a.s., was re-elected as a member of the Company's Board of Directors following the expiry of his previous five-year term of office, with effect from 24 November 2025. Mr Vladimír Rada, Chief Executive Officer of Sellier & Bellot a.s. and Sellier & Bellot Int. a.s., was newly appointed as a member of the Company's Board of Directors, with effect from 1 December 2025.

2. MATERIAL EVENTS IN THE CURRENT PERIOD

During the first quarter of 2025, the Company sold a portion of COLTCZ VAR/30 bonds maturing in 2030, with a nominal value of CZK 483 million, which had not previously been placed on the market, and simultaneously repurchased from the market COLTCZ VAR/27 bonds maturing in 2027 in the same nominal amount. As a result, the volume of bonds maturing in 2027 was reduced and the average maturity of the Company's total debt financing was extended.

On 30 June 2025, the General Meeting of the Company decided on the distribution of profit for 2024 and the payment of dividends. The dividend for 2024 amounts to CZK 15 per share before tax.

On 30 June 2025, the General Meeting of the Company also approved a resolution on the acquisition of the Company's treasury shares. Pursuant to this resolution, the Company may, for a period not exceeding five years, acquire up to 3,373,660 treasury shares at a price ranging from CZK 0.10 to CZK 1,500 per share. The maximum cash amount allocated to the share buyback programme on the regulated market is CZK 847 million.

With effect from 1 July 2025, the Company amended the terms and conditions of issue of its outstanding bonds CZG VAR/27, ISIN CZ0003530776, CZG VAR/29, ISIN CZ0003537029 and COLTCZ VAR/30, ISIN CZ0003550295 in order to reflect the following:

(a) an amendment to Article 6.3.1 (Early Redemption upon Change of Control) reflecting a new definition of the term Change of Control and the introduction of the definition of Control, and

(b) the Company's new corporate name and registered office.

The amendments to the terms and conditions of issue were approved by the meetings of bondholders held on 27 June 2025. The updated and restated terms and conditions of issue, effective from 1 July 2025, are available on the Company's website.

On 7 July 2025, the Company commenced a share buyback programme on the regulated market operated by Burza cenných papírů Praha a.s.

On 27 July 2025, the President of the European Commission, Ursula von der Leyen, and the President of the United States, Donald J. Trump, reached an agreement on tariffs and trade. Under the terms of this agreement, a 15% tariff was imposed on the majority of European imports into the United States. This measure has a direct impact on exports of products of the Group's subsidiaries in both the firearms and ammunition segments, in particular for Česká zbrojovka and Sellier & Bellot.

On 30 July 2025, the Company paid the dividend in cash.

On 28 August 2025, the Company entered into a share purchase agreement with Synthesia, a.s., a company 100% owned by Kaprain Chemical Limited, for the acquisition of Synthesia Nitrocellulose, a.s. The Company will acquire a 51% share, with the remaining 49% to be acquired under pre-agreed conditions over the medium term.

On 25 October 2025, the Company established a representative office in Ukraine. The representative office will primarily serve to develop business relationships, support marketing and sales activities, and enable more efficient coordination of the Group's activities in Ukraine.

On 7 November 2025, the Company issued a total of 600,000 bonds with a nominal value of CZK 10,000 per bond and an aggregate nominal value of CZK 6,000,000,000. The bonds bear a fixed interest rate (coupon) of 6.10% p.a., payable semi-annually in arrears. The bonds were admitted to trading on the regulated market of the Prague Stock Exchange. The proceeds from the issue will be used for capital expenditures (CAPEX), working capital, financing acquisition plans and for general purposes of the Company.

On 19 November 2025, the General Meeting of the Company authorised the Board of Directors, under the conditions set out in the Act on Business Corporations and the Company's Articles of Association, to increase the registered capital by up to CZK 800,000 through the issuance of up to 8,000,000 book-entry registered shares with a nominal value of CZK 0.10 per share. Shares to be subscribed for in connection with the increase in the Company's registered capital based on this authorisation of the Board of Directors may be offered for subscription exclusively to a pre-determined investor, i.e. without the exercise of pre-emptive rights, namely KAPRAIN CHEMICAL LIMITED.

3. NEWLY ADOPTED STANDARDS AND INTERPRETATIONS

In the current year, the Company applied the below existing amendments to IFRS Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in the EU for accounting periods beginning on or after 1 January 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Standard	Title
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability	The amendments specify how to assess whether a currency is convertible and how to determine the exchange rate when it is not convertible.

New standards and amendments to the existing standards issued by the IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new IFRS standards and revised IFRS Accounting Standards that have been issued by IASB and adopted by EU but are not yet effective:

Standard	Title	Effective date
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to IFRS 9 and IFRS 7	Nature-Dependent Electricity Contracts	1 January 2026
Annual Improvements to IFRS Accounting Standards (Volume 11)	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	1 January 2026

The Company is evaluating the impact of the implementation of IFRS 18 on its financial statements. The Company does not expect that the adoption of other standards and amendments will have a material impact on the Company's financial statements in future periods.

New standards and amendments to the existing standards issued by the IASB but not yet adopted by the EU

At present, IFRS accounting standards as adopted by the EU do not significantly differ from IFRS accounting standards adopted by the International Accounting Standards Board (IASB) except for the following amendments to the existing standards, which were not adopted by the EU:

Standard	Title	EU adoption status
IFRS 19	Subsidiaries without Public Accountability: Disclosures	Effective 1 January 2027
Amendments to IAS 21	Conversion to the hyperinflationary presentation currency	Effective 1 January 2027
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The IASB has temporarily suspended the effective date.

The Company does not expect that the adoption of the above-mentioned standard and amendments to existing standards will have a material impact on the Company's financial statements in future periods.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. Statement of compliance

These financial statements have been prepared under the International Financial Reporting Standards as adopted by the European Union (IFRS).

4.2. Basis of preparation

a) Basis of measurement

The separate financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

b) Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants took those characteristics into account in pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- ▶ **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- ▶ **Level 2** inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- ▶ **Level 3** inputs are unobservable inputs for the asset or liability.

The Company applies Level 2 to financial instruments – derivatives.

c) Going concern

The Company has, at the time of approving the financial statements, a reasonable expectation that Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

d) Functional and presentation currency

The functional currency of the Company is the Czech crown (CZK).

The presentation currency of the Company is the Czech crown (CZK). All financial information presented in these financial statements has been rounded to the nearest thousand (CZK '000) unless stated otherwise.

4.3. Provision of services

Services primarily include accounting and other advisory services provided to related parties. Services are provided based on contracts or confirmed orders. For provided services, performance obligations are agreed in contracts.

For the supply of services, the performance obligation is fulfilled when the customer acquires control of the service. This point in time is usually specified in the contract.

The costs of obtaining a contract are directly expensed if they are insignificant or if the depreciation period of the asset consisting of the costs of obtaining the contract is less than one year.

4.4. Dividends and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is recognised over the relevant period for each financial asset. Interest income is calculated by applying the effective interest rate, the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the gross carrying amount of the financial asset.

4.5. Leases

The Company as a lessee

For short-term and low-value asset leases (office technology and equipment), lease payments are recognised as operating expenses on a straight-line basis over the lease term.

For other leases, the Company recognises right-of-use assets and lease liabilities as of the lease commencement date.

As of the lease commencement date, the lease liability is measured at the present value of outstanding lease payments, discounted using the interest rate implicit in the lease (or the incremental borrowing rate in case the interest rate implicit in the lease is not readily available). Lease payments may include both fixed and variable payments. As of the lease commencement, the variable element of rent depending on the development of a price index or rate is determined according to the index or rate value as of the lease commencement date. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payment made.

If any changes (resulting mainly from the change in the lease term or in future lease payments) occur after the lease commencement date, the Company remeasures the lease liability with the corresponding adjustment to the right to use asset.

The current and non-current portions of the lease liability are presented on separate lines of the separate statement of financial position.

As of the lease commencement date, the right-of-use asset is measured at cost. The cost is comprised of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day less any lease incentives received and any initial direct cost incurred. Subsequently, the right-of-use asset is measured at cost less accumulated depreciation or impairment losses, if any.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets in the separate statement of financial position are presented in the line Property, plant and equipment.

The Company applies IAS 36 to determine whether the right-of-use asset has been impaired, and any impairment losses identified are recognised in accordance with the policy described in Note 4.12.

If there is a change in the expected payments included in the lease liability valuation, the Company adjusts the lease liability value to reflect the newly expected payments and adjusts the value of the right-of-use asset at the same time.

4.6. Foreign currencies

During the course of the reporting period, assets and liabilities denominated in foreign currencies are translated by the Company using the exchange rate promulgated by the Czech National Bank on the previous business day; as of the end of the reporting period, the exchange rate promulgated by the Czech National Bank as of 31 December is used.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange rate differences on monetary items are recognised in the profit or loss for the period in which they occurred, except for exchange rate differences on transactions designated to hedge certain monetary risks (see Note 4.20.).

4.7. Share-based payments

The fair value of agreements on equity-settled share-based payments granted to an entity's own employees is recognised as an expense as at the grant date with a corresponding increase in equity over the vesting period.

The amount recognised as an expense is adjusted to correspond with the number of cases which are expected to meet the relevant condition of employment term/function term and the non-market performance condition so that the amount finally recognised is based on the number of cases meeting the condition of the employment term/function term and the non-market performance condition on the vesting date.

The fair value of agreements on equity-settled share-based payments granted to other employees of the Colt CZ Group SE group is usually recognised as an increase in investments in subsidiaries as at the grant date with a corresponding increase in equity over the vesting period. The amount recognised as an expense is adjusted to correspond with the number of cases which are expected to meet the relevant condition of employment term/function term and the non-market performance condition so that the amount finally recognised is based on the number of cases meeting the condition of the employment term/function term and the non-market performance condition on the vesting date.

As for remuneration in the form of share-based payments with non-vesting conditions, the grant date fair value of share-based payments is determined considering those conditions and no adjustments are made to reflect differences between the expected and actual result.

4.8. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

4.8.1. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the separate statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

4.8.2. Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4.8.3. Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

4.9. Property, plant and equipment – tangible non-current assets

Property, plant and equipment is recognised at acquisition cost net of accumulated depreciation and accumulated impairment losses.

Purchased property, plant and equipment is carried at cost upon acquisition. The cost includes the direct costs of acquisition, transportation costs, customs duty and other costs related to acquisition.

Subsequent costs incurred on a replacement part for property, plant and equipment or major inspections or overhauls are recognised in the carrying amount of the affected item of property plant and equipment. Costs of day-to-day servicing, repair or maintenance are expensed when incurred.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is calculated based on the acquisition cost and estimated useful life of the respective assets. Estimated useful lives are estimated as follows:

	Number of years (from – to)
Machinery, devices and equipment	2–5
Office equipment	2–3
Right of use	3–4
Furniture and fixtures	2–4

Right of use assets are depreciated from the lease commencement date to the earlier of the end of the useful life of the right to use asset and the end of the lease term, unless the lease transfers the ownership of the underlying asset to the Company term. If this is the case, the right to use asset is depreciated from the lease commencement date to the end of the useful life of the underlying asset.

An item of property plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.10. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Depreciation is calculated based on the acquisition cost and estimated useful life of the respective assets. Estimated useful lives are estimated as follows:

	Number of years (from – to)
Software	3–5
Other intellectual property rights	4–8
Trademarks	8–15

4.11. Investments in subsidiaries

Subsidiaries are entities in which the Company exercises control.

Control is established if the Company:

- ▶ has power over the investee,
- ▶ is exposed to, or has the right to, variable returns by virtue of its involvement with the investee,
- ▶ has the ability to use its power over the investee to influence the level of their returns.

The Company is deemed to control subsidiaries by meeting the requirements under IFRS 10 – Consolidated Financial Statements. This also includes the Company holding more than 50 per cent of the voting rights of another entity and no other factors precluding control.

Investments in new subsidiaries are measured at cost less any impairment.

If there is an objective indication of impairment, any impairment loss on an investment in a subsidiary is calculated by comparing the recoverable amount with the carrying amount. In assessing the existence of such an indication, the Company primarily considers the subsidiary's current and potential financial difficulties, breaches of contracts, default, possible bankruptcy, decline in market value, failure to implement the plan, and dividends paid. The recoverable amount is determined as the higher of the value in use and the fair value of the asset less costs to sell. The value in use is determined based on estimated future cash flows discounted to their present value.

4.12. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.13. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term highly liquid investments readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. The Company considers as short-term investments with an initial maturity of three months or less.

4.14. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Company primarily establishes provisions for share-based payments.

4.15. Treasury shares

Treasury shares represent the Company's shares held by the Company. Upon acquisition, treasury shares are measured at cost and recognised as a deduction from equity. Upon subsequent sale, the consideration received is recognised directly in equity. Any difference between the acquisition cost and the consideration received is recognised within share premium.

4.16. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instruments.

All ordinary purchases and sales of financial assets are recognised or derecognised based on the transaction date. Ordinary purchases and sales refer to purchases or sales of financial assets, which require the assets to be delivered in a timeframe determined by a regulation or market convention.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4.17. Financial assets

Under IFRS 9, financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), financial assets 'at fair value through other comprehensive income' (FVTOCI), and financial assets 'at amortised cost'. Equity instrument except for shares in subsidiaries and associates are subsequently measured at fair value. The Company does not use the option to measure selected equity instruments through other comprehensive income; all equity instruments are measured at fair value through profit or loss (FVTPL).

The Company is involved in a cash pooling system within the Group, the goal of which is to optimise cash flow management. This system enables the efficient use of the Group's available funds and the reduction of external financing costs. Receivables due from subsidiaries in respect of cash pooling are recognised in current assets under Provided loans. The liability to subsidiaries is shown in current liabilities under Bonds, bank loans and borrowings. The Company monitors and reports cash pool receivables and payables separately by currency and balances in different currencies are not offset against each other. For the purposes of the Cash Flow Statement, receivables and payables from cash pooling in respect of subsidiaries are classified as Cash and cash equivalents.

Shares in subsidiaries and associates are measured at cost less any impairment losses.

The classification and subsequent measurement of debt financial assets depends on the business model and cash flow characteristics of the respective asset. Debt financial assets held to collect contractual cash flows representing solely the payment of interest and principal are measured at amortised cost. Debt financial assets held to collect contractual cash flows representing the payment of interest and principal with the possible objective of selling them (the so-called mixed business model) are measured at fair value through other comprehensive income.

4.17.1. Impairment of financial assets

For trade receivables, the Company determines an impairment loss by means of the simplified model. Therefore, the impairment loss for receivables is determined in an amount corresponding to expected losses for the entire duration of the receivable. To determine the impairment loss, the Company divides receivables into groups with a similar expected loss. Impairment losses are then determined as a percentage of the value of receivables. The amount of the expected losses for each class of receivables is based on historical experience. It is assessed annually by the Company's management.

Financial assets write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.

4.17.2. Effective interest rate method

The effective interest method is a method of calculating interest income on debt instruments that are subsequently measured at amortised cost and at FVTOCI, and of allocating such interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount on initial recognition.

4.18. Financial liabilities and equity instruments

4.18.1. Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

4.18.2. Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

4.18.2.1. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other financial income/expenses' line item in the separate statement of other comprehensive income/ statement of profit or loss.

4.18.2.2. Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

4.18.3. Issued bonds

The Company issued book-entry bearer bonds. The bonds are listed on the regulated market of the Prague Stock Exchange. Issued bonds are initially recognised at amortised cost. Unpaid interest on bonds is recognised in the Current bonds, bank loans and borrowings position. Transaction costs are accrued and recognised in Non-current or Current bonds, bank loans and borrowings.

4.18.4. Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are extinguished, i.e. they are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

If the existing obligation is modified substantially, it is accounted for as an extinguishment of the original liability and recognition of a new liability. The modification is deemed to be substantial if the cash flows under the new liability is at least 10% different from the net present value of the remaining cash flows of the existing liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.19. Financial derivatives

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks by means of interest rate swaps and currency swaps. The Company arranges hedging derivatives to hedge cash flows. Selected derivatives are designated as hedging instruments for the purposes of hedging currency risk and interest rate risk within cash flow hedges.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of trading derivatives are also recognised under financial expenses, or financial income, as appropriate.

A derivative with a positive fair value is recognised as a financial asset, while a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both a legally enforceable right and the intention to settle on a net basis.

4.20. Hedge accounting

The Company elected to continue applying the IAS 39 hedge accounting requirements for the assessment and application of hedge accounting after 1 January 2018.

The Company designates certain hedging instruments containing derivatives in respect of foreign currency and interest rate risk as either fair value hedges or cash flow hedges.

For a derivative to be classified as hedging, changes in the fair value or in cash flows arising from derivative instruments must compensate, entirely or in part, changes in the fair value of the hedged item or changes in cash flows arising from the hedged item and the Company must document and demonstrate the existence of a hedge relationship as well as high effectiveness of the hedge.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The Company uses financial derivative instruments to hedge currency and interest rate risks which it is exposed to as a result of its operations.

Hedging derivatives meet the following hedge accounting criteria:

- (a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;
- (b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;
- (c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss; and
- (d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;
- (e) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated. Effectiveness is assessed, at a minimum, at the time the Company prepares its financial statements.

The Company classified the transaction as a cash flow hedge. Hedging derivative instruments are measured at fair value as at the end of the reporting period and the fair value is reported under Cash flow hedge reserve in the Company's equity.

4.20.1. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income under Cash Flow Hedges – remeasure of effective portion of hedging instruments, the cumulative balance is recognised in the Consolidated statement of financial position in Capital funds. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the Gains or losses from derivative transactions.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

4.21. Use of estimates

The presentation of financial statements in line with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and presentation of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates on the basis of all the relevant information available to it. Nevertheless, the actual results and outcomes in the future may differ from these estimates. Key sources of uncertainty in making estimates at the end of the reporting period include:

- ▶ Impairment and useful lives of non-current assets, including the right of use based on the expected useful life of these assets and their ability to generate cash inflows in the future (Notes 4.12. and 20);
- ▶ Expected credit losses on receivables portfolio are based on historical experience and expected credit losses (Notes 4.17. and 22);
- ▶ The valuation of investments in subsidiaries is based on market parameters existing as at 31 December 2025 (Notes 4.11. and 21);
- ▶ The valuation of derivative instruments is based on market parameters (interest rates, foreign exchange rates) existing as at 31 December 2025 (Notes 4.19, 4.20, 34, and 35);
- ▶ The use of estimates is also applied to the creation of provisions (Note 14) and the recognition of share-based payments (Note 10).

4.22. Sources of uncertainty and risk factors

The Company's business may be negatively affected in the future by the following factors beyond the Company's control:

- ▶ Bad acquisition failing to meet expected performance.
- ▶ Loss of key employees.
- ▶ Political risks: Political developments may lead to a reduction in the subsidiaries' ability to supply weapons to selected areas. Such developments could adversely affect the financial performance of the Company's subsidiaries and thus the Company's business.
- ▶ Exchange rate and interest rate movements, including a change in the risk-free reference rate: The Company is active in different markets and its financial performance may be affected by unexpected changes in exchange rates; The Company is partially funded by variable interest-bearing bonds and bank loans. Interest expenses may be impacted by unexpected changes in reference rates, including changes in the method of benchmark market rate determination.

The Company continuously analyses and assesses factors that may influence the Company's financial results and adopts measures (such as using hedging financial instruments) to reduce the impact of possible negative development in the above-described areas on the Company.

5. REVENUES FROM THE SALE OF OWN SERVICES

The table below shows a breakdown of the Company's revenues by type (in CZK '000):

	2025	2024
Revenues from provision of services	154,977	155,890
Total	154,977	155,890

Revenues from provision of services primarily include accounting and advisory services. All revenues generated in 2025 and 2024 were within the scope of IFRS 15 Revenue from Contracts with Customers. All contractual obligations were satisfied and revenues were thus recognised at a certain point in time. Invoicing was also performed at the same point in time. It was not customary for the Company to require payment in advance for its services. The Company did not provide any discounts either. Revenues were not sub-categorised as they were all generated by one type of revenue.

No revenue was recognised in 2025 or 2024 related to a contractual obligation that was satisfied or partially satisfied in prior periods.

The Company has not recognised any contractual asset or contractual liability; trade receivables arising from contracts with customers are recognised in Trade and other receivables. The Company has not incurred any costs to obtain or perform the contract, therefore no asset has been recognised in respect of the contract.

The Company used the option not to recognise information on revenues arising from the existing contracts agreed for less than a year.

6. OTHER OPERATING INCOME

The table below shows a breakdown of the Company's other operating income in individual years (CZK '000):

	2025	2024
Profit/loss from the sale of non-current assets	7	–
Other operating income	2,844	66
Additions to, utilisation and release of provisions – share-based payments	8,098	–
Total	10,949	66

7. SHARE IN PROFIT OF SUBSIDIARIES

The table below shows a share in profit of subsidiaries in individual years (CZK '000):

	2025	2024
Česká zbrojovka, a.s.	800,000	500,000
Colt CZ Defence Solutions, s.r.o.	95,000	70,000
EHC-4M, SE	25,000	29,800
CZG VIB s.r.o.	361	–
Colt CZ Group International s.r.o.	100,000	75,000
Sellier & Bellot Int. a.s.	700,000	500,000
Total	1,720,361	1,174,800

The share in profit of subsidiaries for 2025 comprises a dividend. Unpaid dividend receivables amounting to CZK 25,361 thousand as at 31 December 2025 (31 December 2024 – CZK 575,000 thousand) are recognised within Trade and other receivables (Note 24).

8. RAW MATERIALS AND CONSUMABLES USED

The table below shows the breakdown of consumption in individual years (CZK '000):

	2025	2024
Consumed material	371	569
Costs of energy and other supplies	812	829
Total	1,183	1,398

9. PERSONNEL EXPENSES

Breakdown of personnel expenses for employees excluding executives (CZK '000):

	2025	2024
Average FTE number of employees	21	22
Wages and salaries	38,947	30,200
Social security and health insurance	11,608	9,935
Other personnel expenses	728	1,195
Employee bonuses	(2,618)	9,719
Share-based payments	(3,186)	6,119
Total	45,479	57,168

Breakdown of personnel expenses of executives (CZK '000):

	2025	2024
Average FTE number of executives	11	10
Wages and salaries	43,711	19,770
Social security and health insurance	17,687	4,536
Other personnel expenses	314	356
Management bonuses	13,579	14,160
Share-based payments	(41,281)	217,459
Total	34,010	256,281

In 2025 and 2024, the key management personnel included all Board of Directors and Supervisory Board members. The Company did not provide any additional benefits to its key management personnel in 2025 and 2024 that are not included in the table above (e.g., post-employment or termination benefits).

10. SHARE-BASED PAYMENT ARRANGEMENTS

10.1. Description of share-based payment arrangements – stock option plans (equity-settled)

On 27 December 2021, the Company's Supervisory Board approved an employee stock option plan (the Stock Option Plan).

The Stock Option Plan entitles the Company's key executives and employees (option holders) to purchase the Company's shares. The plan is currently only available to executives and senior employees.

The basic principles of the Stock Option Plan are as follows:

- to the extent, at the times and subject to the conditions of the Stock Option Plan, the participant will acquire the following options by way of vesting by the Company.
 - a) 15% of the allocated stock options in the period from June 2022 to June 2024
 - b) 35% of the allocated stock options in July 2024 if Target 1 is met
 - c) 50% of the allocated share options in July 2026 if Target 2 is met

- Target 1 – achieving consolidated EBITDA for the 2021 to 2023 period of USD 275,000,000
- Target 2 – achieving the following performance parameters at the consolidated level as at 31 December 2025:
 - i) a turnover of EUR 1,000,000,000
 - ii) EBITDA of EUR 200,000,000, and
 - iii) net liabilities to EBITDA ratio below 3.5, in compliance with the Group's strategy.

Shares designated for the Stock Option Plan will be newly issued. The maximum number of shares issued will be 3,373 thousand.

The Stock Option Plan comprises five tranches:

- Tranche 1–3: conditional only on employment term / function term
- Tranche 4: employment term / function term condition and a non-vesting condition (EBITDA related Target 1)
- Tranche 5: employment term / function term condition and vesting non-market performance condition (EBITDA related Target 2).

The participants in share-based payment arrangements must not sell or transfer the options.

Employees terminating their employment are divided into two groups:

- Leaving on good terms (over the entire term of 10 years): the provided options are not forfeited.
- Leaving on bad terms (over the entire term of 10 years): the provided options are forfeited.

Grant date/entitlement date	Number of instruments	Vesting conditions	Contractual maturity of the option
Granted options			
Tranche 1			
May 2022	44,500	employment term/function term from the grant date to 1 June 2022	The option may be exercised until 30 September 2029.
December 2022	4,350	ditto	ditto
July 2024 (exercised)	(48,850)	ditto	ditto
Tranche 2			
May 2022	44,500	employment term/function term from the grant date to 1 June 2023	The option may be exercised until 30 June 2029.
December 2022	4,350	ditto	ditto
July 2023	1,300	ditto	ditto
July 2024 (exercised)	(50,150)	ditto	ditto
Tranche 3			
May 2022	44,500	employment term/function term from the grant date to 1 June 2024	The option may be exercised until 30 June 2029.
December 2022	4,350	ditto	ditto
July 2023	650	ditto	ditto
July 2024 (exercised)	(49,500)	ditto	ditto
Tranche 4			
May 2022	674,000	employment term/function term from the grant date to 1 July 2024 and non-vesting condition (EBITDA-related Target 1)	The option may be exercised until 30 June 2029.
December 2022	30,450	ditto	ditto
July 2023	4,550	ditto	ditto
July 2024 (exercised)	(709,000)	ditto	ditto

Grant date/entitlement date	Number of instruments	Vesting conditions	Contractual maturity of the option
Tranche 5			
May 2022	82,500	employment term/function term from the grant date to 1 July 2026 and vesting non-market performance condition (EBITDA-related Target 2)	The option may be exercised until 30 June 2031.
December 2022	43,500	ditto	ditto
July 2023	6,500	ditto	ditto
December 2025 (expired)	(132,500)	ditto	ditto
Total stock options	-		

On 3 July 2024, 857,500 employee options from tranches 1 to 4 were settled under the Stock Option Plan. The cumulative expense in the years 2022 to 2024 related to these settled options amounts to CZK 367,701 thousand and it is recognised in Accumulated profits. The option holders exercised their right to purchase the Company's shares at a nominal value of CZK 0.1 and thus all options were exercised in July 2024.

As at 31 December 2025, EBITDA-related Target 2, which represented a vesting non-market performance condition, was not met. As a result, provided 132,500 employee options from tranche 5 expired. The cumulative expense from the years 2022 to 2024 related to these expired options amounted to CZK 44,467 thousand.

10.2. Fair value measurement

To determine the fair values of equity-settled share-based payments (share option plans settled with equity instruments) as at the grant date, the following input information was used:

2025	Stock option plan (equity-settled)				
Key executives	Tranche 1**	Tranche 2**	Tranche 3**	Tranche 4**	Tranche 5***
Fair value at the grant date (in CZK) (average)	512.79	512.08	512.43	411.29	464.68
Share price at the grant date (in CZK) (average)	581.67	581.67	581.67	581.67	581.67
Exercise price of the option (in CZK)	0.10	0.10	0.10	0.10	0.10
Expected volatility (weighted average)	21.17%	21.17%	21.17%	21.17%	21.17%
Expected maturity of the option (weighted average) in years	2.0	2.0	2.0	2.0	4.0
Dividend income	4.00%	4.00%	4.00%	4.00%	4.00%
Risk-free interest rate (based on the CZK IRS* rate)	4.61%	4.61%	4.61%	4.61%	4.31%

* Interest rate swaps in CZK with corresponding maturity

** All stock options in these tranches were exercised in 2024

*** All stock options in this tranche expired in 2025

2024	Stock option plan (equity-settled)				
Key executives	Tranche 1**	Tranche 2**	Tranche 3**	Tranche 4**	Tranche 5
Fair value at the grant date (in CZK) (average)	512.79	512.08	512.43	411.29	464.68
Share price at the grant date (in CZK) (average)	581.67	581.67	581.67	581.67	581.67
Exercise price of the option (in CZK)	0.10	0.10	0.10	0.10	0.10
Expected volatility (weighted average)	21.17%	21.17%	21.17%	21.17%	21.17%
Expected maturity of the option (weighted average) in years	2.0	2.0	2.0	2.0	4.0
Dividend income	4.00%	4.00%	4.00%	4.00%	4.00%
Risk-free interest rate (based on the CZK IRS* rate)	4.61%	4.61%	4.61%	4.61%	4.31%

* Interest rate swaps in CZK with corresponding maturity

** All stock options in these tranches were exercised in 2024

The expected volatility was based on an assessment of the historical volatility of the Company's share price for the historical period corresponding to the expected maturity.

10.3. Reconciliation of stock options

The following table shows the number and weighted average exercise price of stock options in the Stock Option Plan.

Total options	2025		2024	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Not settled at 1 January	132,500	0.10	990,000	0.10
Exercised during the period	–	0.10	(857,500)	0.10
Expired during the period	(132,500)	0.10	–	0.10
Not settled at 31 December	–	–	132 500	–

10.4. Expenses recorded in the statement of profit or loss

For more details on Stock Option Plan expenses see Notes 9 and 14.

10.5. Items recorded in the statement of financial position

As at 31 December 2025, the related social security and health insurance liabilities amounted to CZK 27,210 thousand (2024 – CZK 35,308 thousand) and were reported in non-current provisions with a corresponding charge recognized in profit or loss (see Note 14). The Company also recorded deferred tax relating to these liabilities, totalling CZK 5,714 thousand (2024 – CZK 7,415 thousand) (Note 18).

11. SERVICES

The breakdown of the Company's services in individual years is as follows (CZK '000):

	2025	2024
Advisory services and other external expenses	61,949	49,449
Transportation and travel	6,595	4,583
IT costs, connectivity, SW license	6,004	5,121
Marketing costs	12,752	8,531
Variable lease costs	1,818	1,291
Costs relating to low-value assets not included in the short-term leases above	63	55
Other services	6,088	6,600
Total	95,269	75,630

12. DEPRECIATION AND AMORTISATION

The table shows the composition of the Company's expenses in individual years (CZK '000):

	2025	2024
Amortisation of non-current intangible assets (Note 20.1)	1,701	1,684
Depreciation of non-current tangible assets (Note 20.2)	6,671	5,474
Depreciation of right of use (Note 20.3)	4,674	4,935
Total	13,046	12,093

13. OTHER OPERATING EXPENSES

The table shows the composition of other operating expenses of the Company in individual years (CZK '000):

	2025	2024
Taxes and levies	224	869
Insurance	498	485
Gifts	165	1,520
Other	13	–
Additions to, utilisation and release of provisions – share-based payments	–	20,122
Total	900	22,996

14. PROVISIONS

The table below shows changes in non-current provisions (CZK '000):

Provisions	Balance at 31 Dec 2023	Additions to provisions	Balance at 31 Dec 2024	Additions to provisions	Release of provisions	Balance at 31 Dec 2025
Provisions for share-based payments – non-current	15,186	20,122	35,308	–	(8,098)	27,210
Total	15,186	20,122	35,308	–	(8,098)	27,210

15. INTEREST AND OTHER FINANCIAL INCOME AND EXPENSES

Financial income in individual years (CZK '000):

	2025	2024
Interest income	858,349	1,206,337
Total interest income	858,349	1,206,337
FX gains	–	1,061,025
FX losses	–	(563,739)
Other financial income	–	113,402
Total other financial income	–	610,688

Financial expenses in individual years (CZK '000):

	2025	2024
Interest expense	820,262	996,611
Total interest expense	820,262	996,611
FX gains	(944,571)	–
FX losses	1,212,062	–
Other financial expenses	48,819	76,725
Total other financial expenses	316,310	76,725

As at 31 December 2024, Other financial income of CZK 113,402 thousand represented the revaluation of Other financial assets to fair value at the date of sale.

Other financial expenses of CZK 48,818 thousand (2024 – CZK 76,725 thousand) mainly include the fee for the issue of shares and bonds of CZK 13,652 thousand (2024 – CZK 66,560 thousand) and the release of accrued expenses related to the loan drawn in 2024 and repaid early in 2025, of CZK 30,054 thousand (2024 – CZK 4,606 thousand).

16. GAINS/LOSSES FROM DERIVATIVE TRANSACTIONS

Income and expenses from derivative transactions in individual years (CZK '000):

	2025	2024
Income from derivative transactions	745,718	62,023
Expenses for derivative transactions	(93,519)	(687,299)
Total	652,199	(625,276)

17. INCOME TAX

Income tax in individual years was as follows (CZK '000):

	2025	2024
Current income tax	72,473	37,768
Deferred tax	(1,228)	(4,919)
Total (expense + / income -)	71,245	32,849

The difference between the actual tax for 2024 and the tax stated in the financial statements for the year ended 31 December 2024 recognised in 2025 amounted to CZK 275 thousand. The difference between the actual tax for 2023 and the tax stated in the financial statements for the year ended 31 December 2023 recognised in 2024 amounted to CZK 1,392 thousand.

Tax liabilities of CZK 22,114 thousand as at 31 December 2025 comprise the income tax prepayments paid in 2025 of CZK 50,634 thousand and the tax liability for 2025 of CZK 72,748 thousand (31 December 2024 – tax receivables of CZK 9,928 thousand comprising the income tax prepayments paid of CZK 46,304 thousand and the tax liability for 2024 of CZK 36,376 thousand).

Reconciliation of effective tax rate

The table below shows the reconciliation of the profit before tax with current tax in individual years (CZK '000):

	2025	%	2024	%
Profit before tax	2,070,376	–	1,023,603	–
Income tax calculated using the Company's tax rate (21%)	434,779	21.00%	214,957	21.00%
Tax non-deductible expenses (permanent)	16,550	0.80%	65,528	6.40%
Share in profit of subsidiaries	(379,384)	(18.32%)	(248,390)	(24.27%)
Other	(425)	(0.02%)	(638)	(0.06%)
Changes in estimates relating to prior years	(275)	(0.01%)	1,392	0.14%
Income tax (expense + / income -) / effective tax rate	71,245	3.44%	32,849	3.21%

18. DEFERRED TAX

In accordance with the accounting policies described in Note 4.8., the applicable tax rate in the Czech Republic of 21% was used to calculate deferred tax.

The Company has quantified the deferred tax and its year-on-year change for 2025 as follows (CZK '000):

2025	Balance at 1 Jan 2025		Change in 2025	Balance at 31 Dec 2025
Deferred tax components	Deferred tax asset (+) / liability (-)	Recognised in profit or loss	Recognised in OCI	Deferred tax asset (+) / liability (-)
Difference between carrying and tax value of non-current assets	1,565	638	–	2,203
Other temporary differences:				
Provisions	7,415	(1,701)	–	5,714
Other payables – current	5,285	2,291	–	7,576
Derivative instruments (impact on equity)	(12,945)	–	33,943	20,998
Total	1,320	1,228	33,943	36,491
Deferred tax asset (+) / liability (-)	1,320			36,491

2024	Balance at 1 Jan 2024		Change in 2024	Balance at 31 Dec 2024
Deferred tax components	Deferred tax asset (+) / liability (-)	Recognised in profit or loss	Recognised in OCI	Deferred tax asset (+) / liability (-)
Difference between carrying and tax value of non-current assets	1,047	518	–	1,565
Other temporary differences:				
Provisions	3,189	4,226	–	7,415
Other payables – current	5,110	175	–	5,285
Derivative instruments (impact on equity)	(54,735)	–	41,790	(12,945)
Total	(45,389)	4,919	41,790	1,320
Deferred tax asset (+) / liability (-)	(45,389)			1,320

19. OTHER COMPREHENSIVE INCOME

	2025	2024
Change in fair value of hedging instruments	464,047	(456,962)
Values reclassified to the statement of profit or loss	(625,681)	257,960
Deferred tax	33,943	41,790
Change in fair value of hedging instruments after tax	(127,691)	(157,212)
Total other comprehensive income	(127,691)	(157,212)

*In 2025, the structure of the above table was adjusted, and for the sake of comparability the Company also adjusted the information for 2024.

20. NON-CURRENT ASSETS

20.1. INTANGIBLE ASSETS

COST

Year ended 31 December 2025 with opening balances as at 31 December 2024. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Additions	Disposals	Transfers	Closing balance
Software	7,435	177	–	–	7,612
Intangible assets under construction or being acquired	–	–	–	–	–
Trademarks and logos	40,785	–	–	–	40,785
Other intellectual property rights	9,184	–	–	–	9,184
Total	57,404	177	–	–	57,581

Year ended 31 December 2024 with opening balances as at 31 December 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Additions	Disposals	Transfers	Closing balance
Software	5,321	616	–	1,498	7,435
Intangible assets under construction or being acquired	1,498	–	–	(1,498)	–
Trademarks and logos	40,785	–	–	–	40,785
Other intellectual property rights	9,184	–	–	–	9,184
Total	56,788	616	–	–	57,404

ACCUMULATED DEPRECIATION AND ALLOWANCES

Year ended 31 December 2025 with opening balances as at 31 December 2024. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Depreciation	Disposals, sale, liquidation	Closing balance	Carrying amount
Software	(2,837)	(1,453)	–	(4,290)	3,322
Intangible assets under construction or being acquired	–	–	–	–	–
Trademarks and logos	–	–	–	–	40,785
Other intellectual property rights	(578)	(248)	–	(826)	8,358
Total	(3,415)	(1,701)	–	(5,116)	52,465

Year ended 31 December 2024 with opening balances as at 31 December 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Depreciation	Disposals, sale, liquidation	Closing balance	Carrying amount
Software	(1,402)	(1,435)	–	(2,837)	4,598
Intangible assets under construction or being acquired	–	–	–	–	–
Trademarks and logos	–	–	–	–	40,785
Other intellectual property rights	(329)	(249)	–	(578)	8,606
Total	(1,731)	(1,684)	–	(3,415)	53,989

20.2. PROPERTY, PLANT AND EQUIPMENT

COST

Year ended 31 December 2025 with opening balances as at 31 December 2024. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Additions	Disposals	Transfers	Closing balance
Buildings	6,482	–	–	–	6,482
Machinery, devices and equipment	18,225	6,572	(283)	–	24,514
Tangible assets under construction	–	–	–	–	–
Total	24,707	6,572	(283)	–	30,996

Year ended 31 December 2024 with opening balances as at 31 December 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Additions	Disposals	Transfers	Closing balance
Buildings	6,482	–	–	–	6,482
Machinery, devices and equipment	16,244	2,064	(83)	–	18,225
Tangible assets under construction	–	–	–	–	–
Total	22,726	2,064	(83)	–	24,707

ACCUMULATED DEPRECIATION AND ALLOWANCES

Year ended 31 December 2025 with opening balances as at 31 December 2024. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Depreciation	Disposals, sale, liquidation	Closing balance	Carrying amount
Buildings	(2,599)	(932)	–	(3,531)	2,951
Machinery, devices and equipment	(8,120)	(5,739)	283	(13,576)	10,938
Tangible assets under construction	–	–	–	–	–
Total	(10,719)	(6,671)	283	(17,107)	13,889

Year ended 31 December 2024 with opening balances as at 31 December 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Depreciation	Disposals, sale, liquidation	Closing balance	Carrying amount
Buildings	(1,667)	(932)	–	(2,599)	3,883
Machinery, devices and equipment	(3,635)	(4,542)	57	(8,120)	10,105
Tangible assets under construction	–	–	–	–	–
Total	(5,302)	(5,474)	57	(10,719)	13,988

20.3. RIGHT OF USE

COST

Year ended 31 December 2025 with opening balances as at 31 December 2024. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Additions	Disposals	Transfers	Closing balance
Right of use of buildings	18,799	–	(58)	–	18,741
Right of use of machinery, devices and equipment	4,041	–	(2,883)	–	1,158
Total	22,840	–	(2,941)	–	19,899

Right-of-use assets primarily comprise leases relating to office space and cars.

