COLT
CZGROUP

Colt CZ Group SE

(incorporated as a European Company (Societas Europaea) in the Czech Republic)

Admission of 13,476,440 New Shares

THIS DOCUMENT IS A PROSPECTUS (the **Prospectus**) which has been prepared for an admission of 13,476,440 ordinary registered book-entry shares issued by Colt CZ Group SE (the **Company**), established and existing under the laws of the Czech Republic, having its registered office at náměstí Republiky 2090/3a, Nové Město, 110 00 Prague 1, Czech Republic, identification number (**Id. No.**) 29151961, legal entity identifier: (**LEI**): 315700O990GR61YDGF96, registered with the Commercial Register maintained by the Municipal Court in Prague, File No. H 962 on 16 May 2024, each with a nominal value of CZK 0.1 (the **New Shares**) to trading on a regulated market with listing on the Prime Market operated by Burza cenných papírů Praha, a.s. established and existing under the laws of the Czech Republic, having its registered office at Rybná 14/682, 110 00 Prague 1, Czech Republic, Id. No. 471 15 629, registered with the Commercial Register maintained by the Municipal Court in Prague, File No. B 1773, (the **PSE** or the **Prague Stock Exchange**), (the **Admission**).

The New Shares are fully fungible with all ordinary registered book-entry shares issued by the Company comprising 100 per cent of the registered share capital of the Company as of the date hereof (the **Existing Shares**) (together with the New Shares, the **Shares**) and rank *pari passu* in all respects. The international securities identification number (**ISIN**) of the Shares is: CZ0009008942. All of the New Shares have been subscribed by **CBC Europe S.à r.l.**, having its registered office at 1616 Luxembourg, Place de la Gare 5, Grand Duchy of Luxembourg, registration number B 167046 **(CBC Investor**) or **CBC)**.

There will be no public offering of the New Shares in any jurisdiction based on this Prospectus. The Prospectus does not constitute an offer to sell, or solicitation of an offer to buy, the New Shares in any jurisdiction in which such offer or solicitation would be unlawful. For a description of these and certain further restrictions on offers, sales and transfers of the New Shares and the distribution of this Prospectus, see *III Important Information* and *XX Plan of Distribution* .

Investing in the New Shares involves a high degree of risk. Prospective investors should read and consider the entire Prospectus and, in particular, section *II Risk Factors* prior to making an investment in the Shares.

The Prospectus constitutes a simplified prospectus for the purposes of, and has been prepared in accordance with, Article 14 of the Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the **Prospectus Regulation**), and Commission Delegated Regulation (EU) 2019/980 supplementing the Prospectus Regulation (the **Delegated Regulation**). The Prospectus has been approved by the Czech National Bank (the **CNB**) as competent authority under the Prospectus Regulation, decision reference number 2024/066126/CNB/650, file. no. S-Sp-2024/00027/CNB/659 dated 4 June 2024, which became final and effective on 6 June 2024. The CNB only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and its approval should not be considered as an endorsement of the Shares or the Company's profitability.

Application has been made by the Company to the PSE to admit the New Shares to trading on a regulated market with listing on the Prime Market of the PSE. The Company expects the Admission will take place on or around 6 June 2024, under the ticker symbol CZG. However, no assurance can be made that the application for the Admission will be approved.

This Prospectus is valid for 12 months from the date on which its approval by the CNB became final and effective. The validity of the Prospectus will expire on 4 June 2025. The obligation to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when the Prospectus is no longer valid and applies only until the time of the Admission.

The Shares are registered with the Central Securities Depository, established and existing under laws of the Czech Republic, having its registered office at Rybná 682/14, 110 00 Prague 1, Czech Republic, Id. No. 250 81 489, registered with the Commercial Register maintained by the Municipal Court in Prague, File No. B 4308 (*Centrální depozitář cenných papírů, a.s.*) (the **CSD**). Following the Admission, the Shares will be traded on the Prime Market of the PSE in Czech crowns and settled and cleared through the CSD.

THE DATE OF THIS PROSPECTUS IS 4 JUNE 2024

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I. SUMMARY

A. Introduction and warnings

This summary should be read as an introduction to this prospectus (the **Prospectus**). Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor and not just the summary. An investor could lose all or part of the invested capital.

Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Civil liability attaches only to those persons who have tabled this summary, including any translation thereof, but only where this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.

This Prospectus has been prepared for the purpose of the admission of 13,476,440 new ordinary registered book-entry shares issued by Colt CZ Group SE, having its registered office at náměstí Republiky 2090/3a, Nové Město, 110 00 Prague 1, Czech Republic, Id. No. 29151961, LEI: 315700O990GR61YDGF96, registered with the Commercial Register maintained by the Municipal Court in Prague, File No. H 962 on 16 May 2024, telephone +420 222 814 617, website www.coltczgroup.com (the **Company**, each with a nominal value of CZK 0.1 (the **New Shares**”) to trading on a regulated market with listing on the Prime Market operated by Burza cenných papírů Praha, a.s., established and existing under the laws of the Czech Republic, having its registered office at Rybná 14/682, 110 00 Prague 1, Czech Republic, Id. No. 471 15 629, registered with the Commercial Register maintained by the Municipal Court in Prague, File No. B 1773 (the **PSE** or the **Prague Stock Exchange**), (the **Admission**).

The New Shares are fully fungible with all ordinary registered book-entry shares issued by the Company comprising 100 per cent of the registered share capital of the Company as of the date hereof (the **Existing Shares**) (together with the New Shares, the **Shares**) and rank *pari passu* in all respects. The international securities identification number ("ISIN") of the Shares is: CZ0009008942.

All of the New Shares have been subscribed by **CBC Europe S.à r.l.**, having its registered office at 1616 Luxembourg, Place de la Gare 5, Grand Duchy of Luxembourg, registration number B 167046 **(CBC Investor** or **CBC)**. There will be no public offering of the New Shares in any jurisdiction based on this Prospectus. The Prospectus does not constitute an offer to sell, or solicitation of an offer to buy, the New Shares in any jurisdiction in which such offer or solicitation would be unlawful.

The Prospectus constitutes a simplified prospectus for the purposes of, and has been prepared in accordance with, Article 14 of the Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the **Prospectus Regulation**), and Commission Delegated Regulation (EU) 2019/980 supplementing the Prospectus Regulation (the **Delegated Regulation**).

The Prospectus was approved by the Czech National Bank (the **CNB**) as the competent authority pursuant to Article 31 of the Prospectus Regulation (Regulation (EU) 2017/1129) under decision reference number 2024/066126/CNB/650, file. no. S-Sp-2024/00027/CNB/659 dated 4 June 2024, which became final and effective on 6 June 2024. Contact details of the CNB are as follows: telephone: +420 224 411 111 or +420 800 160 170, address Na Příkopě 28, Prague 1, Postal Code 115 03, Czech Republic, www.cnb.cz.

B. Key information on the issuer

Who is the issuer of the securities?

The issuer of the Shares is the Company (Colt CZ Group SE). The legal form of the Company is a European Company (*Societas Europaea*) incorporated in and operating under the laws of the Czech Republic and applicable EU laws, in particular Czech Act no. 627/2004 Coll., on the European company, as amended and Czech Act No. 90/2012 Coll., on commercial companies and business cooperatives, as amended and Council Regulation (EC). No 2157/2001 of 8 October 2001 on the Statute for a European company (SE).

The business of the Group is primarily governed by Czech Act No. 119/2002 Coll., on firearms and ammunition, as amended, the U.S. Gun Control Act of 1968, the U.S. National Firearms Act of 1934, the U.S. Arms Export Control Act of 1976, Czech Act No. 228/2005 Coll., on control of trade in products whose possession is restricted for security reasons in the Czech Republic, Czech Act No. 38/1994 Coll., on international trade in military materiel.

The primary activity of the Company is to be a holding company for the Group. The Group designs, produces, assembles and sells firearms and tactical accessories for military and law enforcement, personal defence, hunting, sport shooting and other commercial use. It markets and sells its products under the Colt, CZ (Česká zbrojovka), CZ-USA, Dan Wesson and 4M SYSTEMS brands. The Group is headquartered in the Czech Republic and has production facilities in the Czech Republic, the United States, Canada, Sweden, Switzerland and Hungary. It has over 185 years of history.

As of the date of this Prospectus, the majority shareholder of the Company is Česká zbrojovka Partners SE, incorporated as a European Company (*Societas Europaea*) in the Czech Republic, having its registered office at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic, Id. No. 05851777, registered with the Commercial Register maintained by the Municipal Court in Prague, File No. H 1879, LEI: 3157003YXPXM8ML04Q29, telephone: +420 222 814 610, e-mail: info@czpartners.cz (the **Major Shareholder**), who holds 54.5 per cent of the shares and voting rights in the Company, while 17.8 per cent of the Company's shares are in free-float and the remaining 27.7 per cent of the Company's shares are owned by CBC. The Company's shares are admitted to trading on the Regulated Market of the PSE. The majority shareholder of the Major Shareholder is European Holding Company, SE (**EHC**) which holds 87.5 per cent of the share capital and voting rights in the Major Shareholder, the remaining 12.5 per cent stake is held by the Holeček Family Foundation. EHC is owned by Mr. René Holeček, who owns 25 per cent of the share capital in EHC directly, with the remaining 75 per cent of the share capital in EHC being held by OMNES holdingový nadační fond, whose ultimate owner is Mr. René Holeček (whereas Mr. René Holeček and OMNES holdingový nadační fond act in concert when exercising their shareholder rights). Accordingly, the Major Shareholder directly exercises ultimate control over the Company. The control of the Major Shareholder over the Company is based on its ownership of 54.5 per cent of the share capital and voting rights. The Major Shareholder is a Czech holding company with the shareholding in the Company being its only material asset.

The key managing directors of the Company are the members of its board of directors (the **Board of Directors**): Jan Drahota, Josef Adam, Jan Zajíc, Jan Holeček, and Dennis Veilleux.

The auditor of the Company is Deloitte Audit s.r.o., a company incorporated under the laws of the Czech Republic, having its registered seat at Italská 2581/67, Vinohrady, Prague 2, Postal Code 120 00, Czech Republic, Id. No. 496 20 592.

What is the key financial information regarding the issuer?

The following financial information is taken or derived from the audited consolidated financial statements of the Company as of and for the years ended 31 December 2023, 2022 and 2021, together with the notes thereto (the **Audited Financial Statements**). The Audited Financial Statements have been audited and prepared in accordance with the International Financial Reporting Standards (the **IFRS**) as adopted by the European Union (the **EU**). Where financial information in the following tables is labelled "audited", this means that it has been taken from the Audited Financial Statements.

The design, production, assembly and sale of firearms and tactical accessories are reported in the Group's production, purchase and sale of firearms and accessories segment (the **Firearms and Accessories Segment**").

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the years ended 31 December 2023, 31 December 2022 and 31 December 2021

	For the year ended 31 December		
	2023	**2022**	**2021**
		(CZK thousands)	
Revenues from the sale of own products, goods and services	14,855,581	14,589,774	10,688,927

Operating profit	**1,861,966**	**2,198,682**	**1,011,181**
Profit before tax	**2,509,562**	**2,356,170**	**931,548**
Profit for the period attributable to:			
Owner of the parent company	2,042,538	2,034,192	760,462
Comprehensive income for the period attributable to:			
Owner of the parent company	1,757,885	2,857,388	564,188
Net earnings per share attributable to the owner of the parent company (CZK '000 per share)			
Basic	58	60	23
Diluted	58	59	23

Consolidated Statement of Financial Position as of 31 December 2023, 31 December 2022 and 31 December 2021

	For the year ended 31 December		
	2023	**2022**	**2021**
	(CZK thousands)		
Total assets	**25,976,756**	**19,503,514**	**17,013,073**
Total equity	**9,274,846**	**7,681,371**	**5,241,828**
Total liabilities	**16,701,910**	**11,822,143**	**11,771,245**
Total equity and liabilities	**25,976,756**	**19,503,514**	**17,013,073**

Consolidated Cash Flow Statement for the years ended 31 December 2023, 31 December 2022 and 31 December 2021

	For the year ended 31 December		
	2023	**2022**	**2021**
	(CZK thousands)		
Net cash flow from operating activities	1,413,315	1,900,176	1,522,959
Net cash flow from investing activities	(4,204,797)	(1,483,753)	(4,978,147)
Net cash flow from financing activities	3,293,353	(1,178,445)	4,670,774
Net change in cash and cash equivalents	501,871	(762,022)	1,215,586
Opening balance of cash and cash equivalents	2,825,781	3,573,467	2,358,608
Closing balance of cash and cash equivalents	3,328,684	2,825,781	3,573,467

What are the key risks that are specific to the issuer?

The most material risk factors specific to the Group include in particular:

- The Group's financial performance is closely tied to the global economic climate, social dynamics, and political landscapes. Economic downturns marked by high unemployment, reduced consumer spending, and cautious corporate investment can lead to a decline in demand for the Group's products, impacting sales significantly. The International Monetary Fund's World Economic Outlook indicates a slowing GDP growth in the U.S., a crucial market for the Group, which could presage a contraction in the U.S. firearms market. Market liquidity, access to funding, and investment management activities are also susceptible to economic fluctuations, potentially diminishing the Group's earnings and cash flows. Government spending, particularly on defense, is influenced by economic conditions, and austerity measures in response to increased debt from COVID-19 relief could further reduce the Group's sales to military and law enforcement. Additionally, economic challenges may impair the ability of customers and contracting parties to meet their obligations to the Group, raising the risk of financial losses due to uncollectible receivables and claims.

- In 2023, the Russian invasion of Ukraine has had an impact on the Group, with the Czech Republic experiencing more pronounced effects than the United States, primarily due to its reliance on Russian gas. The conflict has led to increased prices for electricity, gas, and fuel, which, after peaking in mid-2022, have stabilized but remain higher than pre-conflict levels. Supply chain disruptions, exacerbated by the pandemic, and labor market issues have also been challenges. The Group has proactively addressed risks associated with embargoes and rising costs by improving internal processes. While there is potential for increased demand from military and law enforcement customers, the conflict poses an unpredictable risk to the Group's operational and financial health. Sales to sanctioned countries (Russia and Belarus) have historically been negligible. North American operations have not been directly impacted by the events in Ukraine.

- The Group's industry is highly competitive, and the success of the Group's business depends on its ability to compete effectively, which depends on, among other things, its ability to anticipate its customers' needs and provide products to meet those needs, adapt quickly to new market and industry trends and regulatory developments, integrate modern materials into its products, differentiate its products from its competitors' offerings, enhance and upgrade its existing products, sustain and promote the strength of its brands and on its ability to achieve these goals without compromising the quality of its product while increasing production efficiency. The Group's inability to compete effectively or any increases in competition in the firearms industry could adversely affect the Group's ability to sell its products, its market share, its revenue and profitability, and ultimately the success of its business.
- The Group is exposed to the risk of rising protectionism in international trade. Given the proportion of exports into the United States, the Group is particularly exposed to the risk of the United States increasing or imposing tariffs or other barriers, including protectionist measures, on imports of firearms. Any introduction or increase of firearm import tariffs by the United States or other countries into which the Group exports its products may increase the price of the Group's products to the customer, which could adversely affect the competitiveness of the Group's products and the Group's market share in such market, and/or decrease the Group's revenues and profitability derived from exports to such countries.
- The introduction of new technologies may change the nature of the Group's competitive landscape. The Group is exposed to the risk of insufficient resources for research and development in the future as well as the risk of errors or defects in new versions of its products or the risk that the Group may be unable to timely anticipate new technological trends, each of which may delay the Group's ability to bring its products to market or result in after-sales commitments, the costs of which the Group may not be able to recover. Further, despite these efforts and costs, there can be no assurance that the Group will be able to adapt new technological trends, that its research and development activities will result in viable products or that these products will meet market expectations. If these risks materialize, they could adversely affect the Group's revenue and profitability, market share and reputation of its products and brands.
- The Group primarily depends on a small number of production facilities, particularly its main facility in Uherský Brod, Czech Republic, and others in North America, which together generated 93% of its 2023 revenues. Any failure, breakdown, outage or other event causing disruption of the operation of these facilities for even a short period of time may materially adversely affect the Group's ability to produce and ship its firearms and to provide service to its customers. The Group's business interruption insurance may be insufficient to compensate the Group for losses that may occur.
- An increase in firearms and accessories sales to government, military and law enforcement customers could result in increased uncertainty in the timing of the Group's performance and increased competition from more established producers of firearms.
- A large portion of the Group's revenue depends on obtaining export licenses. The delay, denial or revocation of export licenses could have a material adverse effect on the Group's revenue, financial condition and results of operations.
- The Group's operations depend on obtaining and maintaining licenses and permits necessary for the operation of its business. Violation of any of the respective laws, regulations and protocols could cause the Group to incur fines and penalties and may also lead to restrictions on the Group's ability to produce and sell firearm products which could significantly influence its financial performance and financial position. In addition, these laws, and regulations as well as their interpretation by regulatory authorities, may change at any time. The Group may be unable to protect its intellectual property or may