Year ended 31 December 2024 with opening balances as at 31 December 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Additions	Disposals	Transfers	Closing balance
Right of use of buildings	18,799	–	–	–	18,799
Right of use of machinery, devices and equipment	7,308	–	(3,267)	–	4,041
Total	26,107	–	(3,267)	–	22,840

ACCUMULATED DEPRECIATION AND ALLOWANCES

Year ended 31 December 2025 with opening balances as at 31 December 2024. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Depreciation	Disposals, sale, liquidation	Closing balance	Carrying amount
Right of use of buildings	(4,557)	(3,418)	–	(7,975)	10,766
Right of use of machinery, devices and equipment	(2,758)	(1,256)	2,856	(1,158)	–
Total	(7,315)	(4,674)	2,856	(9,133)	10,766

Year ended 31 December 2024 with opening balances as at 31 December 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Depreciation	Disposals, sale, liquidation	Closing balance	Carrying amount
Right of use of buildings	(1,139)	(3,418)	–	(4,557)	14,242
Right of use of machinery, devices and equipment	(4,341)	(1,517)	3,100	(2,758)	1,283
Total	(5,480)	(4,935)	3,100	(7,315)	15,525

21. INVESTMENTS IN SUBSIDIARIES

Investments owned by the Company during the accounting period ended 31 December 2025. Amounts in the table are presented in CZK '000.

ENTITY	Country	Principal activity	Equity investment in %	Cost of investment in subsidiary	Accumulated impairment loss	Carrying amount
			31 Dec 2025	31 Dec 2025	31 Dec 2025	31 Dec 2025
Česká zbrojovka a.s.	Czech Republic	Production, purchase and sale of firearms and ammunition	100	2,566,632	–	2,566,632
EHC-4M, SE	Czech Republic	Holding company	100	2,700	–	2,700
Colt CZ Group North America, Inc.	USA	Holding company	100	1,876,854	–	1,876,854
Colt CZ Defence Solutions s.r.o.	Czech Republic	Purchase and sale of firearms and ammunition	100	191,225	–	191,225
Colt CZ Group International s.r.o.	Czech Republic	Holding company	100	269,935	–	269,935
CZG VIB s.r.o.	Czech Republic	Holding company	100	21,538	–	21,538
swissAA Holding AG	Switzerland	Holding company	100	728,687	–	728,687
Sellier & Bellot Int. a.s.	Czech Republic	Production and sale of ammunition	100	11,537,066	–	11,537,066
Colt CZ Insurance Limited	Guernsey	Captive reinsurance company	100	6,063	–	6,063
Total				17,200,700	–	17,200,700

Investments owned by the Company during the accounting period ended 31 December 2024. Amounts in the table are presented in CZK '000.

ENTITY	Country	Principal activity	Equity investment in %	Cost of investment in subsidiary	Accumulated impairment loss	Carrying amount
			31 Dec 2024	31 Dec 2024	31 Dec 2024	31 Dec 2024
Česká zbrojovka a.s.	Czech Republic	Production, purchase and sale of firearms and ammunition	100	2,623,698	–	2,623,698
EHC-4M, SE	Czech Republic	Holding company	100	2,700	–	2,700
Colt CZ Group North America, Inc.	USA	Holding company	100	1,929,519	–	1,929,519
Colt CZ Defence Solutions s.r.o.	Czech Republic	Purchase and sale of firearms and ammunition	100	192,918	–	192,918
Colt CZ Group International s.r.o.	Czech Republic	Holding company	100	269,935	–	269,935
CZG VIB s.r.o.	Czech Republic	Holding company	100	21,538	–	21,538
swissAA Holding AG	Switzerland	Holding company	100	728,687	–	728,687
Sellier & Bellot Int. a.s.	Czech Republic	Holding company	100	2,390,448	–	2,390,448
Colt CZ Insurance Limited	Guernsey	Captive reinsurance company	100	6,063	–	6,063
Total				8,165,506	–	8,165,506

The development of investments in subsidiaries in 2025 and 2024 was as follows:

	2025	2024
Opening balance as at 1 January	8,165,506	5,616,892
Investment acquisition	–	–
Additional capital contribution	9,146,616	2,385,100
Share-based payment arrangements	(111,424)	165,732
Other	2	(2,218)
Closing balance as at 31 December	17,200,700	8,165,506

In 2025, the Company made an additional contribution in equity outside the registered capital of Sellier & Bellot Int. a.s. of CZK 9,146,616 thousand. The additional contribution in equity outside the registered capital represents the capitalisation of the previously granted loan.

In 2024, the Company made an additional contribution in equity outside the registered capital of Sellier & Bellot Int. a.s. of CZK 2,385,100 thousand. The additional contribution in equity outside the registered capital represents the capitalisation of the previously granted loan.

Aggregate financial information as at 31 December 2025 is presented in CZK '000.

	Česká zbrojovka a.s.	EHC-4M, SE	Colt CZ Group North America, Inc.	Colt CZ Defence Solutions, s.r.o.	Colt CZ Insurance Ltd.	Colt CZ Group International s.r.o.	CZG VIB s.r.o.	Sellier & Bellot Int. a.s.	swissAA Holding AG
Aggregate statement of financial position									
Non-current assets	3,082,210	7,321	6,357,703	11,616	–	308,893	15,000	11,788,927	1,142,471
Current assets incl. cash	5,496,312	95,350	7,049,128	850,499	65,446	239,279	2,833	4,413,032	867,997
Non-current liabilities	(1,923,202)	–	(5,305,439)	(563)	–	(89,035)	–	(7,294,809)	(257,780)
Current liabilities	(2,315,803)	(43,673)	(4,939,669)	(711,451)	(27,028)	(23,602)	(368)	(4,061,917)	(867,009)
Total net assets / (liabilities)	4,339,517	58,998	3,161,723	150,101	38,418	435,535	17,465	4,845,233	885,679
Aggregate statement of comprehensive income									
Revenues	6,104,580	127,375	7,672,179	1,955,866	22,067	245,970	–	8,523,233	668,790
Profit / (loss) before tax	1,642,391	23,968	(198,037)	170,873	18,802	94,324	967	641,778	(146,554)
Income tax	(333,706)	(4,393)	54,675	(35,595)	(153)	(18,669)	(2)	(142,591)	12,437
Profit / (loss) for the period	1,308,685	19,575	(143,362)	135,278	18,649	75,655	965	499,187	(134,117)

Aggregate financial information as at 31 December 2024 is presented in CZK '000.

	Česká zbrojovka a.s.	EHC-4M, SE	Colt CZ Group North America, Inc.	Colt CZ Defence Solutions, s.r.o.	Colt CZ Insurance Ltd.	Colt CZ Group International s.r.o.	CZG VIB s.r.o.	Sellier & Bellot Int. a.s.	swissAA Holding AG
Aggregate statement of financial position									
Non-current assets	2,920,407	7,653	5,656,212	12,330	–	335,092	15,000	12,247,997	1,223,163
Current assets incl. cash	4,038,567	70,802	4,591,627	1,049,501	66,300	353,153	1,869	4,260,666	841,962
Non-current liabilities	(2,022,126)	(666)	(4,440,317)	(870)	–	(100,855)	–	(17,918,532)	(317,388)
Current liabilities	(1,465,843)	(13,365)	(2,325,055)	(949,446)	(41,785)	(225,408)	(7)	(3,238,135)	(718,320)
Total net assets / (liabilities)	3,471,005	64,424	3,482,467	111,515	24,516	361,982	16,862	(4,648,004)	1,029,417
Aggregate statement of comprehensive income									
Revenues	6,002,376	88,351	10,399,482	1,353,211	21,926	309,705	–	4,940,455	870,105
Profit / (loss) before tax	1,259,710	3,561	504,657	121,755	18,833	115,979	922	(487,346)	(127,906)
Income tax	(262,334)	(72)	61,060	(26,290)	(93)	(24,072)	–	(43,241)	4,906
Profit / (loss) for the period	997,377	3,489	565,717	95,465	18,740	91,907	922	(530,587)	(123,000)

The financial information above includes data derived from the reports used in the preparation of the Company's consolidated financial statements prepared in accordance with IFRS Accounting Standards as adopted by the European Union. This financial information is not published in the separate financial statements of the respective entities, which are prepared under different financial reporting frameworks. The selected information is presented on an aggregated basis for the relevant sub-consolidated groups. For comparability purposes, the information as at 31 December 2024 has been adjusted.

The Company reviews the carrying amounts at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Impairment losses are recognised in the statement of profit or loss.

22. PROVIDED LOANS

The structure of other provided loans in individual years was as follows (CZK '000):

			31 Dec 2025	31 Dec 2024
	Due date	Interest rate p. a.	CZK '000	CZK '000
Provided loans				
Česká zbrojovka a.s.	22 Jan 2029	2.5%	1,503,667	1,561,966
saltech AG	31 Dec 2026	4.4% - 8.3%	422,477	417,321
Sellier & Bellot Int. a.s.	indefinite	5.45% - 8.5%	1,046,196	10,228,913
Four Horses Apparel, Inc.	indefinite	5.5%	22,924	22,347
Colt's Manufacturing Company LLC	31 Dec 2026	6.8%	114,707	–
Colt CZ Group North America, Inc.	31 Dec 2026	4.5% - 7.125%	5,338,653	4,668,016
Colt Electro Optics, LLC	31 Dec 2026	5.5%	–	2,423
Receivables from cash pooling				
	Interest rate p. a.			
Colt CZ Group International s.r.o. – CZK	O/N PRIBOR + 2%		–	2,223
Sellier & Bellot Int. a.s. – USD	SOFR +2.5%		–	14
Sellier & Bellot Int. a.s. – CZK	O/N PRIBOR + 2%		1	–
Colt Electro Optics, LLC – USD	SOFR +2.5%		58,652	–
Česká zbrojovka a.s. – EUR	€STR +2.25%		17,462	–
Česká zbrojovka a.s. – CZK	O/N PRIBOR + 2%		182	324,660
4M SYSTEMS a.s. – EUR	€STR +2.25%		7,822	–
4M SYSTEMS a.s. – USD	SOFR +2.5%		3	–
Colt CZ Defence Solutions, s.r.o. – CZK	O/N PRIBOR + 2%		97,491	–
Colt CZ Defence Solutions, s.r.o. – EUR	€STR +2.25%		–	912,208
Total			8,630,237	18,140,091
Non-current			2,414,992	15,715,001
Current			6,215,245	2,425,090
Total			8,630,237	18,140,091

The table below shows the reconciliation of movements in the balance of other provided loans (CZK '000) in individual years:

	2025	2024
Opening balance as at 1 January	18,140,091	7,819,496
Provided loans	1,549,842	12,814,197
Loan repayment	(1,207,776)	(1,244,884)
Unpaid interest income	226,294	277,943
Loan capitalisation	(9,146,616)	(2,385,100)
Impact of FX rate differences	(931,598)	858,439
Closing balance as at 31 December	8,630,237	18,140,091

The loans provided in 2025 of CZK 1,549,842 thousand represent mainly loans to subsidiary Colt CZ Group North America, Inc of CZK 1,358,616 thousand, used for the acquisition of Valley Steel Stamp Inc. The Company also provided CZK 4,216 thousand to subsidiary Four Horses Apparel, Inc. for operational financing of its business, and CZK 117,998 thousand to subsidiary Colt's Manufacturing Company LLC for operational financing of its business. The remaining part of the loans granted of CZK 69,012 thousand consists of receivables from cash pooling.

In 2024, provided loans of CZK 12,814,197 thousand mainly included loans to subsidiary Sellier & Bellot Int. a.s. of CZK 11,526,552 thousand, which were used for the acquisition of Sellier & Bellot a.s. Part of the loan of CZK 2,385,100 thousand was capitalised in 2024. Another part of the loan of CZK 9,146,616 thousand was capitalised during 2025.

In 2024, the Company also provided CZK 42,095 thousand to subsidiary saltech AG for operational financing of its business, CZK 6,387 thousand to subsidiary Four Horses Apparel, Inc. for operational financing of its business, and CZK 2,372 thousand to subsidiary Colt Electro Optics, LLC for operational financing of its business. In 2024, the remaining part of the loans granted of CZK 1,236,791 thousand consisted of receivables from cash pooling.

The credit quality of other provided loans is discussed in Note 34.

23. RECEIVABLES AND LIABILITIES FROM FINANCIAL DERIVATIVES

	31 Dec 2025	31 Dec 2024
Non-current receivables from derivative financial instruments		
Non-current receivables from hedging derivatives	366,876	135,256
Non-current receivables from trading derivatives	139,666	28,322
Total non-current receivables from derivative financial instruments	506,542	163,578
Current receivables from derivative financial instruments		
Current receivables from hedging derivatives	–	–
Current receivables from trading derivatives	39,770	6,066
Total current receivables from derivative financial instruments	39,770	6,066
Non-current liabilities from derivative financial instruments		
Non-current liabilities from hedging derivatives	61,096	288,000
Non-current liabilities from trading derivatives	122,460	168,152
Total non-current liabilities from derivative financial instruments	183,556	456,152
Current liabilities from derivative financial instruments		
Current liabilities from hedging derivatives	–	–
Current liabilities from trading derivatives	–	477,419
Total current liabilities from derivative financial instruments	–	477,419

24. TRADE AND OTHER RECEIVABLES

The structure of trade and other receivables in individual years was as follows (CZK '000):

	31 Dec 2025	31 Dec 2024
Trade receivables	81,358	92,041
Estimated receivables	6,072	8,714
Other receivables	42,788	575,000
Accrued income	2,483	2,296
Total	132,701	678,051
Non-current		
	–	–
Current		
	132,701	678,051
Total	132,701	678,051

Overdue current trade receivables as at 31 December 2025 amounted to CZK 74,582 thousand (31 December 2024 – CZK 91,071 thousand). As at 31 December 2025 and 31 December 2024, the Company did not create any allowance for trade receivables and other receivables. The credit quality of these receivables is discussed in Note 34.

Other receivables of CZK 42,788 thousand (31 December 2024 – CZK 575,000 thousand) mainly represent unpaid profit shares of subsidiaries EHC-4M, SE of CZK 25,000 thousand and CZG VIB s.r.o. of CZK 361 thousand. In 2024, other receivables represented unpaid profit shares of subsidiaries Sellier & Bellot Int. a.s. of CZK 500,000 thousand and Colt CZ Group International, s.r.o. of CZK 75,000 thousand.

25. OTHER RECEIVABLES

The structure of other receivables in individual years is as follows (CZK '000):

	31 Dec 2025	31 Dec 2024
Prepayments made	1,736	2,653
Deferred expenses	3,414	655
Value added tax	–	236
Other taxes	1,745	211
Total	6,895	3,755
Non-current	–	–
Current	6,895	3,755
Total	6,895	3,755

26. CASH AND CASH EQUIVALENTS

The structure of cash and cash equivalents is as follows (CZK '000):

	31 Dec 2025	31 Dec 2024
Cash at bank	9,568,950	3,004,319
Cash and cash equivalents in the statement of financial position	9,568,950	3,004,319
Receivables from cash pooling (Note 22)	181,613	1,239,105
Liabilities from cash pooling (Note 29)	(1,538,377)	(479,968)
Cash and cash equivalents in the statement of cash flows	8,212,186	3,763,456

Cash and cash equivalents in the statement of financial position represent cash at bank. In the statement of cash flows, cash and cash equivalents include cash at bank and cash pooling receivables and payables from/to subsidiaries.

The credit quality is discussed in Note 34.

27. REGISTERED CAPITAL AND SHARE PREMIUM

As at 31 December 2025, the Company's registered capital comprised 56,463 thousand ordinary registered shares totalling CZK 5,646 thousand.

On 16 May 2024, the acquisition of Sellier & Bellot a.s. was finally settled and the Group became a 100% owner of this company. The Group paid the remaining part of the purchase price of USD 230 million including share-based payments of USD 353 million, representing 13,476,440 shares. These shares were issued on 16 May 2024, increasing the Company's registered capital by CZK 1,348 thousand. The subscription price was set at CZK 596.9 per share. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 8,042,462 thousand was recorded as a share premium.

On 3 July 2024, 1,735,100 employee options were settled under the Company's stock option plan. The option holders exercised their right to purchase the Company's shares at a nominal value of CZK 0.1. These shares were issued on 26 June 2024, increasing the Company's registered capital by CZK 174 thousand.

On 23 August 2024, the Company's registered capital was increased by CZK 219 through the issue of 2,194,078 shares in book-entry form. The subscription price per share was CZK 570. The increase of the registered capital was approved by the Company's Board of Directors on 22 August 2024 based on the authorisation by the General Meeting. The capital increase and subscription of new shares was made

in connection with the payment of a dividend in form of new shares of the Company based on a previous shareholders' decision. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 1,250,405 thousand was recorded as a share premium.

On 18 October 2024, the Company's registered capital was increased by CZK 390 thousand through the issue of 3,900,000 shares in book-entry form. The subscription price per share was CZK 575. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 2,242,110 thousand was recorded as a share premium.

As at 31 December 2024, the Company's registered capital comprised 56,463 thousand ordinary registered shares totalling CZK 5,646 thousand.

28. OTHER COMPONENTS OF EQUITY

The structure of other equity components in individual years is as follows (CZK '000):

	31 Dec 2025	31 Dec 2024
Treasury shares	(189,767)	–
Capital funds	1,712,111	1,712,111
Cash flow hedge reserve	(78,995)	48,696
Total	1,443,349	1,760,807

Following the resolution on the acquisition of own shares, the Company repurchased 262,868 own shares of CZK 189,767 thousand in 2025.

Capital funds represent additional capital contributions relating to the acquisition of a 50% share in Česká zbrojovka a.s. in 2013 of CZK 1,528,735 thousand (31 December 2024 – CZK 1,528,735 thousand), and the effect of spin-off associated with acquisition of own shares of CZK 175,043 thousand and other intellectual property rights at the net book value of CZK 8,334 thousand from Česká zbrojovka a.s. (31 December 2024 – CZK 183,377 thousand).

29. BONDS, BANK LOANS AND BORROWINGS

29.1. Bonds

As at 31 December 2025, the Company used the following external financing in the form of issued bonds (CZK '000):

			31 Dec 2025	31 Dec 2024
	Due date	Interest rate p. a.	CZK '000	CZK '000
Issued bonds	23 March 2027	6M PRIBOR + margin % p.a.	4,517,000	5,000,000
Issued bonds – outstanding interest			64,408	79,144
Issued bonds – costs of issue			(6,397)	(11,633)
Issued bonds	27 Jan 2029	6M PRIBOR + margin % p.a.	1,998,000	1,998,000
Issued bonds – outstanding interest			42,705	50,948
Issued bonds – costs of issue			(5,931)	(7,860)
Issued bonds	18 May 2030	6M PRIBOR + margin % p.a.	3,000,000	2,517,000
Issued bonds – outstanding interest			19,727	17,580
Issued bonds – costs of issue			(7,027)	(8,632)
Issued bonds	7 May 2031	6.1% p.a.	6,000,000	–
Issued bonds – outstanding interest			55,917	–
Issued bonds – costs of issue			(56,012)	–
Total			15,622,390	9,634,547
Repayments in the following year			182,757	147,672
Repayments in future years			15,439,633	9,486,875

In 2025, the Company issued bonds totalling CZK 6,000,000 thousand and maturing in 2031. In 2024, the Company exercised the option to increase the volume of the existing bond issue and issued bonds with a nominal value of CZK 588,000 thousand. The Company does not expect to call the bonds in 2026.

As at 31 December 2025, interest expense amounted to CZK 572,916 thousand (31 December 2024 – CZK 667,811 thousand), of which unsettled interest expense was CZK 182,757 thousand (31 December 2024 – CZK 147,672 thousand).

Costs related to the issue of bonds in 2025 of CZK 57,573 thousand are accounted for on an accrual basis over the maturity of the bonds. The remaining part of these costs as at 31 December 2025 is CZK 56,012 thousand (31 December 2024 – CZK 0).

Costs related to the issue of bonds in 2023 of CZK 11,244 thousand are accounted for on an accrual basis over the maturity of the bonds. The remaining part of these costs as at 31 December 2025 is CZK 7,027 thousand (31 December 2024 – CZK 8,632 thousand).

Costs related to the issue of bonds in 2022 of CZK 13,508 thousand are accounted for on an accrual basis over the maturity of the bonds. The remaining part of these costs as at 31 December 2025 is CZK 5,931 thousand (31 December 2024 – CZK 7,860 thousand).

Costs related to the issue of bonds in 2021 of CZK 31,412 thousand are accounted for on an accrual basis over the maturity of the bonds. The remaining part of these costs as at 31 December 2025 is CZK 6,397 thousand (31 December 2024 – CZK 11,633 thousand).

The issued bonds bear variable interest and their fair value did not differ significantly from their carrying amount as at 31 December 2025 and 31 December 2024.

29.2. Bank loans

As at 31 December 2025 and 31 December 2024, the Company had the following bank loans and borrowings (CZK '000):

			31 Dec 2025	31 Dec 2024
	Due date	Interest rate p. a.	CZK '000	CZK '000
Bank loans and borrowings				
Syndicated loan	7 May 2029	3M EURIBOR + margin % p.a.	–	1,087,111
Syndicated loan – unpaid interest			–	170
Syndicated loan – drawing costs			–	(30,054)
ŠkoFin s.r.o.	30 June 2028	5.59 – 6.44%	4,817	3,455
Liabilities from cash pooling				
Global Defence Trading a.s. (formerly Sellier & Bellot Trade a.s.) – CZK	O/N PRIBOR -0.6%		10,240	8,830
4M SYSTEMS a.s. – CZK	O/N PRIBOR -0.6%		42,997	3,769
4M SYSTEMS a.s. – USD	SOFR -0.5%		1,896	5,053
EHC-4M, SE – CZK	O/N PRIBOR -0.6%		684	739
Colt CZ Group International s.r.o. – EUR	€STR -0.4%		453	787
Colt CZ Group International s.r.o. – CZK	O/N PRIBOR -0.6%		39,499	–
CZG VIB s.r.o. – CZK	O/N PRIBOR -0.6%		2,833	1,868
Sellier & Bellot Int. a.s. – CZK	O/N PRIBOR -0.6%		153,263	1,374
Sellier & Bellot Int. a.s. – EUR	€STR -0.4%		124,427	52,303
Sellier & Bellot Int. a.s. – USD	USD SOFR -0.5%		871	–
ZBROJOVKA BRNO, s.r.o. – CZK	O/N PRIBOR -0.6%		10,957	10,745
ZBROJOVKA BRNO, s.r.o. – EUR	€STR -0.4%		70	72
Sellier & Bellot a.s. – CZK	O/N PRIBOR -0.6%		–	116,801
Sellier & Bellot a.s. – EUR	€STR -0.4%		–	27,207
Sellier & Bellot a.s. – USD	USD SOFR -0.5%		–	1,883
Česká zbrojovka a.s. – CZK	O/N PRIBOR -0.6%		605,963	–
Česká zbrojovka a.s. – USD	USD SOFR -0.5%		52,728	30,385
Česká zbrojovka a.s. – EUR	€STR -0.4%		341	131,264
Colt CZ Defence Solutions s.r.o. – CZK	O/N PRIBOR -0.6%		8	77,832
Colt CZ Defence Solutions s.r.o. – USD	SOFR -0.5%		26,385	639
Colt CZ Defence Solutions s.r.o. – EUR	€STR -0.4%		452,941	–
Colt CZ Group North America, Inc. – CZK	O/N PRIBOR -0.6%		8,634	8,396
Colt CZ Group North America, Inc. – USD	SOFR -0.5%		3,187	21
Total			1,543,194	1,540,650
Repayments in the following year			1,538,377	480,138
Repayments in future years			4,817	1,060,512

A bank loan of CZK 1,087,111 thousand, which the Company drew down in 2024 in connection with the acquisition of Sellier & Bellot a.s., was fully repaid during 2025. In connection with this repayment, the Company released the remaining balance of accrued expenses related to the drawdown of this loan of CZK 30,054 thousand.

The remaining part represents loans for the purchase of new vehicles of CZK 4,817 thousand (31 December 2024 – CZK 3,455 thousand) and liabilities from cash pooling of CZK 1,538,377 thousand (31 December 2024 – CZK 479 968 thousand).

Loans payable are secured by a pledge over the receivables.

30. TRADE AND OTHER PAYABLES

The structure of trade and other payables in individual years is as follows (CZK '000):

	31 Dec 2025	31 Dec 2024
Trade and other payables	12,330	16,835
Accrued expenses	224	281
Estimated payables	28,764	42,080
Other payables	4,327	343
Total	45,645	59,539
Non-current	–	–
Current	45,645	59,539
Total	45,645	59,539

Overdue current trade payables as at 31 December 2025 amounted to CZK 507 thousand (31 December 2024 – CZK 1,197 thousand). As at 31 December 2025 and 31 December 2024, the Company neither recorded any liabilities with maturities greater than five years nor pledged liabilities.

31. OTHER PAYABLES

The structure of other current payables in individual years is as follows (CZK '000):

	31 Dec 2025	31 Dec 2024
Employee liabilities – current	3,692	2,842
Untaken holiday – current	1,630	1,668
Social security and health insurance	6,783	1,102
Value added tax	2,082	–
Other taxes	10,296	649
Liabilities arising from employee bonuses – current	34,461	23,500
Total	58,944	29,761

32. LEASE LIABILITIES

The Company as a lessee

In line with its common practice, the Company holds office space and cars under leases.

Interest expense arising from lease contracts, depreciation of rights-of-use assets and expenses related to short-term contracts and contracts for low-value assets are disclosed in Notes 11, 12, and 15. Total cash outflows arising from lease contracts amounted to CZK 4,910 thousand in 2025 (2024 – CZK 5,677 thousand). The Company does not lease any leased property to other persons.

The table below shows liabilities arising from lease contracts (CZK '000):

	31 Dec 2025	31 Dec 2024
Lease liabilities – non-current	7,749	11,667
Lease liabilities – current	3,513	4,819
Total	11,262	16,486

The table below shows terms and due dates of lease liabilities (CZK '000):

	Nominal interest rate	Nominal value	31 Dec 2025		31 Dec 2024	
			Carrying amount	Nominal value	Carrying amount	Nominal value
Liabilities from building leases	2% p. a.	11,466	11,262	15,631	15,181	
Liabilities from car leases	2% p. a.	–	–	1,316	1,305	
Total		11,466	11,262	16,947	16,486	

Reconciliation of movements of lease liabilities with cash flows:

	2025	2024
Opening balance of lease liability as at 1 January	16,486	20,817
Lease payments	(4,910)	(5,309)
Total cash flows	(4,910)	(5,309)
Interest expense	262	368
Lease additions and modifications	(576)	610
Closing balance as at 31 December	11,262	16,486

As at 31 December 2025, the Company recorded the following in the statement of profit or loss in connection with leases:

	2025	2024
Depreciation of right-of-use assets	4,674	4,935
Interest expense relating to lease liability (included in financial expenses)	262	368
Costs relating to low-value assets not included in the short-term leases above (included in service costs)	63	55
Costs relating to variable lease payments not included in lease liabilities (included in service costs)	1,818	1,291
Total	6,817	6,649

The table below shows the ageing structure of lease liabilities (CZK '000):

	2025	2024
Within 3 months	878	1,205
3 months to 1 year	2,635	3,614
1 to 2 years	3,581	3,639
2 to 3 years	3,582	3,684
3 to 4 years	586	3,758
4 to 5 years	–	586
5 years and more	–	–
Total	11,262	16,486

33. FINANCIAL ASSETS AND LIABILITIES

The table below provides an overview of financial assets and liabilities in the accounting records (CZK '000):

Financial assets	31 Dec 2025	31 Dec 2024
Current		
Trade and other receivables	132,701	678,051
Provided loans	6,215,245	2,425,090
Financial derivatives	39,770	6,066
Cash and cash equivalents	9,568,950	3,004,319
Total	15,956,666	6,113,526
Non-current		
Provided loans	2,414,992	15,715,001
Financial derivatives	506,542	163,578
Total	2,921,534	15,878,579
Financial liabilities	31 Dec 2025	31 Dec 2024
Current		
Trade and other payables	45,645	59,539
Lease liabilities	3,513	4,819
Financial derivatives	–	477,419
Bonds, bank loans and borrowings	1,721,134	627,810
Total	1,770,292	1,169,587
Non-current		
Lease liabilities	7,749	11,667
Financial derivatives	183,556	456,152
Bonds, bank loans and borrowings	15,444,450	10,547,387
Total	15,635,755	11,015,206

33.1. Fair value

The table below shows carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if their carrying amount approximates their fair value.

Carrying amount				Fair value			
2025	Note	Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Total	Level 1	Level 2	Total
Financial assets measured at fair value							
Financial derivatives held for trading							
Currency forwards held for trading	35	–	176,264	176,264	–	176,264	176,264
Currency swaps held for trading	35	–	3,172	3,172	–	3,172	3,172
Financial derivatives used for hedge accounting							
Cross currency interest rate swaps for hedging	35	346,530	–	346,530	–	346,530	346,530
Interest rate swaps used for hedging	35	20,346	–	20,346	–	20,346	20,346
Total		366,876	179,436	546,312	–	546,312	546,312

Carrying amount				Fair value			
2025	Note	Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Total	Level 1	Level 2	Total
Financial liabilities measured at fair value							
Financial derivatives held for trading							
Interest rate swaps held for trading	35	–	5,531	5,531	–	5,531	5,531
Cross currency interest rate swaps held for trading	35	–	116,929	116,929	–	116,929	116,929
Financial derivatives used for hedge accounting							
Interest rate swaps used for hedging	35	61,096	–	61,096	–	61,096	61,096
Total		61,096	122,460	183,556	–	183,556	183,556

Carrying amount				Fair value			
2024	Note	Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Total	Level 1	Level 2	Total
Financial assets measured at fair value							
Financial derivatives held for trading							
Currency swaps held for trading	35	–	14,708	14,708	–	14,708	14,708
Currency forwards held for trading	35	–	19,680	19,680	–	19,680	19,680
Financial derivatives used for hedge accounting							
Cross currency interest rate swaps for hedging	35	98,331	–	98,331	–	98,331	98,331
Interest rate swaps used for hedging	35	36,925	–	36,925	–	36,925	36 925
Total		135,256	34,388	169,644	–	169,644	169,644

Carrying amount				Fair value			
2024	Note	Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Total	Level 1	Level 2	Total
Financial liabilities measured at fair value							
Financial derivatives held for trading							
Currency swaps held for trading	35	–	633	633	–	633	633
Currency forwards held for trading	35	–	476,786	476,786	–	476,786	476,786
Cross currency interest rate swaps held for trading	35	–	155,990	155,990	–	155,990	155,990
Interest rate swaps held for trading	35	–	12,162	12,162	–	12,162	12,162
Financial derivatives used for hedge accounting							
Cross currency interest rate swaps for hedging	35	187,825	–	187,825	–	187,825	187 825
Interest rate swaps used for hedging	35	100,175	–	100,175	–	100,175	100,175
Total		288,000	645,571	933,571	–	933,571	933,571

In 2025 a 2024, the Company did not record any financial assets or financial liabilities measured at fair value for which their carrying amount did not approximate their fair value.

There were no transfers between levels during the period.

33.2. Fair value measurement

The table below shows the valuation techniques used for fair value measurement at Level 1 a 2 for financial instruments in the statement of financial position as well as significant unobservable inputs used.

Type of instrument	Valuation techniques	Significant unobservable inputs
Cross currency interest rate swaps	Fair value is determined as the present value of future cash flows. The estimate of future variable cash flows is based on quoted swap rates and interbank deposit rates. The estimated future cash flows are discounted using a yield curve constructed from the above sources.	None
Interest rate swaps	The fair value of interest rate swaps is determined based on the present value of future cash flows based on market data such as yield curves of referential interest rate swaps, spot foreign exchange rates and forward points.	None
Currency forwards and swaps	The fair value of currency forwards and swaps is determined based on the present value of future cash flows based on market data such as yield curves of referential interest rate swaps, spot foreign exchange rates and forward points.	None
Share-based payment arrangements	The fair value of employee stock options is determined using the Black-Scholes measurement model. The options are subject to the employment term/function term and non-market performance condition which were not considered in fair value determination.	None

34. RISK MANAGEMENT PROCEDURES

This section details the financial risks the Company is exposed to and how these risks are managed. Risk management is a fundamental part of the Company's management. The main emphasis is on identifying the risks the Company is exposed to in the market (risk of changes in exchange rates and interest rates). The risk management strategy focuses on the minimisation of potential negative impact on the Company's financial performance.

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign currency risk. Details are provided in Note 35.

34.1. Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty in a transaction fails to meet its contractual obligations, such as payment, acceptance of a service at the agreed price, or failure to deliver an agreed service.

The overall credit risk of the business portfolio is continuously monitored. The Company primarily conducts transaction with companies in the consolidated group. As the subsidiaries are fully controlled and financed by the parent company, the Company has full control over credit risk management and therefore has not identified any significant credit risk for these companies.

No concentration of credit risk occurs.

Impairment losses on financial assets recognised in the statement of profit or loss were as follows (CZK '000):

	2025	2024
Impairment losses on trade receivables	–	–

Credit risk by territory (counterparty seat)

31 Dec 2025 CZK '000	Czech Republic	USA	Canada	Sweden	Switzerland	Hungary	Total
Provided loans	2,672,824	5,534,936	–	–	422,477	–	8,630,237
Trade and other receivables	70,594	54,736	835	191	–	6,345	132,701
Financial derivatives	546,312	–	–	–	–	–	546,312
Cash and cash equivalents	9,568,950	–	–	–	–	–	9,568,950
Total	12,858,680	5,589,672	835	191	422,477	6,345	18,878,200

31 Dec 2024 CZK '000	Czech Republic	USA	Canada	Sweden	Switzerland	Hungary	Total
Provided loans	13,029,984	4,692,786	–	–	417,321	–	18,140,091
Trade and other receivables	655,111	16,094	378	121	–	6,347	678,051
Financial derivatives	169,644	–	–	–	–	–	169,644
Cash and cash equivalents	3,004,319	–	–	–	–	–	3,004,319
Total	16,859,058	4,708,880	378	121	417,321	6,347	21,992,105

Provided loans, trade and other receivables

The Company records provided loans and trade and other receivables only due from subsidiaries or related parties. Based on the above, the Company has not identified any significant credit risk that would result in expected credit losses and should be covered by an allowance.

The table below shows information on credit risk exposure and the expected credit loss rate for provided loans and trade receivables.

31 Dec 2025 CZK '000	External credit rating equivalent	Expected credit loss rate	Gross carrying amount	Allowances for credit losses	Net carrying amount	Credit-impaired
Grade 1–6: Low risk	BBB- to AAA	–	8,762,938	–	8,762,938	No
Grade 7–9: Reasonable risk	BB- to BB+	–	–	–	–	No
Grade 10: Non-standard	B- to CCC-	–	–	–	–	No
Grade 11: Doubtful	C to CC	–	–	–	–	No
Grade 12: Loss-making	D	–	–	–	–	Yes
Total			8,762,938		8,762,938	

31 Dec 2025 CZK '000	Expected credit loss rate	Gross carrying amount	Allowances for credit losses	Net carrying amount	Credit-impaired
Within due date	–	8,687,959	–	8,687,959	No
1–90 days overdue	–	14,697	–	14,697	No
90–180 days overdue	–	13,309	–	13,309	No
180–360 days overdue	–	10,224	–	10,224	No
More than 360 days overdue	–	36,749	–	36,749	Yes
Total		8,762,938		8,762,938	

31 Dec 2024 CZK '000	External credit rating equivalent	Expected credit loss rate	Gross carrying amount	Allowances for credit losses	Net carrying amount	Credit-impaired
Grade 1–6: Low risk	BBB- to AAA	–	18,818,142	–	18,818,142	No
Grade 7–9: Reasonable risk	BB- to BB+	–	–	–	–	No
Grade 10: Non-standard	B- to CCC-	–	–	–	–	No
Grade 11: Doubtful	C to CC	–	–	–	–	No
Grade 12: Loss-making	D	–	–	–	–	Yes
Total			18,818,142	–	18,818,142	

31 Dec 2024 CZK '000	Expected credit loss rate	Gross carrying amount	Allowances for credit losses	Net carrying amount	Credit-impaired
Within due date	–	18,723,812	–	18,723,812	No
1–90 days overdue	–	35,893	–	35,893	No
90–180 days overdue	–	51,980	–	51,980	No
180–360 days overdue	–	6,457	–	6,457	No
More than 360 days overdue	–	–	–	–	Yes
Total		18,818,142	–	18,818,142	

Cash and cash equivalents

As at 31 December 2025, the Company held cash and cash equivalents of CZK 9,568,950 thousand (31 December 2024 – CZK 3,004,319 thousand).

The impairment of cash and cash equivalents was measured based on a 12-month expected loss and reflects the short maturity of the exposures. The Company believes that its cash and cash equivalents have low credit risk based on the external credit ratings of counterparties. The potential impact of IFRS 9 is insignificant.

34.2. Liquidity risk management

The Company manages liquidity risk by retaining banking sources and loan instruments, ongoing monitoring of anticipated and actual cash flows and adapting the maturity of financial assets and financial liabilities.

Liquidity risk is the possibility that the Company will not have sufficient available resources to meet its payables arising from financial contracts.

The Company continuously monitors the risk of shortage of funds by managing liquidity and monitoring the maturity of debts and financial investments, other assets, and expected cash flows from its operations.

The Company holds unrestricted liquid resources, i.e., cash, cash equivalents and short-term financial assets in currencies in which future cash requirements are expected to be denominated.

The Company also monitors the level of expected cash flows from trade and other receivables together with the expected cash flows from trade and other payables.

As at 31 December 2025, the quick liquidity ratio, which is calculated as the ratio of current financial assets to current financial liabilities, is 9.01 (31 December 2024 – 5.23).

The remaining contractual maturities of financial liabilities at the balance sheet date are shown below. Amounts are gross and undiscounted, include contractual interest payments, and exclude the impact of netting arrangements. Liabilities past their due dates are included in the 'Within 3 months' column.