unintentionally infringe intellectual property rights of third parties. The Group's failure to enforce and protect its intellectual property rights or an unintentional infringement of intellectual property rights of third parties could reduce the Group's revenues, erode margins or damage its reputation.

- The Group's performance is sensitive to social and political pressures due to the controversial nature of firearms. Despite efforts of the Group to counter an illicit trade in the Group's firearms, there can be no assurance that future incidents involving an illicit trade in, or use of, firearms produced by the Group or related allegations or investigations could have an adverse effect on the Group's reputation and, through social and political pressure, will not adversely affect the Group's business, results of operations, financial condition, cash flows and prospects.
- The Group's acquisition of Sellier & Bellot a.s. (**Sellier & Bellot**") may involve additional risks, increased costs, not produce the benefits expected or the post-acquisition integration may not be successful.

C. Key information on the securities

What are the main features of the securities?

The New Shares consist of 13,476,440 ordinary registered book-entry shares of the Company with a par value of CZK 0.1 each. The currency of the New Shares is Czech koruna (CZK). The New Shares are fully fungible among themselves and with the Existing Shares and rank *pari passu* in all respects. The Shares are registered with the CSD. The ISIN of the Shares is CZ0009008942.

Under Czech Act No. 90/2012 Coll., on commercial companies and cooperatives, as amended and the Company's articles of association (the **Articles of Association**"), each of the Company's shareholders has, *inter alia*, the following rights:

- the right to receive dividends, if any, when declared by the Company;
- the pre-emptive right to subscribe to a pro rata portion of new shares if the registered share capital of the Company is increased by cash contributions to the Company, unless such pre-emptive right is restricted or limited by a resolution of the general meeting of the Company (the **General Meeting**) in accordance with the Czech Companies Act;
- the pre-emptive right to subscribe to a pro rata portion of any preferred or convertible bonds unless such pre-emptive right is restricted or limited by a resolution of the General Meeting in accordance with the Czech Companies Act;
- the right to participate in the Company's profit or liquidation balance after fulfilment of its obligations to creditors, proportionate to their shareholding, to the extent approved by the General Meeting;
- the right of shareholders subject to certain conditions to have their shares bought out by the Company in case of resolution of the General Meeting on delisting, restrictions of transferability or change of the type of the Company's shares;
- the right to attend any General Meeting, submit proposals at General Meetings, take part in discussions and vote at any General Meeting;
- the right to request and receive explanation from the Company at the General Meeting relating to the Company and its subsidiaries if such information is necessary to assess items on the agenda of the General Meeting or to exercise shareholder rights at the General Meeting;
- the right to challenge the validity of resolutions of the General Meeting in court proceedings subject to conditions set out in the Czech Companies Act and the Czech Civil Code within three months following the date on which the Company's shareholders became aware of the resolution of the General Meeting or could have become aware of the resolution of the General Meeting; and
- the right to request the Board of Directors to provide the shareholder with a copy of the minutes of the General Meeting; and

- the right to make a proposal and a counterproposal to items on the agenda of the General Meeting, subject to conditions set out in the Czech Companies Act.

In the event of insolvency of the Company, investors may recover less than their initial investment or may not be able to recover any amounts at all.

In the event of the Company's liquidation, the liquidation balance, if any, will be distributed to the holders of the Company's shares in proportion to the paid nominal amount of their respective shares in the Company.

The Shares are freely transferable.

If certain statutory conditions are met, a direct or indirect acquisition of control in the Company may also be subject to prior merger clearance by the Czech Office for Protection of Competition, or the European Commission, as applicable.

Any transfer of the Shares is effective once registered with the CSD or in follow-up records maintained by a CSD participant (as the case may be). Any shareholder instruction to open or close a securities account with the CSD and acquire or dispose of Shares must be submitted by the shareholder to the CSD through a CSD participant. A list of CSD participants is published on the CSD's website www.cdcp.cz.

The Company does not have a dividend policy stipulated in its Articles of Association. However, on 17 September 2020, the Board of Directors adopted a dividend policy pursuant to which, as from the financial year ended 31 December 2020 onwards and subject to (i) the availability of sufficient distributable cash; and (ii) shareholder approval, the Company intends to target an annual distribution of 33 per cent of its consolidated net profit for the year based on its consolidated annual financial statements. Notwithstanding the fact that the Company intends to follow this policy, no assurance can be given that the Company will be able to make the currently planned distributions or that its future results of operations will be such as to permit the Company to maintain the targeted dividend policy or otherwise comply with the above guidelines or that the Company will not change the adopted dividend policy or its approach to determining dividend payments as a result of any other circumstances which may occur in the future.

The Company paid out dividends to shareholders in the amount of CZK 1,034,016,060 in 2023, CZK 852,547,775 in 2022 and CZK 253,024,650 in 2021. On 26 March 2024, the Company announced that its Board of Directors will propose a dividend pay-out of CZK 30 per share to the General Meeting for its approval, with an option to choose between cash payment and stock dividend.

Dividends, if and when declared, are distributed to shareholders on a pro-rata basis proportionately to their participation in the share capital of the Company. Each Share gives its owner the right to receive dividends. The Company will pay any dividends in CZK.

Where will the securities be traded?

Application for admission of the New Shares to trading on a regulated market has been made to the PSE to list the Shares on its Prime Market. The Company expects that the Admission will take place on or around 6 June 2024. The New Shares will be listed under the ticker symbol CZG.

Is there a guarantee attached to the securities?

No guarantee is attached to the New Shares.

What are the key risks attached to the securities?

The most material risk factors specific to the New Shares contained in the Prospectus include in particular:

- The entry of CBC Investor, who holds approximately 27.7 per cent of the Shares in the Company post Admission, may result in changes in the composition and dynamics of the Company's Supervisory Board and the board of directors of Colt CZ Group North America.
- Substantial future offerings of the Shares or of equity or equity-linked securities may adversely affect the market price of the Shares and dilute the shareholders' interests.

D. Key information on the offer of the shares to the public and the admission to trading on a regulated market

Under which conditions and timetable can I invest in the shares?

There will be no public offering of the New Shares in any jurisdiction based on this Prospectus.

The fees and expenses to be borne by the Company in connection with the preparation of the Prospectus and the Admission, including but not limited to, the CNB's fees, fees related to the Admission, advisors' fees and expenses and the costs of printing and distribution of documents and other transaction costs are estimated to amount to approximately CZK 3 million (including VAT). There will be no expenses charged by the Company to any person in connection with the Admission.

Who is the offeror and/or the person asking for admission to trading?

There will be no entity offering the New Shares in any jurisdiction based on this Prospectus.

Why is this prospectus being produced?

This Prospectus is being produced solely in connection with the Admission. There will be no public offer of the Shares in any jurisdiction based on the Prospectus.

There will be no cash proceeds received by the Company as a result of the Admission.

II. RISK FACTORS

Any investment in the Shares is subject to a number of risks. Prior to investing in the Shares, prospective investors should carefully consider risk factors associated with any such investment in the Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below, and consult with their respective legal, financial or other advisors.