Contractual cash flows							
31 Dec 2025 CZK '000	Carrying amount	Total	Within 3 months	3–12 months	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	45,645	45,645	24,780	20,865	–	–	–
Lease liabilities	11,262	11,262	878	2,635	3,581	4,168	–
Bonds, bank loans and borrowings	17,165,584	20,601,190	784,093	1,813,929	5,224,822	6,650,246	6,128,100
Total non-derivative financial liabilities	17,222,491	20,658,097	809,751	1,837,429	5,228,403	6,654,414	6,128,100
Derivative financial liabilities							
Currency swaps held for trading	–	–	–	–	–	–	–
Currency forwards held for trading	–	–	–	–	–	–	–
Cross currency interest rate swaps held for trading	116,929	116,929	–	–	–	116,929	–
Interest rate swaps used for trading	5,531	5,531	–	–	–	5,531	–
Cross currency interest rate swaps for hedging	–	–	–	–	–	–	–
Interest rate swaps used for hedging	61,096	61,096	–	–	–	61,096	–
Total derivative financial liabilities	183,556	183,556	–	–	–	183,556	–
Total	17,406,047	20,841,653	809,751	1,837,429	5,228,403	6,837,970	6,128,100

Contractual cash flows							
31 Dec 2024 CZK '000	Carrying amount	Total	Within 3 months	3–12 months	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	59,539	59,539	27,511	32,028	–	–	–
Lease liabilities	16,486	16,486	1,205	3,614	3,639	8,028	–
Bonds, bank loans and borrowings	11,175,197	13,017,396	367,863	769,951	507,440	8,810,123	2,562,019
Total non-derivative financial liabilities	11,251,222	13,093,421	396,579	805,593	511,079	8,818,151	2,562,019
Derivative financial liabilities							
Currency swaps held for trading	633	633	–	633	–	–	–
Currency forwards held for trading	476,786	476,786	–	476,786	–	–	–
Cross currency interest rate swaps held for trading	155,990	155,990	–	–	–	–	155,990
Interest rate swaps used for trading	12,162	12,162	–	–	–	12,162	–
Cross currency interest rate swaps for hedging	187,825	187,825	–	–	–	187,825	–
Interest rate swaps used for hedging	100,175	100,175	–	–	–	100,175	–
Total derivative financial liabilities	933,571	933,571	–	477,419	–	300,162	155,990
Total	12,184,793	14,026,992	396,579	1,283,012	511,079	9,118,313	2,718,009

34.3. Market risk management

Market risk is the risk of changes in the value of assets, liabilities, and cash flows denominated in foreign currencies due to changes of exchange rates and interest rates. The Company has implemented policies and methods to monitor and hedge the risks to which it is exposed. Exposure to market risk is measured using sensitivity analyses.

34.3.1. Currency risk management

The Company's exposure to currency risk primarily arises from transactions in currencies other than the Company's functional currency. The Company has managed currency risk using currency forwards, swaps and cross currency interest rate swaps. The Company's objective is to minimize the impact of foreign currency rates changes on the value of profit.

The carrying amount of the Company's financial assets and financial liabilities denominated in foreign currencies at the end of the reporting period:

31 Dec 2025 CZK '000	CZK	EUR	USD	CHF	Other	Total
Financial assets						
Provided loans	97,674	2,218,739	6,044,058	269,766	–	8,630,237
Trade and other receivables	127,152	2,305	3,097	–	147	132,701
Cash and cash equivalents	7,546,067	1,959,329	63,366	188	–	9,568,950
Total financial assets	7,770,893	4,180,373	6,110,521	269,954	147	18,331,888
Financial liabilities						
Trade and other payables	44,311	301	1,033	–	–	45,645
Lease liabilities	–	11,262	–	–	–	11,262
Bonds, bank loans and borrowings	16,463,239	617,278	85,067	–	–	17,165,584
Total financial liabilities	16,507,550	628,841	86,100	–	–	17,222,491
Effect of currency derivative instruments – nominal value	–	1,499,071	5,224,022	354,402	–	7,077,495
Total currency risk exposure	(8,736,657)	2,052,461	800,399	(84,448)	147	(5,968,098)

31 Dec 2024 CZK '000	CZK	EUR	USD	CHF	Other	Total
Financial assets						
Provided loans	326,884	6,710,787	10,832,591	269,829	–	18,140,091
Trade and other receivables	627,697	45,846	4,361	–	147	678,051
Cash and cash equivalents	2,770,868	178,761	54,396	294	–	3,004,319
Total financial assets	3,725,449	6,935,394	10,891,348	270,123	147	21,822,461
Financial liabilities						
Trade and other payables	56,236	2,354	949	–	–	59,539
Lease liabilities	16,486	–	–	–	–	16,486
Bonds, bank loans and borrowings	9,919,285	1,222,984	32,928	–	–	11,175,197
Total financial liabilities	9,992,007	1,225,338	33,877	–	–	11,251,222
Effect of currency derivative instruments – nominal value	–	8,428,341	11,156,291	256,956	–	19,841,588
Total currency risk exposure	(6,266,558)	(2,718,285)	(298,820)	13,167	147	(9,270,349)

34.3.2. Sensitivity to exchange rate fluctuations

The Company is exposed to currency risk, especially in relation to EUR and USD.

The Company used the following most important exchange rates:

In CZK	Average exchange rate		Exchange rate at the end of the period	
	2025	2024	2025	2024
EUR	24.693	25.119	24.245	25.185
USD	21.914	23.208	20.632	24.237

The following table shows the Company's sensitivity to a 10% appreciation and depreciation of the Czech crown towards the respective foreign currencies. The sensitivity analysis only includes outstanding monetary items denominated in a foreign currency, adjusting their translation at the end of the reporting period by a 10% change in exchange rates. The positive value indicates an increase in profits or equity due to a potential appreciation of the Czech crown by 10% with respect to the respective currency.

In CZK	Impact on profit before tax 2025		Impact on profit before tax 2024	
	Foreign currency appreciation by 10%	Foreign currency depreciation of 10%	Foreign currency appreciation by 10%	Foreign currency depreciation of 10%
Foreign currency				
EUR	205,246	(205,246)	(271,829)	271,829
USD	80,040	(80,040)	(29,882)	29,882

In CZK	Impact on equity 2025		Impact on equity 2024	
	Foreign currency appreciation by 10%	Foreign currency depreciation of 10%	Foreign currency appreciation by 10%	Foreign currency depreciation of 10%
Foreign currency				
EUR	(147,728)	147,728	(153,752)	153,752
USD	(310,710)	310,710	(359,038)	358,059

34.3.3. Interest rate risk management

The Company is exposed to the risk of interest rates changes as it borrows funds with variable interest rates. Interest expense from issued bonds, which represent the most significant portion of interest-bearing liabilities, are based on 6M PRIBOR + margin. The syndicated loan bore interest at 3M Euribor + margin. Cash pooling receivables/payables from subsidiaries bear interest at O/N PRIBOR + margin (for CZK), €STR + margin (for EUR) and SOFR + margin (for USD). For a detailed overview of cash pooling receivables and payables see Notes 22 and 29.

The Company has managed interest rate risk using interest rate and cross currency interest rate swap agreements. This ensures the utilisation of hedging strategies which are economically most effective.

Interest rate risk exposure was as follows:

31 Dec 2025 CZK '000	Carrying amount	Contractual cash flows	Variable interest rate	Fixed interest rate
Provided loans	8,630,237	9,107,773	181,613	8,926,160
Total interest-bearing financial assets	8,630,237	9,107,773	181,613	8,926,160
Bonds, bank loans and borrowings	17,165,584	20,601,190	12,555,923	8,045,267
Lease liabilities	11,262	11,262	–	11,262
Total interest-bearing financial liabilities	17,176,846	20,612,452	12,555,923	8,056,529
Effect of cross currency interest rate swaps and interest rate swaps – nominal value	–	–	8,207,068	–
Total interest rate risk exposure	(8,546,609)	(11,504,679)	(4,167,242)	869,631

Interest rate risk exposure was as follows:

31 Dec 2024 CZK '000	Carrying amount	Contractual cash flows	Variable interest rate	Fixed interest rate
Provided loans	18,140,091	19,396,470	1,239,105	18,157,365
Total interest-bearing financial assets	18,140,091	19,396,470	1,239,105	18,157,365
Bonds, bank loans and borrowings	11,175,197	13,017,396	13,013,942	3,454
Lease liabilities	16,486	16,486	–	16,486
Total interest-bearing financial liabilities	11,191,683	13,033,882	13,013,942	19,940
Effect of cross currency interest rate swaps and interest rate swaps – nominal value	–	–	9,357,980	–
Total interest rate risk exposure	6,948,408	6,362,588	(2,416,857)	18,137,425

34.3.4. Interest rate sensitivity analysis

The below interest rate sensitivity analysis was determined based on the exposure to interest rates for derivative and non-derivative instruments at the end of the reporting period. Payables with a floating interest rate are subject to the analysis provided that the value of principal remains unchanged throughout the reporting period based on a calculation of the average annual principal.

If interest rates were one percentage point higher/lower and all other variables remained constant, the profit or loss and equity would change based on the values specified below.

CZK '000	Impact on profit before tax 2025		Impact on profit before tax 2024	
	Increase of 1 percentage point	Decrease of 1 percentage point	Increase of 1 percentage point	Decrease of 1 percentage point
Issued bonds with variable interest rate	(97,251)	97,251	(91,477)	91,477
Syndicated loan	–	–	(20,480)	20,480
Cross currency interest rate swaps	47,127	(47,127)	47,127	(47,127)
Interest rate swaps	35,140	(35,140)	44,740	(44,740)
Cash and cash equivalents	62,866	(62,866)	21,081	(21,081)
Sensitivity of interest rates changes	47,882	(47,882)	991	(991)

CZK '000	Impact on equity 2025		Impact on equity 2024	
	Increase of 1 percentage point	Decrease of 1 percentage point	Increase of 1 percentage point	Decrease of 1 percentage point
Cross currency interest rate swaps	82,300	(82,300)	148,163	(148,163)
Interest rate swaps	78,800	(78,800)	167,685	(167,685)
Sensitivity of interest rates changes	161,100	(161,100)	315,848	(315,848)

35. DERIVATIVE INSTRUMENTS

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks. To manage these risks, the Company uses the following derivative instruments:

- Cross currency interest rate swaps;
- Interest rate swaps;
- Currency forwards; and
- Currency swaps.

Derivative instruments are classified as trading or hedging.

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk of a portion of highly probable forecasted cash flows in USD and EUR (cash flow hedge). The effective portion of changes in the fair value of derivatives that are designated as hedging instruments and qualify as cash flow hedges is recognised in other comprehensive income under cash flow hedges – remeasurement of effective portion of hedging instruments; the cumulative balance is recognised in the statement of financial position in cash flow hedge reserves.

The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss and is included in the Gains or losses from derivative transactions.

Fair value of derivative contracts is presented as financial derivative assets or liabilities in the statement of financial position. Accounting for hedging derivatives is described in detail in Note 4.20. The Company expects to continue its hedging activities in the future.

35.1. Hedging derivatives

35.1.1. Cross currency interest rate swaps

The Company has entered into cross currency interest rate swaps in which it is the payer of fixed interest derived from the nominal value in USD or EUR and the payee of variable interest derived from the nominal value in CZK, and which further include initial and final exchanges of nominal amounts in USD or EUR and CZK to achieve the following objectives:

- ▶ to hedge the currency risk associated with the provided loan (a USD or EUR-denominated loan with a fixed interest rate)
- ▶ to hedge the interest rate risk arising from variable interest payments on the bonds issued (bonds issued in CZK with a variable interest rate of 6M PRIBOR).

For hedge accounting purposes, the negotiated cross currency interest rate swaps are divided into the following derivatives, which are defined as hedging instruments in a combined hedging relationship:

- ▶ The cross currency swap in which the Company is the payer of fixed interest derived from the nominal value in USD or EUR and the payee of fixed interest derived from the nominal value in CZK, and which further include initial and final exchanges of nominal amounts in USD or EUR and CZK. This cross currency interest rate swap is used to hedge the currency risk on the provided USD or EUR loan, whereby the exchange rate differences on the hedged portion of the loan (equal to the nominal value of the cross currency interest rate swap – the hedge ratio is 1:1) are offset by the revaluation of the cross currency interest rate swap.
- ▶ The interest rate swap in which the Group is the payer of a fixed interest rate derived from a CZK denomination and the receiver of a floating interest rate derived from a CZK denomination. This interest rate swap is used to hedge the interest rate risk on the bonds issued, where the interest paid on the hedged portion of the bonds (equal to the notional amount of the interest rate swap – the hedge ratio is 1:1) derived from the variable interest rate is offset by the repricing of the interest rate swap (where the Group is the beneficiary of interest payments derived from the same variable interest rate).

The combined hedging relationship is considered effective and qualifies for hedge accounting (see Section 4.20.) only if the two separate derivatives (the hedging relationships in which the derivatives are defined as hedges) meet the hedge accounting requirements. In the following tables, separate hedging derivatives are always listed separately in the relevant section based on the hedged risk.

The Company began applying hedge accounting on 21 May 2021 for USD/CZK interest rate swaps and on 27 January 2022 for EUR/CZK interest rate swaps. Until the initial application of hedge accounting, the cross currency interest rate swaps negotiated were classified as trading derivatives.

The Company assesses the effectiveness of hedges and the existence of an economic relationship between the hedging instruments and the hedged items based on a comparison of their parameters and sensitivity analysis. The Company determines the ineffective portion of the hedge based on the hypothetical derivative method and a comparison of changes in the cumulative fair values of the hedging instruments and hedged items represented by the hypothetical derivative.

The sources of ineffectiveness are mainly the credit risk of the counterparty to the hedging instruments and the Company, which the Company considers to be minimal given that the hedging instruments are negotiated with banks with high credit ratings, and the risk of prepayment of the provided loan (for currency hedges) and bonds issued (for interest rate hedges) is very low.

35.1.2. Interest rate swaps

On 9 February 2022, the Company purchased an interest rate swap from Česká zbrojovka a.s. for CZK 66,100 thousand. The fair value as at 31 December 2025 is CZK 20,346 thousand (31 December 2024 – CZK 36,925 thousand). The arrangement runs until January 2027.

In connection with the bonds amounting to CZK 1,929,000 thousand, issued in 2023, the Company entered into an interest rate swap with Česká spořitelna on 18 May 2023, which exactly replicates the volume and maturity of the bonds. The fair value as at 31 December 2025 is CZK (61,096) thousand (31 December 2024 – CZK (86,080) thousand). The interest rate swap has been contracted until May 2030.

In connection with the received loan, the Company entered into an interest rate swap arrangement with Commerzbank on 5 June 2024 and with Komerční banka on 11 June 2024. As the drawn loan was repaid during 2025, the fair value of the hedging instrument amounted to CZK 0 thousand as at 31 December 2025 (31 December 2024 – CZK (14,094) thousand). The interest rate swap has been contracted until May 2029.

These interest rate swap contracts oblige the Company for the exchange of the difference between the fixed and variable interest calculated on the agreed principal. These contracts partially eliminate the risk of the impact of the future increase of market interest rates on the value of issued debt instruments with a floating reference rate. The fair value of the interest rate swaps at the end of the reporting period is determined by discounting future cash flows. These interest rate swaps are classified by the Company as hedging.

The hedge ratio is set as 1:1, or 1:0.996, due to a mismatch of 0.04% between the principal amounts of the hedging derivative and the hedged item, which the Company does not consider significant. The sources of hedge ineffectiveness are mainly the credit risk of the counterparty to the hedging instrument, which the Company considers to be minimal due to the fact that the hedging instruments have been negotiated with a bank with a high credit rating, and the risk of early repayment of the issued bonds.

As at 31 December 2025, the Company held the following instruments to hedge its exposure to changes in foreign exchange rates and interest rates.

2025	Due date		
CZK '000	1–6 months	6–12 months	More than 1 year
Currency risk			
Net exposure – USD	–	–	3,094,800
Net exposure – EUR	–	–	1,486,633
Average exchange rate CZK/USD	–	–	21,418
Average exchange rate CZK/EUR	–	–	24,463
Interest rate risk			
Net exposure – split USD/CZK interest rate swap	–	–	3,212,700
Net exposure – split EUR/CZK interest rate swap	–	–	1,500,000
Net exposure – interest rate swap CZK	–	–	2,429,000
Average fixed interest rate – split USD/CZK interest rate swap	–	–	3.524%
Average fixed interest rate – split EUR/CZK interest rate swap	–	–	5.179%
Average fixed interest rate – interest rate swap CZK	–	–	3.746%

2024	Due date		
CZK '000	1–6 months	6–12 months	More than 1 year
Currency risk			
Net exposure – USD	–	–	3,635,550
Net exposure – EUR	–	–	1,544,271
Average exchange rate CZK/USD	–	–	21.418
Average exchange rate CZK/EUR	–	–	24.463

Interest rate risk				
Net exposure – split USD/CZK interest rate swap	–	–	3,212,700	
Net exposure – split EUR/CZK interest rate swap	–	–	1,500,000	
Net exposure – interest rate swap CZK	–	–	2,429,000	
Net exposure – interest rate swap EUR	–	–	1,087,111	
Average fixed interest rate – split USD/CZK interest rate swap	–	–	3.524%	
Average fixed interest rate – split EUR/CZK interest rate swap	–	–	5.179%	
Average fixed interest rate – interest rate swap CZK	–	–	3.746%	
Average fixed interest rate – interest rate swap EUR	–	–	2.440%	

As at the reporting date, the amounts relating to the hedged items were as follows:

31 December 2025			
CZK '000	Change in value used to calculate hedge ineffectiveness	Cash flow hedge reserve	Balance in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Currency risk			
Provided loan in USD	(452,831)	94,886	–
Provided loan in EUR	(27,267)	24,917	–
Interest rate risk			
Issued bonds with variable interest rate	45,400	(198,798)	–
Total	(434,698)	(78,995)	–

31 December 2025			
CZK '000	Change in value used to calculate hedge ineffectiveness	Cash flow hedge reserve	Balance in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Currency risk			
Provided loan in USD	263,184	160,047	–
Provided loan in EUR	67,641	65,879	–
Interest rate risk			
Issued bonds with variable interest rate	136,437	(177,230)	–
Total	467,262	48,696	–

Amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

31 December 2025					
CZK '000	Nominal value	Receivable (+) / liability (-)	Changes in value of hedging instrument recognised in Other comprehensive income	Hedge ineffectiveness recognised in profit or loss	Amount reclassified from cash flow hedge reserve to profit or loss
Currency risk					
Cross currency interest rate swaps	4,581,433	249,251	(488,163)	24,382	622,496
Interest rate risk					
Interest rate swap	2,429,000	(40,750)	(41,339)	–	(10,395)
Cross currency interest rate swaps	4,712,700	97,279	65,455	(1,719)	13,580
Deferred tax effect	–	–	(33,943)	–	–
Total	–	305,780	(497,990)	22,663	625,681

Amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

31 December 2024					
CZK '000	Nominal value	Receivable (+) / liability (-)	Changes in value of hedging instrument recognised in Other comprehensive income	Hedge ineffectiveness recognised in profit or loss	Amount reclassified from cash flow hedge reserve to profit or loss
Currency risk					
Cross currency interest rate swaps	5,179,821	(253,859)	326,298	(9,133)	(288,734)
Interest rate risk					
Interest rate swap	3,516,111	(63,250)	22,196	–	6,207
Cross currency interest rate swaps	4,712,700	164,365	108,468	(639)	24,567
Deferred tax effect	–	–	(41,790)	–	–
Total	–	(152,744)	415,172	(9,772)	(257,960)

Receivables from hedging derivatives of CZK 366,876 thousand (31 December 2024 – CZK 135,256 thousand) are recognised in non-current financial derivatives. Liabilities from hedging derivatives of CZK 61,096 thousand (31 December 2024 – CZK 288 000 thousand) are recognised in non-current financial derivatives. Hedge ineffectiveness of CZK 22,663 thousand (31 December 2024 – CZK (9,772) thousand) is recognised in Gains/losses from derivative transactions. The amount reclassified from the cash flow hedge reserve to profit or loss of CZK 21,476 thousand (31 December 2024 – CZK 30,775 thousand) is recognised in Interest income; an amount of CZK 4,196 thousand (31 December 2024 – CZK 0 thousand) is recognised in Interest expense; an amount of CZK -14,095 thousand (2024: CZK 0 thousand) in Gains/losses from derivative transactions; and Other financial expenses include income of CZK 622,496 thousand (31 December 2024 – CZK 288,734 thousand).

The following table provides a reconciliation of equity components by risk category and an analysis of the items in other comprehensive income, net of tax, arising from hedge accounting.

CZK '000	Cash flow hedge reserve	
	2025	2024
Opening balance as at 1 January	48,696	205,908
Cash flow hedges		
Change in fair value:		
– Currency risk	488,163	(326,298)
– Interest rate risk	(24,116)	(130,664)
Values reclassified to the statement of profit or loss:		
– Currency risk – other items	(622,496)	288,734
– Interest rate risk	(3,185)	(30,774)
Deferred tax	33,943	41,790
Closing balance as at 31 December	(78,995)	48,696

35.2. Derivatives held for trading

35.2.1. Currency contracts

The following table provides an overview of nominal values and positive or negative fair values of open derivatives held for trading as at 31 December 2025 and 31 December 2024 (CZK '000):

CZK '000	31 Dec 2025			31 Dec 2024		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Currency swaps	366,840	3,172	–	1,011,058	14,708	633
Cross currency interest rate swaps	724,200	–	116,929	724,200	–	155,990
Interest rate swaps	1,065,368	–	5,531	1,129,169	–	12,162
Currency forwards	2,129,222	176,264	–	13,650,709	19,680	476,786
Total	4,285,630	179,436	122,460	16,515,136	34,388	645,571

Valuation techniques are described in Note 33.2.

The fair values determined by the Company are verified in view of the valuation of transactions regularly obtained from individual counterparties on an individual basis. Credit risks relating to derivative transactions are considered immaterial.

The fair values of derivative transactions are classified as level 2, whereby the market data used in models originate from active markets. For other financial instruments, the fair value approximates the carrying amount.

The Company has concluded a master agreement with the bank for mutual offsetting of receivables, however, the receivables and payables from derivatives are reported separately since the Company does not plan to offset these derivatives in the future.

The tables below show open FX forwards and swaps at the end of the reporting period:

Open currency forwards	Average exchange rate		Foreign currency		Nominal value		Fair value	
	2025	2024	2025	2024	2025	2024	2025	2024
USD	22.509	22.875	103,200	300,300	2,129,222	7,278,371	176,264	(367,283)
EUR	–	24.960	–	253,021	–	6,372,338	–	(89,823)

Open currency swaps / currency interest rate swaps / interest rate swaps	Average exchange rate		Foreign currency		Nominal value		Fair value	
	2025	2024	2025	2024	2025	2024	2025	2024
USD currency swap	–	22.630	–	10,000	–	242,370	–	13,248
CHF currency swap	26.033	26.700	13,609	9,599	354,402	256,956	3,080	(633)
CHF cross cur-ency interest rate swap	24.140	24.140	30,000	30,000	724,200	724,200	(116,929)	(155,990)
EUR currency swap	24.320	25.275	513	20,319	12,438	511,732	92	1,460
EUR interest rate swap	–	–	43,942	44,835	1,065,368	1,129,169	(5,531)	(12,162)

The tables below show the maturity of individual financial derivatives held for trading as at 31 December 2025 and 31 December 2024 according to their fair and nominal values in CZK '000.

Ageing structure	31 December 2025		31 December 2024	
	Fair value	Nominal value	Fair value	Nominal value
Within 3 months	36,598	206,320	6,065	754,101
3–6 months	–	–	(476,786)	12,438,859
6–12 months	3,172	366,840	(633)	256,957
1–2 years	139,666	1,922,902	2,945	242,370
2–3 years	–	–	25,378	969,480
3–4 years	(5,531)	1,065,368	–	–
4–5 years	(116,929)	724,200	(12,162)	1,129,169
6–7 years	–	–	(155,990)	724,200
Total	56,976	4,285,630	(611,183)	16,515,136

36. RELATED PARTIES

In 2025 and 2024, the Company had the following transactions with related parties:

		Purchases for the period		Sales for the period	
		2025	2024	2025	2024
Česká zbrojovka a.s.	company under ultimate control	2,521	8,368	35,457	40,430
EHC-4M, SE	company under ultimate control	–	–	48	48
CZ-USA	company under ultimate control	–	–	12,246	13,712
Colt Canada Corporation	company under ultimate control	–	–	8,149	10,141
Colt's Manufacturing Com-pany LLC	company under ultimate control	–	915	23,955	40,171
Colt CZ Defence Solutions s.r.o.	company under ultimate control	–	–	11,646	9,882
Valley Steel Stamp Inc.	company under ultimate control	–	–	338	–
Colt CZ Group International s.r.o.	company under ultimate control	–	–	65	65
CZG VIB s.r.o.	company under ultimate control	–	–	65	65
Spuhr i Dalby AB	company under ultimate control	–	81	1,566	1,870
saltech AG	company under ultimate control	–	–	4,114	6,232
4M SYSTEMS a.s.	company under ultimate control	–	–	1,552	1,416
Sellier & Bellot Int. a.s.	company under ultimate control	–	–	29,642	120
Sellier & Bellot a.s.	company under ultimate control	–	–	24,636	31,240
Keriani a.s.	company of the ultimate owner's corporate group	441	394	–	–
Colt CZ Hungary Zrt.	associated company of the subsidiary	–	–	48	50
M&H Management a.s.	company of the ultimate owner's corporate group	–	–	–	–
Total		2,962	9,758	153,527	155,442

In addition to the above, the Company records income from the profit sharing of subsidiaries for 2025 and 2024, which is described in Note 7. Furthermore, the above table does not show the interest income on loans granted by the Company to its subsidiaries and interest income from cash pooling totalling CZK 401,723 thousand (2024 – CZK 495,644 thousand) and interest expense from cash pooling totalling CZK 20,118 thousand (2024 – CZK 1,941 thousand).

		Trade and other receivables		Trade and other payables	
		31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024
Česká zbrojovka a.s.	company under ultimate control	–	2,175	3,580	12,938
EHC-4M, SE	company under ultimate control	25,005	5	–	–
Colt CZ Group North America, Inc.	company under ultimate control	–	1,856	–	–
CZ-USA	company under ultimate control	10,696	3,616	–	6,316
Colt Canada Corpora-tion	company under ultimate control	835	378	–	–
Colt's Manufacturing Company LLC	company under ultimate control	43,702	10,979	743	915
Valley Steel Stamp Inc.	company under ultimate control	338	–	–	–
Colt CZ Defence Solutions s.r.o.	company under ultimate control	8,289	10,381	–	–
Colt CZ Group Inter-national s.r.o.	company under ultimate control	7	75,007	–	–
CZG VIB s.r.o.	company under ultimate control	368	7	–	–
4M SYSTEMS a.s.	company under ultimate control	–	–	1,340	1,589
Spuhr i Dalby AB	company under ultimate control	191	121	–	–
Sellier & Bellot Int. a.s.	company under ultimate control	11,284	557,801	–	–
Sellier & Bellot a.s.	company under ultimate control	–	1,609	–	–
Keriani, a.s.	company of the ultimate owner's corporate group	–	–	43	42
saltech AG	company under ultimate control	–	–	1,689	1,727
Colt CZ Hungary Zrt.	associated company of the subsidiary	6,345	6,347	–	–
Total		107,060	670,282	7,395	23,527

As at 31 December 2025, the Company granted loans to related parties totalling CZK 8,630,237 thousand (31 December 2024 – CZK 18,140,091 thousand). For a detailed overview of the loans see Note 22. The Company had not identified any impairment of the above loans to related parties.

As part of the cash-pooling arrangement, the Company also recognises payables to related parties totalling CZK 1,538,377 thousand (31 December 2024 – CZK 479,968 thousand). For a detailed overview of cash pooling payables see Note 29.

The Company also paid a dividend of CZK 438,721 thousand (2024 – CZK 797,945 thousand) to Česká zbrojovka Partners SE.

37. OFF-BALANCE SHEET COMMITMENTS

As at 31 December 2025 and 31 December 2024, the Company issued no guarantees in respect of third-party liabilities.

As at 31 December 2025, the Company has no significant legal disputes in which it acts as a defendant, nor any significant investment, environmental or other off-balance sheet commitments.

38. AUDITOR'S FEE

The statutory auditor's fee is disclosed in the notes to the consolidated financial statements prepared for the consolidated group in which the Company is included.

39. SUBSEQUENT MATERIAL EVENTS

On 6 January 2026, the Company completed the acquisition of a 51% share in Synthesia Nitrocellulose, a.s. and, simultaneously, the acquisition of a 51% share in Synthesia Power, a.s.

The Company acquired the 51% shares in Synthesia Nitrocellulose, a.s. and Synthesia Power, a.s. for a combination of cash consideration of CZK 5.5 billion and the issuance of 6,174,214 new ordinary shares of the Company at a price of CZK 732 per share. The remaining 49% share in both companies may be acquired by the Company under pre-agreed conditions over the medium term. The purchase price may be subject to adjustment in the second quarter of 2026 based on the actual level of net debt and working capital of Synthesia Nitrocellulose, a.s. as at the acquisition date.

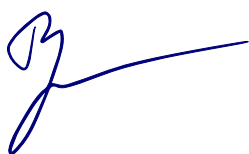
With effect from 7 April 2026, Mr Martin Durčák was elected as a member of the Company's Board of Directors.

On 13 April 2026, the Company announced the admission of its ordinary shares to trading on the regulated market of Euronext Amsterdam, operated by Euronext Amsterdam N.V. The admission follows the resolution of the General Meeting held on 10 April 2026, which approved the submission of the application for a dual listing on Euronext Amsterdam.

The Company is closely monitoring the ongoing armed conflict in the Middle East and continuously assessing its potential impacts on its business. As at the date of preparation of these financial statements, no direct material impact on the Company's financial performance has been identified; however, indirect impacts cannot be ruled out, in particular those related to developments in energy prices, logistics costs and overall market uncertainty. The Company therefore continues to evaluate possible future scenarios and to implement measures aimed at mitigating any potential adverse effects on its financial performance.

No other subsequent events have occurred up to the reporting date that would have any material impact on the financial statements as at 31 December 2025.

The separate financial statements were approved by the Company's Board of Directors for publication on 22 April 2026.



Radek Musil
Vice-chair of the Board of Directors



Josef Adam
Vice-chair of the Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2025
prepared in accordance with IFRS Accounting
Standards as adopted by the European Union

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

		2025	2024
	Note	CZK '000	CZK '000
Revenues from the sale of own products, goods and services	4, 5	23,398,336	22,375,792
Other operating income	6	109,472	159,638
Change in inventories developed internally		1,375,831	(629,980)
Own work capitalised		390,851	338,746
Raw materials and consumables used	7	(12,388,948)	(11,335,766)
Services	8	(2,841,726)	(2,487,683)
Personnel expenses	9	(4,808,062)	(4,489,688)
Depreciation and amortisation	11	(1,545,619)	(1,478,824)
Other operating expenses	12	(418,107)	(331,521)
Allowances	13	(10,030)	(119,696)
Operating profit or loss		3,261,998	2,001,018
Interest income	16	491,470	784,854
Interest expense	17	(1,097,309)	(1,307,949)
Other financial income	16	30,372	113,159
Other financial expenses	17	(620,081)	(202,902)
Gains or losses from derivative transactions	18	504,122	(8,872)
Share in profit of associates after tax	25	1,903	530
Profit before tax		2,572,475	1,379,838
Income tax	19	(528,208)	(335,263)
Profit for the period		2,044,267	1,044,575
Items that may be subsequently reclassified to the statement of profit or loss			
Cash flow hedges – remeasurement of effective portion of hedging instruments	21	839,646	(803,310)
Foreign currency translation of foreign operations	21	(379,172)	74,551
Other comprehensive income		460,474	(728,759)
Comprehensive income for the period		2,504,741	315,816
Profit for the period attributable to:			
Owner of the parent company		2,044,897	1,044,575
Non-controlling interests		(630)	–
Comprehensive income for the period attributable to:			
Owner of the parent company		2,503,927	315,816
Non-controlling interests		814	–
Net earnings per share attributable to the owner of the parent company (CZK per share)			
Basic	46	36	22
Diluted	46	36	22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

		31 December 2025	31 December 2024
	Note	CZK '000	CZK '000
ASSETS			
Non-current assets			
Intangible assets	24	9,463,485	10,403,416
Goodwill	24	9,039,588	8,489,707
Property, plant and equipment	24	9,896,386	9,582,545
Equity-accounted securities and investments	25	45,006	44,102
Financial derivatives	42	886,157	413,372
Trade and other receivables	29	11,730	20,021
Other receivables	30	2,115	2,593
Deferred tax assets	20	95,345	75,589
Total non-current assets		29,439,812	29,031,345
Current assets			
Inventories	26	9,504,142	7,456,512
Trade and other receivables	29	2,182,858	2,829,759
Provided loans	27	25,589	20,017
Other financial assets	28	10,817	12,531
Financial derivatives	42	710,122	127,174
Other receivables	30	729,432	555,882
Tax receivables	19	213,875	81,210
Cash and cash equivalents	31	12,819,126	5,917,768
Total current assets		26,195,961	17,000,853
Total assets		55,635,773	46,032,198
EQUITY AND LIABILITIES			
Capital and reserves			
Registered capital	32	5,646	5,646
Treasury shares	33	(189,767)	–
Share premium	32	13,477,795	13,477,795
Capital funds	33	1,641,512	1,641,512
Cash flow hedge reserve	33	636,152	(203,494)
Foreign exchange translation reserve	33	(448,496)	(68,137)
Accumulated profits		6,067,174	5,175,107
Equity attributable to the owner of the Company		21,190,016	20,028,429
Non-controlling interests		91,955	–
Total equity		21,281,971	20,028,429

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

		31 December 2025	31 December 2024
	Note	CZK '000	CZK '000
Non-current liabilities			
Bonds, bank loans and borrowings	35	19,757,927	16,336,227
Financial derivatives	42	218,258	532,473
Lease liabilities	39	71,718	58,922
Other financial liabilities	38	147,336	–
Trade and other payables	36	78,732	46,802
Other payables	37	7,696	10,387
Provisions	14	88,816	101,095
Deferred tax liabilities	20	2,641,071	2,561,948
Employee benefit liabilities	15	189,531	234,725
Total non-current liabilities		23,201,085	19,882,579
Current liabilities			
Bonds, bank loans and borrowings	35	1,509,247	1,474,910
Financial derivatives	42	63,608	394,262
Lease liabilities	39	25,206	22,267
Trade and other payables	36	2,025,274	1,573,335
Other payables	37	7,292,983	2,333,203
Provisions	14	74,164	57,870
Tax liabilities	19	145,075	248,236
Employee benefit liabilities	15	17,160	17,107
Total current liabilities		11,152,717	6,121,190
Total liabilities		34,353,802	26,003,769
Total equity and liabilities		55,635,773	46,032,198

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

CZK '000	Registered capital (Note 32)	Treasury shares (Note 33)	Share premium (Note 32)	Capital funds (Note 33)	Cash flow hedge reserve (Note 33)	Foreign exchange translation reserve (Note 33)	Accumulated profits	Equity attributable to the owner of the parent company	Non-controlling interests	Total equity
Balance at 31 December 2023	3,516	–	1,942,818	1,641,512	599,816	(142,688)	5,229,872	9,274,846	–	9,274,846
Profit for the period	–	–	–	–	–	–	1,044,575	1,044,575	–	1,044,575
Other comprehensive income	–	–	–	–	(803,310)	74,551	–	(728,759)	–	(728,759)
Total comprehensive income for the period	–	–	–	–	(803,310)	74,551	1,044,575	315,816	–	315,816
Dividends	–	–	–	–	–	–	(1,511,069)	(1,511,069)	–	(1,511,069)
Issue of shares (Note 32)	1,957	–	11,534,977	–	–	–	–	11,536,934	–	11,536,934
Share-based payments (Note 10)	173	–	–	–	–	–	411,729	411,902	–	411,902
Balance at 31 December 2024	5,646	–	13,477,795	1,641,512	(203,494)	(68,137)	5,175,107	20,028,429	–	20,028,429
Profit for the period	–	–	–	–	–	–	2,044,897	2,044,897	(630)	2,044,267
Other comprehensive income	–	–	–	–	839,646	(380,616)	–	459,030	1,444	460,474
Total comprehensive income for the period	–	–	–	–	839,646	(380,616)	2,044,897	2,503,927	814	2,504,741
Dividends	–	–	–	–	–	–	(846,945)	(846,945)	–	(846,945)
Purchase of treasury shares (Note 33)	–	(189,767)	–	–	–	–	–	(189,767)	–	(189,767)
Options to purchase non-controlling interests (Note 38)	–	–	–	–	–	–	(147,336)	(147,336)	–	(147,336)
Share-based payments (Note 10)	–	–	–	–	–	–	(155,891)	(155,891)	–	(155,891)
Change in non-controlling interests without loss of control (Note 34)	–	–	–	–	–	257	(2,659)	(2,402)	91,141	88,739
Rounding	–	–	–	–	–	–	1	1	–	1
Balance at 31 December 2025	5,646	(189,767)	13,477,795	1,641,512	636,152	(448,496)	6,067,174	21,190,016	91,955	21,281,971

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

		2025	2024
	Note	CZK '000	CZK '000
Cash flows from principal economic activity (ordinary activity)			
Profit from ordinary activity before tax		2,572,475	1,379,838
Depreciation/amortisation of non-current assets	11, 24	1,545,619	1,478,824
Change in allowances and provisions	13, 14	19,173	170,879
Profit from the sale of non-current assets	6	(1,782)	(1,990)
Interest expense and interest income	16, 17	605,839	523,095
Share in the profit of associates	25	(1,903)	(530)
Unrealised foreign exchange gains and losses		760,311	(343,250)
Remeasurement of other financial assets	28	–	(113,402)
Cash flow hedges – remeasurement of effective portion of hedging instruments	42	1,062,843	(1,001,100)
Share-based payments	10	(155,891)	411,729
Adjustments for other non-cash transactions		133,051	62,197
Net operating cash flows before changes in working capital		6,539,735	2,566,290
Change in working capital			
Change in receivables and deferrals	29, 30	(743,490)	682,840
Change in liabilities and accruals	36, 37	5,630,134	216,589
Change in inventories	26	(2,653,193)	503,703
Net cash flow from operating activities		8,773,186	3,969,422
Paid interest		(1,160,026)	(1,327,694)
Interest received		523,011	826,407
Income tax paid for ordinary activity	19	(1,036,799)	(797,443)
Net cash flow from operating activities		7,099,372	2,670,692
Cash flows from investing activities			
Acquisition of non-current assets	24	(1,035,595)	(920,565)
Income from the sale of non-current assets		1,782	1,990
Acquisition of subsidiaries – consideration transferred	22, 23	(1,343,857)	(5,231,350)
Acquisition of subsidiaries – cash and cash equivalents acquired	22, 23	8,460	443,521
Dividends received from associates	25	1,000	–
Equity-accounted securities and investments	25	–	(3,776)
Acquisition of other financial assets	28	–	(12,531)
Income from the sale of Other financial assets	28	–	1,021,982
Drawing on provided loans	27	(6,094)	(18,889)
Employee benefit liabilities	15	(31,135)	(54,240)
Net cash flow from investing activities		(2,405,439)	(4,773,858)
Cash flows from financing activities			
Net proceeds from issue of bonds	35	5,942,665	588,000
Purchase of treasury shares	33	(189,767)	–
Change in non-controlling interests without loss of control	34	88,739	–
Proceeds from issue of shares	32	–	2,242,673
Proceeds from drawing on loans	35	34,554	7,382,973
Dividends paid to owners	2	(846,945)	(260,445)
Repayment of loans	35	(2,348,963)	(5,324,774)
Repayment of leases	39	(26,956)	(25,650)
Net cash flow from financing activities		2,653,327	4,602,777
Net change in cash and cash equivalents		7,347,260	2,499,611
Opening balance of cash and cash equivalents		5,917,768	3,328,684
Effect of exchange rate on cash and cash equivalents		(445,902)	89,473
Closing balance of cash and cash equivalents		12,819,126	5,917,768

These notes are an integral part of these consolidated financial statements.