The risk factors described below are not an exhaustive list or explanation of all risks which investors may face when making an investment in the Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are currently not known to the Group, or that the Group currently deems immaterial, could individually or cumulatively also have a material adverse effect on the Group's business, results of operations, financial condition, cash flows, prospects, reputation and, if any such risk should occur, the price of the Shares may decline and investors could lose all or part of their investment. Prospective investors should consider carefully whether an investment in the Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.

Within each category of risk factors stated below, the risk factors are presented in order of priority reflecting their estimated materiality on the basis of an overall evaluation of the criteria set out in the Prospectus Regulation (assessing probability of the occurrence of a risk and the expected magnitude of the negative impact). However, the order of the categories does not represent any evaluation of the materiality of the risks within that category, when compared to risks in another category.

RISKS RELATED TO THE COMPANY AND THE GROUP

1 Risks related to the Group's business activities and industry

The Group's performance is influenced by economic, social and political factors.

The Group's results of operations have been influenced, and will continue to be influenced, by the general state of the global economy and a variety of social and political factors and as a result, the Group's income and results of operations depend, to a certain extent, on the performance of the global economy (including overall growth rates). Demand for the Group's products can be significantly reduced in an economic environment characterized by high unemployment, cautious consumer spending, lower corporate earnings, government budget issues and lower business investment. Negative or uncertain economic conditions causing consumers to lack confidence in the general economic outlook and to reduce their discretionary spending can significantly reduce sales of the Group's products. Economic conditions also affect governmental, political, and budgetary policies. As a result, economic conditions can also have an effect on the sale of the Group's products to both military and law enforcement and commercial market.

According to the International Monetary Fund, World Economic Outlook (available at https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024), the GDP estimate in the United States of America (the **United States**" or the **U.S**.), a key commercial market for the Group, grew by 2.5 per cent in 2023 and is expected to slow down to 2.1 per cent in 2024. As of October 2023, unemployment rate stood at 3.8 per cent, while annualized inflation in October 2023 was 2.8 per cent. A reverse in the trend of declining inflation in combination with an increase in unemployment rate may result in a further contraction of the U.S. firearms market which the Group experienced in 2023.

Sustained uncertain or negative economic conditions and outlook can cause significant changes in market liquidity conditions. Such changes could impact access to funding and associated funding costs, which could reduce the Group's earnings and cash flows. Additionally, the Group's investment management activities could be adversely affected by changes in the equity and bond markets, which could negatively affect earnings.

A large part of the Group's customer base are government entities. Economic conditions also affect governmental, political and budgetary policies as when facing the prospects of an economic downturn, governments often elect to adopt austerity measures aimed, among other things, at reducing government spending and as government support packages to address the economic consequences of COVID-19 will significantly increase government debt, governments may need to implement austerity measures in the future to reduce the debt burden. Austerity measures tend to affect especially discretionary spending, which, in peacetime, would very likely include defence spending. For instance, an economic downturn affecting member states of the North Atlantic Treaty Organization (**NATO**) could undermine their political will to comply with the pledge to spend at least 2 per cent of gross domestic product (**GDP**) annually on defence or could reduce the GDP of NATO members such that 2 per cent of GDP becomes a less meaningful figure, and for these reasons directly affect the Group's sales in the military and law enforcement markets. As a result, a downturn in economic conditions could have an adverse effect on the sale of the Group's products to both the commercial market and the military and law enforcement market.

In addition, the difficult economic environment may adversely affect the ability of the Group's customers or other contracting parties (including financial institutions acting as hedge counterparties) to fulfil their contractual obligations to the Group, which could result in write-offs of the Group's receivables or other claims.

The Impact of the Russian invasion of Ukraine on the Group in 2023

On 24 February 2022, an armed conflict started by Russia invading Ukraine. This invasion is part of the Russian military intervention in Ukraine and an escalation of the Russian-Ukrainian crisis.

In response to Russia's military invasion of Ukraine, the EU has adopted several measures and sanctions against Russia and Belarus, which have complemented the already existing sanctions and restrictive measures, which the EU had been putting in place since 2014.

As for the impact on the respective enterprises, the Czech Republic was affected in greater measure than the United States, especially due to its dependency on Russian gas supplies. The biggest impacts starting from mid-2022 have been the rapidly rising electricity, gas, and fuel prices, this increase however slowed down at the beginning of 2023 and has stabilized in the course of 2023, although the prices remain above the pre-war levels. Other input commodities have also been affected by temporary shortages and rising prices in 2022 which have stabilized in 2023. The Russian invasion only reinforced supply chain issues, which had already arisen during the COVID-19 pandemic and deteriorated the situation on the labour market.

The Group immediately responded to the situation and mapped the potential risks from embargoes, the growth in energy prices, and input material shortages. The manufacturing plant in the Czech Republic is part of the macroeconomic environment of the Czech Republic, with all current economic impacts, such as the growth in energy prices, inflation, workforce shortages, etc. It faces similar challenges as other business entities, especially rising costs. The Company's management has adopted measures to make internal processes more effective and to compensate for the growth of expenses as much as possible.

The current security situation and armed conflict in Ukraine may result in greater interest in our products on the part of military and law enforcement customers, but also in unpredictable negative impact on the Group's operating and financial performance. Revenues from the sale of the Group's products to countries on which the European Union imposed sanctions (Russia and Belarus) by the decision of the European Council have made up less than half a per cent of the Group's total revenues over the last years.

As of the date of this Prospectus, operating companies in North America, specifically in the U.S. and Canada, have not been directly affected by the Russian invasion of Ukraine.

The Group's industry is highly competitive, and the success of the Group's business depends on its ability to compete effectively.

The Group operates primarily in the small firearms industry and small calibre ammunition industry.

The Group designs, produces, assembles and sells firearms and tactical accessories for military and law enforcement, personal defence, hunting, sport shooting and other commercial use. The small firearms industry is highly competitive, and competition presents an ongoing threat to the success of the Group's business. The global market for small firearms is highly fragmented and includes hundreds of companies of various sizes and market power. The market is characterized by relatively low entry barriers for potential new market participants which further decreases the stability of the global small firearms industry. Currently, the Group's management believes that the key market participants apart from the Group, include Blaser GmbH, Browning International S.A., Caracal International LLC, Daniel Defence Inc., Fabbrica Di Armi Pietro Beretta SPA, Fabrique Nationale de Herstal, FRATELLI TANFOGLIO S.R.L, Glock Gesellschaft m.b.H., C.G. HAENEL GmbH, Heckler & Koch GmbH, HS Produkt d.o.o. (Springfield Armory), Israel Weapon Industries (IWI), Kalashnikov Concern, OF Mossberg & Sons, SAKO Limited, Savage Arms Inc., SIG SAUER GmbH & Co. KG, Singapore Technologies Engineering Ltd., Smith & Wesson Brands, Inc., STI International Inc., Sturm, Ruger & Company, and Taurus Holdings Inc.

The small ammunition industry is characterized by the presence of several large corporations as well as numerous small and medium-sized specialized producers. Among the most significant competitors are Vista Outdoor Inc, with brands such as Remington, Federal, CCI, Speer and HEVI-Shot; Olin Corporation, known for the Winchester brand; and CBC Global Ammunition, the previous owner of Sellier & Bellot and a direct competitor of the Group following the closing of the acquisition of Sellier & Bellot by the Group, who remains active in the sector through brands like Magtech, Sinterfire and CBC, and MEN. Other notable competitors include Hornady Manufacturing, Fiocchi Munizioni, and Aguila Ammunition.

Sellier & Bellot operates in the highly competitive small calibre ammunition industry, where its ability to maintain and enhance its market position is crucial for its ongoing success. The industry is characterized by the presence of several large corporations as well as numerous small and medium-sized specialized producers. Among the most significant competitors are Vista Outdoor Inc, with brands such as Remington, Federal, CCI, Speer and HEVI-Shot; Olin Corporation, known for the Winchester brand; and CBC Global Ammunition, the current owner of Sellier & Bellot, who will remain active in the sector through brands like Magtech, Sinterfire and CBC, and MEN. Other notable competitors include Hornady Manufacturing, Fiocchi Munizioni, and Aguila Ammunition.

The Group's ability to compete effectively depends on, among other things, its ability to anticipate its customers' needs and provide products to meet those needs, adapt quickly to new market and industry trends and regulatory developments, integrate modern materials into its products, differentiate its products from its competitors' offerings, enhance and upgrade its existing products, sustain and promote the strength of its brands and on its ability to achieve these goals without compromising the quality of its product while increasing production efficiency. Moreover, certain countries, including the United States, impose specific requirements for domestically produced parts or other content in products sold to governmental entities or even complete production localization, which makes it even more challenging and expensive to compete in such markets. For instance, the United States adopted statutes and other regulation relating to federal procurement or federal grants including those that refer to "Buy America" or "Buy American". These require, or provide a preference for, the purchase or acquisition of goods, products, or materials produced in the United States, including iron, steel, and manufactured goods (collectively, the **Buy American Laws**).

The Group's inability to compete effectively or any increases in competition in the small firearms and small calibre ammunition industry could adversely affect the Group's ability to sell its products, its market share, its revenue and profitability, and ultimately the success of its business.

The Group is exposed to the risk of rising protectionism in international trade.

The Group derives a substantial portion of its revenues from exports outside of the Czech Republic - 82 per cent of the Group's revenues in 2023 were generated from sales outside the Czech Republic and 42 per cent of the Group's revenues in 2023 were generated in the United States which is the key commercial market for the Group. A substantial part of the products produced in the Czech Republic are subsequently sold in the United States. The Group's performance may therefore be adversely affected by factors that adversely affect international trade, including the level of tariffs and trade barriers or other protectionist measures such as Buy American Laws.

Also Sellier & Bellot derives a substantial portion of its revenues from exports outside of the Czech Republic – 84.4 per cent of Sellier & Bellot's revenues in 2023 were generated from sales outside the Czech Republic. Sellier & Bellot's performance may therefore be adversely affected by factors that adversely affect international trade, including the level of tariffs and trade barriers or other protectionist measures.

Given the proportion of exports into the United States, the Group is particularly exposed to the risk of the United States increasing or imposing tariffs or other barriers, including protectionist measures, on imports of firearms and small calibre ammunition. Any introduction or increase of import tariffs on firearms by the United States and other countries into which the Group exports its products may increase the price of the Group's products to the customer, which could adversely affect the competitiveness of the Group's products and the Group's market share in such market, and/or decrease the Group's revenues and profitability derived from export to such countries. Any introduction or increase of other protectionist measures by the United States against China and/or other countries or by other countries into which the Group exports its products may result in trade war escalation and retaliation and can make it difficult or impossible to sell the Group's products into such countries, which could adversely affect the Group's market share in such markets, and decrease the Group's revenues derived from export to such countries and, consequently, have a significant adverse effect on the Group's business, results of operation and financial position.

The introduction of new technologies may change the nature of the Group's competitive landscape.

Both the small firearms and small calibre ammunition industry is continuously developing new technologies.

Key current trends in the small firearms industry include the use of non-traditional materials, such as polymers and composites, application of modularity in weapon design, greater use of electronics for monitoring and control, improved aiming devices with lasers and automation of the production process. In order to be able to meet customer demand and effectively compete with other small firearms manufacturers, the Group must devote significant resources to research and development. This may entail substantial labour and time commitments and result in significant cost. In 2023, the Group's R&D team had an average number of 106 full-time equivalent employees and expenditure amounted to approximately CZK 223 million, which allows the Group's technology leadership to be one of its key competitive advantages.

Key current trends in the small calibre ammunition industry are related to the regulatory restrictions on lead use and the associated development of alternative lead-free and non-toxic ammunition. In order to be able to meet customer demand and effectively compete with other small calibre ammunition manufacturers, Sellier & Bellot must devote significant resources to research and development. This may entail substantial labour and time commitments and result in significant cost. In 2023, Sellier & Bellot's expenditure on R&D amounted to approximately CZK 32.6 million.

The Group is exposed to the risk of insufficient resources for research and development in the future as well as the risk of errors or defects in new versions of its products or the risk that the Group may be unable to timely anticipate new technological trends, each of which may delay the Group's ability to bring its products to the market or result in after-sales commitments, the costs of which the Group may not be able to recover. Further, despite these efforts and costs, there can be no assurance that the Group will be able to adapt to new technological trends, that its research and development activities will result in viable products or that these products will meet market expectations. If these risks materialize, they could adversely affect the Group's revenue and profitability, market share and reputation of its products and brands.

The Group primarily depends on small number of production facilities.

The Group's principal production facility in Uherský Brod, Czech Republic and production facilities in the North America, are critical to the Group's operations. In 2023, 93 per cent of the Group's revenues came from production in these facilities. The Group does not have any other significant production capacity which could substitute production in these facilities, apart from the joint venture production facility in Hungary which is further described in section *XIII.9.18 Colt CZ Hungary (Colt CZ Hungary)*).

Sellier & Bellot's production facility in Vlašim, Czech Republic is critical to the Sellier & Bellot's operations. Sellier & Bellot does not have any other production capacity which could substitute production in this facility.

The production facilities of the Group could suffer damage or interruption from human error, fire, flood, power loss, telecommunications failure, break-ins, terrorist attacks, acts of war and similar events. In addition, the production facility in Uherský Brod is located in vicinity of a river, increasing the Group's susceptibility to the risk that flooding could significantly harm the operations of this facility. Any failure, breakdown, outage or other event causing disruption of the operation of Group´s facilities for even a short period of time may adversely affect the Group's ability to produce and ship its firearms and to provide service to its customers. The Group's business interruption insurance may be insufficient to compensate the Group for losses that may occur.

The Group's success depends in large part on its ability to attract and retain skilled workforce at competitive wage levels.

The Group's main production facility in Uherský Brod, a town of approximately 16,500 inhabitants, is situated in a rural region. As of 31 December 2023, it employed 1,369 full time employees. The Group is exposed to the risk that a large employer will begin to compete with the Group for labour in Uherský Brod or in any of the regions where the Group's facilities are located, increased workforce mobility and a trend towards workers relocating to larger cities, changes in attitude towards firearms or change in work habits in general could disrupt the labour conditions and result in decreased productivity or increased labour costs for the Group.

The Group may be exposed to a similar risk in respect of the Colt's Manufacturing Company´s workforce located in West Hartford, Connecticut, which is traditionally highly unionised under the U.S. International Union United Auto Workers, competing steadily for a new workforce. In 2023, the number of Colt's Manufacturing Company's full time employees was 355. Population of West Hartford stands approximately at 64,000 inhabitants whereas the entire metropolitan area is a home of well over a million people.

Sellier & Bellot's production facility in Vlašim, a town of approximately 11,400 inhabitants, is situated in a rural region. Sellier & Bellot is exposed to the risk that a large employer will begin to compete with Sellier & Bellot for labour in Vlašim or in the nearby region, the risk of increased workforce mobility and a trend towards workers relocating to larger cities, changes in attitude towards firearms, ammunition and defence industry products in general or change in work habits in general that could disrupt the labour conditions and result in decreased productivity or increased labour costs for Sellier & Bellot.

An increase in firearms, ammunition and accessories sales to military and law enforcement customers could result in increased uncertainty in the timing of the Group's performance and increased competition from more established producers of firearms and ammunition.

The Group's military and law enforcement customers include federal, state or local governments and agencies which are generally required to purchase equipment by way of international or national tendering procedures. The share of sales to military and law enforcement customers varies each year. In 2023, it represented approximately 46 per cent of Group´s consolidated revenues. As the Group intends to increase its focus on sales to these customers, it expects that an increasing percentage of the Group's revenue will be subject to such tendering procedures and related contract negotiations. This trend could cause the Group's revenue to be increasingly volatile and uncertain with respect to the timing of orders as contracts with military and law enforcement customers are often large in size and a single large contract can represent a relatively large share of annual sales for the Group, with delivery concentrated in a relatively short timeframe, which creates pressure on the production flexibility and brings potential revenue volatility. Revenue is not recognized until delivery of the product or service has occurred and title and risk of loss have passed to the customer. This may extend the period during which inventory is carried and may result in uneven distribution of revenue from these contracts between periods. Therefore, the timing of a high-volume order could have a material impact on revenue for the financial period in which it is made and make period-to-period comparisons of the Group's results of operations less meaningful in the short term. The timing and volume of contract sales ultimately depend on factors that are beyond the Group's control. There are many competing factors that influence how federal, state or local governments and agencies allocate their budgets. These factors include both internal fiscal concerns and external fiscal, political and economic factors, including specific security situations in customer localities. The Group cannot be certain that contract orders will continue at consistent levels or at all. Fluctuations in the timing and volume of contract sales could adversely affect the Group's business and the comparability of the Group's quarterly results.