COLT CZ GROUP SE

Consolidated Financial Statements
for the year ended 31 December 2025 prepared
in accordance with IFRS Accounting Standards
as adopted by the European Union

TABLE OF CONTENTS

1.	PARENT COMPANY	259
2.	IDENTIFICATION OF THE GROUP AND MATERIAL EVENTS IN THE PERIOD	260
3.	SIGNIFICANT ACCOUNTING POLICIES	262
4.	OPERATING SEGMENTS	275
5.	REVENUES FROM THE SALE OF OWN PRODUCTS, GOODS AND SERVICES	278
6.	OTHER OPERATING INCOME	278
7.	RAW MATERIALS AND CONSUMABLES USED	278
8.	SERVICES	279
9.	PERSONNEL EXPENSES	279
10.	SHARE-BASED PAYMENT ARRANGEMENTS	280
11.	DEPRECIATION AND AMORTISATION	284
12.	OTHER OPERATING EXPENSES	284
13.	ALLOWANCES	285
14.	PROVISIONS	286
15.	EMPLOYEE BENEFIT LIABILITIES	287
16.	INTEREST INCOME AND OTHER FINANCIAL INCOME	291
17.	INTEREST EXPENSE AND OTHER FINANCIAL EXPENSES	292
18.	GAINS/LOSSES FROM DERIVATIVE TRANSACTIONS	292
19.	INCOME TAX	292
20.	DEFERRED TAX	293
21.	OTHER COMPREHENSIVE INCOME	294
22.	ACQUISITION OF VALLEY STEEL STAMP INC.	294
23.	ACQUISITION OF SELLIER & BELLOT	295
24.	NON-CURRENT ASSETS	297
25.	EQUITY-ACCOUNTED SECURITIES AND INVESTMENTS	302
26.	INVENTORIES	302
27.	PROVIDED LOANS	302
28.	OTHER FINANCIAL ASSETS	303
29.	TRADE AND OTHER RECEIVABLES	303
30.	OTHER RECEIVABLES	304
31.	CASH AND CASH EQUIVALENTS	304
32.	REGISTERED CAPITAL AND SHARE PREMIUM	304
33.	OTHER COMPONENTS OF EQUITY	305
34.	NON-CONTROLLING INTERESTS	305
35.	BONDS, BANK LOANS AND BORROWINGS	306
36.	TRADE AND OTHER PAYABLES	308
37.	OTHER PAYABLES	308
38.	OTHER FINANCIAL LIABILITIES	309
39.	LEASES	309
40.	FINANCIAL ASSETS AND LIABILITIES	310
41.	RISK MANAGEMENT	314
42.	DERIVATIVE INSTRUMENTS	324
43.	RELATED PARTIES	334
44.	OFF-BALANCE SHEET COMMITMENTS	335
45.	AUDITOR'S FEE	336
46.	NET EARNINGS PER SHARE	336
47.	SUBSEQUENT MATERIAL EVENTS	337

1. PARENT COMPANY

Colt CZ Group SE (the Consolidating Entity or Company) is a *societas Europaea* recorded in the Register of Companies held by the Municipal Court in Prague on 10 January 2013, having its registered office at náměstí Republiky 2090/3a, Nové Město, 110 00 Prague 1, Czech Republic, corporate ID No. 291 51 961. The Company together with its subsidiaries is one of the world's leading manufacturers of small arms and ammunition for the armed forces, personal defense, hunting, sport shooting and other commercial uses. It sells its products mainly under the Colt, CZ (Česká zbrojovka), Sellier & Bellot, Colt Canada, CZ-USA, Dan Wesson, Spuhr, swissAA, and 4M Systems brands.

The following table shows individuals and legal entities with an equity interest greater than 10 percent:

Shareholder	Ownership percentage as at	
	31 Dec 2025	31 Dec 2024
Česká zbrojovka Partners SE	51.80%	51.80%
CBC Europe S.à r.l.	21.66%	24.37%

Since 2017, the majority owner of the Company has been Česká zbrojovka Partners, SE, based at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic.

The Consolidating Entity and consolidated entities are part of a larger consolidated group of ultimate parent company European Holding Company, SE, based at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic. The ultimate owner of the Company is Mr. René Holeček.

Members of the Board of Directors and Supervisory Board as of the balance sheet date:

Board of Directors	
Chair:	Jan Drahota (until 30 September 2025)
Vice-chair:	Radek Musil
Vice-chair:	Josef Adam
Member:	Vladimír Rada (from 1 December 2025)
Member:	Jan Holeček
Member:	Jan Zajíc
Supervisory Board	
Chair:	Jan Drahota (from 1 October 2025)
Vice-chair:	David Aguilar (from 1 October 2025)
Vice-chair:	Lubomír Kovařík
Member:	René Holeček (from 1 October 2025)
Member:	Daniel Birmann
Member:	Jana Růžičková

Mr Radek Musil was elected Vice-chair of the Company's Board of Directors with effect from 1 January 2025.

Mr Dennis Veilleux resigned from his position as member of the Company's Board of Directors with effect from 1 April 2025.

Mr Vladimír Dlouhý resigned from his position as member of the Company's Supervisory Board with effect from 30 June 2025. The position of member of the Supervisory Board will remain temporarily vacant.

On 30 September 2025, Mr Jan Drahota resigned from his position as member and Chair of the Company's Board of Directors. With effect from 1 October 2025, Mr Drahota was co-opted to the Supervisory Board, which subsequently elected him as its Chair. In connection with the appointment of Mr Jan Drahota to the Supervisory Board, the former Chair of the Supervisory Board, Mr David Aguilar, was appointed Vice-chair of the Supervisory Board. Mr René Holeček, who previously held the position of Vice-chair, continues to serve as a member of the Supervisory Board.

On 18 November 2025, Mr Jan Zajíc, Chief Executive Officer of Česká zbrojovka, was re-elected as a member of the Company's Board of Directors following the expiry of his previous five-year term of office, with effect from 24 November 2025. Mr Vladimír Rada, Chief Executive Officer of Sellier & Bellot a.s. and Sellier & Bellot Int. a.s., was newly appointed as a member of the Board of Directors, with effect from 1 December 2025.

The consolidated group (the Group) comprises the Company and the consolidated entities of the Group (subsidiaries). The consolidated group includes the Company and entities controlled by the Company, i.e. entities in which the Company holds more than 50% of voting rights.

All amounts in these financial statements and the related notes are reported in thousands of Czech crowns, which are also the functional currency.

2. IDENTIFICATION OF THE GROUP AND MATERIAL EVENTS IN THE PERIOD

2.1. Identification of the Group

Company name	Principal activity	Place of foundation and business operation	Consolidation method	Share in voting rights held by the Group	
				31 December 2025	31 December 2024
Česká zbrojovka a.s.	Production, purchase and sale of firearms and ammunition	Uherský Brod, Czech Republic	full	100%	100%
Česká zbrojovka a.s. Niederlassung Deutschland	Production, purchase and sale of firearms and ammunition	Regensburg, Germany	full	100%	100%
Latin America Holding, a.s.	Holding company	Uherský Brod, Czech Republic	full	100%	100%
ZBROJOVKA BRNO, s.r.o.	Purchase and sale of firearms and ammunition	Brno, Czech Republic	full	100%	100%
Sellier & Bellot Int. a.s.	Production and sale of ammunition	Prague, Czech Republic	full	100%	100%
Sellier & Bellot a.s.	Purchase and sale of ammunition	Vlašim, Czech Republic	full	100%	100%
Global Defence Trading a.s. (formerly Sellier & Bellot Trade a.s.)	Purchase and sale of ammunition	Vlašim, Czech Republic	full	100%	100%
CZ – Slovensko s.r.o.	Production, purchase and sale of firearms and ammunition	Bratislava, Slovakia	full	100%	100%
Representative Office of Colt CZ Group SE	Representative office	Kiev, Ukraine	full	100%	100%
Colt CZ Group North America, Inc.	Holding company	Kansas City, USA	full	100%	100%
CZ-USA, LLC	Purchase and sale of firearms and ammunition	Kansas City, USA	full	100%	100%
Colt's Manufacturing Company LLC	Production, purchase and sale of firearms	West Hartford, Connecticut, USA	full	100%	100%
Four Horses Apparel, Inc.	Production and sale of clothing and fashion accessories	West Hartford, Connecticut, USA	full	100%	100%
Colt Electro Optics, LLC*	Research and development	West Hartford, Connecticut, USA	full	92%	100%
Colt Admin, LLC*	Holding company	West Hartford, Connecticut, USA	full	100%	100%
Valley Precision Parts Corp. (formerly New England Expert Technologies Corp.**)	Holding company	Greenfield, Massachusetts, USA	full	100%	–
Valley Steel Stamp Inc.**	Production, purchase and sale of firearms	Greenfield, Massachusetts, USA	full	100%	–
Colt Canada Corporation	Production, purchase and sale of firearms	Kitchener, Ontario, Canada	full	100%	100%
Colt CZ Defence Solutions, s.r.o.	Purchase and sale of firearms and ammunition	Uherský Brod, Czech Republic	full	100%	100%
EHC-4M, SE	Holding company	Prague, Czech Republic	full	100%	100%
4M SYSTEMS a.s.	Trade with military material	Prague, Czech Republic	full	100%	100%
Colt CZ Group International s.r.o.	Holding company	Prague, Czech Republic	full	100%	100%
Spuhr i Dalby AB***	Production of optical assembly solutions	Löddeköpinge, Sweden	full	71%	100%
CZG VIB s.r.o.	Holding company	Prague, Czech Republic	full	100%	100%
Colt CZ Insurance Limited	Captive reinsurance company	Saint Peter Port, Guernsey	full	100%	100%

* Colt Admin, LLC and Colt Electro Optics, LLC were established on 18 November 2024.

** On 16 June 2025, the Company acquired Valley Precision Parts Corp. (formerly New England Expert Technologies Corp.) and Valley Steel Stamp Inc. For more detailed description, see Note 22.

*** As at 1 December 2025, a 29% share in subsidiary Spuhr i Dalby AB was sold. For more detailed description, see Note 34.

Company name	Principal activity	Place of foundation and business operation	Consolidation method	Share in voting rights held by the Group	
				31 December 2025	31 December 2024
swissAA Holding AG	Holding company	Däniken, Switzerland	full	100%	100%
aaltech GmbH	Purchase and sale of ammunition	Sollenau, Austria	full	100%	100%
laltech s.r.l.	Purchase and sale of ammunition	Milan, Italy	full	100%	100%
galtech AG	Purchase and sale of ammunition	Bad Krozingen, Germany	full	100%	100%
saltech AG	Production and sale of ammunition	Däniken, Switzerland	full	100%	100%
haltech kft.	Production and sale of ammunition	Balatonfüzfő, Hungary	full	100%	100%
CZ BRASIL LTDA	Purchase and sale of firearms and ammunition	Brazil	equity	49%	49%
CARDAM s.r.o.	Research and development	Dolní Břežany, Czech Republic	equity	33%	33%
EG-CZ Academy	Academy	Quimper, France	equity	20%	20%
VIBROM spol. s r.o.	Production	Třebechovice pod Orebem, Czech Republic	equity	25%	25%
Colt CZ Hungary Zrt.****	Production of firearms	Hungary	equity	51%	51%

**** The Group holds a 51% equity interest and a 50% non-controlling interest in voting rights in Colt CZ Hungary Zrt.

Česká zbrojovka a.s., Sellier & Bellot Int. a.s., and Colt's Manufacturing Company LLC are the most significant entities in the Group. In the text below, the term 'Group' refers to the consolidated group.

2.2. Material events in the period

During the first quarter of 2025, the Company sold a portion of COLTCZ VAR/30 bonds maturing in 2030, with a nominal value of CZK 483 million, which had not previously been placed on the market, and simultaneously repurchased from the market COLTCZ VAR/27 bonds maturing in 2027 in the same nominal amount. As a result, the volume of bonds maturing in 2027 was reduced and the average maturity of the Company's total debt financing was extended.

On 16 June 2025, the Group completed the acquisition of all shares of New England Expert Technologies Corp., the owner of Valley Steel Stamp Inc. (VSS). For more detailed information on this transaction, see Note 22.

On 30 June 2025, the General Meeting of the Company decided on the distribution of profit for 2024 and the payment of dividends. The dividend for 2024 is CZK 15 per share before tax.

On 30 June 2025, the General Meeting of the Company also approved a resolution on the acquisition of the Company's treasury shares. Pursuant to this resolution, the Company may, for a period not exceeding five years, acquire up to 3,373,660 treasury shares at a price ranging from CZK 0.10 to CZK 1,500 per share. The maximum cash amount allocated to the share buyback programme on the regulated market is CZK 847 million.

With effect from 1 July 2025, the Company amended the terms and conditions of issue of its outstanding bonds CZG VAR/27, ISIN CZ0003530776, CZG VAR/29, ISIN CZ0003537029 and COLTCZ VAR/30, ISIN CZ0003550295 in order to reflect the following:

(a) an amendment to Article 6.3.1 (Early Redemption upon Change of Control) reflecting a new definition of the term Change of Control and the introduction of the definition of Control, and

(b) the Company's new corporate name and registered office.

The amendments to the terms and conditions of issue were approved by the meetings of bondholders held on 27 June 2025. The updated and restated terms and conditions of issue, effective from 1 July 2025, are available on the Company's website. On 7 July 2025, the Company commenced a share buyback programme on the regulated market operated by Burza cenných papírů Praha a.s.

On 27 July 2025, the President of the European Commission, Ursula von der Leyen, and the President of the United States, Donald J. Trump, reached an agreement on tariffs and trade. Under the terms of this agreement, a 15% tariff was imposed on the majority of European imports into the United States. This measure has a direct impact on exports of products of the Group's subsidiaries in both the firearms and ammunition segments, in particular for Česká zbrojovka and Sellier & Bellot.

On 30 July 2025, the Company paid the dividend in cash.

On 28 August 2025, the Company entered into a share purchase agreement with Synthesia, a.s., wholly owned by Kaprain Chemical Limited, for the acquisition of Synthesia Nitrocellulose, a.s. The Group has acquired a 51% share, with the remaining 49% to be acquired under pre-agreed conditions over the medium term.

On 25 October 2025, the Company established a representative office in Ukraine. The representative office will primarily serve to develop business relationships, support marketing and sales activities, and enable more efficient coordination of the Group's activities in Ukraine.

On 7 November 2025, the Company issued a total of 600,000 bonds with a nominal value of CZK 10,000 per bond and an aggregate nominal value of CZK 6,000,000,000. The bonds bear a fixed interest rate (coupon) of 6.10% p.a., payable semi-annually in arrears. The bonds were admitted to trading on the regulated market of the Prague Stock Exchange. The proceeds from the issue will be used for capital expenditures (CAPEX), working capital, financing acquisition plans and for general purposes of the Company.

On 19 November 2025, the General Meeting of the Company authorised the Board of Directors, under the conditions set out in the Act on Business Corporations and the Company's Articles of Association, to increase the registered capital by up to CZK 800,000 through the issuance of up to 8,000,000 book-entry registered shares with a nominal value of CZK 0.10 per share. Shares to be subscribed for in connection with the increase in the Company's registered capital based on this authorisation of the Board of Directors may be offered for subscription exclusively to a pre-determined investor, i.e. without the exercise of pre-emptive rights, namely KAPRAIN CHEMICAL LIMITED.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Newly adopted standards and interpretations

In the current year, the Group applied the below existing amendments to IFRS Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in the EU for accounting periods beginning on or after 1 January 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Standard	Title
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability	The amendments specify how to assess whether a currency is convertible and how to determine the exchange rate when it is not convertible.

New standards and amendments to the existing standards issued by the IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new IFRS standards and revised IFRS Accounting Standards that have been issued by IASB and adopted by EU but are not yet effective:

Standard	Title	Effective date
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to IFRS 9 and IFRS 7	Nature-Dependent Electricity Contracts	1 January 2026
Annual Improvements to IFRS Accounting Standards (Volume 11)	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	1 January 2026

The Group is evaluating the impact of the implementation of IFRS 18 on its financial statements. The Group does not expect that the adoption of other standards and amendments will have a material impact on the Group's financial statements in future periods.

New standards and amendments to the existing standards issued by the IASB but not yet adopted by the EU

At present, IFRS accounting standards as adopted by the EU do not significantly differ from IFRS accounting standards adopted by the International Accounting Standards Board (IASB) except for the following amendments to the existing standards, which were not adopted by the EU:

Standard	Title	EU adoption status
IFRS 19	Subsidiaries without Public Accountability: Disclosures	Effective 1 January 2027
Amendments to IAS 21	Conversion to the hyperinflationary presentation currency	Effective 1 January 2027
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The IASB has temporarily suspended the effective date.

The Group does not expect that the adoption of the above-mentioned standard and amendments to existing standards will have a material impact on the Group's financial statements in future periods.

3.2. Statement of compliance

These consolidated financial statements have been prepared under the International Financial Reporting Standards as adopted by the European Union (IFRS).

3.3. Basis of preparation

a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

b) Basis of measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants took those characteristics into account in pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- ▶ **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- ▶ **Level 2** inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- ▶ **Level 3** inputs are unobservable inputs for the asset or liability.

The Group applies Level 2 to financial instruments – derivatives.

c) Going concern

The Group has, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

d) Basis of consolidation

The consolidated financial statements incorporate assets and liabilities of companies and entities controlled by the Group. Control is achieved when the Group:

- ▶ has power over the investee,
- ▶ Is exposed, or has rights, to variable returns from its involvement with the investee, and
- ▶ has the ability to use its power over the investee to influence the level of their returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group holds less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- ▶ The size of the Group's holding of voting rights relative to the size and distribution of holdings of the other vote holders,
- ▶ Potential voting rights held by the Group, other vote holders or other parties,
- ▶ Rights arising from other contractual arrangements, and
- ▶ Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owner of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owner of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intracompany assets and liabilities, equity, income (including any unrealised profit in inventories), expenses, and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

3.3.1. Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's controlling interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owner of the Group.

Options to purchase non-controlling interests are recognised as a liability measured at the present value of the exercise price, with a corresponding amount deducted from equity. Subsequent changes in the present value of the liability are recognised directly in equity.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassify the gain or loss from equity to profit or loss or transfer directly to retained earnings if required by other IFRS standards).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost upon initial recognition of an investment in an associate or a joint venture.

3.4. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- ▶ Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively,
- ▶ Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-Based Payments at the acquisition date, and
- ▶ Assets (or disposal groups) that are classified as held for sale or held for distribution to owners in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and equity interests held so far (if any), and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement

period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration, which is classified as an asset or liability, is remeasured to fair value at subsequent reporting dates, in accordance with IFRS 9, Contingent Liabilities and Contingent Assets, with the relating gain or loss recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The Group did not use the exception allowing not to apply IFRS 3 to business combinations implemented before the transition to IFRS. The Group does not apply business combination accounting to combinations with entities or business under common control. In common control transactions, the Group recognises any difference between consideration provided and carrying value of acquired net assets to retained earnings.

3.5. Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Profit or loss, assets and liabilities of associates are accounted for in these financial statements using the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

An impairment loss for investments in associates is calculated by comparing the recoverable amount with the carrying amount if there is objective evidence of impairment. In assessing whether objective evidence exists, the Group primarily considers the associate's current or potential financial difficulties, breach of contract, default or, possible bankruptcy. Realisable value is determined based on estimated future cash flows discounted to their present value. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of the impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3.6. Recognition of revenue from contracts with customers

Revenue is recognised at the amount of consideration to which the Group expects to be entitled under a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Group recognises revenue from contracts with customers as follows:

- ▶ Contract with customer is identified.
- ▶ Performance obligation is identified.
- ▶ Transaction price is determined.
- ▶ Transaction prices are allocated to individual performance obligations.
- ▶ Revenue is recognised upon meeting the performance obligation.

Revenues are recognised when the Group meets its performance obligation with respect to a client. If a contract contains multiple partial performance obligations the total contractual price is distributed to individual performance obligations and the Group recognises revenue when each partial performance obligation is met. Payments received before a performance obligation is satisfied are reported as liabilities. Expenses incurred before the performance obligation is satisfied are recognised as assets under IFRS.

3.7. Sale of products, goods and related additional services

Products, goods and services are delivered based on orders following master sales agreements or based on individual sales contracts. In respect of sales of products and goods, a performance obligation is the obligation to deliver its products or goods to a customer in the agreed upon amount at the agreed place. Individual orders are always considered to be separate performance obligations because a customer may use the products and goods delivered separately. The price is determined in a framework contract, orders or individual purchase contracts. The price for products or goods delivery is always fixed, the Group provides no significant bulk discounts or any similar price adjustments linked to the volume of purchases for a specified period.

The Company has identified each individual delivery as a separate performance obligation. The revenue is recognised at the moment its satisfaction occurs, which is when the customer takes control over the products or goods. This moment is determined mainly by the agreed delivery parity. For goods and products delivered from consignment stock, the revenue is recognised when goods or products are dispatched.

The delivery of goods may be combined with the provision of additional services (such as transportation or insurance). In such case, the performance obligations arising from all combined transactions are considered to be satisfied at the same point of time, namely upon the transfer of control of the goods.

The Group only provides standard warranties to the products delivered in line with laws of a specific country.

Expenses for contract satisfaction in case of own production are recognised in compliance with IAS 2 Inventories.

The remuneration for obtaining a contract, in particular the remuneration provided to intermediaries, is usually linked to the customer's payment and is, therefore, directly expensed. Similarly, the costs of obtaining contracts are directly expensed if they are insignificant or if the depreciation period of the asset resulting from the costs of obtaining the contract is shorter than one year.

3.8. Provision of services and licences

Services primarily include work (machining, grinding) on supplied tools or material. Services are provided based on contracts or confirmed orders. For provided services, performance obligations are agreed in contracts. Services usually relate to material or tools of a customer and the Group's performance obligation is to apply the agreed service to the delivered material.

For the supply of services, the performance obligation is fulfilled when the customer acquires control of the service. This moment is usually determined in a contract; depending on the nature of the service, it may be, and usually it is, a moment when the material or tools to which the service related are delivered to a customer.

The costs of obtaining a contract are directly expensed if they are insignificant or if the depreciation period of the asset consisting of the costs of obtaining the contract is less than one year.

Licences are provided under licence agreements. In respect of provided licences, the performance obligation is to allow other entities to use the trademark or any other copyright of the Group. The price is determined as a combination of one-time fixed price for the provision of a licence and a share on sales achieved based on the granted licence (a fixed amount per unit sold or a share on sales). If the Group does not undertake to further develop the subject of the licence or allow the licensee to access further modifications, the performance obligation is satisfied at the moment from which the licensee can use the licence. Revenue from the sale of rights to access licences (license fees) is accounted for on an ongoing basis and is not recognised as revenue as it is not generated in the ordinary course of the Group's business, but is classified as other operating income.

3.9. Dividends and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is recognised over the relevant period for each financial asset. Interest income is calculated by applying the effective interest rate, the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the gross carrying amount of the financial asset.

3.10. Leases

The Group as a lessor

The Group provides operating leases only. Income from lease contracts in which the Group acts as a lessor is recognised on a straight-line basis over the term of the contract.

Group as a lessee

For short-term and low-value asset leases (office technology and equipment), lease payments are recognised as operating expenses on a straight-line basis over the lease term.

For other leases, the Group recognises right-of-use assets and lease liabilities as of the lease commencement date.

As of the lease commencement date, the lease liability is measured at the present value of outstanding lease payments, discounted using the interest rate implicit in the lease (or the incremental borrowing rate in case the interest rate implicit in the lease is not readily available). Lease payments may include both fixed and variable payments. As of the lease commencement, the variable element of rent depending on the development of a price index or rate is determined according to the index or rate value as of the lease commencement date.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payment made. If any changes (resulting mainly from the change in the lease term or in future lease payments) occur after the lease commencement date, the Group remeasures the lease liability with the corresponding adjustment to the right to use asset.

The short-term and long-term portions of the lease liability are presented on separate lines of the consolidated statement of financial position.

As of the lease commencement date, the right-of-use asset is measured at cost. The cost is comprised of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day less any lease incentives received and any initial direct cost incurred. Subsequently, the right-of-use asset is measured at cost less accumulated depreciation or impairment losses, if any. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets in the consolidated statement of financial position are presented on the line Property, plant and equipment.

The Company applies IAS 36 to determine whether the right-of-use asset has been impaired and any impairment losses identified are recognised in accordance with the policy described in Note 3.17.

If there is a change in the expected payments included in the lease liability valuation, the Group adjusts the lease liability value to reflect the newly expected payments and adjusts the value of the right-of-use asset at the same time.

3.11. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. The functional currencies in the US and Canadian subsidiaries are US and Canadian dollars, in the Czech subsidiaries Czech crowns, in the Swiss companies Swiss francs, in the Hungarian companies Hungarian forints, and in the Swedish subsidiaries Swedish krona.

During the course of the reporting period, assets and liabilities denominated in foreign currencies are translated by the Group using the exchange rate promulgated by the Czech National Bank on the previous business day; as of the end of the reporting period, the exchange rate promulgated by the Czech National Bank as of 31 December is used.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange rate differences on monetary items are recognised in the profit or loss for the period in which they occurred, except for exchange rate differences on transactions designated to hedge monetary risks (see Note 3.26).

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Czech crowns using exchange rates promulgated by the Czech National Bank at the end of each reporting period.

Revenue and expense items are translated using the average exchange rate for the period. If exchange rates have fluctuated significantly during the period, the exchange rate at the date of the transaction shall be used.

Exchange differences from translating the functional currency of foreign entities into Czech crowns are recognised in other comprehensive income and accumulated in capital funds as part of equity (and attributed to non-controlling interests as appropriate).

3.12. Employee benefits

The Group does not operate its own private pension and post-retirement benefit plans in the Czech Republic. In the Czech Republic, similar plans can only be operated by licensed pension funds. Therefore, it does not have any performance or constructive obligations to make such contributions to funds. The Group provides bonuses in relation to life jubilees and retirement for the work performed. Bonuses are differentiated based on the length of employment at the Company and recognised as a payable to employees using the projected unit credit method. The value of the bonuses did not exceed CZK 1,000 thousand in any period.

The Group has a pension plan in the US, which covers salaried employees and employees covered by a Collective Bargaining Agreement. Pension benefits for both salaried employees and employees covered by the Collective Bargaining Agreement were frozen at various dates prior to 1 January 2015. Accordingly, participants will retain pension benefits that have already been generated. However, no further

benefits will be generated from the effective date of the freeze. In accordance with IAS 19, the pension plan liability is accounted for on a net basis.

The Group also provides certain post-retirement healthcare benefits and life insurance coverage to certain retired US employees who were covered by its Collective Bargaining Agreement at the time of retirement. The cost of these post-retirement benefits is determined actuarially and is recognised in the Group's consolidated financial statements over the active working lives of the employees. In USA, the Group also operates a so called NQDC Plan (A Non-Qualified Deferred Compensation Plan) enabling key employees to defer compensation that they have a legally binding right to receive. NQDC plans are not covered under the Employee Retirement Income Security Act (ERISA). For more information on employee benefits provided by the Group, see Note 15.

3.13. Share-based payments

The fair value of agreements on equity-settled share-based payments granted to an entity's employees is recognised as an expense as at the grant date with a corresponding increase in equity over the vesting period.

The amount recognised as an expense is adjusted to correspond with the number of cases which are expected to meet the relevant condition of employment term/function term and the non-market performance condition so that the amount finally recognised is based on the number of cases meeting the condition of the employment term/function term and the non-market performance condition on the vesting date.

As for remuneration in the form of share-based payments with non-vesting conditions, the grant date fair value of share-based payments is determined considering those conditions and no adjustments are made to reflect differences between the expected and actual result.

3.14. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.14.1. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated individually for each Group entity under tax legislation of the country in which the entity is domiciled.

3.14.2. Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.14.3. Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

3.15. Property, plant and equipment – tangible non-current assets

Property, plant and equipment is recognised at acquisition cost net of accumulated depreciation and accumulated impairment losses. Purchased property, plant and equipment is carried at cost upon acquisition. The cost includes the direct costs of acquisition, transportation costs, customs duty and other costs related to acquisition.

Non-current tangible assets manufactured by the Group are measured at internal cost including direct material and payroll expenses and production overheads.

Subsequent costs incurred on a replacement part for property, plant and equipment or major inspections or overhauls are recognised in the carrying amount of the affected item of property plant and equipment.

Costs of day-to-day servicing, repair or maintenance are expensed when incurred.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is calculated based on the acquisition cost and estimated useful life of the respective assets. Estimated useful lives are estimated as follows:

	Number of years (from – to)
Buildings	15–77
Machinery, devices and equipment	4–52
Furnaces, cranes and conveyors	16–50
Tools	2–4
Vehicles	7–10
Office equipment	4
Furniture and fixtures	2–20

Land owned by the Group, non-current tangible assets under construction and a collection of firearms are not depreciated.

An item of property plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Rights of use are depreciated from the commencement of the lease over the shorter of the lease term or the life of the asset. If the Group expects to exercise the option to purchase the leased asset at the end of the lease term, the right to use is depreciated over the period of expected use. The table below summarises the useful lives by lease item.

Lease item	Number of years (from – to)
Warehouses, offices and other spaces	2–10
Machinery, devices and equipment	2–5
Vehicles	2–7

3.16. Intangible assets

3.16.1. Intangible assets acquired separately and within business combinations

Intangible assets acquired separately and assets acquired within business combinations with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised on a straight-line basis over their estimated useful lives as follows:

	Number of years (from – to)
Development	4–20
Software	2–4
Licenses, patents and other intellectual property rights	2–15
Contractual customer relations	3–25
Other intangible assets	2–6

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets acquired separately and assets acquired within business combinations with indefinite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

3.16.2. Internally developed intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- ▶ The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- ▶ The intention to complete the intangible asset and use or sell it,
- ▶ The entity's ability to use or sell the intangible asset,
- ▶ How the intangible asset will generate probable future economic benefits,
- ▶ The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset, and
- ▶ The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets arising from successful development activities are assessed as of the date of the meeting of the external examination board for the prototype as it is presumed that the above-listed criteria will be met.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date (mostly the date of the external examination board meeting) when the intangible asset first meets the recognition criteria listed above. Assets with the aggregate expenditure exceeding CZK 100,000 are recognised. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.16.3. Emission allowances

Intangible assets include emission allowances for greenhouse allowances. An initial free-of-charge acquisition of the allowances is measured at its market price with a grant being recognised as a deferred income. Where such asset is used, sold or disposed of in another manner, the corresponding amount credited to the grant account will be reported through the relevant revenue accounts to match the relating expenses on the accrual basis.

The use of emission allowances is accounted for at the end of the reporting period, depending upon the level of emissions produced by the Group in the calendar year. A provision is created for produced emissions for which the Group has no emission allowances. In the reporting periods 2025 and 2024, the Group did not enter into any transactions related to emission allowances.

3.16.4. Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.17. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Intangible assets with indefinite useful lives, intangible assets that have not yet been used and goodwill are tested for impairment every year regardless of whether any indication of impairment exists.

3.18. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term highly liquid investments readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. The Group considers as short-term investments with an initial maturity of three months or less.

3.19. Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories includes any purchase costs, transfer costs, and other costs incurred in bringing the inventories to their present condition and location. The cost of purchased inventories includes the purchase cost and relating acquisition costs (freight costs, custom fees, commissions etc.).

Purchased inventories of unit material are stated at cost using the method of fixed costs and valuation variances.

Purchased inventories of overhead material are stated at cost. Individual items are issued out of stock at cost determined using the weighted arithmetic average method.

Internally developed inventories and work in progress are valued at actual purchase cost (material) and the transformation cost including direct payroll costs and part of production overheads corresponding to regular production capacity net of interest.

Inventories encompass goods purchased and held for resale and also encompass finished products, or work in progress being produced, by the entity and include materials and supplies awaiting use in the production process.

The net realisable value is the estimated selling price of inventory less all estimated costs of completion and costs necessary to make the sale.

3.20. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Group creates mainly provisions for warranty repairs, share-based payments, and insurance claims and benefits.

3.20.1. Warranty repairs

Provisions for the expected cost of warranty obligations under local sale of goods legislation or business rules are recognised at the date of sale of the relevant products at the directors' best estimate of the expenditure, based on historical data, required to settle the Group's obligation.

3.20.2. Provisions for insurance claims and benefits

Provisions for outstanding claims and benefits are calculated using actuarial valuations extrapolated based on the experience with claims over time. These provisions include claims that are classified as 'incurred but not reported', the status of which is reviewed periodically by management in conjunction with appropriately qualified consultants.

3.21. Treasury shares

Treasury shares represent the Company's shares held by the Company. Upon acquisition, treasury shares are measured at cost and recognised as a deduction from equity. Upon subsequent sale, the consideration received is recognised directly in equity. Any difference between the acquisition cost and the consideration received is recognised within share premium.

3.22. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instruments.

All ordinary purchases and sales of financial assets are recognised or derecognised based on the transaction date. Ordinary purchases and sales refer to purchases or sales of financial assets, which require the assets to be delivered in a timeframe determined by a regulation or market convention.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.23. Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), financial assets 'at fair value through other comprehensive income' (FVTOCI), and financial assets 'at amortised cost'. The Group does not use the option to measure selected equity instruments through other comprehensive income; all equity instruments are measured at fair value through profit or loss (FVTPL).

The classification and subsequent measurement of debt financial assets depends on the business model and cash flow characteristics of the respective asset. Debt financial assets held to collect contractual cash flows representing solely the payment of interest and principal are measured at amortised cost. Debt financial assets held to collect contractual cash flows representing the payment of interest and principal with the possible objective of selling them (the so-called mixed business model) are measured at fair value through other comprehensive income.

In 2025 and 2024, the Group's business model for all debt financial assets was to hold them and to collect contractual cash flows.

3.23.1. Impairment of financial assets

For trade receivables, the Group determines an impairment loss by means of the simplified model. Therefore, the impairment loss for current receivables is determined in an amount corresponding to expected losses for the entire duration of the receivable.

To determine the impairment loss, the Group divides current receivables into groups with a similar expected loss; impairment losses are then determined as a percentage of the value of receivables. The amount of the expected losses for each class of receivables is based on historical experience available forward-looking information. The amount of the expected losses for each class of receivables is assessed annually by the Group's management.

Financial assets write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.

3.23.2. Effective interest rate method

The effective interest method is a method of calculating interest income on debt instruments that are subsequently measured at amortised cost and at FVTOCI, and of allocating such interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount on initial recognition.

3.24. Financial liabilities and equity instruments

3.24.1. Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.24.2. Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

3.24.2.1. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other financial income/ Other financial expenses' line item in the consolidated statement of profit or loss and other comprehensive income.

3.24.2.2. Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost.

3.24.2.3. Issued bonds

The bonds are publicly traded and listed on the regulated market of the Prague Stock Exchange. Issued bonds are recognised at fair

value. Unpaid interest on bonds are recognised in the Current bonds, bank loans and borrowings position. Transaction costs are accrued and recognised in Non-current or Current bonds, bank loans and borrowings.

3.24.2.4. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- ▶ Loss allowance determined in accordance with IFRS 9, and
- ▶ The premium received on initial recognition is reduced by revenue recognised in accordance with IFRS 15.

The Group provided no financial guarantees in 2025 and 2024.

3.24.2.5. Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are extinguished, i.e. they are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.25. Financial derivatives

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, currency risk and commodity risk, including currency forwards and swaps, interest rate swaps, cross currency interest rate swaps, commodity swaps, and currency or interest rate options. Certain derivatives are designated as hedging instruments in respect of currency risk, interest rate risk or commodity risk within cash flow hedges or hedging of net investment in foreign operations.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently always remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised directly in profit or loss unless the derivative is designated as, or qualifies as, a hedging instrument; in that case, the timing of its recognition in profit or loss depends on the nature of the hedging relationship.

A derivative with a positive fair value is recognised as a financial asset, while a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and the intention to settle on a net basis.

3.26. Hedge accounting

The Group used the option to continue applying IAS 39 to assess and maintain hedge accounting after 1 January 2018.

The Group designates certain hedging instruments, which include derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

For a derivative to be classified as hedging, changes in the fair value or in cash flows arising from derivative instruments must compensate, entirely or in part, changes in the fair value of the hedged item or changes in cash flows arising from the hedged item and the Company must document and demonstrate the existence of a hedge relationship as well as high effectiveness of the hedge. Derivative instruments that do not meet the above criteria are classified as held for trading.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The Group uses financial derivative instruments to hedge currency, interest rate or commodity risks which it is exposed to as a result of its operations.

Hedging derivatives meet the following hedge accounting criteria:

- (a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;

- (b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;
- (c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss; and
- (d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;
- (e) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated. Effectiveness is assessed, at a minimum, at the time the Group prepares its financial statements.

3.26.1. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income under Cash Flow Hedges – remeasurement of effective portion of hedging instruments, the cumulative balance is recognised in the Consolidated statement of financial position under Cash flow hedge reserve in the Group's equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the Gains or losses from derivative transactions line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3.26.2. Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for in a manner similar to cash flow hedges. All gains or losses on Cross currency interest rate swaps relating to the effective portion of the hedge are recognised in other comprehensive income and accumulated in the Foreign exchange translation reserve. Gains or losses relating to the ineffective portion of the hedge are recognised immediately in profit or loss and included in the Gains or losses from derivative transactions.

Gains and losses on the hedging instrument accumulated in the foreign exchange translation reserve are reclassified to profit or loss upon the disposal or partial disposal of the foreign operation.