Furthermore, the Group's ability to compete in these tenders depends to a large extent upon the effectiveness and innovation of its research and development team, the Group's ability to offer better contract performance than its competitors at a lower cost and the Group's capacity with respect to facilities, equipment and personnel to undertake the contracts for which it competes. Some of the Group's competitors are subsidiaries of large corporations or government organizations and may have financial and other resources that are substantially greater than those available to the Group. In addition, these competitors may have a greater ability to lobby governments to ensure that they receive a portion of limited government defence budgets, which may reduce the amount that governments can spend on small firearms and, by extension, the amount they can use to purchase the Group's products. The Group is also subject to risks associated with the substantial expense, time and effort required to prepare bids and proposals for competitively awarded contracts that may ultimately not be awarded to the Group. Even if successfully awarded, the Group cannot exclude the possibility that a competitor may challenge such award, or that such challenge may ultimately be successful, or that at least during the time needed to resolve such challenge, the Group's operations under substantial uncertainties and incur additional costs.

The Group may experience difficulty in obtaining goods from its suppliers.

The Group relies on suppliers to provide it with certain specialized materials, including high-quality and specially treated steel, super-alloys, springs and other small components. Also, as regards sourcing of the raw materials that the Group uses, it purchases majority of the specially treated steel from a single source that specializes in the production of special steel and super alloys. Even small components may affect the functionality and user experience of the product.

A particularly acute risk arises from the limited number of producers of specialized explosive chemicals. Sellier & Bellot may not be able to secure a sufficient supply of propellant and other necessary chemicals for primer production in the future. While it has some degree of protection against this risk due to its in-house primer production capabilities (setting it apart from many competitors) it remains exposed to the availability of primer manufacturing capacity among its business partners.

Any shortage on materials or components not dependent on the Group's suppliers as well as failure by any of the Group's individual parts suppliers to deliver the products and materials in the expected quality, quantity, time and price could result in production interruptions for the Group, limited availability of its products, increase of costs, or product recalls. In an effort to keep the operation lean, the Group does not regularly maintain extra stock of all such components and raw materials, which further increases the Group's exposure to delays or interruptions of product part deliveries.

The Group may face difficulties aligning its capacity with demand.

From time to time, the Group has experienced capacity constraints and was temporarily unable to satisfy the demand for its firearm products on a timely basis. Capacity constraints impact the Group particularly in the US commercial market, where the Group has had significant backorders throughout 2018 to 2021. The backorders rose significantly to its record levels in January 2021 due to the strong market dynamics but were reduced during 2022 and 2023 due to the slowdown of the US commercial market. Although the Group is able to react to the demand fluctuations by partially shifting the production between its production companies (including the joint venture in Hungary), it is possible that it may not be able to increase its capacity in time to satisfy increases in demand that may occur from time to time, and the Group may not have adequate financial resources to increase capacity to meet demand. Capacity constraints may prevent the Group from satisfying customer orders and result in a loss of the market share to competitors that are not capacity constrained. The Group may also suffer excess capacity and increased overhead costs, particularly if the Group increases its capacity to meet actual or anticipated demand and that demand decreases or does not materialize.

The Group may be exposed to various risks in case of acquisitions and other similar expansion transactions.

The Group had declared that it aims to grow both organically and via strategic mergers and acquisitions. Expansion of the Group's operations through acquisitions, joint ventures or other strategic initiatives may involve additional risks and may not be successful. The Group has in the past considered and intends to continue to evaluate potential acquisitions of competitors or players in the key complementary segments such as ammunition production, optics and optoelectronics, non-lethal or weapons with reduced lethality as well as mergers, joint venture investments or strategic alliances. Any such transactions, if consummated, may be transformative in nature and could be material to the Group's operations.

If the Group engages in these transactions, it will be exposed to various inherent risks, including:

- accurately assessing the value, future growth potential, strengths, weaknesses, contingent and other liabilities and potential profitability of targets;
- unanticipated expenses and potential delays related to integration of the acquired companies;
- the potential loss of key personnel of an acquired or combined business;
- the Group's ability to achieve projected economic and operating synergies;
- difficulties maintaining uniform standards, controls, procedures and policies including its sustainability commitments and policies;
- unanticipated changes in business and economic conditions affecting an acquired business;
- the potential strain on the Group's financial and managerial controls and reporting systems and procedures; and
- the diversion of the Group's management's attention from its existing business.

The Group's limited experience with acquisitions and similar strategic transactions could exacerbate these risks. As a result of these risks, the Group may not experience the anticipated benefits of these transactions, which would result in significant costs.

The Group's acquisition of Sellier & Bellot may involve additional risks, increased costs, not produce the benefits expected or the post-acquisition integration may not be successful.

On 18 December 2023, the Company entered into an agreement with CBC to purchase 100 per cent shareholding interest in Sellier & Bellot a.s. (**Sellier & Bellot** and the **Sellier & Bellot SPA**). The closing of the acquisition took place on 16 May 2024 (See sections *XIII.18.3 Sellier & Bellot SPA and Description of Sellier & Bellot*).

Sellier & Bellot's business is exposed to various risks in connection with its long-term business relationships and its customer base. Sellier & Bellot requires export permit licences from the relevant Czech authorities. The denial or revocation of export licenses may cause Sellier & Bellot to be unable to enter into new contracts, prevent it from performing under existing contracts or require it to cease selling its products to certain customers or into certain countries entirely.

Sellier & Bellot builds and develops business relationships with global military and law enforcement agencies. Therefore, any deterioration of those relationships in future, could substantially affect Sellier & Bellot's financial performance. These risks as well as other risks relating to Sellier & Bellot's business and operations, currently unknown to the Group or during the due diligence undiscovered, may result in potential unexpected cost and negatively affect revenue synergies as currently estimated by the management. All of these risks may result in additional costs of the Group and have a material adverse effect on the Group's business, financial condition, results of operations and/or cash flows.

Information about Sellier & Bellot

The Group has recently completed the acquisition of Sellier & Bellot, which represents a significant development in its business landscape. This strategic move is expected to contribute positively to the Group’s operations and financial performance. However, due to the recency of this transaction, it is important to acknowledge that the Company may not yet have full access to or possession of all the information related to Sellier & Bellot that could be deemed important for investors.

The integration process of an acquisition typically involves the assimilation of extensive data and details pertaining to the acquired entity's financials, operations, and business strategies. Given the recent completion of this acquisition, there may still be gaps in the information that the Company has been able to obtain and review.

These gaps may pertain to, but are not limited to, financial records, operational systems, internal controls, and other critical business information of Sellier & Bellot.

Investors are advised to take into account that the current Prospectus may not fully encapsulate all the nuances and particulars of Sellier & Bellot's business. The unavailability of complete information at this juncture may prevent investors from gaining a comprehensive understanding of the potential risks associated with the acquisition. These risks could manifest in various forms, such as integration challenges, regulatory compliance issues, or unanticipated financial obligations, which could, in turn, affect the anticipated benefits and revenue synergies projected by the Company.

Should any of these risks materialise, they could potentially lead to significant and material adverse effects on the Group's business prospects, financial condition, results of operations, and cash flows.

Risks associated with Sellier & Bellot leaving CBC group and becoming a part of the Group.

Upon the completion of the Sellier & Bellot acquisition, CBC, as a former shareholder, has transitioned into the role of a direct competitor. This shift in the relationship between Sellier & Bellot and CBC group may introduce a complex competitive dynamic.