3.27. Use of estimates

The presentation of financial statements in line with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and presentation of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates on the basis of all the relevant information available to it. Nevertheless, the actual results and outcomes in the future may differ from these estimates. Key sources of uncertainty in making estimates at the end of the reporting period include:

- ▶ Impairment and useful lives of non-current assets, including the right of use based on the expected useful life of these assets and their ability to generate cash inflows in the future (Notes 3.17. and 24).
- ▶ Impairment of inventory is based on the expected production and price development (Notes 3.19. and 26).
- ▶ Expected credit losses on receivables portfolio are based on historical experience and expected credit losses (Notes 3.23. and 29).
- ▶ The valuation of derivative instruments is based on market parameters (interest rates, foreign exchange rates, commodity prices) existing as at 31 December 2025 (Notes 3.25, 3.26, and 42).
- ▶ Impairment of intangible assets with indefinite useful life and goodwill is based on the value in use determined based on the expected development of sales and interest rates existing as of the date of the consolidated financial statements (Notes 3.17, 24.1, and 24.2).
- ▶ The use of estimates is also applied to the creation of provisions (Note 14), the recognition of employee benefits (Note 15) and the recognition of share-based payments (Note 10).

3.28. Sources of uncertainty and risk factors

The Group's future business may be adversely impacted by the following factors out of the Group's control:

- ▶ Regulation of firearm trading: Stricter regulation of firearm sales may negatively affect the Group's performance in the future.
- ▶ Entry of new competitors: Establishment of new competitors or expansion of the existing capacities may have a negative effect on revenues and profitability of the Group.

- Research and development: Innovation is a key success factor but this factor is linked to the need for continuous investment. If investments cannot be used successfully in commerce, the Group's financial performance would be adversely impacted.
- Potential expansion: Bad acquisition failing to meet expected performance.
- Loss of key employees.
- Political risks: Political developments may lead to a reduction in the possibility of supplying weapons to selected areas. Such development could have an adverse impact on the Group's financial performance.
- Exchange rate and interest rate movements, including a change in the risk-free reference rate: The Group is active in different markets and its financial performance may be affected by unexpected changes in exchange rates. The Group is partially funded by variable interest-bearing loans and bonds, interest expenses may be impacted by unexpected changes in reference rates, including changes in the method of benchmark market rate determination.

The Group continuously analyses and assesses factors that may influence the Group's financial results and adopts measures (such as using hedging financial instruments) to reduce the impact of possible negative development in the above-described areas on the Group.

4. OPERATING SEGMENTS

The Group's activities as at 31 December 2025 and 31 December 2024 are organised into two operating segments – the Firearms and Accessories Segment and the Ammunition Segment. The structure of segment information corresponds to the structure of the main business activities and the structure of financial indicators and information that are regularly monitored and evaluated by the Group's management.

Firearms and Accessories Segment

The segment involves the development, manufacture, assembly and sale of firearms, tactical accessories and optical mounting solutions for military and armed forces, personal defence, hunting, sport shooting, and other commercial applications.

Ammunition Segment

The segment involves the development, manufacture and sale of small calibre ammunition including pistol and rifle cartridges as well as shotgun cartridges for hunting, sport shooting, the army and armed forces, and the manufacture and sale of grenades and other military material. It also includes the development and manufacture of ammunition machines and tools.

The following tables summarise operating segment information for the period from 1 January to 31 December 2025 and as at 31 December 2025.

2025	Firearms and Accessories Segment	Ammunition Segment	Group financing	Elimination of mutual relations	Total
External revenues	12,120,436	11,277,900	–	–	23,398,336
Inter-segment revenues	85,108	320,143	–	(405,251)	–
Revenues from the sale of own products, goods and services	12,205,544	11,598,043	–	(405,251)	23,398,336
Other operating income	72,986	40,050	–	(3,564)	109,472
Change in inventories developed internally	1,230,988	144,843	–	–	1,375,831
Own work capitalised	198,382	192,469	–	–	390,851
Raw materials and consumables used	(6,104,735)	(6,597,225)	–	313,012	(12,388,948)
Services	(2,072,053)	(865,476)	–	95,803	(2,841,726)
Personnel expenses	(3,078,934)	(1,729,128)	–	–	(4,808,062)
Depreciation and amortisation	(638,253)	(907,366)	–	–	(1,545,619)
Other operating expenses	(278,464)	(139,643)	–	–	(418,107)
Allowances	(22,467)	12,437	–	–	(10,030)
Operating profit or loss	1,512,994	1,749,004	–	–	3,261,998
Interest income	245,957	40,799	321,811	(117,097)	491,470
Interest expense	(18,157)	(131,207)	(1,065,042)	117,097	(1,097,309)
Other financial income	1,512	28,860	–	–	30,372
Other financial expenses	(490,740)	(129,341)	–	–	(620,081)
Gains or losses from derivative transactions	382,140	16,922	105,060	–	504,122
Share in profit of associates after tax	1,903	–	–	–	1,903
Profit before tax	1,635,609	1,575,037	(638,171)	–	2,572,475
Income tax	(327,453)	(334,771)	134,016	–	(528,208)
Profit for the period	1,308,156	1,240,266	(504,155)	–	2,044,267

2025	Firearms and Accessories Segment	Ammunition Segment	Group financing	Elimination of mutual relations	Total
Total assets per segment	38,267,410	19,260,475	519,572	(2,411,684)	55,635,773
Acquisition of tangible and intangible assets	588,516	456,241	–	–	1,044,757
Equity-accounted investees	904	–	–	–	904
Total liabilities per segment	(8,057,995)	(7,579,000)	(21,128,491)	2,411,684	(34,353,802)

The following tables summarise operating segment information for the period from 1 January to 31 December 2024 and as at 31 December 2024.

2024	Firearms and Accessories Segment	Ammunition Segment	Group financing	Elimination of mutual relations	Total
External revenues	15,444,952	6,930,840	–	–	22,375,792
Inter-segment revenues	48,175	39,894	–	(88,069)	–
Revenues from the sale of own products, goods and services	15,493,127	6,970,734	–	(88,069)	22,375,792
Other operating income	57,742	102,209	–	(313)	159,638
Change in inventories developed internally	(131,361)	(498,619)	–	–	(629,980)
Own work capitalised	183,037	155,709	–	–	338,746
Raw materials and consumables used	(7,276,334)	(4,099,513)	–	40,081	(11,335,766)
Services	(2,011,255)	(524,416)	–	47,988	(2,487,683)
Personnel expenses	(3,439,861)	(1,049,827)	–	–	(4,489,688)
Depreciation and amortisation	(644,274)	(834,550)	–	–	(1,478,824)
Other operating expenses	(264,258)	(67,576)	–	313	(331,521)
Allowances	(112,692)	(7,004)	–	–	(119,696)
Operating profit or loss	1,853,871	147,147	–	–	2,001,018
Interest income	238,944	160,643	489,453	(104,186)	784,854
Interest expense	(73,268)	(33,639)	(1,305,228)	104,186	(1,307,949)
Other financial income	38,015	75,144	–	–	113,159
Other financial expenses	(111,708)	(91,194)	–	–	(202,902)
Gains or losses from derivative transactions	(141,406)	43,670	88,864	–	(8,872)
Share in profit of associates after tax	530	–	–	–	530
Profit before tax	1,804,978	301,771	(726,911)	–	1,379,838
Income tax	(390,476)	(97,438)	152,651	–	(335,263)
Profit for the period	1,414,502	204,333	(574,260)	–	1,044,575

2024	Firearms and Accessories Segment	Ammunition Segment	Group financing	Elimination of mutual relations	Total
Total assets per segment	27,544,469	21,883,291	154,936	(3,550,498)	46,032,198
Acquisition of tangible and intangible assets	564,935	473,338	–	–	1,038,273
Equity-accounted investees	3,307	–	–	–	3,307
Total liabilities per segment	(5,738,110)	(5,874,761)	(17,941,396)	3,550,498	(26,003,769)

The Group financing includes issued bonds, syndicated loan (for detailed description, see Note 35), fair values of related derivative instruments, related interest expense or income and gains/ losses from derivative transactions.

Group financing is not considered as a separate operating segment as it is not managed or evaluated by the Group's management as a separate segment. As these items cannot be reliably attributed to individual reportable operating segments, they are presented separately.

4.1. Geographical information

The table below specifies income from the sale of own products, goods and services by the most significant regions (CZK '000):

Sales to external customers		
	2025	2024
Czech Republic (home country)	4,813,221	4,425,720
USA	6,744,068	8,846,458
Canada	1,408,607	1,148,745
Europe (excluding the Czech Republic)	8,092,267	6,186,178
Africa	228,432	176,984
Asia	1,319,572	940,284
Latin America	663,413	573,949
Other	128,756	77,474
Total	23,398,336	22,375,792

*In 2024, the structure of the above table was adjusted.

The Group has production facilities in the Czech Republic, USA, Canada, Sweden, Switzerland, and Hungary.

Carrying amount of property, plant and equipment		
	2025	2024
Czech Republic (home country)	7,473,956	7,416,390
USA	1,056,398	757,717
Canada	217,649	208,297
Sweden	28,228	31,048
Switzerland	1,029,837	1,082,687
Hungary	90,318	86,406
Total	9,896,386	9,582,545

Carrying amount of intangible assets		
	2025	2024
Czech Republic (home country)	7,066,925	7,546,199
USA	1,686,047	2,016,674
Canada	418,025	497,793
Sweden	273,009	296,388
Switzerland	19,479	46,362
Total	9,463,485	10,403,416

Goodwill		
	2025	2024
Czech Republic (home country)	6,110,998	6,110,998
USA	2,680,133	2,111,577
Canada	181,527	201,427
Sweden	66,930	65,705
Total	9,039,588	8,489,707

5. REVENUES FROM THE SALE OF OWN PRODUCTS, GOODS AND SERVICES

The table below shows a breakdown of the Group's revenues by type (CZK '000):

	2025	2024
Revenues from the sale of own products	19,650,379	19,176,114
Revenues from goods	3,521,325	2,998,447
Revenues from provision of services	226,632	201,231
Total	23,398,336	22,375,792

The sale of own products includes the sales of firearms, ammunition and tactical accessories for military and law enforcement, personal defence, hunting, sport shooting, and other civilian uses. The sale of goods includes the sales of firearms, ammunition and tactical accessories for military and law enforcement, personal defence, hunting, sport shooting, and other civilian uses.

Customers with a share on consolidated revenues exceeding 10% threshold are as follows:

	2025	2024
Ministry of Defence of the Czech Republic	4,009,326	3,355,125
Total	4,009,326	3,355,125

As at 31 December 2025, the Group has agreed to contracts relating to the delivery of products and services in which contractual obligations will be satisfied after that date. The Group used the option not to recognise information on revenues arising from the existing contracts agreed for less than a year.

No revenue was recognised in 2025 or 2024 related to a contractual obligation that was satisfied or partially satisfied in prior periods.

The Group has not recognised any contractual asset or contractual liability; trade receivables arising from contracts with customers are recognised in Trade and other receivables. The Group has not incurred any costs to obtain or perform the contract, therefore no asset has been recognised in respect of the contract.

6. OTHER OPERATING INCOME

The table below shows a breakdown of the Group's other operating income in individual years (CZK '000):

	2025	2024
Profit from the sale of non-current assets	2,807	1,524
Profit from the sale of material	56,242	123,665
Insurance claims	4,400	3,683
Other income from leases and subleases	10,700	10,659
Income from the sale of licences	6,449	3,598
Other	28,874	16,509
Total	109,472	159,638

7. RAW MATERIALS AND CONSUMABLES USED

The table below shows a breakdown of consumption and costs of goods sold in individual years (CZK '000):

	2025	2024
Consumed material	9,547,563	8,466,621
Costs of goods sold	2,520,209	2,525,827
Consumed energy	321,176	343,318
Total	12,388,948	11,335,766

8. SERVICES

The breakdown of the Group's services in individual years is as follows (CZK '000):

	2025	2024
Outsourcing costs and other external costs	458,056	520,233
Services of manufacturing nature and sub-supplies	441,100	309,971
Transportation and travel	543,607	530,173
IT costs, connectivity, SW license	177,034	159,693
Repairs and maintenance	307,504	253,053
Variable lease costs	5,717	9,927
Costs of short-term leases	36,215	26,574
Costs relating to low-value assets not included in the short-term leases above	4,508	6,561
Commission costs	393,458	323,573
Marketing costs	348,640	235,721
Other services	125,887	112,204
Total	2,841,726	2,487,683

9. PERSONNEL EXPENSES

Breakdown of personnel expenses for employees excluding executives (CZK '000):

	2025	2024
Average FTE number of employees	3,922	3,186
Wages and salaries	3,294,006	2,894,499
Social security and health insurance	1,030,388	866,905
Other personnel expenses	80,818	34,272
Employee bonuses	293,084	167,541
Employee bonuses – Equity-settled share-based payments	(96,057)	145,442
Total	4,602,239	4,108,659

Breakdown of executive personnel expenses (CZK '000):

	2025	2024
Average FTE number of executives	30	29
Wages and salaries	197,393	102,504
Social security and health insurance	45,203	16,881
Other personnel expenses	448	368
Employee bonuses	22,613	17,408
Employee bonuses – Equity-settled share-based payments	(59,834)	243,868
Total	205,823	381,029

In 2025 a 2024, the key management personnel included all members of the Board of Directors and Supervisory Boards of the respective companies. The Group did not provide any additional benefits to its key management personnel in 2025 and 2024 that are not included in the table above (e.g., post-employment benefits, termination benefits).

10. SHARE-BASED PAYMENT ARRANGEMENTS

10.1. Description of share-based payment arrangements – equity-settled

On 27 December 2021, the Company's Supervisory Board approved an employee stock option plan (the Stock Option Plan).

The Stock Option Plan entitles the Group's key executives and employees (option holders) to purchase the Company's shares. The plan is currently only available to executives and senior employees.

The basic principles of the Stock Option Plan are as follows:

- to the extent, at the times and subject to the conditions of the Stock Option Plan, the participant will acquire the following options by way of vesting by the Company.
 - a) 15% of the allocated stock options in the period from June 2022 to June 2024
 - b) 35% of the allocated stock options in July 2024 if Target 1 is met
 - c) 50% of the allocated share options in July 2026 if Target 2 is met
- Target 1 – achieving consolidated EBITDA for the 2021 to 2023 period of USD 275,000,000
- Target 2 – achieving the following performance parameters at the consolidated level as at 31 December 2025:
 - i) a turnover of EUR 1,000,000,000
 - ii) EBITDA of EUR 200,000,000, and
 - iii) net liabilities to EBITDA ratio below 3.5, in compliance with the Group's strategy.

Shares designated for the Stock Option Plan will be newly issued. The maximum number of shares issued will be 3,373 thousand.

The Stock Option Plan comprises five tranches:

- Tranche 1–3: conditional only on employment term/function term
- Tranche 4: employment term/function term condition and a non-vesting condition (EBITDA related Target 1)
- Tranche 5: employment term/function term condition and vesting non-market performance condition (EBITDA related Target 2).

The participants in share-based payment arrangements must not sell or transfer the options.

Employees terminating their employment are divided into two groups:

- Leaving on good terms (over the entire term of 10 years): unexercised options granted are not forfeited
- Leaving on bad terms (over the entire term of 10 years): unexercised options granted are forfeited.

Grant date/entitlement date	Number of instruments	Vesting conditions	Contractual maturity of the option
Granted options			
Tranche 1			
May 2022	44,500	employment term/function term from the grant date to 1 June 2022	The option may be exercised until 30 September 2029
June 2022	17,850	ditto	ditto
July 2022	41,100	ditto	ditto
August 2022	14,350	ditto	ditto
September 2022	1,950	ditto	ditto
December 2022	13,565	ditto	ditto
January 2023	495	ditto	ditto
July 2024 (exercised)	(133,810)	ditto	ditto

Grant date/entitlement date	Number of instruments	Vesting conditions	Contractual maturity of the option
Granted options			
Tranche 2			
May 2022	44,500	employment term/function term from the grant date to 1 June 2023	The option may be exercised until 30 June 2029
June 2022	17,850	ditto	ditto
July 2022	41,100	ditto	ditto
August 2022	14,350	ditto	ditto
September 2022	1,950	ditto	ditto
December 2022	13,565	ditto	ditto
January 2023	495	ditto	ditto
July 2023	4,600	ditto	ditto
March 2024	700	ditto	ditto
July 2024 (exercised)	(139,110)	ditto	ditto
Tranche 3			
May 2022	44,500	employment term/function term from the grant date to 1 June 2024	The option may be exercised until 30 June 2029
June 2022	17,850	ditto	ditto
July 2022	41,100	ditto	ditto
August 2022	13,700	ditto	ditto
September 2022	1,950	ditto	ditto
December 2022	13,565	ditto	ditto
January 2023	170	ditto	ditto
July 2023	1,950	ditto	ditto
July 2024 (exercised)	(134,785)	ditto	ditto
Tranche 4			
May 2022	674,000	employment term/function term from the grant date to 1 July 2024 and non-vesting condition (EBITDA related Target 1)	The option may be exercised until 30 June 2029
June 2022	124,950	ditto	ditto
July 2022	287,700	ditto	ditto
August 2022	95,900	ditto	ditto
September 2022	13,650	ditto	ditto
December 2022	94,955	ditto	ditto
January 2023	1,190	ditto	ditto
July 2023	15,700	ditto	ditto
December 2023	5,350	ditto	ditto
March 2024	14,000	ditto	ditto
July 2024 (exercised)	(1,327,395)	ditto	ditto

Grant date/entitlement date	Number of instruments	Vesting conditions	Contractual maturity of the option
Granted options			
Tranche 5			
May 2022	82,500	employment term/function term from the grant date to 1 July 2026 and vesting non-market performance condition (EBITDA related Target 2)	The option may be exercised until 30 June 2031
June 2022	106,000	ditto	ditto
July 2022	264,500	ditto	ditto
August 2022	100,000	ditto	ditto
September 2022	19,500	ditto	ditto
December 2022	135,650	ditto	ditto
January 2023	1,700	ditto	ditto
July 2023	26,500	ditto	ditto
December 2023	98,005	ditto	ditto
March 2024	16,500	ditto	ditto
December 2025 (expired)	(850,855)	ditto	ditto
Total stock options	-		

On 3 July 2024, 1,735,100 employee options from tranches 1 to 4 were settled under the Stock Option Plan. The cumulative expense in the years 2022 to 2024 related to these settled options amounts to CZK 724,848 thousand and it is recognised in Accumulated profits. The option holders exercised their right to purchase the Company's shares at a nominal value of CZK 0.1 and thus all options were exercised in July 2024.

As at 31 December 2025, EBITDA-related Target 2, which represented a vesting non-market performance condition, was not met. As a result, provided 850,855 employee options from tranche 5 expired. The cumulative expense from the years 2022 to 2024 related to these expired options amounted to CZK 155,891 thousand.

10.1.1 Fair value measurement

To determine the fair values of equity-settled share-based payments (share option plans settled with equity instruments) as at the grant date, the following input information was used:

2025	Stock option plan (equity-settled)				
Key executives	Tranche 1**	Tranche 2**	Tranche 3**	Tranche 4**	Tranche 5***
Fair value at the grant date (in CZK) (average)	483.84	484.25	483.96	394.69	440.45
Share price at the grant date (in CZK) (average)	559.71	559.71	559.71	559.71	559.71
Exercise price of the option (in CZK)	0.10	0.10	0.10	0.10	0.10
Expected volatility (weighted average)	21.17%	21.17%	21.17%	21.17%	21.17%
Expected maturity of the option (weighted average) in years	2.0	2.0	2.0	2.0	4.0
Dividend income	4.00%	4.00%	4.00%	4.00%	4.00%
Risk-free interest rate (based on the CZK IRS* rate)	4.61%	4.61%	4.61%	4.61%	4.31%

* Interest rate swaps in CZK with corresponding maturity

** All stock options in these tranches were exercised in 2024

*** All stock options in this tranche expired in 2025

2024	Stock option plan (equity-settled)				
Key executives	Tranche 1**	Tranche 2**	Tranche 3**	Tranche 4**	Tranche 5
Fair value at the grant date (in CZK) (average)	483.84	484.25	483.96	394.69	440.45
Share price at the grant date (in CZK) (average)	559.71	559.71	559.71	559.71	559.71
Exercise price of the option (in CZK)	0.10	0.10	0.10	0.10	0.10
Expected volatility (weighted average)	21.17%	21.17%	21.17%	21.17%	21.17%
Expected maturity of the option (weighted average) in years	2.0	2.0	2.0	2.0	4.0
Dividend income	4.00%	4.00%	4.00%	4.00%	4.00%
Risk-free interest rate (based on the CZK IRS* rate)	4.61%	4.61%	4.61%	4.61%	4.31%

* Interest rate swaps in CZK with corresponding maturity

** All stock options in these tranches were exercised in 2024

The expected volatility was based on an assessment of the historical volatility of the Company's share price for the historical period corresponding to the expected maturity.

10.1.2 Reconciliation of stock options

The following table shows the number and weighted average exercise price of stock options in the Stock Option Plan.

	2025		2024	
Total options	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Not settled at 1 January	946,355	0.10	2,870,755	0.10
Change in allocations during the period	(95,500)	0.10	(189,300)	0.10
Exercised during the period	–	–	(1,735,100)	0.10
Expired during the period	(850,855)	0.10	–	–
Not settled at 31 December	–	–	946,355	–

10.1.3 Expenses recorded in the statement of profit or loss

For more details on Stock Option Plan expenses see Notes 9 and 14.

10.1.4 Items recorded in the statement of financial position

As at 31 December 2025, the related social security and health insurance liabilities amounted to CZK 37,940 thousand (2024 – CZK 59,976 thousand) and are reported in non-current provisions with a corresponding expense in profit or loss (see Note 14).

The Group also recorded deferred tax relating to these liabilities, totalling CZK 7,971 thousand (2024 – CZK 12,612 thousand) (Note 20).

10.2. Description of share-based payment arrangements – settled in cash

On 3 July 2025, Colt CZ Group North America, Inc. transferred free of charge 8 ordinary equity interests in Colt Electro Optics, LLC (CEO), representing an 8% interest in the voting rights, to selected executives of that company. On the same date, CEO also entered into an agreement with the executives for the free issuance of ordinary equity interests (the Agreement), subject to the fulfilment of the conditions set out in the Agreement. Under CEO's operating agreement, the executives have the right, at any time after 3 July 2027, to sell their interest held in CEO to the Group for an amount equal to the market value of the interest sold, payable in cash. For this reason, the share-based arrangement was assessed as cash-settled and comprises the initial transfer of the equity interest and the subsequently concluded Agreement. The executives are not permitted to freely sell or transfer their interest in CEO.

The conditions set out in the Agreement are met if CEO achieves the specified level of revenues from the sale of own products, goods and services over 12 consecutive months, but no later than 31 December 2029. These conditions represent a vesting non-market performance condition. Upon achievement of the individual milestones, ordinary equity interests in CEO will be issued to the executives free of charge. The issuance of ordinary equity interests is also subject to the continued employment of the executives with CEO or another entity within the Group.

Upon fulfilment of all conditions, up to 7 ordinary equity interests will be issued.

As at 31 December 2025, CEO generated no revenue. The expense and related liability arising from the free transfer of the equity interest and the subsequent conclusion of the Agreement were therefore assessed by the Group as immaterial, and the Group has not recognised them in its financial statements. In subsequent periods, the related liability will be remeasured based on the expected performance of CEO and assessed for potential recognition.

11. DEPRECIATION AND AMORTISATION

The table shows the composition of the Group's expenses in individual years (CZK '000):

	2025	2024
Amortisation of non-current intangible assets (Note 24.1.)	731,946	748,103
Depreciation of non-current tangible assets (Note 24.3.)	787,016	702,593
Depreciation of right of use assets (Note 24.4.)	26,657	28,128
Total	1,545,619	1,478,824

12. OTHER OPERATING EXPENSES

The table shows the composition of other operating expenses of the Group in individual years (CZK '000):

	2025	2024
Loss on disposal of intangible assets under construction	22,939	–
Charge, utilisation and release of provisions	9,143	51,060
Taxes and levies	76,754	59,992
Insurance premiums	136,197	111,156
Liquidation of inventories	23,642	12,623
Other operating expenses	149,432	96,690
Total	418,107	331,521

13. ALLOWANCES

Allowances constituting an impairment of assets and their changes were as follows (CZK '000):

Allowances for:	Balance at 31 Dec 2023	Charge for allowances	Utilisation of allowances	Release of allowances	Impact of FX rate fluctuations	Balance at 31 Dec 2024	Charge for allowances	Utilisation of allowances	Release of allowances	Impact of FX rate fluctuations	Balance at 31 Dec 2025
Property, plant and equipment	10,250	26,812	(4,974)	–	–	32,088	5,370	–	–	–	37,458
Inventories	513,540	411,744	(317,460)	(15,661)	19,741	611,904	339,995	(264,523)	(54,493)	(46,413)	586,470
Trade and other receivables	33,104	71,026	(51,513)	(278)	903	53,242	56,598	(73,048)	131	(2,835)	34,088
Total	556,894	509,582	(373,947)	(15,939)	20,644	697,234	401,963	(337,571)	(54,362)	(49,248)	658,016

Net change in allowances of CZK 10,030 thousand (2024 – CZK 119,696 thousand) is presented under Allowances line in the consolidated statement of profit or loss and other comprehensive income.

14. PROVISIONS

The table below shows changes in non-current provisions (CZK '000):

Non-current provisions	Balance at 31 Dec 2023	Additions to provisions	Release of provisions	Utilisation of provisions	Impact of FX rate fluctuations	Balance at 31 Dec 2024	Additions to provisions	Utilisation of provisions	Release of provisions	Impact of FX rate fluctuations	Balance at 31 Dec 2025
Warranty repairs	41,759	–	–	(1,137)	96	40,718	8,247	–	–	(874)	48,091
Share-based payments	30,556	29,420	–	(3,210)	339	57,105	–	(10,083)	(8,773)	(309)	37,940
Other provisions	3,873	–	–	(879)	278	3,272	–	–	–	(487)	2,785
Total	76,188	29,420	–	(5,226)	713	101,095	8,247	(10,083)	(8,773)	(1,670)	88,816

The table below shows changes in current provisions (CZK '000):

Current provisions	Balance at 31 Dec 2023	Additions to provisions	Utilisation of provisions	Release of provisions	Impact of FX rate fluctuations	Balance at 31 Dec 2024	Additions to provisions	Utilisation of provisions	Release of provisions	Impact of FX rate fluctuations	Balance at 31 Dec 2025
Warranty repairs	23,750	20,468	(19,117)	–	30	25,131	33,302	(20,855)	(10,584)	(1,301)	25,693
Other provisions	6,334	25,514	–	–	891	32,739	26,084	(8,195)	–	(2,157)	48,471
Total	30,084	45,982	(19,117)	–	921	57,870	59,386	(29,050)	(10,584)	(3,458)	74,164

Other current provisions include a provision for insurance claims and benefits of CZK 2,496 thousand (2024 – CZK 2,060 thousand). The remaining balance of other current provisions mainly represents estimated future cash outflows arising from the adverse effects of certain business relationships.

The provision for warranty repairs is the management's best estimate concerning the future outflow of resources embodying economic damage required in relation to warranty repairs of the Group under local legislation regulating the sale of products and commercial goods. The estimate is based on the present development of warranty repairs and estimated future development and may be changed as a result of introducing new materials, adjustments to production procedures or due to other circumstances affecting product quality.

15. EMPLOYEE BENEFIT LIABILITIES

Employee benefit liabilities (CZK '000):

	31 Dec 2025	31 Dec 2024
Net employee benefit liability	94,087	118,280
Liability for medical (healthcare) benefits	112,604	133,552
Total net employee benefit liability	206,691	251,832
Non-current net employee benefit liabilities	189,531	234,725
Current net employee benefit liabilities	17,160	17,107
Total net employee benefit liability	206,691	251,832

The Group did not record any net assets arising from employee benefits in 2025 and 2024. The related revenues and expenses from employee benefits are presented on the Personnel expenses line in the consolidated statement of profit or loss and other comprehensive income.

The Group provides the following bonuses to its employees in the Czech Republic beyond basic salary and salary bonuses. Based on the Group's bonus policy, its employees are entitled to life or service anniversary bonuses and retirement bonuses upon becoming eligible for retirement, early retirement, or disability pension.

The terms for providing such bonuses are regulated by the Collective Bargaining Agreement for the respective year and their amount depends, inter alia, on the length of employment at the Group. The basis for calculating the liability is the expected liability that the Group is required to pay under internal regulations. The net present value of these liabilities is estimated at the end of each reporting period and adjusted if there are significant indications of impairment of these liabilities. Total liabilities equal discounted future payments considering employee turnover.

The Group also contributes to the following post-retirement plan of defined benefits in the United States. The Group has a pension plan, which covers salaried employees and employees covered by a Collective Bargaining Agreement. Pension benefits for both salaried employees and employees covered by the Collective Bargaining Agreement were frozen at various dates prior to 1 January 2015. Accordingly, participants will retain pension benefits that have already been generated. However, no further benefits will be generated from the effective date of the freeze. In accordance with IAS 19, the pension plan liability is accounted for on a net basis.

The Group also provides certain post-retirement healthcare benefits and life insurance coverage to certain retired US employees who were covered by its Collective Bargaining Agreement at the time of retirement. The cost of these post-retirement benefits is determined actuarially and is recognised in the Group's consolidated financial statements over the active working lives of the employees. On 16 December 2015, Colt's Manufacturing Company LLC, International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), and Amalgamated UAW Local No. 376 (collectively with the UAW, the Union) concluded a Memorandum of Understanding (the MOU) as a result of the bankruptcy proceedings which, among other things, modified the provisions of the post-retirement healthcare plan. The MOU concluded between the Company and the Union modified eligibility requirements to qualify for post-retirement healthcare coverage and provided for reimbursement of Medicare Part B premiums paid up to USD 1,500 per year plus the eligible participant's pro rata share of any unused administrative costs of USD 120 per year per participant.

The table below shows a reconciliation of the movement from opening balances to closing balances of the net employee benefit liability and its components (CZK '000).

2025	Life jubilee bonus			Retirement bonus			Pension plan			Post-retirement healthcare plan		
	Employee plan liability	Fair value of the asset	Net employee benefit liability	Employee plan liability	Fair value of the asset	Net employee benefit liability	Employee plan liability	Fair value of the asset	Net employee benefit liability	Employee plan liability	Fair value of the asset	Net employee benefit liability
Balance at 1 Jan	5,310	–	5,310	9,943	–	9,943	319,805	(216,779)	103,026	133,553	–	133,553
Included in the statement of profit or loss												
Present contractual costs	9,047	–	9,047	2,018	–	2,018	10,507	–	10,507	133	–	133
Interest expense (income)	–	–	–	–	–	–	13,988	–	13,988	6,152	–	6,152
	9,047	–	9,047	2,018	–	2,018	24,495	–	24,495	6,284	–	6,284
Included in the statement of profit or loss												
- Actuarial loss (profit) arising from:												
- demographic assumptions	–	–	–	–	–	–	–	–	–	–	–	–
- financial assumptions	–	–	–	–	–	–	1,345	–	1,345	1,269	–	1,269
- experience-based adjustments	–	–	–	–	–	–	–	(14,049)	(14,049)	–	–	–
Return of assets of the plan without interest income	–	–	–	–	–	–	–	(9,551)	(9,551)	–	–	–
Impact of FX rate fluctuations	–	–	–	–	–	–	(47,456)	32,438	(15,019)	(19,845)	–	(19,845)
	–	–	–	–	–	–	(46,112)	8,838	(37,274)	(18,576)	–	(18,576)
Other												
Contributions paid by the employer	–	–	–	–	–	–	–	(21,476)	(21,476)	(8,656)	–	(8,656)
Settlement	377	–	377	1,329	–	1,329	–	–	–	–	–	–
Paid-out benefits	(1,893)	–	(1,893)	(816)	–	(816)	(34,441)	34,441	–	–	–	–
	(1,516)	–	(1,516)	513	–	513	(34,441)	12,964	(21,476)	(8,656)	–	(8,656)
Balance at 31 Dec	12,841	–	12,841	12,474	–	12,474	263,748	(194,977)	68,772	112,605	–	112,605

2024	Life jubilee bonus			Retirement bonus			Pension plan			Post-retirement healthcare plan		
	Employee plan liability	Fair value of the asset	Net employee benefit liability	Employee plan liability	Fair value of the asset	Net employee benefit liability	Employee plan liability	Fair value of the asset	Net employee benefit liability	Employee plan liability	Fair value of the asset	Net employee benefit liability
Balance at 1 Jan	1,433	–	1,433	5,145	–	5,145	359,338	(232,870)	126,468	137,501	–	137,501
Acquisition due to business combination	9,111	–	9,111	2,476	–	2,476	–	–	–	–	–	–
Included in the statement of profit or loss												
Present contractual costs	(259)	–	(259)	2,276	–	2,276	12,925	–	12,925	134	–	134
Interest expense (income)	–	–	–	–	–	–	17,329	–	17,329	6,521	–	6,521
	(259)	–	(259)	2,276	–	2,276	30,254	–	30,254	6,655	–	6,655
Included in the statement of profit or loss												
- Actuarial loss (profit) arising from:												
- demographic assumptions	–	–	–	–	–	–	–	–	–	–	–	–
- financial assumptions	–	–	–	–	–	–	(7,767)	–	(7,767)	(3,600)	–	(3,600)
- experience-based adjustments	–	–	–	–	–	–	–	(4,347)	(4,347)	(7,558)	–	(7,558)
Return of assets of the plan without interest income	–	–	–	–	–	–	–	(11,609)	(11,609)	–	–	–
Impact of FX rate fluctuations	–	–	–	–	–	–	26,974	(17,871)	9,103	10,791	–	10,791
	–	–	–	–	–	–	19,207	(33,827)	(14,620)	(367)	–	(367)
Other												
Contributions paid by the employer	–	–	–	–	–	–	–	(39,485)	(39,485)	–	–	–
Settlement	(3,564)	–	(3,564)	629	–	629	399	–	399	–	–	–
Paid-out benefits	(1,411)	–	(1,411)	(583)	–	(583)	(89,393)	89,403	10	(10,236)	–	(10,236)
	(4,975)	–	(4,975)	46	–	46	(88,994)	49,918	(39,076)	(10,236)	–	(10,236)
Balance at 31 Dec	5,310	–	5,310	9,943	–	9,943	319,805	(216,779)	103,026	133,553	–	133,553

Employee plan assets

The fair value of the asset by asset category and level is as follows (CZK '000):

2025	Total	Allocation percentage	Level 1
Equity funds	98,938	51%	98,938
Fixed income mutual funds	91,194	47%	91,194
Money market funds	4,845	2%	4,845
Total	194,977	100%	194,977
Stable value	–	–	–
Total investments	194,977	100%	194,977

2024	Total	Allocation percentage	Level 1
Equity funds	105,735	49%	105,735
Fixed income mutual funds	102,277	47%	102,277
Money market funds	8,767	4%	8,767
Total	216,779	100%	216,779
Stable value	–	–	–
Total investments	216,779	100%	216,779

The Group's overall investment strategy is to achieve a mix of approximately 50% equity securities, 45% fixed income securities, and 5% cash equivalents. This target allocation is unchanged from the previous year.

The Group regularly reassesses its portfolio to align its actual asset allocation with the target allocation. The percentage allocation to each asset class may vary depending on market conditions. Employee benefit plan assets are measured at fair market value. Money market and mutual funds are measured using Level 1 inputs based on the quoted share price as at the balance sheet date.

During the financial years ended 31 December 2025 and 2024, the Group did not make any transfers between levels of the fair value hierarchy.

Employee plan liabilities

Actuarial assumptions

The main actuarial assumptions as at the reporting date (expressed as weighted averages) are set out below.

	2025				2024			
	Life jubilee bonus	Retirement bonus	Pension plan	Post- retirement healthcare plan	Life jubilee bonus	Retirement bonus	Pension plan	Post- retirement healthcare plan
Discount rate	4.28%	4.28%	5.25%	5.00%	4.07%	4.07%	5.25%	5.50%
Expected return of plan assets	–	–	7.04%	–	–	–	8.85%	7.82%
Healthcare cost trend rate	–	–	–	4.50%	–	–	–	4.50%
Turnover	3.65%	70.69%	–	–	9.83%	75.27%	–	–
Mortality	0.34%	11.11%	–	–	0.73%	10.76%	–	–
Average retirement age (in years)	–	66.2	–	–	–	65.6	–	–

Discount rate

The Group derives the discount rate from current investment returns of high-quality investments with fixed income over the term of employee benefits.

Turnover and mortality

The probability of retention (pay-out) includes the expected retirement, the probability of leaving the Group, and the mortality rate. The expected retirement is determined for individual employees in accordance with the applicable legislation of the country. Turnover and mortality rates are determined based on an analysis of the Group's historical data.

Expected return of plan assets

The long-term rate of return on pension plan assets represents the average rate of return expected over the long term on assets invested to secure expected future commitments to pay the benefit. The Group uses a building block approach to develop the assumed long-term return on plan assets. Rates of return exceeding inflation were considered separately for equity securities, debt securities, and other assets. Excess returns were weighted by a representative target allocation and added together with an appropriate inflation rate to develop the overall expected long-term return on pension plan assets.

The Group has developed an investment strategy that emphasises the total return of the pension plan, i.e., the total return on capital appreciation, dividend income, and interest income. The primary objective of asset investment management is to emphasise consistent growth, specifically growth in a manner that protects assets from excessive volatility in their market value. The investment policy also considers benefit obligations, including the expected timing of distributions.

Healthcare cost trend rate

The Group's healthcare cost trend rate assumptions are prepared based on historical cost data, a short-term outlook, an assessment of likely long-term trends, and a limit restricting its required contributions. For measurement purposes, the Group has assumed a weighted average annual per capita cost growth rate (upward trend in healthcare costs) for health benefits of 4.5% for 2025 and 2024.

Sensitivity analysis

Significant actuarial assumptions used to determine the liability include the discount rate, medical cost trend rate, and fluctuation. The sensitivity analyses presented below were determined based on possible changes in these parameters at the end of the financial year, while all other assumptions remained constant.

	2025		2024	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	279,951	292,612	313,937	327,239
Healthcare cost trend rate (1%)	60,582	52,420	69,049	59,747
Turnover (1% movement)	(595)	666	(500)	562

16. INTEREST INCOME AND OTHER FINANCIAL INCOME

Interest income and other financial income in individual years (CZK '000):

	2025	2024
Interest income	491,470	784,854
Total interest income	491,470	784,854
Other financial income	30,372	113,621
FX gains	–	1,437,204
FX losses	–	(1,437,666)
Total other financial income	30,372	113,159

Other financial income of CZK 30,372 thousand (2024 – CZK 113,621 thousand) mainly includes income from settled commodity swaps of CZK 25,360 thousand. As at 31 December 2024, Other financial income of CZK 113,621 thousand mainly included the revaluation of Other financial assets of CZK 113,402 thousand.

17. INTEREST EXPENSE AND OTHER FINANCIAL EXPENSES

	2025	2024
Interest expense	1,096,155	1,306,740
Interest on lease contracts	1,154	1,209
Total interest expense	1,097,309	1,307,949
Other financial expenses	206,526	202,902
FX gains	(1,566,795)	–
FX losses	1,980,350	–
Total other financial expenses	620,081	202,902

Other financial expenses of CZK 206,526 thousand (2024 – CZK 202,902 thousand) mainly include the fee for the issue of shares and bonds and other bank fees of CZK 91,809 thousand (2024 – CZK 118,206 thousand) and the expenses incurred on settled commodity swaps of CZK 100,179 thousand (2024 – CZK 24,528 thousand).

18. GAINS/LOSSES FROM DERIVATIVE TRANSACTIONS

Gains or losses from derivative transactions in individual years (CZK '000):

	2025	2024
Income from derivative transactions	607,321	188,971
Expenses for derivative transactions	(103,199)	(197,843)
Total	504,122	(8,872)

19. INCOME TAX

Income tax in individual years was as follows (CZK '000):

	2025	2024
Current tax	794,056	728,105
Deferred tax	(265,848)	(392,842)
Total	528,208	335,263

The table below shows the reconciliation of the profit or loss with current tax (CZK '000):

	2025	%	2024	%
Profit before tax	2,572,475		1,379,838	
Income tax calculated using parent company tax rate (21%)	540,220	21.00%	289,766	21.00%
Effect of tax rates in foreign jurisdictions	9,620	0.37%	28,547	2.07%
Effect of changes in tax rates in individual jurisdictions	2,389	0.09%	(4,789)	(0.35%)
Non-deductible expenses	38,208	1.49%	94,859	6.87%
Income exempt from tax	(30,265)	(1.18%)	(16,015)	(1.16%)
Current year losses for which no deferred tax asset was recognised in the current year	14,419	0.56%	142,996	10.36%
Impact of restructuring in Colt CZ Group North America group	–	–	(58,461)	(4.24%)
Tax bonuses	(19,937)	(0.78%)	(123,927)	(8.98%)
Other	(17,014)	(0.66%)	(19,105)	(1.38%)
Utilisation of prior years' tax losses for which no deferred tax asset has been recognised	(9,432)	(0.37%)	1,392	0.10%
Income tax / effective tax rate	528,208	20.53%	335,263	24.30%

20. DEFERRED TAX

The Group calculated deferred tax as follows (CZK '000):

2025	Balance at 1 Jan 2025		Change 2025		Balance at 31 Dec 2025	
Deferred tax components	Deferred tax asset (+) / liability (-)	Business combination – balance at the date of entry into consolidation*	Recognised in profit or loss	Recognised in equity	Effect of exchange rate movements	Deferred tax asset (+) / liability (-)
Intangible assets	(2,117,621)	–	108,420	–	71,319	(1,937,882)
Property, plant and equipment	(1,150,285)	(76,839)	11,206	–	16,952	(1,198,966)
Receivables	(228)	–	(3,044)	–	143	(3,129)
Inventories	122,066	(6,618)	37,070	–	(10,629)	141,889
Provisions	15,621	–	2,751	–	(270)	18,102
Liabilities	1,661	–	1,287	–	(127)	2,821
Other payables	184,465	535	(12,199)	–	(20,306)	152,495
Unutilised tax losses and interest on loans	439,624	86	113,931	–	(75,704)	477,937
Cash flow hedges – remeasurement of effective portion of hedging instruments	13,105	–	6,411	(223,755)	–	(204,239)
Other temporary differences	5,233	–	15	–	(2)	5,246
Total	(2,486,359)	(82,836)	265,848	(223,755)	(18,624)	(2,545,726)
Deferred tax asset (+) / liability (-)	(2,486,359)					(2,545,726)

* The acquisition of Valley Steel Stamp Inc. dated 16 June 2025

2024	Balance at 1 Jan 2024		Change 2024		Balance at 31 Dec 2024	
Deferred tax components	Deferred tax asset (+) / liability (-)	Business combination – balance at the date of entry into consolidation**	Recognised in profit or loss	Recognised in equity	Effect of exchange rate movements	Deferred tax asset (+) / liability (-)
Intangible assets	(455,674)	(1,559,287)	(79,243)	–	(23,417)	(2,117,621)
Property, plant and equipment	(349,463)	(741,421)	(55,180)	–	(4,221)	(1,150,285)
Other remeasurement – Colt NA*	(152,448)	–	158,116	–	(5,668)	–
Receivables	(7,314)	424	6,646	–	16	(228)
Inventories	67,959	(105,533)	155,547	–	4,093	122,066
Provisions	8,973	–	6,490	–	158	15,621
Liabilities	2,424	–	(769)	–	6	1,661
Other payables	39,819	23,656	111,688	–	9,302	184,465
Unutilised tax losses and interest on loans	302,529	–	110,656	–	26,439	439,624
Cash flow hedges – remeasurement of effective portion of hedging instruments	(159,445)	–	(25,240)	197,790	–	13,105
Other temporary differences	1,102	–	4,131	–	–	5,233
Total	(701,538)	(2,382,161)	392,842	197,790	6,708	(2,486,359)
Deferred tax asset (+) / liability (-)	(701,538)	(2,382,161)	392,842	197,790	6,708	(2,486,359)

* Deferred tax liability arising from remeasurements in business combinations within the Colt CZ Group North America.

** The acquisition of Sellier & Bellot a.s. dated 16 May 2024.

21. OTHER COMPREHENSIVE INCOME

	2025	2024
Change in the fair value of hedging instruments	1,619,512	(1,221,067)
Values reclassified to the statement of profit or loss	(556,111)	219,967
Deferred tax	(223,755)	197,790
Cash flow hedges – remeasurement of effective portion of hedging instruments	839,646	(803,310)
Foreign currency translation of foreign operations	(379,172)	74,551
Foreign currency translation of foreign operations	(379,172)	74,551
Total other comprehensive income	460,474	(728,759)

*In 2025, the structure of the above table was adjusted, and for the sake of comparability the Group also adjusted the information for 2024.

22. ACQUISITION OF VALLEY STEEL STAMP INC.

On 16 June 2025, the Group completed the acquisition of all shares of Valley Precision Parts Corp. (formerly New England Expert Technologies Corp.), the owner of Valley Steel Stamp Inc. (VSS).

VSS is an established manufacturer of firearm components and a long-standing supplier to the Colt CZ Group in the United States. The purpose of this acquisition is to achieve vertical integration in certain product categories. The company's registered office is in Greenfield, Massachusetts, and it employs approximately 150 people. In 2024, VSS generated revenues of USD 44.3 million from firearm-related manufacturing activities. Following the completion of the acquisition, VSS will continue to operate under its existing trade name. VSS was consolidated into the Group's financial results as at 16 June 2025. The transaction was financed entirely from the Company's existing cash resources.

VSS contributed CZK 45,910 thousand to the Group's Revenue from the sale of own products, goods and services and a profit of CZK 1,950 thousand to the Group's profit for the period between the acquisition date and 31 December 2025.

If the acquisition of VSS had been completed as of 1 January 2025, the contribution to the Group's Revenue from the sale of own products, goods, and services for 2025 would have been CZK 116,179 thousand. The impact on the Group's profit would have been a loss of CZK 4,887 thousand.

22.1. Consideration transferred

	16 June 2025 CZK '000
Monetary settlement	1,343,857
Total consideration transferred	1,343,857

22.2. Assets acquired and liabilities assumed at the acquisition date

	16 June 2025 CZK '000
Intangible assets	3,769
Property, plant and equipment	413,537
Non-current receivables	1,114
Inventories	170,683
Trade and other receivables	58,468
Other receivables	7,025
Tax receivables	1,071
Cash and cash equivalents	8,460
Deferred tax liability	(82,836)
Trade and other payables	(37,073)
Other current liabilities	(7,097)
Fair value of acquired identifiable net assets	537,121

22.3. Goodwill

	16 June 2025 CZK '000
Consideration transferred	1,343,857
Fair value of acquired identifiable net assets	537,121
Goodwill	806,736

Goodwill primarily represents the expected synergies resulting from the vertical integration of VSS into the Group's production and supply chain. The recognised goodwill is not expected to be tax effective.

23. ACQUISITION OF SELLIER & BELLOT

On 18 December 2023, the Company entered into an agreement with CBC Europe S.à r.l. (CBC) to purchase a 100% share in Sellier & Bellot a.s.

Sellier & Bellot a.s., founded in 1825, is one of the world's oldest companies in the ammunition and defence industry and ranks among the most important industrial companies in the Czech Republic. The product portfolio includes a wide range of hunting and sporting ammunition. Sellier & Bellot a.s. is also a major supplier of ammunition to military and armed forces around the world. Advanced technology at all stages of production guarantees the highest-quality products. Investments in research and development allow the company to introduce new products every year.

Recent successes include lead-free bullets for hunting and police applications as well as patented products such as the Nontox primer compound and infrared tracer bullets. The company has around 1,600 employees and operates its manufacturing plant in Vlašim in the Czech Republic.

On 16 May 2024, the Group acquired 100% of the shares of Sellier & Bellot a.s. for a combination of monetary consideration of USD 350 million and the issuance of 13,476,440 new ordinary shares of the Company. The total acquisition price in aggregate is USD 703 million, net of net debt of Sellier & Bellot a.s. CBC Europe S.à r.l. (CBC) as the selling party thus acquired a 27.71% share in the Company's registered capital. The new shares were issued on 16 May 2024, on which date Sellier & Bellot a.s. also entered into the Group's consolidation.

The acquisition of Sellier & Bellot a.s. significantly strengthens the Group's position in the small calibre ammunition segment and represents a natural extension of activities beyond the production of small firearms. The integration of Sellier & Bellot a.s. into the Group strengthens the Group's global presence and expands its ability to provide innovative and high-quality products in line with the Group's long-term strategy.

Revenues from the sale of Sellier & Bellot a.s.'s own products, goods and services from the date of acquisition until 31 December 2024 amount to CZK 4,940,455 thousand. Pro-forma revenues from the sale of own products, goods and services from 1 January 2024 to 31 December 2024 amount to CZK 7,657,577 thousand.

The net profit from the date of acquisition until 31 December 2024 amounts to CZK 969,826 thousand. The pro-forma net profit for the period from 1 January 2024 to 31 December 2024 amounts to CZK 1,744,357 thousand.

23.1. Consideration transferred

	16 May 2024 CZK '000
Monetary settlement – payment of first part of purchase price dated 18 Dec 2023	2,756,452
Monetary settlement – payment of remaining part of purchase price dated 16 May 2024	5,231,350
Issued securities (13,476,440 ordinary shares of Colt CZ Group SE)	8,043,810
Assumption of CBC's liability to Sellier & Bellot a.s.*	1,858,147
Total consideration transferred	17,889,759

This item becomes an intra-group transaction upon acquisition and is therefore eliminated on consolidation.

Acquisition-related costs

In connection with the acquisition, the Group incurred costs of CZK 13,999 thousand, primarily relating to advisory services. These costs are recognised in the Services item in the consolidated statement of profit and loss and other comprehensive income.

23.2. Assets acquired and liabilities assumed at the acquisition date

	16 May 2024 CZK '000
Intangible assets	7,431,976
Property, plant and equipment	5,141,003
Financial derivatives – non-current assets	219,628
Inventories	2,515,446
Trade and other receivables	1,064,291
Provided loans*	1,858,147
Financial derivatives – current assets	3,576
Other receivables	23,993
Cash and cash equivalents	443,521
Non-current loans and borrowings	(2,855,983)
Financial derivatives – non-current liabilities	(7,315)
Non-current lease liabilities	(8,295)
Other non-current liabilities	(14)
Deferred tax liability	(2,382,161)
Employee benefit liabilities	(11,587)
Current loans and borrowings	(543,504)
Financial derivatives – current liabilities	(1,154)
Current lease liabilities	(843)
Trade and other payables	(334,405)
Other current liabilities	(271,628)
Tax liabilities	(225,246)
Fair value of acquired identifiable net assets	12,059,446

This item becomes an intra-group transaction upon acquisition and is therefore eliminated on consolidation.

23.3. Goodwill

	16 May 2024 CZK '000
Consideration transferred	17,889,759
Fair value of acquired identifiable net assets	12,059,446
Goodwill	5,830,313

The recognised goodwill is not expected to be tax effective.

24. NON-CURRENT ASSETS

24.1. Intangible assets

Cost

Year ended 31 December 2025 with opening balances as at 31 December 2024. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Business combination – balance at the date of entry into consolidation**	Additions	Disposals	Transfers	Impact of FX rate fluctuations	Closing balance
Software	238,279	3,769	11,206	(12,167)	4,812	(4,306)	241,593
Intangible assets under construction or being acquired	187,542	–	86,618	(23,442)	(74,137)	(3,521)	173,060
Other intangible assets	1,138,669	–	13,433	(660)	–	(154,717)	996,725
Trademarks and logos*	3,899,650	–	–	–	–	(231,134)	3,668,516
Capitalised development	585,523	–	45,304	(905)	69,325	(1,683)	697,564
Concessions, licence rights and other intellectual property rights	356,962	–	1,462	(15,382)	–	(28,167)	314,875
Contractual customer relations	6,179,619	–	–	–	–	(82,325)	6,097,294
Total	12,586,244	3,769	158,023	(52,556)	–	(505,853)	12,189,627

*Due to their nature, the Group considers these assets to be intangible assets with indefinite useful lives.

** The acquisition of Valley Steel Stamp Inc. dated 16 June 2025.

Year ended 31 December 2024 with opening balances as at 31 December 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Business combination – balance at the date of entry into consolidation**	Additions	Disposals	Transfers	Impact of FX rate fluctuations	Closing balance
Software	243,729	5,033	26,692	(54,854)	9,255	8,424	238,279
Intangible assets under construction or being acquired	101,297	1,745	96,990	–	(13,576)	1,086	187,542
Other intangible assets	1,050,677	–	26,109	(2,669)	–	64,552	1,138,669
Trademarks and logos*	1,629,235	2,167,611	–	–	–	102,804	3,899,650
Capitalised development	575,790	–	10,015	(4,603)	4,321	–	585,523
Concessions, licence rights and other intellectual property rights	343,036	968	4	(351)	–	13,305	356,962
Contractual customer relations	1,747,178	5,256,619	–	(864,727)	–	40,549	6,179,619
Total	5,690,942	7,431,976	159,810	(927,204)	–	230,720	12,586,244

*Due to their nature, the Group considers these assets to be intangible assets with indefinite useful lives.

** The acquisition of Sellier & Bellot a.s. dated 16 May 2024.

ACCUMULATED DEPRECIATION AND ALLOWANCES

Year ended 31 December 2025 with opening balances as at 31 December 2024. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Amortisation	Disposals	Changes in allowances, reversal of allowances	Impact of FX rate fluctuations	Closing balance	Carrying amount
Software	(165,172)	(19,176)	12,107	–	1,407	(170,834)	70,759
Intangible assets under construction or being acquired	(25)	–	–	–	–	(25)	173,035
Other intangible assets	(523,398)	(73,822)	660	–	71,412	(525,148)	471,577
Trademarks and logos	–	–	–	–	–	–	3,668,516
Capitalised development	(274,825)	(26,065)	2,900	–	3,057	(294,933)	402,631
Concessions, licence rights and other intellectual property rights	(271,808)	(21,319)	15,089	–	30,582	(247,456)	67,419
Contractual customer relations	(947,600)	(591,564)	(3,114)	–	54,532	(1,487,746)	4,609,548
Total	(2,182,828)	(731,946)	27,642	–	160,990	(2,726,142)	9,463,485

Year ended 31 December 2024 with opening balances as at 31 December 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Amortisation	Disposals	Changes in allowances, reversal of allowances	Impact of FX rate fluctuations	Closing balance	Carrying amount
Software	(196,147)	(15,749)	54,848	–	(8,124)	(165,172)	73,107
Intangible assets under construction or being acquired	–	–	–	–	(25)	(25)	187,517
Other intangible assets	(405,187)	(93,914)	1,227	–	(25,524)	(523,398)	615,271
Trademarks and logos	–	–	–	–	–	–	3,899,650
Capitalised development	(248,890)	(27,266)	2,909	–	(1,578)	(274,825)	310,698
Concessions, licence rights and other intellectual property rights	(227,550)	(21,860)	61	–	(22,459)	(271,808)	85,154
Contractual customer relations	(1,199,287)	(589,314)	864,727	–	(23,726)	(947,600)	5,232,019
Total	(2,277,061)	(748,103)	923,772	–	(81,436)	(2,182,828)	10,403,416

Major additions to intangible assets in 2025 include capitalised development. Major additions to intangible assets in 2024 included the acquisition of Sellier & Bellot a.s., which is described in detail in Note 23.

Intangible assets also include intangible assets with indefinite useful lives. This principally relates to trademarks and logos. As disclosed in Note 3.17, intangible assets with indefinite useful lives, intangible assets that have not yet been used, and goodwill are tested for impairment by the Group on an annual basis. Intangible assets with indefinite useful lives are part of the same cash-generating unit as goodwill and are tested together with goodwill. As at 31 December 2025 and 31 December 2024, no impairment was identified. Goodwill is described in Note 24.2.

Apart from development costs of CZK 124,198 thousand (2024 – CZK 14,336 thousand) recognised as intangible assets, the Group recognised research expenditure of CZK 279,780 thousand (2024 – CZK 317,611 thousand) as an expense in 2025.

24.2. Goodwill

Cost

Year ended 31 December 2025 with opening balances as at 31 December 2024. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Business combination – balance at the date of entry into consolidation*	Additions	Disposals	Impact of FX rate fluctuations	Closing balance
Goodwill	8,489,707	806,736	–	–	(256,855)	9,039,588
Total	8,489,707	806,736	–	–	(256,855)	9,039,588

* The acquisition of Valley Steel Stamp Inc. dated 16 June 2025.

Year ended 31 December 2024 with opening balances as at 31 December 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Business combination – balance at the date of entry into consolidation*	Additions	Disposals	Impact of FX rate fluctuations	Closing balance
Goodwill	2,547,480	5,830,313	–	–	111,914	8,489,707
Total	2,547,480	5,830,313	–	–	111,914	8,489,707

* The acquisition of Sellier & Bellot a.s. dated 16 May 2024.

Goodwill reported in the statement of financial position of CZK 9,039,588 thousand (2024 – CZK 8,489,707 thousand) relates to the acquisition of Česká zbrojovka a.s. in 2014 (CZK 280,686 thousand), the acquisition of Colt's Manufacturing Company LLC and Colt Canada Corporation in 2021 (CZK 2,084,493 thousand), the acquisition of Spuhr i Dalby AB in 2022 (CZK 66,930 thousand), the acquisition of Sellier & Bellot a.s. in 2024 (CZK 5,830,313 thousand), and the acquisition of Valley Steel Stamp Inc. in 2025 (CZK 777,166 thousand).

At least once a year, the Group assesses whether or not goodwill has been impaired. The recoverable amount is determined as the value in use based on the long-term cash flow plan. This plan anticipates a gradual growth in sales, operating profit, and cash flow from operating activities in the coming years. On the grounds of prudence, the values for 2030 are also used for periods following 2030.

In order to determine the discount rate, the internally set weighted average cost of capital indicator is used, reflecting the costs of debt and capital financing of the Group. This value was set at a range of 5.29% – 10.87% for 2025 (2024 – 6.3% – 10.0%). As at 31 December 2025 and 31 December 2024, no impairment was identified.

24.3. Property, plant and equipment

Cost

Year ended 31 December 2025 with opening balances as at 31 December 2024. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Business combination – balance at the date of entry into consolidation*	Additions	Disposals	Transfers	Impact of FX rate fluctuations	Closing balance
Buildings	2,913,653	109,291	93,333	(30,177)	33,567	(52,153)	3,067,514
Machinery, devices and equipment	7,595,529	288,011	392,389	(194,945)	226,884	(100,315)	8,207,553
Other non-current operating assets	106,470	3,620	16,528	(659)	11,198	(13,197)	123,960
Tangible assets under construction	339,907	2,078	274,156	(2,328)	(143,522)	(19,904)	450,387
Prepayments made for non-current tangible assets	396,753	–	109,827	(27,583)	(128,127)	(6,853)	344,017
Land	1,833,442	10,537	501	–	–	(41,072)	1,803,408
Total	13,185,754	413,537	886,734	(255,692)	–	(233,494)	13,996,839

* The acquisition of Valley Steel Stamp Inc. dated 16 June 2025.

Year ended 31 December 2024 with opening balances as at 31 December 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Business combination – balance at the date of entry into consolidation*	Additions	Disposals	Transfers	Impact of FX rate fluctuations	Closing balance
Buildings	1,942,690	837,315	40,132	(10,758)	88,798	15,476	2,913,653
Machinery, devices and equipment	4,231,625	2,777,238	490,345	(184,921)	253,683	27,559	7,595,529
Other non-current operating assets	71,548	106	3,187	–	27,061	4,568	106,470
Tangible assets under construction	325,274	63,366	235,250	(4,384)	(292,644)	13,045	339,907
Prepayments made for non-current tangible assets	306,178	66,609	100,246	(116)	(76,898)	734	396,753
Land	430,071	1,387,230	–	–	–	16,141	1,833,442
Total	7,307,386	5,131,864	869,160	(200,179)	–	77,523	13,185,754

* The acquisition of Sellier & Bellot a.s. dated 16 May 2024.

ACCUMULATED DEPRECIATION AND ALLOWANCES

Year ended 31 December 2025 with opening balances as at 31 December 2024. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Depreciation	Disposals, sale, liquidation	Changes in allowances, reversal of allowances	Impact of FX rate fluctuations	Closing balance	Carrying amount
Buildings	(835,638)	(126,352)	30,131	–	11,751	(920,108)	2,147,406
Machinery, devices and equipment	(2,784,074)	(637,552)	193,946	(5,370)	45,170	(3,187,880)	5,019,673
Other non-current operating assets	(52,196)	(23,112)	659	–	(2,365)	(77,014)	46,946
Tangible assets under construction	(9,166)	–	–	–	–	(9,166)	441,221
Prepayments made for non-current tangible assets	–	–	–	–	–	–	344,017
Land	–	–	–	–	–	–	1,803,408
Total	(3,681,073)	(787,016)	224,736	(5,370)	54,556	(4,194,168)	9,802,671

* In 2025, the prior year figures were adjusted to reflect a reclassification of allowances from Prepayments made to Machinery, devices and equipment.

Major additions to tangible assets in 2025 include the acquisition of Valley Steel Stamp Inc., described in detail in Note 22, and the acquisition of machinery, devices and equipment, including prepayments made for non-current tangible assets.

Year ended 31 December 2024 with opening balances as at 31 December 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Depreciation	Disposals, sale, liquidation	Changes in allowances, reversal of allowances	Impact of FX rate fluctuations	Closing balance	Carrying amount
Buildings	(722,201)	(114,417)	6,053	–	(5,073)	(835,638)	2,078,015
Machinery, devices and equipment*	(2,348,025)	(569,300)	166,285	(22,037)	(10,996)	(2,784,073)	4,811,455
Other non-current operating assets	(31,227)	(18,876)	–	–	(2,093)	(52,196)	54,274
Tangible assets under construction	(9,365)	–	–	199	–	(9,166)	330,741
Prepayments made for non-current tangible assets*	(884)	–	–	–	884	–	396,753
Land	–	–	–	–	–	–	1,833,442
Total	(3,111,702)	(702,593)	172,338	(21,838)	(17,278)	(3,681,073)	9,504,681

* In 2025, the prior year figures were adjusted to reflect a reclassification of allowances from Prepayments made to Machinery, devices and equipment.

Major additions to tangible assets in 2024 include the acquisition of Sellier & Bellot a.s. described in detail in Note 23, and the acquisition of machinery, devices and equipment, including prepayments made for non-current tangible assets.

24.4. Right of use

Cost

Year ended 31 December 2025 with opening balances as at 31 December 2024. Amounts in the table are presented in CZK '000.

	Opening balance	Business combination – balance at the date of entry into consolidation*	Additions	Disposals	Transfers	Impact of FX rate fluctuations	Closing balance
Right of use of buildings and land	104,494	–	42,404	(4,330)	–	(6,552)	136,016
Right of use of machinery, devices and equipment	36,327	–	4,307	(10,450)	–	(4,462)	25,722
Total	140,821	–	46,711	(14,780)	–	(11,014)	161,738

* The acquisition of Valley Steel Stamp Inc. dated 16 June 2025.

Year ended 31 December 2024 with opening balances as at 31 December 2023. Amounts in the table are presented in CZK '000.

	Opening balance	Business combination – balance at the date of entry into consolidation*	Additions	Disposals	Transfers	Impact of FX rate fluctuations	Closing balance
Right of use of buildings and land	82,906	9,138	567	(1,090)	(1,068)	14,041	104,494
Right of use of machinery, devices and equipment	36,829	–	8,736	(10,846)	1,068	540	36,327
Total	119,735	9,138	9,303	(11,936)	–	14,581	140,821

* The acquisition of Sellier & Bellot a.s. dated 16 May 2024.

ACCUMULATED DEPRECIATION AND ALLOWANCES

Year ended 31 December 2025 with opening balances as at 31 December 2024. Amounts in the table are presented in CZK '000.

	Opening balance	Depreciation	Disposals, sale, liquidation	Impact of FX rate fluctuations	Closing balance	Carrying amount
Right of use of buildings and land	(40,983)	(20,408)	3,528	3,926	(53,937)	82,079
Right of use of machinery, devices and equipment	(21,974)	(6,249)	10,422	3,715	(14,086)	11,636
Total	(62,957)	(26,657)	13,950	7,641	(68,023)	93,715

Year ended 31 December 2024 with opening balances as at 31 December 2023. Amounts in the table are presented in CZK '000.

	Opening balance	Depreciation	Disposals, sale, liquidation	Impact of FX rate fluctuations	Closing balance	Carrying amount
Right of use of buildings and land	(11,404)	(19,091)	1,090	(11,578)	(40,983)	63,511
Right of use of machinery, devices and equipment	(22,566)	(9,037)	10,399	(770)	(21,974)	14,353
Total	(33,970)	(28,128)	11,489	(12,348)	(62,957)	77,864

25. EQUITY-ACCOUNTED SECURITIES AND INVESTMENTS

The carrying amount of all equity-accounted securities and investments changed as follows in the year ended 31 December 2025:

	2025 CZK '000	2024 CZK '000
Beginning of the period	44,102	40,795
Contribution made outside registered capital of Colt CZ Hungary Zrt.	–	3,776
Share in profit of associates after tax	1,903	530
Dividends received	(1,000)	(1,000)
Other	1	1
End of the period	45,006	44,102

26. INVENTORIES

The structure of inventories in individual years is as follows (CZK '000):

	2025	2024
Material	3,184,995	3,031,141
Finished products	3,342,292	2,209,967
Goods	510,292	342,508
Production in progress and semi-finished products	2,141,625	1,754,466
Prepayments made for inventories	324,938	118,430
Total	9,504,142	7,456,512

The measurement of redundant, obsolete, and slow-moving inventories is decreased to the selling price net of the costs of sale by means of allowances. The allowance (refer to Note 13) was determined by the Group's management based on the movements of inventories and their planned consumption.

Goods and finished products include pistols, rimfire rifles, centrefire rifles, semi-automatic rifles, semi-automatic carbines, submachine guns, assault rifles, bolt-action rifles, ammunition, and accessories.

27. PROVIDED LOANS

The structure of other provided loans in individual years was as follows (CZK '000):

			31 Dec 2025	31 Dec 2024
	Due date	Interest rate p. a.	CZK '000	CZK '000
Colt CZ Hungary Zrt.	31 Dec 2028	1M EURIBOR + 11%	25,589	20,017
Total			25,589	20,017
Repayments in the following year, incl. outstanding interest			25,589	20,017
Total			25,589	20,017

Total interest income relating to provided loans recognised in Interest income amounted to CZK 1,363 thousand in 2025 (2024 – CZK 1,128 thousand).

28. OTHER FINANCIAL ASSETS

	31 Dec 2025	31 Dec 2024
Other financial assets	10,817	12,531
Total	10,817	12,531

In 2025 and 2024, other financial assets represent a fixed-term certificate of deposit.

29. TRADE AND OTHER RECEIVABLES

The structure of trade and other receivables in individual years was as follows (CZK '000):

	31 Dec 2025	31 Dec 2024
Trade receivables	2,022,779	2,746,391
Other receivables	125,949	55,484
Estimated receivables	30,053	16,249
Accrued income	15,807	31,656
Total	2,194,588	2,849,780
Non-current	11,730	20,021
Current	2,182,858	2,829,759
Total	2,194,588	2,849,780

The ageing structure and impairment losses recognised for current trade receivables are as follows (CZK '000):

	31 Dec 2025			31 Dec 2024		
	Receivables	Allowances	Net receivables	Receivables	Allowances	Net receivables
Within due date	1,558,259	(17,870)	1,540,389	2,493,387	(15,752)	2,477,635
Up to 3 months overdue	360,775	(1,647)	359,128	222,356	(1,488)	220,868
3 to 6 months overdue	33,864	(137)	33,727	27,056	(133)	26,923
6 to 12 months overdue	84,848	(57)	84,791	41,500	(20,535)	20,965
More than 12 months overdue	19,121	(14,377)	4,744	15,334	(15,334)	–
Total	2,056,867	(34,088)	2,022,779	2,799,633	(53,242)	2,746,391

The Group conducted an individual assessment of receivables overdue from 6 to 12 months amounting to CZK 84,848 thousand and, based on this assessment, considers the related allowance of CZK 57 thousand to be adequate as at the reporting date. The credit quality of trade receivables is discussed in Note 41.

The Group has pledged current receivables in favour of the Group's creditors.

Receivables pledged in favour of the Group's creditors as at 31 December 2025 (CZK '000):

Receivables	Amount	Description
Current trade receivables pledged in favour of Komerční banka, a.s.	1,230,549	Agreement on a pledge on receivables from business contracts dated 7 May 2024

Receivables pledged in favour of the Group's creditors as at 31 December 2024 (CZK '000):

Receivables	Amount	Description
Current trade receivables pledged in favour of Komerční banka, a.s.	1,972,929	Agreement on a pledge on receivables from business contracts dated 7 May 2024

30. OTHER RECEIVABLES

The structure of other receivables in individual years is as follows (CZK '000):

	2025	2024
Prepayments made	129,461	224,187
Prepaid expenses	248,345	120,795
Other receivables – non-financial	3,711	22
Value added tax	326,144	213,259
Other taxes	23,886	212
Total	731,547	558,475
Non-current	2,115	2,593
Current	729,432	555,882
Total	731,547	558,475

31. CASH AND CASH EQUIVALENTS

The structure of cash is as follows (CZK '000):

	2025	2024
Cash on hand	2,584	3,038
Cash at bank	12,816,542	5,914,730
Total	12,819,126	5,917,768

As at 31 December 2025, the Group recognises cash and cash equivalents amounting to CZK 636,095 thousand (31 December 2024 – CZK 0 thousand) that are subject to contractual restrictions on use arising from an advance received from a customer and may be used only for specified purchases. The contractual restriction on the use of these funds is expected to expire during 2026.

32. REGISTERED CAPITAL AND SHARE PREMIUM

As at 31 December 2025, the Company's registered capital comprised 56,463 thousand ordinary registered shares totalling CZK 5,646 thousand.

On 16 May 2024, the acquisition of Sellier & Bellot a.s. was finally settled and the Group became a 100% owner of this company. The Group paid the remaining part of the purchase price of USD 230 million including share-based payments of USD 353 million, representing 13,476,440 shares. These shares were issued on 16 May 2024, increasing the Company's registered capital by CZK 1,348 thousand. The issue rate was set at CZK 596.9 per share. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 8,042,462 thousand was recorded as a share premium.

On 3 July 2024, 1,735,100 employee options were discharged under the Company's stock option plan. The option holders exercised their right to purchase the Company's shares at a nominal value of CZK 0.1. These shares were issued on 26 June 2024, increasing the Company's registered capital by CZK 174 thousand.

On 23 August 2024, the Company's registered capital was increased by CZK 219 thousand through the issue of 2,194,078 shares in book-entry form. The issue rate of one subscribed share was CZK 570. The increase of the registered capital was approved by the Company's Board of Directors on 22 August 2024 based on the authorisation of the General Meeting.

The capital increase and subscription of new shares was made in connection with the payment of a dividend in form of new shares of the Company based on a previous shareholders' decision. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 1,250,405 thousand was recorded as a share premium.

On 18 October 2024, the Company's registered capital was increased by CZK 390 thousand through the issue of 3,900,000 shares, in book-entry form. The issue rate of one subscribed share was CZK 575. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 2,242,110 thousand was recorded as a share premium.

As at 31 December 2024, the Company's registered capital comprised 56,463 thousand ordinary registered shares totalling CZK 5,646 thousand.

33. OTHER COMPONENTS OF EQUITY

The structure of other equity components in individual years is as follows (CZK '000):

	2025	2024
Treasury shares	(189,767)	–
Capital funds	1,641,512	1,641,512
Cash flow hedge reserve	636,152	(203,494)
Foreign exchange translation reserve	(448,496)	(68,137)
Total	1,639,401	1,369,881

Following the resolution on the acquisition of own shares, the Company repurchased 262,868 own shares of CZK 189,767 thousand in 2025.

Other capital funds represent additional capital contributions relating to the acquisition of a 50% interest in Česká zbrojovka a.s. in 2013.

34. NON-CONTROLLING INTERESTS

As at 1 December 2025, a 29% interest in subsidiary Spuhr i Dalby AB was sold. As a result, the Group's ownership interest decreased from 100% as at 31 December 2024 to 71% as at 31 December 2025.

	Spuhr i Dalby AB
Change in the Group's ownership interest	(29%)
Disposed interest in net assets recognised in non-controlling interests	91,141
Direct impact on equity arising from a change in the non-controlling interest	(2,402)
Total consideration of the transaction	88,739
Direct impact on equity arising from the recognition of the option liability	(147,336)
Total impact on the Group's equity	(58,597)

The holders of the non-controlling interests hold a put option under which they may partially or fully sell the non-controlling interest back to the Group upon exercise of the option. The liability arising from this option is recognised under Other financial liabilities.

The following table presents aggregate financial information of subsidiaries with material non-controlling interests as at 31 December 2025 (CZK '000):

2025	Spuhr i Dalby AB
Non-controlling interest (%)	29%
Non-current assets	302,559
Current assets	173,730
Non-current liabilities	(72,173)
Current liabilities	(87,031)
Equity attributable to the owners of the parent company	225,130
Equity attributable to non-controlling interests	91,955
Revenues from the sale of own products, goods and services	245,419
Profit for the period	70,573
Other comprehensive income	4,976
Comprehensive income for the period	75,549

2025	Spuhr i Dalby AB
Profit for the period attributable to non-controlling interests	(630)
Other comprehensive income attributable to non-controlling interests	1,444
Comprehensive income for the period attributable to non-controlling interests	814
Net increase / decrease in cash and cash equivalents	(21,278)
Dividends paid to non-controlling interests	–

Net increase / decrease in cash and cash equivalents of CZK (21,278) thousand mainly represents cash flows from operating activities.

35. BONDS, BANK LOANS AND BORROWINGS

35.1. Bonds

As at 31 December 2025, the Group used the following external financing in the form of issued bonds (CZK '000):

			31 Dec 2025	31 Dec 2024
	Terms	Interest rate p. a.	CZK '000	CZK '000
Issued bonds	23 March 2027	6M PRIBOR + margin % p.a.	4,517,000	5,000,000
Issued bonds – outstanding interest			64,408	79,144
Issued bonds – costs of issue			(6,397)	(11,633)
Issued bonds	27 Jan 2029	6M PRIBOR + margin % p.a.	1,998,000	1,998,000
Issued bonds – outstanding interest			42,705	50,948
Issued bonds – costs of issue			(5,931)	(7,860)
Issued bonds	18 May 2030	6M PRIBOR + margin % p.a.	3,000,000	2,517,000
Issued bonds – outstanding interest			19,727	17,580
Issued bonds – costs of issue			(7,027)	(8,632)
Issued bonds	7 May 2031	6.1% p. a.	6,000,000	–
Issued bonds – outstanding interest			55,917	–
Issued bonds – costs of issue			(56,012)	–
Total			15,622,390	9,634,547
Repayments in the following year			182,757	147,672
Repayments in future years			15,439,633	9,486,875

In 2025, the Company issued bonds totalling CZK 6,000,000 thousand and maturing in 2031. In 2024, the Company exercised the option to increase the volume of the existing bond issue and issued bonds with a nominal value of CZK 588,000 thousand. The Company does not expect to call the bonds in 2026.

As at 31 December 2025, interest expense amounted to CZK 572,916 thousand (31 December 2024 – CZK 667,811 thousand), of which unsettled interest expense was CZK 182,757 thousand (31 December 2024 – CZK 147,672 thousand).

Costs related to the issue of bonds in 2025 of CZK 57,573 thousand are accounted for on an accrual basis over the maturity of the bonds. The remaining part of these costs as at 31 December 2025 is CZK 56,011 thousand (31 December 2024 – CZK 0 thousand).

Costs related to the issue of bonds in 2023 of CZK 11,244 thousand are accounted for on an accrual basis over the maturity of the bonds. The remaining part of these costs as at 31 December 2025 is CZK 7,027 thousand (31 December 2024 – CZK 8,632 thousand).

Costs related to the issue of bonds in 2022 of CZK 13,508 thousand are accounted for on an accrual basis over the maturity of the bonds. The remaining part of these costs as at 31 December 2025 is CZK 5,931 thousand (31 December 2024 – CZK 7,860 thousand).

Costs related to the issue of bonds in 2021 of CZK 31,412 thousand are accounted for on an accrual basis over the maturity of the bonds. The remaining part of these costs as at 31 December 2025 is CZK 6,397 thousand (31 December 2024 – CZK 11,633 thousand).

The issued bonds bear variable interest and their fair value did not differ significantly from their carrying amount as at 31 December 2025 and 31 December 2024.

35.2. Bank loans and borrowings

As at 31 December 2025 and 31 December 2024, the Group had the following bank loans and borrowings (CZK '000):

Bank	Terms	Interest rate p. a.	31 Dec 2025	31 Dec 2024
			CZK '000	CZK '000
Syndicated loan	7 May 2029	3M EURIBOR + margin % p.a.	5,456,818	8,044,030
Syndicated loan – outstanding interest			–	760
Syndicated loan – drawing costs			(52,140)	(97,768)
Sparbanken Skåne	30 Nov 2026	6.1 – 6.4%	1,514	4,497
UBS	30 Sep 2038	2.6 – 3.5%	121,533	109,080
Raiffeisen Bank	30 Sep 2032	1.9 – 4.75%	72,160	75,084
ŠkoFin s.r.o.	30 June 2028	5.59 – 6.44%	44,899	40,907
Total			5,644,784	8,176,590
Repayments in the following year			1,326,490	1,327,238
Repayments in future years			4,318,294	6,849,352

The syndicated bank loan of CZK 5,456,818 thousand (2024 – CZK 8,044,030 thousand) was drawn by the Group in connection with the acquisition of Sellier & Bellot a.s (see Note 23).

Costs related to the drawing of the loan in 2024 of CZK 113,911 thousand are accounted for on an accrual basis over the maturity of the loan. In 2025, the Group made an early repayment of a portion of the syndicated loan of CZK 1,065,873 thousand and, as a result, released the accrued expenses related to the drawdown of this loan totalling CZK 30,054 thousand. The remaining part of these costs as at 31 December 2025 is CZK 52,140 thousand (31 December 2024 – CZK 97,768 thousand).