CBC group's knowledge of Sellier & Bellot's strategic, operational, and financial details may afford it a significant competitive advantage. CBC group's continued activity in the sector through its portfolio of brands, including Magtech, Sinterfire, CBC and MEN, positions it as a formidable competitor of the Group with established market presence and brand recognition.

This transition could potentially negatively affect Sellier & Bellot's relationships with global military, law enforcement agencies and other business partners and suppliers, which may be vital for its business and financial performance. Any deterioration in these relationships or a perceived weakening of the Sellier & Bellot brand could affect Sellier & Bellot's market share and revenue, which would, in turn, negatively affect the Group’s business.

If materialised, these factors collectively represent a material risk that could have an adverse effect on the Group's business, financial condition, results of operations, and cash flows.

The Group's acquisition of swissAA Holding AG may involve additional risks, increased costs, not produce the benefits expected or the post-acquisition integration may not be successful.

On 28 June 2023, the Company entered into a share purchase agreement resulting in the acquisition of a 100 per cent shareholder interest in a Swiss ammunition producer, swissAA Holding AG (**swissAA**). SwissAA is a producer of ammunition and law enforcement technology, specialized in small calibre ammunition, specifically 5.56 mm, 7.62 mm, 9 mm, and 12.7 mm, as well as 40 mm grenade launcher ammunition. The swissAA holding consists of several fully owned subsidiaries located in Switzerland and Hungary and holds several patents for ammunition. SwissAA's business is exposed to various risks in connection with its long-term business relationships and its customer base, for instance, denial or revocation of licenses required by swissAA from Swiss authorities may cause swissAA to be unable to enter into new contracts, prevent it from performing under the existing contracts or require it to cease selling its products to certain customers or into certain countries entirely.

SwissAA builds and develops business relationships with global military and law enforcement agencies in Europe and it has long-term partnerships with government bodies in Switzerland, Germany, Belgium and Austria. Therefore, any deterioration of those partnerships in future, could substantially affect swissAA's financial performance.

These risks as well as other risks relating to swissAA's business and operations, currently unknown to the Group or during the due diligence undiscovered, may result in potential unexpected cost and negatively affect revenue synergies as currently estimated by the management. All of these risks may result in additional costs of the Group and have a material adverse effect on the Group's business, financial condition, results of operations and/or cash flows.

The cooperation of the Group with Hungarian government through a joint stock company Colt CZ Hungary Zrt. (Colt CZ Hungary) may not produce the benefits expected.

In December 2022, the Group entered into a joint venture agreement with N7 Holding Ltd., a state-owned Hungarian company. Subsequently, the Colt CZ Hungary (a joint stock company Colt CZ Hungary Zrt.) was founded in May 2023, whereas the Group owns a 51 per cent stake in Colt CZ Hungary and N7 Holding Ltd. owns a 49 per cent stake.

The establishment of Colt CZ Hungary should further enhance the existing cooperation between the Group and the government of Hungary under the framework of technology transfer cooperation (the **Framework Agreement**) entered into in 2018 between Colt CZ Defence Solutions s.r.o. (**Colt CZ Defence Solutions**), a member of the Group and HM ARZENÁL Zrt. (**HM ARZENÁL**), a Hungarian company fully owned by the Hungarian state.

Colt CZ Hungary is conceived as a "non full-function joint venture", where final products are sold only to the companies of founding shareholders. Thus, it does not directly enter the end-market. Colt CZ Hungary is responsible for the operation of the manufacturing plant. The production plant, i.e. all machinery and production premises, is leased for a period of ten years with the possibility of extension. Management of the operations is the responsibility of the Group, responsibility for order fulfilment is the responsibility of both shareholders. The long-term strategic interest of Colt CZ Hungary is to increase the Group's sales by producing long and short firearms for the military and law enforcement and to fulfil the strategic interest of Hungary by locating the production of small firearms there.

There is a risk that Colt CZ Hungary will not produce the benefits expected by the Group which could adversely affect the Group's business, results of operations, financial condition, cash flows, prospects and reputation**.**

2 Risks related to the Group's financial situation

The Group's business is subject to foreign exchange risk.

The Group's functional currency is CZK and financial statements are denominated in CZK as well. The majority of the Group's revenue is denominated in EUR and USD, while a significant part of the Group's costs, capital expenditures and investments are denominated in CZK. A potential depreciation of CZK by 10 per cent towards EUR would cause negative impact on the Group's profit of CZK 492 million and towards USD it would cause positive impact of CZK 109 million, as of 31 December 2023 (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 per cent change in exchange rates). This currency mismatch represents significant foreign exchange exposure for the Group. Consequently, profit margins are significantly affected by currency fluctuations. CZK appreciation against EUR and USD potentially decreases the Group's profitability and CZK depreciation has the opposite/positive effect. Moreover, foreign exchange fluctuations impact the CZK value of fixed assets (property, plant and equipment) held in the United States and Canada (CZK 850 million as of 31 December 2023), as the Group operates in foreign countries, mainly in North America. Other significant foreign currency denominated fixed assets are held by swissAA (CZK 1,133 million as of 31 December 2023). This is reflected in the translation risk. Fluctuations in the exchange rates between CZK and foreign currencies impact the translation value of assets denominated in foreign currencies. CZK depreciation increases the value of foreign held assets and CZK appreciation decreases this value. This effect further magnifies the impact of the exchange rate fluctuations and could therefore directly and significantly influence profitability of the Group's operations and its financial position.

The foreign exchange risk is also relevant for Sellier & Bellot's business. Sellier & Bellot's functional currency is CZK and financial statements are denominated in CZK as well. The majority of Sellier & Bellot's revenue is denominated in EUR and USD, while a significant part of Sellier & Bellot's costs, capital expenditures and investments are denominated in CZK.

The Group engages in hedging transactions to partially mitigate the foreign exchange risk. The usual hedging maturity is up to five years. At the same time, the Group has a few long-term contracts and thus for those hedging contracts the future exposure is hedged, without the current existence of the particular contract. This can result in an over-hedged or under-hedged position in case the estimates of future foreign exchange exposure do not materialize. In addition, to the extent these hedges may not qualify for cash flow hedge accounting (under which changes in fair values of the derivatives are recognized in other comprehensive income) changes in the fair values of the derivatives are recognized directly as income or loss in the consolidated statement of profit or loss and other comprehensive income and thus directly affect the Group's results of operations. The Group expects to continue hedging activities in the future. Nevertheless, disruptions such as market crises and economic recessions may limit the availability and effectiveness of the Group's hedging instruments or strategies in relation to foreign exchange risk. In addition, a portion of the Group's hedging transactions do not qualify for hedge accounting under the International Financial Reporting Standards (the **IFRS**) and as a result fluctuations in their mark-to-market value may result in mark-to-market losses and thus directly negatively affect the Group's profitability and financial position. The materialization of any of these risks could adversely affect the Group's financial condition, results of operations and cash flows.

The Group's ability to export its products is influenced by availability of trade finance products.

The Group identifies developing markets as one of the potential growth areas for its future firearms and accessories sales. Due to the generally higher credit risk in those markets, the Group often seeks trade finance products such as letters of credit and bank guarantees in order to mitigate such risks and facilitate the foreign trade in general. However, the possibility to carry out the export is not dependant just on obtaining an export license by the Group but also on how the particular trade is viewed by financiers. The banks often apply additional requirements to finance firearms trade because the banks might be discouraged by their customers, regulators, other stakeholders or the general public from financing exports of firearms to specific countries or territories or from facilitating firearms trade in general. In addition, political developments also affect the ability of the Group to obtain export financing for exports to politically sensitive countries. Consequently, even if the requisite export license has been granted and all legal requirements have been complied with, the trade financing for any individual export case may be unavailable. The Group may be unable to obtain trade financing at reasonable terms or at all and consequently, the Group would not be able to carry out the export in a particular country.

The inability of the Group to obtain trade financing in time and on reasonable terms may cause the Group to postpone or decline entering into new contracts, prevent it from performing under existing contracts or require it to cease selling its products to certain customers or into certain countries entirely, which would have in the future a material adverse effect on the Group's revenue, financial condition and results of operations.

The Group is exposed to interest rate risk.