The syndicated bank loan is subject to the following covenants, which are tested at the end of each quarter, i.e., 31 March, 30 June, 30 September, and 31 December.

Covenants set by the financing banks	31 Dec 2025	31 Dec 2024
Net leverage ratio – less than 3.5	1.80	2.26
Interest cover ratio – more than 1.1	1.16	1.63
DSCR – more than 5	5.77	5.48

The Group complies with the requirements of these covenants as at 31 December 2025 and 31 December 2024.

Payables arising from the loans are secured with a pledge on receivables (as stated in Note 29).

36. TRADE AND OTHER PAYABLES

The structure of trade and other payables in individual years is as follows (CZK '000):

	2025	2024
Trade and other payables	1,592,821	1,320,786
Accrued expenses	22,025	18,453
Estimated payables	394,916	225,515
State subsidies	98	1,233
Other current liabilities – financial	94,146	54,150
Total	2,104,006	1,620,137
Non-current	78,732	46,802
Current	2,025,274	1,573,335
Total	2,104,006	1,620,137

The Group did not have any supplier finance arrangements in place as at 31 December 2025 or 31 December 2024.

Current trade and other payables are normally due within three months. The Group did not record any liabilities with a maturity of more than five years as at 31 December 2025 or 31 December 2024. Detailed information regarding liquidity risk management is provided in Note 41.2.

37. OTHER PAYABLES

The structure of other payables in individual years is as follows (CZK '000):

	2025	2024
Prepayments received	5,915,319	1,472,362
Employee liabilities	391,535	243,261
Liabilities from untaken holidays	75,570	86,169
Liabilities arising from employee bonuses	165,000	109,232
Social security and health insurance	80,733	71,288
Other non-financial liabilities	1,692	2,297
Value added tax	171,607	26,455
Other taxes	134,262	148,360
Deferred income	364,961	184,167
Total	7,300,679	2,343,590
Non-current	7,696	10,387
Current	7,292,983	2,333,203
Total	7,300,679	2,343,590

38. OTHER FINANCIAL LIABILITIES

	2025	2024
Options to purchase non-controlling interests – Spuhr	147,336	–
Total	147,336	–
Non-current	147,336	–
Current	–	–
Total	147,336	–

Other financial liabilities represent the liability arising from an option to purchase non-controlling interests in Spuhr i Dalby AB of CZK 147,336 thousand (2024 – CZK 0 thousand), which is measured at fair value corresponding to the present value of the exercise price of the put option held by the non-controlling interest holders.

39. LEASES

39.1. The Group as a lessor

In 2025, the Group recognised income from leases of CZK 10,700 thousand (2024 – CZK 10,659 thousand). The lease-related income is recorded as part of Other operating income (Note 6). The income does not include any variable portion not depending on rate or index.

39.2. Group as a lessee

In line with its common practice, the Group holds a part of machinery, buildings, cars and IT equipment under leases. The lease term is 2-10 years.

Interest expense arising from lease contracts, depreciation of rights-of-use assets for the year, acquisition cost of right-of-use assets and expenses related to short-term contracts, contracts for low-value assets, and variable costs arising from lease contracts are disclosed in Notes 8, 17 and 24.4. Total cash outflows arising from lease contracts amounted to CZK 73,396 thousand in 2025 (2024 – CZK 68,712 thousand).

The table below shows liabilities arising from lease contracts (CZK '000):

	2025	2024
Lease liabilities – non-current	71,718	58,922
Lease liabilities – current	25,206	22,267
Total	96,924	81,189

The table below shows the terms of lease liabilities and their nominal value (CZK '000):

	2025			2024		
	Nominal interest rate	Nominal value	Carrying amount	Nominal interest rate	Nominal value	Carrying amount
Liabilities from building and land leases	2–4% p. a.	85,902	82,137	2–4% p. a.	76,304	71,605
Liabilities from lease of machinery, devices and equipment	2–4% p. a.	15,210	14,787	2–4% p. a.	10,166	9,584
Total		101,112	96,924		86,470	81,189

Reconciliation of movements of lease liabilities with cash flows:

	2025	2024
Opening balance of lease liability as at 1 January	81,189	87,671
Lease payments	(26,956)	(25,650)
Total cash flows	(26,956)	(25,650)
Interest expense	1,154	1,209
Lease additions and modifications	41,537	17,959
Closing balance as at 31 December	96,924	81,189

As at 31 December 2025, the Group recorded the following in the statement of profit or loss in connection with leases:

	2025	2024
Depreciation of right-of-use assets	26,657	28,128
Interest expense relating to lease liability (included in financial expenses)	1,154	1,209
Costs of short-term leases (included in service costs)	36,215	26,574
Costs relating to low-value assets not included in the short-term leases above (included in service costs)	4,508	6,561
Costs relating to variable lease payments not included in lease liabilities (included in service costs)	5,717	9,927
Total	74,251	72,399

The table below shows the ageing structure of lease liabilities (CZK '000):

Ageing structure of lease liabilities	Balance at 2025	Balance at 2024
Within 3 months	6,285	5,490
3 months to 1 year	18,921	16,777
1 to 2 years	22,909	15,063
2 to 3 years	19,092	12,668
3 to 4 years	11,577	11,128
4 to 5 years	9,357	6,659
More than 5 years	8,783	13,404
Total	96,924	81,189

40. FINANCIAL ASSETS AND LIABILITIES

The table below provides an overview of financial assets and liabilities in the accounting records (CZK '000):

Financial assets	2025	2024
Current		
Trade and other receivables	2,182,858	2,829,759
Provided loans	25,589	20,017
Other financial assets	10,817	12,531
Financial derivatives	710,122	127,174
Cash and cash equivalents	12,819,126	5,917,768
Total	15,748,512	8,907,249
Non-current		
Financial derivatives	886,157	413,372
Trade and other receivables	11,730	20,021
Total	897,887	433,393

Financial liabilities	2025	2024
Current		
Bonds, bank loans and borrowings	1,509,247	1,474,910
Financial derivatives	63,608	394,262
Lease liabilities	25,206	22,267
Trade and other payables	2,025,274	1,573,335
Total	3,623,335	3,464,774
Non-current		
Bonds, bank loans and borrowings	19,757,927	16,336,227
Financial derivatives	218,258	532,473
Lease liabilities	71,718	58,922
Other financial liabilities	147,336	–
Trade and other payables	78,732	46,802
Total	20,273,971	16,974,424

40.1. Fair value

The table below shows carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy in 2025 (CZK '000). It does not include fair value information for financial assets and financial liabilities not measured at fair value if their carrying amount approximates their fair value.

Carrying amount				Fair value			
2025	Note	Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Total	Level 1	Level 2	Total
Financial assets measured at fair value							
Financial derivatives held for trading							
Currency forwards held for trading	42	–	210,486	210,486	–	210,486	210,486
Currency swaps held for trading	42	–	56,098	56,098	–	56,098	56,098
Currency options held for trading	42	–	13,307	13,307	–	13,307	13,307
Interest rate options held for trading	42	–	11,384	11,384	–	11,384	11,384
Financial derivatives used for hedge accounting							
Currency forwards used for hedge accounting	42	354,329	–	354,329	–	354,329	354,329
Currency swaps used for hedge accounting	42	298,705	–	298,705	–	298,705	298,705
Currency options used for hedge accounting	42	28,308	–	28,308	–	28,308	28,308
Cross currency interest rate swaps used for hedge accounting	42	346,530	–	346,530	–	346,530	346,530
Interest rate swaps used for hedge accounting	42	20,345	–	20,345	–	20,345	20,345
Commodity swaps used for hedge accounting	42	256,787	–	256,787	–	256,787	256,787
Total		1,305,004	291,275	1,596,279	–	1,596,279	1,596,279

Carrying amount					Fair value				
2025	Note	Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Present value of future cash flows	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value									
Financial derivatives held for trading									
Currency forwards held for trading	42	–	5,108	–	5,108	–	5,108	–	5,108
Currency options held for trading	42	–	7	–	7	–	7	–	7
Interest rate options held for trading	42	–	92	–	92	–	92	–	92
Financial derivatives used for hedge accounting									
Currency options used for hedge accounting	42	337	–	–	337	–	337	–	337
Cross currency interest rate swaps used for hedge accounting	42	131,436	–	–	131,436	–	131,436	–	131,436
Interest rate swaps used for hedge accounting	42	101,329	–	–	101,329	–	101,329	–	101,329
Commodity swaps used for hedge accounting	42	43,557	–	–	43,557	–	43,557	–	43,557
Other financial liabilities									
Liabilities arising from options to purchase non-controlling interests	38	–	–	147,336	147,336	–	–	147,336	147,336
Total		276,659	5,207	147,336	429,202	–	281,866	147,336	429,202

The table below shows carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy in 2024 (CZK '000). It does not include fair value information for financial assets and financial liabilities not measured at fair value if their carrying amount approximates their fair value.

Carrying amount				Fair value			
2024	Note	Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Total	Level 1	Level 2	Total
Financial assets measured at fair value							
Financial derivatives held for trading							
Currency forwards held for trading	42	–	19,680	19,680	–	19,680	19,680
Currency swaps held for trading	42	–	29,459	29,459	–	29,459	29,459
Interest rate options held for trading	42	–	32,207	32,207	–	32,207	32,207
Financial derivatives used for hedge accounting							
Currency forwards used for hedge accounting	42	46,476	–	46,476	–	46,476	46,476
Currency swaps used for hedging	42	257,251	–	257,251	–	257,251	257,251
Currency options used for hedge accounting	42	9,701	–	9,701	–	9,701	9,701
Cross currency interest rate swaps for hedging	42	98,331	–	98,331	–	98,331	98,331
Interest rate swaps used for hedging	42	36,925	–	36,925	–	36,925	36,925
Commodity swaps used for hedging	42	10,516	–	10,516	–	10,516	10,516
Total		459,200	81 346	540,546	–	540,546	540,546

Carrying amount					Fair value		
2024	Note	Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Total	Level 1	Level 2	Total
Financial liabilities measured at fair value							
Financial derivatives held for trading							
Currency forwards held for trading	42	–	22,742	22,742	–	22,742	22,742
Currency swaps held for trading	42	–	1,054	1,054	–	1,054	1,054
Interest rate swaps held for trading	42	–	12,162	12,162	–	12,162	12,162
Interest rate options held for trading	42	–	4,344	4,344	–	4,344	4,344
Financial derivatives used for hedge accounting							
Currency forwards used for hedge accounting	42	157,179	–	157,179	–	157,179	157,179
Currency swaps used for hedging	42	57,243	–	57,243	–	57,243	57,243
Currency options used for hedge accounting	42	20,609	–	20,609	–	20,609	20,609
Cross currency interest rate swaps for hedging	42	358,881	–	358,881	–	358,881	358,881
Interest rate swaps used for hedging	42	159,840	–	159,840	–	159,840	159,840
Commodity swaps used for hedging	42	132,681	–	132,681	–	132,681	132,681
Total		886,433	40,302	926,735	–	926,735	926,735

There were no transfers between levels during the period.

40.2. Fair value measurement

The table below shows the valuation techniques used for fair value measurement at Level 1 a 2 for financial instruments in the statement of financial position as well as significant unobservable inputs used.

Type of instrument	Valuation techniques	Significant unobservable inputs
Currency forwards and swaps	The fair value of financial derivatives (interest rate swaps and currency forwards) is determined based on the present value of future cash flows based on market data as yield curves of referential interest rate swaps, spot foreign exchange rates and forward points.	None
Currency options	For currency options, the respective option model is used (primarily the Black-Scholes model or its modifications), with the specific input data including the volatility of currency exchange rates reflecting specific realisation rates of individual transactions (volatility smile).	None
Cross currency interest rate swaps	Fair value is determined as the present value of future cash flows. The estimate of future variable cash flows is based on quoted swap rates and interbank deposit rates. The estimated future cash flows are discounted using a yield curve constructed from the above sources.	None
Interest rate swaps	The fair value of financial derivatives (interest rate swaps and currency forwards) is determined based on the present value of future cash flows based on market data as yield curves of referential interest rate swaps, spot foreign exchange rates and forward points.	None
Interest rate options	For interest rate options, the respective option model is used (primarily the Black-Scholes model or its modifications), with the specific input data including the volatility of interest rates reflecting specific realisation rates of individual transactions (volatility smile).	None
Commodity swaps	The fair value of commodity swaps is determined using the present value of future cash flows based on market data such as commodity forward curves, spot rates and futures contracts.	None
Share-based payment arrangements	The fair value of employee stock options was determined using the Black Scholes measurement model. The options are subject to the employment term/function term and non-market performance condition which were not considered in fair value determination.	None

The liability arising from options to purchase non-controlling interests, measured using Level 3 inputs, equals the present value of the amount payable upon exercise of the put option held by the non-controlling interest holders.

In measuring the liability arising from the option to purchase the non-controlling interest in Spuhr i Dalby AB, the unobservable input is the estimated amount payable as at 31 December 2025 of CZK 195,369 thousand (31 December 2024 – CZK 0 thousand), and the discount rate applied is 4.44%.

41. RISK MANAGEMENT

This section details the financial risks the Group is exposed to and how these risks are managed. Risk management is a fundamental part of the Group's management. The main emphasis is on identifying the risks the Group is exposed to in the market (risk of changes in exchange rates, interest rates, and prices of purchased commodities), credit risk, and liquidity risk. It also continuously monitors and assesses the risks associated with climate change. The risk management strategy focuses on the minimisation of potential negative impact on the Group's financial performance.

The policy of the Group is to enter into currency and interest rate hedging derivative instruments to manage its exposure to currency and interest rate risk. Details are provided in Note 42.

41.1. Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty in a transaction fails to meet its contractual obligations, such as payment, acceptance of a service at the agreed price, or failure to deliver an agreed service.

The Group does business with proven partners. All business counterparties are subject to an analysis of their individual creditworthiness and assigned a credit limit. Credit limits are approved based on an external rating if available, or based on an internal risk assessment guideline. Exposure to risk is monitored daily for each counterparty, considering any potential future impact. The overall credit risk of the business portfolio is continuously monitored and calculated with respect to the customer segment. Compliance with established limits and the development of receivables are continuously monitored on an individual and aggregate levels.

With respect to credit risk arising from the Group's financial assets, the maximum amount of credit risk caused by the counterparty's default corresponds to the carrying amount of these instruments.

No concentration of credit risk occurs.

Impairment losses on financial assets recognised in the statement of profit or loss are presented in Note 13.

The table below shows an overview of credit risk exposure based on territory for 2025 (CZK '000):

2025	Czech Republic	USA	Canada	Europe (excluding the Czech Republic)	Asia	Other	Total
Provided loans	–	–	–	25,589	–	–	25,589
Financial derivatives	1,596,279	–	–	–	–	–	1,596,279
Trade and other receivables	295,794	305,606	283,997	1,056,996	85,470	166,725	2,194,588
Other financial assets	–	10,817	–	–	–	–	10,817
Cash and cash equivalents	10,764,642	1,469,844	335,146	249,494	–	–	12,819,126
Total	12,656,715	1,786,267	619,143	1,332,079	85,470	166,725	16,646,399

The table below shows an overview of credit risk exposure based on territory for 2024 (CZK '000):

2024	Czech Republic	USA	Canada	Europe (excluding the Czech Republic)	Asia	Other	Total
Provided loans	–	–	–	20,017	–	–	20,017
Financial derivatives	540,546	–	–	–	–	–	540,546
Trade and other receivables	702,099	681,793	211,413	344,248	23,049	887,178	2,849,780
Other financial assets	–	12,531	–	–	–	–	12,531
Cash and cash equivalents	4,862,669	499,573	325,673	229,853	–	–	5,917,768
Total	6,105,314	1,193,897	537,086	594,118	23,049	887,178	9,340,642

Trade and other receivables

In accordance with IFRS 9 and as part of the measurement of expected credit losses, trade receivables were assessed based on customer ratings and days past due.

The key input for the calculation of expected credit losses is the counterparty's credit risk profile, primarily based on the Standard & Poor's rating or, where no external rating is available, the respective internal credit grading. Expected credit losses are measured using the probability of default, loss given default and exposure to the counterparty as at the assessment date.

Receivables are categorised based on the country of origin of the company for which a receivable is recorded. These countries have been assigned a rating based on their rating by Standard & Poor's. Using this rating, receivables are divided into five groups based on their potential default risk.

For its analysis, the Group used publicly available data from a document titled Default, Transition, and Recovery: 2024 Annual Global Corporate Default and Rating Transition Study, tab. 26.

The amount of the allowance measured according to the rating system described above is further expanded to include specific allowances that are established based on the individual assessment of the debtor. This individual assessment applies to all trade receivables that are more than 180 days overdue.

The table below shows information on credit risk exposure and the expected credit loss rate for trade receivables as at 31 December 2025 based on the external credit rating equivalent (CZK '000):

2025	External credit rating equivalent	Expected credit loss rate	Gross carrying amount	Allowances for credit loss	Net carrying amount	Credit-impaired
Grade 1-6: Low risk	BBB- to AAA	1.03%	1,945,511	(20,053)	1,925,458	No
Grade 7-9: Reasonable risk	BB- to BB+	13.80%	51,238	(7,073)	44,165	No
Grade 10: Non-standard	B- to CCC-	3.63%	55,159	(2,003)	53,156	No
Grade 11: Doubtful	C to CC	–	–	–	–	No
Grade 12: Loss-making	D	100.00%	4,959	(4,959)	–	Yes
Total			2,056,867	(34,088)	2,022,779	

The table below shows information on credit risk exposure and the expected credit loss rate for trade receivables as at 31 December 2024 based on the external credit rating equivalent (CZK '000):

2024	External credit rating equivalent	Expected credit loss rate	Gross carrying amount	Allowances for credit loss	Net carrying amount	Credit-impaired
Grade 1-6: Low risk	BBB- to AAA	0.86%	2,641,049	(22,812)	2,618,237	No
Grade 7-9: Reasonable risk	BB- to BB+	9.10%	115,801	(10,537)	105,264	No
Grade 10: Non-standard	B- to CCC-	39.81%	38,027	(15,137)	22,890	No
Grade 11: Doubtful	C to CC	–	–	–	–	No
Grade 12: Loss-making	D	100.00%	4,756	(4,756)	–	Yes
Total			2,799,633	(53,242)	2,746,391	

The table below shows information on credit risk exposure and the expected credit loss rate for trade receivables based on ageing structure as at 31 December 2025 (CZK '000):

2025	Expected credit loss rate	Gross carrying amount	Allowances for credit loss	Net carrying amount	Credit-impaired
Within due date	1.15%	1,558,259	(17,870)	1,540,389	No
1-90 days overdue	0.46%	360,775	(1,647)	359,128	No
91-180 days overdue	0.40%	33,864	(137)	33,727	No
181-360 days overdue	0.07%	84,848	(57)	84,791	No
More than 361 days overdue	75.19%	19,121	(14,377)	4,744	Yes
Total		2,056,867	(34,088)	2,022,779	

The table below shows information on credit risk exposure and the expected credit loss rate for trade receivables based on ageing structure as at 31 December 2024 (CZK '000):

2024	Expected credit loss rate	Gross carrying amount	Allowances for credit loss	Net carrying amount	Credit-impaired
Within due date	0.63%	2,493,387	(15,752)	2,477,635	No
1-90 days overdue	0.67%	222,356	(1,488)	220,868	No
91-180 days overdue	0.49%	27,056	(133)	26,923	No
181-360 days overdue	49.48%	41,500	(20,535)	20,965	No
More than 361 days overdue	100%	15,334	(15,334)	–	Yes
Total		2,799,633	(53,242)	2,746,391	

Trade and other receivables are written off if their recovery cannot be reasonably expected. Indicators that there is no reasonable expectation of recovery also include the debtor's failure to engage in a repayment plan and failure to make contractual payments for more than 360 days past due.

Impairment losses on trade and other receivables are recognised as net impairment losses within operating profit or loss. Subsequent recoveries of amounts previously written off are credited to the same line item.

The Group records a lifetime expected credit loss for all other financial assets if there is a significant increase in credit risk after initial recognition.

In assessing whether the credit risk of an asset has increased significantly, the Group considers reasonable and supportable forward-looking qualitative and quantitative information, including, for example, actual or expected significant deterioration in external or internal credit ratings, existing or anticipated adverse changes in business, financial or economic conditions that are expected to result in a significant decrease in the debtor's ability to meet its obligations, or significant financial difficulties of the debtor.

However, if the credit risk of a financial instrument does not significantly increase after initial recognition, the Group calculates an allowance for the loss on that financial instrument equal to 12-month expected credit losses.

Cash and cash equivalents

As at 31 December 2025, the Group held cash and cash equivalents of CZK 12,819,126 thousand (2024 – CZK 5,917,768 thousand).

The impairment of cash and cash equivalents was measured based on a 12-month expected loss and reflects the short maturity of the exposures. The Group has bank accounts only with prestigious banking institutions. The Group believes that its cash and cash equivalents have low credit risk based on the external credit ratings of counterparties. The potential impact of IFRS 9 is insignificant.

41.2. Liquidity risk management

The Group manages liquidity risk by retaining banking sources and loan instruments, ongoing monitoring of anticipated and actual cash flows and adapting the maturity of financial assets and financial liabilities.

Liquidity risk

Liquidity risk is a risk that the Group will not have sufficient available resources to meet its payables arising from financial contracts. The Group continuously monitors the risk of shortage of funds by managing liquidity and monitoring the maturity of debts and financial investments, other assets, and expected cash flows from its operations. The Group holds unrestricted liquid resources, i.e., cash, cash equivalents and current financial assets in currencies in which future cash requirements are expected to be denominated.

The Group also monitors the level of expected cash flows from trade and other receivables together with the expected cash flows from trade and other payables.

As at 31 December 2025, the quick liquidity ratio, which is calculated as the ratio of current financial assets to current financial liabilities, is 4.35 (31 December 2024 – 2.57).

The remaining contractual maturities of financial liabilities at the balance sheet date are shown below. Amounts are gross and undiscounted, include contractual interest payments, and exclude the impact of netting arrangements. Liabilities past their due dates are included in the 'Within 3 months' column.

The table below shows information as at 31 December 2025 (CZK '000):

Contractual cash flows							
2025	Carrying amount	Total	Within 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	2,104,006	2,104,006	2,053,618	20,852	18	29,518	–
Lease liabilities	96,924	96,924	6,285	6,307	12,614	62,935	8,783
Bonds, bank loans and borrowings	21,267,174	25,329,002	807,918	613,146	1,204,522	16,497,364	6,206,052
Total non-derivative financial liabilities	23,468,104	27,529,932	2,867,821	640,305	1,217,154	16,589,817	6,214,835
Derivative financial liabilities							
Currency forwards held for trading	5,108	5,108	–	3,437	1,671	–	–
Currency options held for trading	7	7	2	5	–	–	–
Interest rate options held for trading	92	92	–	–	92	–	–
Currency options used for hedge accounting	337	337	–	27	310	–	–
Cross currency interest rate swaps used for hedge accounting	131,436	131,436	–	–	–	131,436	–
Interest rate swaps used for hedge accounting	101,329	101,329	–	–	–	101,329	–
Commodity swaps used for hedge accounting	43,557	43,557	–	–	43,557	–	–
Total derivative financial liabilities	281,866	281,866	2	3,469	45,630	232,765	–
Other financial liabilities	147,336	195,369	–	–	–	–	195,369
Total	23,897,306	28,007,167	2,867,823	643,774	1,262,784	16,822,582	6,410,204

The table below shows information as at 31 December 2024 (CZK '000):

	Contractual cash flows						
2024	Carrying amount	Total	Within 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	1,620,137	1,620,137	1,560,647	12,688	–	46,802	–
Lease liabilities	81,189	81,189	5,490	8,389	8,389	45,518	13,403
Bonds, bank loans and borrowings	17,811,137	19,604,363	723,697	549,819	1,097,339	14,559,056	2,674,452
Total non-derivative financial liabilities	19,512,463	21,305,689	2,289,834	570,896	1,105,728	14,651,376	2,687,855
Derivative financial liabilities							
Currency forwards held for trading	22,742	22,743	20,761	1,982	–	–	–
Currency swaps held for trading	1,054	1,054	421	–	633	–	–
Interest rate swaps used for trading	12,162	12,162	–	–	–	12,162	–
Interest rate options held for trading	4,344	4,344	–	–	–	4,344	–
Currency forwards used for hedging	157,179	157,179	9,380	12,909	49,868	85,022	–
Currency swaps used for hedging	57,243	57,243	–	–	1,648	55,595	–
Currency options used for hedging	20,609	20,609	–	–	–	20,609	–
Cross currency interest rate swaps for hedging	358,881	358,880	–	–	–	187,825	171,055
Interest rate swaps used for hedging	159,840	159,840	–	–	–	159,840	–
Commodity swaps used for hedging	132,681	132,681	–	–	94,461	38,220	–
Total derivative financial liabilities	926,735	926,735	30,562	14,891	146,610	563,617	171,055
Total	20,439,198	22,232,424	2,320,396	585,787	1,252,338	15,214,993	2,858,910

41.3. Market risk management

Market risk is the risk of changes in the value of assets, liabilities, and cash flows denominated in foreign currencies due to changes of exchange rates, interest rates, and prices of purchased commodities. The Group has implemented policies and methods to monitor and hedge the risks to which it is exposed. Exposure to market risk is measured using sensitivity analyses.

41.3.1. Currency risk management

The Group's exposure to currency risk primarily arises from its purchases and sales in currencies other than the Group's functional currency. Exposure to currency risks is governed by parameters approved based on currency forwards, swaps, and options. The objective of the Group is to minimise the impact of foreign currency rates changes on the value of its sales and profit.

The Group measures its exposure to the foreign currency risk by the expected excess of anticipated sales over purchases, excess of foreign currency receivables over payables and sensitivity of the Group's profit or equity to the changes in exchange rates.

The carrying amount of the Group's financial assets and financial liabilities denominated in foreign currencies at the end of the reporting period is as follows:

2025	CZK	EUR	USD	CAD	SEK	CHF	Other	Total
Financial assets								
Provided loans	–	25,589	–	–	–	–	–	25,589
Financial derivatives	1,596,279	–	–	–	–	–	–	1,596,279
Trade and other receivables	126,224	1,194,808	537,090	320,064	72	10,573	5,757	2,194,588
Other financial assets	–	–	10,817	–	–	–	–	10,817
Cash and cash equivalents	8,165,193	2,430,356	1,802,880	301,442	30,650	74,014	14,591	12,819,126
Total financial assets	9,887,696	3,650,753	2,350,787	621,506	30,722	84,587	20,348	16,646,399
Financial liabilities								
Financial derivatives	281,866	–	–	–	–	–	–	281,866
Lease liabilities	10,756	11,861	32,186	14,690	18,941	8,489	–	96,924
Trade and other payables	702,961	709,784	540,900	112,735	7,974	21,926	7,727	2,104,006
Bonds, bank loans and borrowings	15,667,289	5,404,678	–	–	1,514	193,693	–	21,267,174
Other financial liabilities	–	–	–	–	147,336	–	–	147,336
Total financial liabilities	16,662,872	6,126,323	573,086	127,425	175,766	224,108	7,727	23,897,306
Total currency risk exposure	(6,775,176)	(2,475,570)	1,777,701	494,082	(145,044)	(139,521)	12,621	(7,250,907)

2024	CZK	EUR	USD	CAD	SEK	CHF	Other	Total
Financial assets								
Provided loans	–	20,017	–	–	–	–	–	20,017
Financial derivatives	540,546	–	–	–	–	–	–	540,546
Trade and other receivables	83,760	1,483,618	914,726	192,975	130,429	24,493	19,779	2,849,780
Other financial assets	–	–	12,531	–	–	–	–	12,531
Cash and cash equivalents	3,403,233	1,106,154	905,024	323,734	66,113	97,917	15,593	5,917,768
Total financial assets	4,027,539	2,609,789	1,832,281	516,709	196,542	122,410	35,372	9,340,642
Financial liabilities								
Financial derivatives	926,735	–	–	–	–	–	–	926,735
Lease liabilities	17,125	16,065	17,451	1,503	21,148	7,897	–	81,189
Trade and other payables	491,016	317,665	715,237	43,366	4,614	47,915	324	1,620,137
Bonds, bank loans and borrowings	9,675,455	7,947,021	–	–	4,497	184,164	–	17,811,137
Total financial liabilities	11,110,331	8,280,751	732,688	44,869	30,259	239,976	324	20,439,198
Total currency risk exposure	(7,082,792)	(5,670,962)	1,099,593	471,840	166,283	(117,566)	35,048	(11,098,556)

41.3.2. Foreign exchange rate sensitivity analysis

The Group is exposed to currency risk, especially in relation to EUR, USD, CAD, SEK, and CHF.

The Group applied the following key exchange rates:

In CZK	Average exchange rate		Exchange rate at the end of the period	
	2025	2024	2025	2024
EUR	24.693	25.119	24.245	25.185
USD	21.914	23.208	20.632	24.237
CAD	15.666	16.951	15.069	16.846
SEK	2.231	2.198	2.240	2.199
CHF	26.349	26.185	26.041	26.768

The following table shows the Group's sensitivity to a 10% appreciation and depreciation of the Czech crown towards the respective foreign currencies. The sensitivity analysis only includes outstanding monetary items denominated in a foreign currency, adjusting their translation at the end of the reporting period by a 10% change in exchange rates. The positive value indicates an increase in profits or equity due to a potential appreciation of the Czech crown by 10% with respect to the respective currency.

In CZK	Impact on profit before tax 2025		Impact on profit before tax 2024	
	Foreign currency appreciation by 10%	Foreign currency depreciation of 10%	Foreign currency appreciation by 10%	Foreign currency depreciation of 10%
Foreign currency				
EUR	(320,467)	320,467	(640,033)	640,033
USD	(101,148)	101,148	(86,434)	86,434
CAD	49,408	(49,408)	47,284	(47,284)
SEK	(14,504)	14,504	16,628	(16,628)
CHF	(49,392)	49,392	(37,452)	37,452
Sensitivity to exchange rate fluctuations	(436,103)	436,103	(700,007)	700,007

In CZK	Impact on equity 2025		Impact on equity 2024	
	Foreign currency appreciation by 10%	Foreign currency depreciation of 10%	Foreign currency appreciation by 10%	Foreign currency depreciation of 10%
Foreign currency				
EUR	(412,410)	412,410	(453,707)	453,707
USD	(458,742)	458,742	(632,937)	632,937
Sensitivity to exchange rate fluctuations	(871,152)	871,152	(1,086,644)	1,086,644

41.3.3. Interest rate risk management

The Group is exposed to the risk of interest rate changes as the Group borrows funds with variable interest rates. Interest expense from issued bonds with variable interest rates, which represent the most significant portion of interest-bearing liabilities, are based on 6M PRIBOR + margin. The syndicated loan bears interest at 3M EURIBOR + margin. Amount of interest paying liabilities using other reference rates is not significant. Detailed information on issued bonds and drawn bank loans is disclosed in Note 35.

The Group has managed interest rate risk using interest rate and cross currency interest rate swap agreements. This ensures the utilisation of hedging strategies which are economically most effective.

As at 31 December 2025, interest rate risk exposure was as follows:

31 December 2025 CZK '000	Carrying amount	Contractual cash flows	Variable interest rate	Fixed interest rate
Interest-bearing financial assets				
Provided loans	25,589	35,000	35,000	–
Total interest-bearing financial assets	25,589	35,000	35,000	–
Interest-bearing financial liabilities				
Bonds, bank loans and borrowings	21,267,174	25,329,002	17,021,277	8,307,725
Lease liabilities	96,924	96,924	–	96,924
Total interest-bearing financial liabilities	21,364,098	25,425,926	17,021,277	8,404,649
Effect of cross currency interest rate swaps and interest rate swaps – nominal value	–	–	13,729,785	–
Total interest rate risk exposure	(21,338,509)	(25,390,926)	(3,291,492)	(8,404,649)

As at 31 December 2024, interest rate risk exposure was as follows:

31 December 2024 CZK '000	Carrying amount	Contractual cash flows	Variable interest rate	Fixed interest rate
Interest-bearing financial assets				
Provided loans	20,017	21,330	–	21,330
Total interest-bearing financial assets	20,017	21,330	–	21,330
Interest-bearing financial liabilities				
Bonds, bank loans and borrowings	17,811,137	19,604,363	19,326,559	277,804
Lease liabilities	81,189	81,189	–	81,189
Total interest-bearing financial liabilities	17,892,326	19,685,552	19,326,559	358,993
Effect of cross currency interest rate swaps and interest rate swaps – nominal value	–	–	16,129,107	–
Total interest rate risk exposure	(17,872,309)	(19,664,222)	(3,197,452)	(337,663)

41.3.4. Interest rate sensitivity analysis

The below interest rate sensitivity analysis was determined based on the exposure to interest rates for derivative and non-derivative instruments at the end of the reporting period. Payables with a floating interest rate are subject to the analysis provided that the value of principal remains unchanged throughout the reporting period based on a calculation of the average annual principal.

If interest rates were higher/lower by 100 basis points and all other variables remained constant, the profit or loss would change based on the values specified below.

CZK '000	Impact on profit before tax 2025		Impact on profit before tax 2024	
	Increase of 1 percentage point	Decrease of 1 percentage point	Increase of 1 percentage point	Decrease of 1 percentage point
Issued bonds with variable interest rate	(97,558)	97,558	(91,477)	91,477
Syndicated loan with variable interest rate	(63,156)	63,156	(66,674)	66,674
Cross currency interest rate swaps	47,127	(47,127)	47,127	(47,127)
Interest rate swaps	58,219	(58,219)	64,604	(64,604)
Interest rate options	15,479	(15,479)	28,685	(28,685)
Cash and cash equivalents	93,684	(93,684)	46,232	(46,232)
Sensitivity of interest rates changes	53,795	(53,795)	28,497	(28,497)

CZK '000	Impact on equity 2025		Impact on equity 2024	
	Increase of 1 percentage point	Decrease of 1 percentage point	Increase of 1 percentage point	Decrease of 1 percentage point
Cross currency interest rate swaps	110,869	(110,869)	184,388	(184,388)
Interest rate swaps	149,838	(149,838)	262,605	(262,605)
Sensitivity of interest rates changes	260,707	(260,707)	446,993	(446,993)

41.3.5. Commodity risk

The Group is exposed to the risk of changes in prices of input commodities, which are the main raw materials purchased for production (zinc, copper, lead). The price of raw materials purchased from suppliers is linked to changes in commodity market prices on the LME (London Metal Exchange).

The Group manages commodity price risk by using commodity swaps. The hedging mechanism is based on a simple contract design, and the difference between the agreed fixed price paid by the company and the market price on the settlement date is settled with a third party in cash without physical delivery of the commodity.

The carrying amount of assets and liabilities that is dependent on the price of a commodity:

CZK '000	31 December 2025				31 December 2024			
	Zinc (Zn)	Copper (Cu)	Lead (Pb)	Total	Zinc (Zn)	Copper (Cu)	Lead (Pb)	Total
Receivables from commodity derivatives								
Current	11,002	244,178	–	255,180	6,946	–	–	6,946
Non-current	–	–	1,607	1,607	3,570	–	–	3,570
Total receivables from commodity derivatives	11,002	244,178	1,607	256,787	10,516	–	–	10,516
Liabilities from commodity derivatives								
Current	–	–	(43,557)	(43,557)	–	(75,172)	(19,288)	(94,460)
Non-current	–	–	–	–	–	(34,893)	(3,328)	(38,221)
Total liabilities from commodity derivatives	–	–	(43,557)	(43,557)	–	(110,065)	(22,616)	(132,681)
Total	11,002	244,178	(41,950)	213,230	10,516	(110,065)	(22,616)	(122,165)

For more detailed information on commodity derivatives, see Note 42.5.

41.3.6. Commodity price sensitivity analysis

The Group performed a sensitivity analysis to determine the impact on equity of a 10% change in commodity prices. The sensitivity analysis results are presented in the table below.

CZK '000	Impact on equity 2025		Impact on equity 2024	
	Increase in commodity price by 10%	Decrease in commodity price by 10%	Increase in commodity price by 10%	Decrease in commodity price by 10%
Commodity				
Zn	10,962	(10,962)	11,740	(11,740)
Cu	100,977	(100,977)	148,262	(148,262)
Pb	42,844	(42,844)	23,326	(23,326)
Sensitivity to commodity price changes	154,783	(154,783)	183,328	(183,328)

42. DERIVATIVE INSTRUMENTS

The Group enters into derivative financial instruments to manage its exposure to interest rate risk, currency risk, and the risk of changes in prices of purchased commodities. To manage these risks, the Group uses the following derivative instruments:

- ▶ Cross currency interest rate swaps;
- ▶ Interest rate swaps;
- ▶ Interest rate put options;
- ▶ Interest rate call options,
- ▶ Foreign-currency put options,
- ▶ Foreign-currency call options,
- ▶ Currency forwards;
- ▶ Currency swaps; and
- ▶ Commodity swaps.

Derivative instruments are classified as trading or hedging.

The Group engages in hedging transactions to partially mitigate the foreign exchange (FX risk), interest rate risk (IR risk), and the risk of changes in prices of purchased commodities.

The instruments used for the FX risk management include plain vanilla FX forwards, currency swaps, currency options, and cross currency interest rate swaps. Usual hedging maturity for the FX hedging contracts is up to five years. At the same time, the Group has a few long-term commercial contracts meaning the future exposure can be hedged even without the current existence of the particular contract. This can result in an over-hedged or under-hedged position, unexpected losses or profits in case the estimates of future foreign exchange exposure do not materialise.

The IR risk is managed by traditional (plain vanilla) interest rate swaps (IRS), interest options and cross currency interest rate swaps with the maturity corresponding to the maturity of the external debt.

Commodity risk is managed by traditional (plain vanilla) commodity swaps.

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk of a portion of highly probable forecasted sales denominated in EUR, USD (cash flow hedge), part of net investments in foreign operations in CHF, interest rate risk, and the risk of changes in prices of purchased commodities. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges and those hedging net investments in foreign operations is recognised in other comprehensive income under cash flow hedges – remeasurement of effective portion of hedging instruments; the cumulative balance is recognised in the statement of financial position in cash flow hedge reserves.

The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss and is included in the Gains or losses from derivative transactions. Fair value of derivative contracts is presented as Financial derivative assets or liabilities in the statement of financial position. Accounting for hedging derivatives is described in detail in Note 3.26.

The Group expects to continue its hedging activities in the future.

The following table provides an overview of nominal values and positive or negative fair values of open derivatives held for trading as at 31 December 2025 and 31 December 2024 (CZK '000):

CZK '000	2025			2024		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Currency put options	165,056	13,307	–	–	–	–
Currency call options	165,056	–	7	–	–	–
Interest rate put options	1,129,241	–	92	1,324,642	–	4,344
Interest rate call options	2,063,931	11,384	–	2,523,001	32,207	–
Currency forwards	2,764,923	210,486	5,108	1,745,064	19,680	22,742
Currency swaps	1,119,136	56,098	–	1,238,034	29,459	1,054
Interest rate swaps	–	–	–	1,129,169	–	12,162
Total	7,407,343	291,275	5,207	7,959,910	81,346	40,302

The following table provides an overview of nominal values and positive or negative fair values of open derivatives held for hedging as at 31 December 2025 and 31 December 2024 (CZK '000):

CZK '000	2025			2024		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Interest rate swaps	5,821,888	20,345	101,329	6,437,571	36,925	159,840
Currency put options	330,112	28,308	–	581,688	9,701	–
Currency call options	330,112	–	337	581,688	–	20,609
Currency swaps	2,497,824	298,705	–	4,232,242	257,251	57,243
Currency forwards	4,780,755	354,329	–	5,363,204	46,476	157,179
Cross currency interest rate swaps – USD	3,212,700	222,720	–	3,212,700	–	187,825
Cross currency interest rate swaps – EUR	1,500,000	123,810	–	1,500,000	98,331	–
Cross currency interest rate swaps – CHF	724,200	–	131,436	724,200	–	171,056
Commodity swaps – Zn	127,075	11,002	–	134,458	10,516	–
Commodity swaps – Cu	1,032,427	244,178	–	1,943,387	–	110,065
Commodity swaps – Pb	577,996	1,607	43,557	309,201	–	22,616
Total	20,935,089	1,305,004	276,659	25,020,339	459,200	886,433

Valuation techniques are described in Note 40.2.

The fair values determined by the Company are verified in view of the valuation of transactions regularly obtained from individual counterparties on an individual basis. Credit risks relating to derivative transactions are considered immaterial.

The fair values of derivative transactions are classified as level 2, whereby the market data used in models originate from active markets. For other financial instruments, the fair value approximates the carrying amount.

The Group has concluded a master agreement with the bank for mutual offsetting of receivables, however, the receivables and payables from derivatives are reported separately since the Group does not plan to offset these derivatives in the future.

42.1. Currency contracts

The tables below show open foreign currency forwards, swaps and foreign currency put and call options as at 31 December 2025 and 31 December 2024 (CZK '000):

Open currency forwards and swaps	Average exchange rate		Foreign currency		Nominal value		Fair value	
USD	2025	2024	2025	2024	2025	2024	2025	2024
trading	22.610	23.952	115,200	72,000	2,410,961	1,721,568	210,486	(3,062)
trading – SWAP	–	22.630	–	10,000	–	242,370	–	13,248
hedging	22.595	23.053	138,000	181,500	3,050,700	4,184,080	265,760	(137,531)
hedging – SWAP	22.290	22.458	35,000	45,000	780,277	1,010,627	58,044	(54,405)
trading – USD/EUR SWAP	21.930	23.820	4,000	1,000	87,730	23,800	5,258	(421)
EUR	2025	2024	2025	2024	2025	2024	2025	2024
trading	–	27.036	–	8,050	–	217,637	–	14,751
trading – SWAP	23.930	25.275	28,138	20,319	729,098	511,732	47,760	1,460
hedging	26.090	26.635	79,750	40,750	2,080,956	1,085,360	88,569	26,829
hedging – SWAP	27.900	27.671	73,240	124,740	2,043,147	3,451,713	240,661	254,412
CHF	2025	2024	2025	2024	2025	2024	2025	2024
trading – SWAP	26.033	24.140	13,609	9,599	354,402	256,956	3,080	(633)
CAD	2025	2024	2025	2024	2025	2024	2025	2024
trading – CAD/EUR	14.810	–	25,756	–	388,117	–	(5,108)	–

Open put options	Average exchange rate		Foreign currency		Nominal value		Fair value	
USD	2025	2024	2025	2024	2025	2024	2025	2024
trading	22.250	–	8,000	–	178,000	–	13,307	–
hedging	22.250	22.250	16,000	24,000	356,000	534,000	28,308	9,701

Open call options	Average exchange rate		Foreign currency		Nominal value		Fair value	
USD	2025	2024	2025	2024	2025	2024	2025	2024
trading	25.030	–	8,000	–	200,220	–	(7)	–
hedging	25.028	25.028	16,000	24,000	400,440	600,660	(337)	(20,609)

The tables below show the maturity of individual financial derivatives as at 31 December 2025 and 31 December 2024 based on their fair and nominal values (CZK '000):

		31 December 2025		31 December 2024	
Ageing structure	Type of transaction	Fair value	Nominal value	Fair value	Nominal value
Within 3 months	trading	115,168	1,329,992	(364)	1,490,054
	hedging	57,533	382,971	(2,544)	236,709
3–6 months	trading	18,443	466,712	(1,982)	24,237
	hedging	129,488	1,023,543	16,257	612,588
6–12 months	trading	1,501	494,565	(633)	256,957
	hedging	115,975	1,281,395	(1,356)	2,131,524
1–2 years	trading	139,667	1,922,902	2,945	242,370
	hedging	242,522	2,598,136	75,467	4,124,934
2–3 years	trading	–	–	25,378	969,480
	hedging	74,730	945,340	36,148	2,137,102
3–4 years	trading	–	–	–	–
	hedging	53,375	1,371,601	(37,311)	872,532
4–5 years	trading	–	–	–	–
	hedging	7,381	335,817	(8,265)	643,433
5–6 years	trading	–	–	–	–
	hedging	–	–	–	–
Total		955,783	12,152,974	103,740	13,741,920

As mentioned above, the Group designated certain currency derivatives as hedging items in respect of changes in cash flows arising from forecasted highly probable sales in foreign currency. The table below summarises the amount of hedged forecasted sales at the end of each period, change in the fair value of hedged cash flows and the balance of hedged cash flow as at 31 December (CZK '000):

	Volume of hedged sales	Change in the value of hedged sales since the inception of the hedge	Balance of hedged cash flows
2025	7,938,803	682,566	682,566
2024	10,758,822	(13,845)	(13,845)

Changes in the fair value of hedging derivatives recognised in other comprehensive income and the amount reclassified to the statement of profit or loss in respective years 2025 and 2024 are as follows:

Cash flow hedges from expected sale	Change in the fair value of hedging instruments	Recognised in OCI	Hedge ineffectiveness recognised in the statement of profit or loss	Reclassified to the statement of profit or loss
2025	826,704	881,533	(2,809)	(52,020)
2024	(557,131)	(575,168)	10,169	7,868

In accordance with the hedging strategy, the accumulated fair value of hedging item is reclassified to profit or loss when the hedged forecasted sale affects profit or loss. The effect Recognised in OCI contains also element of taxes – 21% tax rate used.

The reconciliation between opening and closing balances of the cash flow hedge reserve is provided in the following table:

	2025	2024
1 January	17,871	470,085
Change in fair value	769,066	(553,757)
Reclassification to the statement of profit or loss	54,829	(18,037)
Deferred tax	(173,018)	119,580
31 December	668,748	17,871

42.2. Cross currency interest rate swaps

The Company has entered into cross currency interest rate swaps in which it is the payer of fixed interest derived from the nominal value in USD or EUR and the payee of variable interest derived from the nominal value in CZK, and which further include initial and final exchanges of nominal amounts in USD or EUR and CZK to achieve the following objectives:

- ▶ to hedge the currency risk associated with the provided loan (a USD or EUR-denominated loan with a fixed interest rate) or the expected foreign currency sales in EUR,
- ▶ to hedge the interest rate risk arising from variable interest payments on the bonds issued (bonds issued in CZK with a variable interest rate of 6M PRIBOR).

For hedge accounting purposes, the negotiated cross currency interest rate swaps are divided into the following derivatives, which are defined as hedging instruments in a combined hedging relationship:

- ▶ The currency swap in which the Group is the payer of fixed interest derived from the nominal value in USD or EUR and the payee of fixed interest derived from the nominal value in CZK, and which further include initial and final exchanges of nominal amounts in USD or EUR and CZK. This cross currency interest rate swap is used to hedge the currency risk on the provided USD loan or foreign currency sales in EUR, whereby the exchange rate differences on the hedged portion of the loan or sales (equal to the nominal value of the cross currency interest rate swap – the hedge ratio is 1:1) are offset by the revaluation of the cross currency interest rate swap.
- ▶ An interest rate swap in which the Group is the payer of a fixed interest rate derived from the nominal value in CZK and payee of variable interest rate derived from the nominal value in CZK. This interest rate swap is used to hedge the interest rate risk on the bonds issued where the interest paid on the hedged portion of the bonds (equal to the nominal value of the interest rate swap – the hedge ratio is 1:1) derived from the variable interest rate is offset by the revaluation of the interest rate swap (in which the Company is the payee of interest payments derived from the same variable interest rate).

The combined hedging relationship is considered effective and qualifies for hedge accounting (see Note 3.26.) only if the two separate derivatives (the hedging relationships in which the derivatives are defined as hedges) meet the hedge accounting requirements. In the following tables, separate hedging derivatives are always listed separately in the relevant section based on the hedged risk.

The Group began applying hedge accounting on 21 May 2021 for USD/CZK interest rate swaps and on 27 January 2022 for EUR/CZK interest rate swaps. Until the initial application of hedge accounting, the cross currency interest rate swaps negotiated were classified as trading derivatives.

The Group assesses the effectiveness of hedges and the existence of an economic relationship between the hedging instruments and the hedged items based on a comparison of their parameters and sensitivity analysis. The Group determines the ineffective portion of the hedge based on the hypothetical derivative method and a comparison of changes in the cumulative fair values of the hedging instruments and hedged items represented by the hypothetical derivative.

The sources of ineffectiveness are mainly the credit risk of the counterparty to the hedging instruments and the Group, which the Group considers to be minimal given that the hedging instruments are negotiated with banks with high credit ratings, and the risk of prepayment of the provided loan or a reduction in the volume of sales (for currency hedges) and bonds issued (for interest rate hedges) is very low.

The Group has entered into cross currency interest rate swaps in which it is the payer of fixed interest derived from the nominal value in CHF and the payee of fixed interest derived from the nominal value in CZK, and which further include initial and final exchanges of nominal amounts in CHF and CZK to achieve the following objectives:

- ▶ hedge against currency risk associated with the net investment in foreign operations in CHF.

The Group assesses the effectiveness of hedges and the existence of an economic relationship between the hedging instruments and the hedged items based on a comparison of their parameters. The Group determines the ineffective portion of the hedge based on the hypothetical derivative method and a comparison of changes in the cumulative fair values of the hedging instruments and hedged items represented by the hypothetical derivative.

The sources of ineffectiveness are mainly the credit risk of the counterparty to the hedging instruments and the Group, which the Group considers to be minimal given that the hedging instruments are negotiated with banks with high credit ratings, and the risk of impairment of the net investment in foreign operations.

42.3. Interest rate swaps

The interest rate swap agreements oblige the Group to exchange the difference between the fixed and variable interest calculated on the agreed principal. These contracts partially eliminate the risk of the impact of the future increase of market interest rates on the value of issued debt instruments with a floating reference rate. The fair value of the interest rate swaps at the end of the reporting period is determined by discounting future cash flows. These interest rate swaps are classified by the Group as held for hedging.

The hedge ratio is set as 1:1, or 1:0.996, due to a mismatch of 0.04% between the principal amounts of the hedging derivative and the hedged item, which the Group does not consider significant. The sources of hedge ineffectiveness are mainly the credit risk of the counterparty to the hedging instrument, which the Group considers to be minimal due to the fact that the hedging instruments have been negotiated with a bank with a high credit rating, and the risk of early repayment of the issued bonds.

In connection with the bonds issued in 2023 and amounting to CZK 1,929,000 thousand, the Group entered into an interest rate swap agreement with Česká spořitelna dated 18 May 2023, which exactly replicates the volume and maturity of the bonds.

In connection with the loan received in 2024, the Group entered into interest rate swap agreements whereby the Group is the payer of fixed interest derived from the EUR notional and the payee of floating interest derived from the EUR notional.

As at 31 December 2025, the Group held the following instruments to hedge its exposure to changes in foreign exchange rates and interest rates.

2025	Due date		
CZK '000	1–6 months	6–12 months	More than 1 year
Currency risk			
Net exposure – USD	–	–	3,094,800
Net exposure – EUR	–	–	1,486,633
Net exposure – CHF	–	–	1,033,891
Average exchange rate CZK/USD	–	–	21.418
Average exchange rate CZK/EUR	–	–	24.463
Average exchange rate CZK/CHF	–	–	24.140
Interest rate risk			
Net exposure – split USD/CZK interest rate swap	–	–	3,212,700
Net exposure – split EUR/CZK interest rate swap	–	–	1,500,000
Net exposure – interest rate swap CZK	–	–	2,429,000
Net exposure – interest rate swap EUR	–	–	3,392,888
Average fixed interest rate – split USD/CZK interest rate swap	–	–	3.524%
Average fixed interest rate – split EUR/CZK interest rate swap	–	–	5.179%
Average fixed interest rate – interest rate swap CZK	–	–	3.746%
Average fixed interest rate – interest rate swap EUR	–	–	2.631%

2024		Due date		
CZK '000		1–6 months	6–12 months	More than 1 year
Currency risk				
Net exposure – USD		–	–	3,635,550
Net exposure – EUR		–	–	1,544,271
Net exposure – CHF		–	–	1,033,891
Average exchange rate CZK/USD		–	–	21.418
Average exchange rate CZK/EUR		–	–	24.463
Average exchange rate CZK/CHF		–	–	24.140
Interest rate risk				
Net exposure – split USD/CZK interest rate swap		–	–	3,212,700
Net exposure – split EUR/CZK interest rate swap		–	–	1,500,000
Net exposure – interest rate swap CZK		–	–	2,429,000
Net exposure – interest rate swap EUR		–	–	4,008,571
Average fixed interest rate – split USD/CZK interest rate swap		–	–	3.524%
Average fixed interest rate – split EUR/CZK interest rate swap		–	–	5.179%
Average fixed interest rate – interest rate swap CZK		–	–	3.746%
Average fixed interest rate – interest rate swap EUR		–	–	2.658%

As at the reporting date, the amounts relating to the hedged items were as follows.

31 December 2025			
CZK '000	Change in value used to calculate hedge ineffectiveness	Cash flow hedge reserve	Balance in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Currency risk			
Provided loan in USD	(452,831)	121,987	–
Volume of hedged sales in EUR	(27,267)	11,389	–
Volume of hedged net investment in foreign operations in CHF	128,212	(86,931)	–
Interest rate risk			
Issued bonds / drawn loans with variable interest rate	70,363	(247,493)	–
Total	(281,523)	(201,048)	–

31 December 2024			
CZK '000	Change in value used to calculate hedge ineffectiveness	Cash flow hedge reserve	Balance in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Currency risk			
Provided loan in USD	263,184	198,709	–
Volume of hedged sales in EUR	67,641	6,569	–
Volume of hedged net investment in foreign operations in CHF	168,326	(120,575)	–
Interest rate risk			
Issued bonds / drawn loans with variable interest rate	196,102	(213,925)	–
Total	695,253	(129,222)	–

Amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

2025					
CZK '000	Nominal value	Receivable (+)/ Liability (-)	Changes in value of hedging instrument recognised in Other comprehensive income	Hedge ineffectiveness recognised in profit or loss	Amount reclassified from the hedge fund to the statement of profit or loss
Currency risk					
Cross currency interest rate swaps	5,615,324	131,333	(527,539)	24,227	579,494
Interest rate risk					
Interest rate swap	5,821,888	(80,984)	(67,474)	–	25,733
Cross currency interest rate swaps	4,712,700	83,761	79,962	(1,719)	186
Deferred tax effect	–	–	(18,536)	–	–
Total	–	134,110	(533,587)	22,508	605,413
2024					
CZK '000	Nominal value	Receivable (+)/ Liability (-)	Changes in value of hedging instrument recognised in Other comprehensive income	Hedge ineffectiveness recognised in profit or loss	Amount reclassified from the hedge fund to the statement of profit or loss
Currency risk					
Cross currency interest rate swaps	6,213,712	(410,488)	370,157	(8,874)	(285,285)
Interest rate risk					
Interest rate swap	6,437,571	(122,915)	94,009	–	28,240
Cross currency interest rate swaps	4,712,700	149,939	80,979	(639)	24,568
Deferred tax effect	–	–	(53,715)	–	–
Total	–	(383,464)	491,430	(9,513)	(232,477)

Receivables from hedging derivatives of CZK 366,875 thousand (31 December 2024 – CZK 135,256 thousand) are recognised in Non-current financial derivatives. Liabilities from hedging derivatives of CZK 232,765 thousand (31 December 2024 – receivables of CZK 518,720 thousand) are recognised in Non-current liabilities from financial derivatives.

Hedge ineffectiveness of CZK 22,508 thousand (31 December 2023 – CZK (9,513) thousand) is recognised in Gains/losses from derivative transactions.

CZK 579,494 thousand reclassified from the cash flow hedge reserve to profit or loss (31 December 2024 – CZK 285,285 thousand) is reported in Other financial income. CZK 25,919 thousand reclassified from the cash flow hedge reserve to profit or loss (31 December 2024 – CZK 52,808 thousand) arising from the interest rate risk is reported in Interest income.

The following table provides a reconciliation of equity components by risk category and an analysis of the items in other comprehensive income, net of tax, arising from hedge accounting.

Cash flow hedge reserve		
CZK '000	2025	2024
Opening balance as at 1 January	(129,222)	129,731
Cash flow hedges		
Change in fair value:		
– Currency risk	527,539	(370,157)
– Interest rate risk	(12,488)	(174,988)
Values reclassified to the statement of profit or loss:		
– Currency risk – other items	(579,494)	285,285
– Interest rate risk	(25,919)	(52,808)
Deferred tax	18,536	53,715
Closing balance as at 31 December	(201,048)	(129,222)

42.4. Interest rate contracts held for trading

The table below shows open interest rate swaps and options held for trading as at 31 December 2025 and 31 December 2024 (CZK '000):

Open interest rate swaps and options	Average interest rate		Foreign currency		Nominal value		Fair value	
EUR	2025	2024	2025	2024	2025	2024	2025	2024
trading – SWAP	–	2.387%	–	44,835	–	1,129,169	–	(12,162)
trading – put option (floor)	3.495%	3.495%	46,576	52,596	1,129,241	1,324,642	(92)	4,344
trading – call option (cap)	2.962%	2.863%	85,128	100,179	2,063,931	2,523,001	11,384	32,207

The table below shows the maturity of individual financial derivatives as at 31 December 2025 and 31 December 2024 based on their fair and nominal values (CZK '000):

		31 December 2025		31 December 2024	
Ageing structure	Type of transaction	Fair value	Nominal value	Fair value	Nominal value
6-12 months	trading	11,292	3,193,172	–	–
1-2 years	trading	–	–	27,863	3,847,643
4-5 years	trading	–	–	(12,162)	1,129,169
Total		11,292	3,193,172	15,701	4,976,812

42.5. Commodity contracts

From 2024, the Group started to use commodity derivatives to hedge the price of copper (Cu), zinc (Zn) and lead (Pb), the basic raw materials required for production. These derivatives are used to eliminate the risks associated with fluctuations in market prices of commodities on the London Metal Exchange (LME) that directly affect the cost of purchases of materials from suppliers.

The Group uses commodity swaps entered into with third parties on an arm's length basis. The derivatives were arranged without an initial payment and in accordance with arm's length conditions. These instruments are used to hedge the risk that the market price of the commodity at the time of purchase of the material or at the end of the hedging period will be different from the expected price at the inception of the hedge.

The hedge ratio is set at 1:1 where the derivatives hedge an appropriate volume of cash flows from the actual requirements to satisfy orders in the relevant periods relating to the unhedged cash flows.

The hedging mechanism is based on a simple contract structure whereby the difference between the fixed price agreed in the contract and the market price at the settlement date is settled between the parties in cash. However, no physical delivery of the commodity (copper, zinc or lead) takes place.

The main source of hedge ineffectiveness is the different maturities of the hedged item and the hedging instrument.

Open commodity swaps	Average price per unit		Quantity (tonnes)		Nominal value		Fair value	
Zinc (Zn)	2025	2024	2025	2024	2025	2024	2025	2024
hedging – EUR	58,831	65,911	2,160	2,040	127,075	134,458	11,002	10,516
Copper (Cu)	2025	2024	2025	2024	2025	2024	2025	2024
hedging – EUR	204,847	224,746	5,040	8,220	1,032,427	1,847,409	244,178	(92,885)
hedging – USD	–	266,607	–	360	–	95,978	–	(17,180)
Lead (Pb)	2025	2024	2025	2024	2025	2024	2025	2024
hedging – EUR	45,873	51,534	12,600	6,000	577,996	309,201	(41,950)	(22,616)

The tables below show the maturity of individual financial derivatives as at 31 December 2025 and 31 December 2024 based on their fair and nominal values (CZK '000):

		31 December 2025		31 December 2024	
Ageing structure	Type of transaction	Fair value	Nominal value	Fair value	Nominal value
6-12 months	hedging	211,623	1,480,016	(87,515)	1,505,790
1-2 years	hedging	1,607	257,482	(34,650)	881,256
Total		213,230	1,737,498	(122,165)	2,387,046

As mentioned above, the Group designated commodity derivatives as hedging items with respect to changes in commodity prices arising from forecasted highly probable purchases of hedged commodities. The table below summarises the amount of hedged forecasted purchases at the end of each period, change in the fair value of hedged cash flows and the balance of hedged cash flow as at 31 December (CZK '000):

	Volume of hedged purchases	Change in the value of hedged purchases since the inception of the hedge	Balance of hedged cash flows
2025	1,737,498	168,452	168,452
2024	2,387,046	(92,143)	(92,143)

Changes in the fair value of hedging derivatives recognised in other comprehensive income and the amount reclassified to the statement of profit or loss in respective years 2025 and 2024 are as follows:

Cash flow hedges from expected sale	Change in the fair value of hedging instruments	Recognised in OCI	Hedge ineffectiveness recognised in the statement of profit or loss	Reclassified to the statement of profit or loss
2025	335,395	329,867	5,527	–
2024	(122,165)	116,637	5,527	–

The reconciliation between opening and closing balances of the cash flow hedge reserve is provided in the following table:

	2025	2024
1 January	(92,143)	–
Change in fair value	335,395	(122,165)
Reclassification to the statement of profit or loss	(5,527)	5,527
Deferred tax	(69,273)	24,495
31 December	168,452	(92,143)

43. RELATED PARTIES

The Group had the following transactions with its related parties in 2025:

		Liabilities as at 31 Dec 2025	Purchases for the period from 1 Jan to 31 Dec 2025	Receivables as at 31 Dec 2025	Sales for the period from 1 Jan to 31 Dec 2025
Keriani, a.s.	company of the ultimate owner's corporate group	567	5,683	2,029	–
B:TECH, a.s.	company of the ultimate owner's corporate group	–	66	–	–
Iteuro, a.s.	company of the ultimate owner's corporate group	466	6,990	2,755	–
Sinterfire Inc.	company of the ultimate owner's corporate group	4,466	12,176	–	–
Magtech Ammunition Company, Inc.	company of the ultimate owner's corporate group	16	166	22,449	934,824
Companhia Brasileira de Cartuchos S.A.	company of the ultimate owner's corporate group	1,699	1,996	–	390
Fritz Werner Industrie-Ausrüstungen GmbH	company of the ultimate owner's corporate group	–	48,054	–	–
Metallwerk Elisenhütte GmbH	company of the ultimate owner's corporate group	–	2,060	2,188	152,400
CZ-SKD Solutions a.s.	company of the ultimate owner's corporate group	–	13,297	235	584
CZ-AUTO SYSTEMS a.s.	company of the ultimate owner's corporate group	8	492	16,436	49,663
VIBROM spol. s r.o.	associated company	24,978	159,695	4,498	2,009
CARDAM s.r.o.	associated company	935	4,356	–	336
CZ BRAZIL, LTDA	associated company	–	–	932	–
Colt CZ Hungary zrt.	associated company	59,933	164,556	161,475	115,259
EG-CZ Academy	associated company	61	802	–	–
Total		93,129	420,389	212,997	1,255,465

The Group also paid a dividend of CZK 438,721 thousand (2024 – CZK 797,945 thousand) to Česká zbrojovka Partners SE.

The Group had the following transactions with its related parties in 2024:

		Liabilities as at 31 Dec 2024	Purchases for the period from 1 Jan to 31 Dec 2024	Receivables as at 31 Dec 2024	Sales for the period from 1 Jan to 31 Dec 2024
Keriani, a.s.	company of the ultimate owner's corporate group	592	5,786	2,029	–
B:TECH, a.s.	company of the ultimate owner's corporate group	–	668	–	–
Iteuro, a.s.	company of the ultimate owner's corporate group	655	7,309	2,626	–
New Lachaussee S.A.	company of the ultimate owner's corporate group	–	923	–	–
Magtech Ammunition Company, Inc.	company of the ultimate owner's corporate group	153	216	208,655	851,362
Companhia Brasileira de Cartuchos S.A.	company of the ultimate owner's corporate group	–	294	31,651	119,661
Fritz Werner Industrie-Ausrüstungen GmbH	company of the ultimate owner's corporate group	1,541	4,507	–	–
Metallwerk Elisenhütte GmbH	company of the ultimate owner's corporate group	–	3,639	1,835	5,962
Taurus Armas S.A.	company of the ultimate owner's corporate group	–	–	–	2,717
CZ-SKD Solutions a.s.	company of the ultimate owner's corporate group	–	7,909	118	658
CZ-AUTO SYSTEMS a.s.	company of the ultimate owner's corporate group	–	758	14,306	55,265
VIBROM spol. s r.o.	associated company	21,524	138,424	6,749	3,230
CARDAM s.r.o.	associated company	766	4,103	118	381
CZ BRAZIL, LTDA	associated company	–	–	970	–
Colt CZ Hungary zrt.	associated company	40,844	1,890	80,398	100,742
EG-CZ Academy	associated company	126	754	–	–
Total		66,201	177,180	349,455	1,139,978

44. OFF-BALANCE SHEET COMMITMENTS

As at 31 December 2025, the Group provides the following collateral or guarantees in favour of the creditor (CZK '000):

Description of collateral or guarantee	Non-current	Current	Total
Customs guarantee	500	600	1,100
Bank guarantee	222,114	518,634	740,748
Letter of credit	–	15,734	15,734
Total	222,614	534,968	757,582

As at 31 December 2024, the Group provides the following collateral or guarantees in favour of the creditor (CZK '000):

Description of collateral or guarantee	Non-current	Current	Total
Customs guarantee	–	600	600
Bank guarantee	72,876	8,540	81,416
Letter of credit	887	9,689	10,576
Total	73,763	18,829	92,592

Some of the collateral and guarantees provided are denominated in foreign currencies and translated into CZK using exchange rates as at the balance sheet date.

As at 31 December 2025 and 31 December 2024, the Group has no significant legal disputes in which it acts as a defendant, nor any significant investment, environmental or other off-balance sheet commitments.

45. AUDITOR'S FEE

The table below shows a breakdown of auditor's fee in 2025:

CZK '000	Colt CZ Group SE	Other Group companies
Statutory audit	3,934	16,554
Other services:		
Assurance services	4,561	–
TOTAL	8,495	16,554

The table below shows a breakdown of auditor's fee in 2024:

CZK '000	Colt CZ Group SE	Other Group companies
Statutory audit	4,550	15,648
Other services:		
Assurance services	1,600	420
TOTAL	6,150	16,068

46. NET EARNINGS PER SHARE

Basic and diluted earnings per share were determined as follows:

	2025	2024
Numerator (CZK '000)		
Profit after tax attributable to the owner of the parent company	2,044,897	1,044,575
Denominator (average number of shares in CZK '000)		
Basic	56,422	47,911
Diluted	56,422	47,911
Net earnings per share (CZK/share) attributable to the owner of the parent company		
Basic	36	22
Diluted	36	22

47. SUBSEQUENT MATERIAL EVENTS

On 6 January 2026, the Group completed the acquisition of a 51% share in Synthesia Nitrocellulose, a.s. and, simultaneously, the acquisition of a 51% share in Synthesia Power, a.s.

The Group acquired the 51% shares in Synthesia Nitrocellulose, a.s. and Synthesia Power, a.s. for a combination of cash consideration of CZK 5.5 billion and the issuance of 6,174,214 new ordinary shares of the Company at a price of CZK 732 per share. The remaining 49% share in both companies may be acquired by the Group under pre-agreed conditions over the medium term. The purchase price may be subject to adjustment in the first quarter of 2026 based on the actual level of net debt and working capital of Synthesia Nitrocellulose, a.s. as at the acquisition date.

With effect from 7 April 2026, Mr Martin Durčák was elected as a member of the Company's Board of Directors.

On 13 April 2026, the Company announced the admission of its ordinary shares to trading on the regulated market of Euronext Amsterdam, operated by Euronext Amsterdam N.V. The admission follows the resolution of the General Meeting held on 10 April 2026, which approved the submission of the application for a dual listing on Euronext Amsterdam.

The Group is closely monitoring the ongoing armed conflict in the Middle East and continuously assessing its potential impacts on its business. As at the date of preparation of these financial statements, no direct material impact on the Group's financial performance has been identified; however, indirect impacts cannot be ruled out, in particular those related to developments in energy prices, logistics costs and overall market uncertainty. The Group therefore continues to evaluate possible future scenarios and to implement measures aimed at mitigating any potential adverse effects on its financial performance.

No other subsequent events have occurred up to the reporting date that would have any material impact on the financial statements as at 31 December 2025.

The consolidated financial statements were approved by the Company's Board of Directors for publication on 22 April 2026.



Radek Musil
Vice-chair of the Board of Directors



Josef Adam
Vice-chair of the Board of Directors

**„THE REPORT BELOW REPRESENTS
THE AUDITOR’S REPORT THAT RELATES SOLELY
AND EXCLUSIVELY TO THE OFFICIAL ANNUAL
FINANCIAL REPORT PREPARED IN THE XHTML
FORMAT.“**

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of Colt CZ Group SE

Having its registered office at: náměstí Republiky 2090/3a, Nové Město, 110 00 Prague 1

Audit Report on the Separate Financial Statements and the Consolidated Financial Statements

Opinion on the Separate Financial Statements and the Consolidated Financial Statements

We have audited the accompanying separate financial statements of Colt CZ Group SE (hereinafter also the “Company”) prepared on the basis of IFRS Accounting Standards as adopted by the European Union, which comprise the separate statement of financial position as of 31 December 2025, separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate cash flow statement for the year ended 31 December 2025, and notes to the separate financial statements, including material accounting policy information.

We have audited the accompanying consolidated financial statements of the Colt CZ Group SE consolidation group (hereinafter also the “Group”) prepared on the basis of IFRS Accounting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as of 31 December 2025, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended 31 December 2025, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion:

The accompanying separate financial statements give a true and fair view of the financial position of Colt CZ Group SE as of 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

The accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Colt CZ Group SE consolidation group as of 31 December 2025, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor’s Responsibilities for the Audit of the Separate Financial Statements and the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How it was addressed
Revenues from the sale of own products, goods and services – consolidated financial statements	
As of 31 December 2025, revenues from the sales of own products, goods and services amounted to CZK million 23 398 (Note 5 to the consolidated financial statements). The most significant part of these revenues is revenue from the sale of firearms, ammunition and tactical accessories. Revenue is one of the key indicators to assess the Company's performance. Revenue is accounted for when the Company meets its contractual obligation to the customer, e.g. the final supply is ready to be dispatched to the customer, taking into consideration the terms of delivery. In its business relations, the Company applies various INCOTERMS delivery terms, including EXW (Ex Works), FCA (Free Carrier), DAP (Delivered At Place) and CPT (Carriage Paid To). One of the key requirements for revenue recognition is an approved order between the Company and its customer. In the case of export, receipt of necessary export permissions is important. Based on the above, we consider meeting the conditions for revenue recognition and accounting for revenue at the turn of the reporting period to be a significant risk and a key audit matter.	In addressing this key audit matter, we performed substantive testing. We further assessed the design and implementation of the relevant controls and tested the operating effectiveness of selected controls. <u>Substantive testing</u> We performed a detailed test using a statement of completed supplies, independent of accounting records, to select a sample of items for which we reviewed their approved order, packing list or shipping note, issued invoice and correctness of accounting. We also performed testing focused on determining whether an invoice and the related revenue were recognised in the correct reporting period. We selected a sample of invoices accounted for at the turn of the reporting period and based on the underlying documents related to the invoices, we assessed whether the revenue had been recognised in the correct reporting period.
Option plan – separate and consolidated financial statements	
On 27 December 2021, the Supervisory Board of the Company approved an employee stock option plan (the "Option Plan"). The Option Plan gives key executives and employees of the Group (option holders) the right to purchase shares of the Company. The plan is currently restricted to executives and senior employees only. As at 31 December 2025, EBITDA-related Target 2 (a vesting non-market performance condition) for tranche 5 was not met and for this reason 850,855 options from tranche 5 expired. In connection with this Option Plan, the Company recognised a total income of CZK thousand 155,891 for the 12 months ended 31 December 2025 (Notes 9 to the consolidated financial statements), or CZK thousand 44,467 (Notes 9 to the separate financial statements). The recognition of this Option Plan required the Company's management to use a mathematical model to determine the fair value of these options, to use estimates relating to the satisfaction of the terms of the Option Plan and to assess what type of Option Plan it is.	In addressing this key audit matter, we performed substantive testing. <u>Substantive testing</u> We performed a detailed assessment of the contractual documentation relating to the Option Plan. We verified the conditions for the acceptance of the Plan by the Company and the selected employee on a selected sample. We performed an assessment of all input parameters to the mathematical model, including the actual determination of the independent variables of the model. We performed a remeasurement of the value of the Option Plan and assessed its classification in accordance with the requirements of IFRS 2 Share-based Payment. We also performed an assessment of the recognition of the values determined.

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Key Audit Matter	How it was addressed
Based on the above, we consider compliance with the conditions for recognising remuneration associated with the Option Plan during 2025 to be a significant risk and a key audit matter.	
Accuracy and completeness of the accounting for and presentation of the acquisition of a subsidiary – consolidated financial statements	
The proper recognition of the acquisition of Valley Steel Stamp Inc. (Note 22 to the consolidated financial statements) is a significant area for the Group's audit in terms of the acquisition of assets and the assumption of liabilities. Due to the complexity of the assessment of the above-stated aspects and the need to use judgment, we consider these areas to be a key audit matter. Valley Steel Stamp Inc. became part of the consolidation group as of 16 June 2025. The assets and liabilities of the acquired entity are measured at fair value. The consideration transferred had the form of a cash settlement and a settlement in ordinary shares.	We evaluated the Company's approach to assessing the acquisition of control, the related assessment of the consolidation method for the newly acquired subsidiary, and the measurement of its assets and liabilities. We performed audit procedures focused on the measurement of those assets and liabilities and their recognition at the acquisition date. We also performed audit procedures aimed at evaluating the method of consolidating this subsidiary in the consolidated financial statements as of 31 December 2025. Further, we assessed whether the disclosures made in the notes to the consolidated financial statements, specifically in Notes 22, comply with the IFRS requirements for disclosures in the notes to the consolidated financial statements.

Other Information in the Annual Financial Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Financial Report other than the financial statements, the consolidated financial statements and auditor's reports thereon. The Board of Directors is responsible for the other information.

Our opinion on the separate financial statements and the consolidated financial statements does not cover the other information. Nevertheless, in connection with our audit of the separate financial statements and the consolidated financial statements, it is our responsibility to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements and the consolidated financial statements or our knowledge about the entity obtained in the audit of the separate financial statements and the consolidated financial statements or otherwise appears to be materially misstated. In addition, we assess whether the other information with the exception of the sustainability report has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information with the exception of the sustainability report complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the separate financial statements and the consolidated financial statements is, in all material respects, consistent with the separate financial statements and the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Board of Directors, Supervisory Board and the Audit Committee for the Separate Financial Statements and the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the separate financial statements and the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of separate financial statements and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the separate financial statements and the consolidated financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing in the notes to the separate financial statements and the consolidated financial statements, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the separate financial statements and the consolidated financial statements unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and the Audit Committee are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements and the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements and the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the above regulation will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements and the consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements and the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's/Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors in the notes to the separate financial statements and the consolidated financial statements.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting in preparing the separate financial statements and the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's/Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements and the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company/Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements and the consolidated financial statements, including the disclosures, and whether the separate financial statements and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements of the Group. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors, the Supervisory Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the separate financial statements and the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Reports on Other Legal and Regulatory Requirements

Information required by Regulation (EU) No. 537/2014 of the European Parliament and the Council

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditor of the Company by the General Meeting on 30 June 2025 and our uninterrupted engagement lasted for 12 years. The Company became a public interest entity in 2020.

Consistency with the Additional Report to the Audit Committee

We confirm that our audit opinion on the separate financial statements and the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 24 April 2026 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the Company's notes to the separate financial statements and the consolidated financial statements.

Report on Compliance with the ESEF Regulation

We have conducted a reasonable assurance engagement on the verification of compliance of the financial statements included in the annual financial report with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation") that apply to the financial statements.

Responsibilities of the Board of Directors

The Company's Board of Directors is responsible for the preparation of the separate financial statements and the consolidated financial statements in compliance with the ESEF Regulation. Inter alia, the Company's Board of Directors is responsible for:

- The design, implementation and maintenance of the internal controls relevant for the application of the requirements of the ESEF Regulation;
- The preparation of the separate financial statements and the consolidated financial statements included in the annual financial report in the valid XHTML format; and
- The selection and use of XBRL mark-ups in line with the requirements of the ESEF Regulation.

Auditor's Responsibilities

Our task is to express a conclusion on whether the separate financial statements and the consolidated financial statements included in the annual financial report are, in all material respects, in compliance with the requirements of the ESEF Regulation, based on the audit evidence obtained. Our reasonable assurance engagement was conducted in accordance with the International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (hereinafter "ISAE 3000").

The nature, timing and scope of the selected procedures depend on the auditor's judgment. A reasonable assurance is a high level of assurance; however, it is not a guarantee that the examination conducted in accordance with the above standard will always detect a potentially existing material non-compliance with the requirements of the ESEF Regulation.

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As part of our work, we performed the following procedures:

- We obtained an understanding of the requirements of the ESEF Regulation;
- We obtained an understanding of the Company's internal control relevant for the application of the requirements of the ESEF Regulation;
- We identified and evaluated risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- Based on this, we designed and performed procedures responsive to those risks and aimed at obtaining a reasonable assurance for the purposes of expressing our conclusion.

The aim of our procedures was to assess whether

- The financial statements included in the annual financial report were prepared in the valid XHTML format;
- The disclosures in the consolidated financial statements were marked up where required by the ESEF Regulation and all mark-ups meet the following requirements:
 - XBRL mark-up language was used;
 - The elements of the core taxonomy specified in the ESEF Regulation with the closest accounting meaning were used, unless an extension taxonomy element was created in compliance with Annex IV to the ESEF Regulation; and
 - The mark-ups comply with the common rules for mark-ups pursuant to the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Company's separate financial statements and the consolidated financial statements for the year ended 31 December 2025 included in the annual financial report are, in all material respects, in compliance with the requirements of the ESEF Regulation.

In Prague on 24 April 2026

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

Martin Tesař
registration no. 2030



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