The Group is exposed to interest rate risk because the Group has entered into variable-interest financing instruments, including three bond issuances by the Company (ISIN CZ0003530776, ISIN CZ0003537029 and ISIN CZ0003550295), which carry interest at a floating rate, and an EUR-denominated syndicated loan from Komerční banka, a.s. (**KB**) and other banks (see section *XIII.19 Financing arrangements*), where the interest rate of the term loan under the syndicated loan is linked to 3-month EURIBOR. Interest rate risk is the risk that fair values of future cash flows from existing or future financial liabilities may fluctuate due to changes in market interest rates. For the year ended 31 December 2023, a 10 basis point change in the applicable interest rates, with all other variables remaining constant, would have had a CZK 8.3 million positive (in the case of lower interest rates) or negative (in the case of higher interest rates) on the Group's profit. This risk is fully hedged by (i) derivative transactions – interest rate and cross-currency swaps (whereby the Company pays fixed rates and receives floating rate) and (ii) free cash that bears a floating rate interest.

The Group may be impacted by applicable regulations governing interbank lending rates and may bear interest that could rise significantly, thereby increasing its costs and reducing its cash flow.

The Euro Interbank Offered Rate (**EURIBOR**), the Prague Interbank Offered Rate (**PRIBOR**) and other interest rates or other types of rates and indices which are deemed "benchmarks" (each a **Benchmark** and together, the **Benchmarks**) have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

International proposals for reform of Benchmarks include Regulation (EU) 2016/1011, as amended (the **Benchmark Regulation**), which sets out, among other things, the following:

The Benchmark Regulation could have a material impact on bonds linked to a Benchmark, including in any of the following circumstances:

- a rate which is a Benchmark may only be used if its administrator obtains authorisation or is registered and in case of an administrator which is based in a non-EU jurisdiction, if the administrator's legal benchmark system is considered equivalent (Article 30 of the Benchmark Regulation), the administrator is recognised (Article 32 of the Benchmark Regulation) or the Benchmark is endorsed (Article 33 of the Benchmark Regulation) (subject to applicable transitional provisions); and
- the methodology or other terms of the Benchmark could be changed in order to comply with the terms of the Benchmark Regulation, and such changes could have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level.

In addition to the aforementioned Benchmark Regulation, there are numerous other proposals, initiatives and investigations which may impact Benchmarks. Following the implementation of any such potential reforms, the manner of administration of Benchmarks may change, with the result that they may perform differently than in the past, or Benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted.

As of the date of the Prospectus, no amount was outstanding under CZUB's (as defined below) revolving credit line, which has a variable interest rate calculated as the sum of PRIBOR or EURIBOR and a margin ranging between 0.80 per cent to 1.10 per cent, depending on the currency of the relevant drawing.

Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR and/or PRIBOR or an elimination of EURIBOR and/or PRIBOR, which could have a material adverse effect on the value of and return on any variable rate debt linked to EURIBOR and/or PRIBOR and on the Group's ability to service debt that bears interest at a variable rate.

The Group is exposed to liquidity risk.

The Group is exposed to liquidity risk, a risk that the Group will not have sufficient available resources to meet its payables arising from financial contracts. Liquidity risk arises mostly in relation to the Group's cash flow generated and used for working capital and from financing activities, particularly for servicing the Group's debt, in terms of both interest and capital, and the Group's payment obligations relating to its ordinary business activities. As of 31 December 2023, the Group held CZK 3,328,684,000 of cash and cash equivalents and other financial assets.

The following table includes assets and liabilities based on the residual maturity of undiscounted cash expenditure (residual maturity is the period from the balance sheet date and the date of contractual maturity) as of 31 December 2023. Receivables and payables past their due dates are included in the 'Within 3 months' column. Trade receivables include short-term as well as long-term trade receivables.

31 December 2023	**Within 3 months**	**From 3 to 6 months**	**From 6 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
(CZK thousands)						
Other financial liabilities	0	0	44,580	0	0	44,580

Bonds, bank loans and borrowings	452,268	190,841	2,666,546	6,264,746	4,192,768	13,767,171
Lease liabilities	6,179	6,480	12,960	50,096	11,956	87,671
Trade and other payables	1,767,537	8,504	0	12,777	0	1,788,818

In relation to Sellier & Bellot, the Group does also recognize liquidity risk. As of 31 December 2023, Sellier & Bellot held CZK 633 961,000 of cash and cash equivalents (GAAP). Short term trade payables of Sellier & Bellot amounted to CZK 232,089,000 as of 31 December 2023 (as compared to 341,901,000 as of 31 December 2022). Since the completion of the Sellier & Bellot by the Group, the liquidity risk of Sellier & Bellot has been managed on the Group level.

3 Legal and regulatory risks

The Group's performance is influenced by actual or expected changes in firearms control legislation.

Most countries in the world allow civilians to purchase and possess firearms subject to various constraints and regulations imposed by firearm control legislation. Firearm control legislation regulates various activities relating to firearms and ammunition, such as selling firearms and ammunition by or through licensed dealers, as well as acquiring, possessing, owning, using, carrying, handling, trading, repairing, manufacturing, distributing, transporting, importing and exporting, training with, storing, collecting, and disposing of such firearms and ammunition. Firearm control legislation in different countries greatly differs in the degree of restrictiveness, but a major distinction between different national regimes is whether commercial gun ownership is seen as a right (permissive regime) or a privilege (restrictive regime).

Changes in firearm control legislation may adversely affect the Group's operations by limiting the types of firearms and ammunition products that the Group can produce and/or sell, making it more difficult or cumbersome for distributors or end users to transfer and own the Group's products, or imposing additional costs on the Group or its customers including additional administrative hurdles such as psychological tests, and cool-off periods in connection with the production and/or sale of its firearms products.

Federal and state legislatures in the U.S. frequently consider legislation relating to the regulation of firearm, including amendment or repeal of existing legislation. Existing laws may also be affected by future judicial rulings and interpretations. These possible changes to existing legislation or the enactment of new legislation may seek to restrict the makeup of a firearm, including limitations on magazine capacity; mandate the use of certain technologies in a firearm; remove existing legal defences in lawsuits; or ban the sale and, in some cases, the ownership of various types of firearms and accessories. If such restrictive changes to legislation develop, the Group could find it difficult, expensive or even impossible to comply with them, impeding new product development and distribution of existing products. In addition, gun-control activists may succeed in imposing restrictions or an outright ban on private gun ownership in the United States. Such restrictions could have a material adverse effect on the Group's business, operating results and financial condition.

In addition, speculation surrounding increased gun control in the U.S. at the federal, state and local level (prompted by the U.S. presidential, congressional, and state elections, such as the 2024 U.S. presidential election or other developments) and heightened fears of terrorism and crime can affect customer demand for the Group's products. Often, such concerns result in an increase in near-term consumer demand and subsequent softening of demand when such concerns subside. Inventory levels in excess of customer demand may adversely impact operating results.

In 2017, the EU adopted Directive (EU) 2017/853 of the European Parliament and of the Council of 17 May 2017, which was codified in 2021 into Directive (EU) 2021/555 of the European Parliament and of the Council of 24 March 2021 on control of the acquisition and possession of weapons (codification) (the **Gun Ban Directive)**, partly as a reaction on the misuse of firearms for criminal purposes and terrorist acts. In particular, the Gun Ban Directive broadens the category of prohibited weapons and obliges competent authorities to regularly monitor holders of authorizations to possess weapons. The Czech Republic had not implemented the Gun Ban Directive within the deadline for implementation (which expired in September 2018). However, pressure from the EU on the Czech Republic and other member states which had not implemented the Gun Ban Directive had been rising, and in July 2019, the European Commission issued a reasoned opinion urging the Czech Republic and other member states which failed to transpose the Gun Ban Directive into their respective national laws to do so as soon as possible. On 3 December 2019, the European Court of Justice dismissed a lawsuit the Czech Republic had filed against the Gun Ban Directive. As a result, the Czech Ministry of Internal Affairs commenced the preparatory works on an amendment to Act No. 119/2002 Coll., on Firearms and Ammunition (the **Czech Weapons Act**) act implementing the Gun Ban Directive, which entered into force at the end of January 2021. Changes were made, for example, in the categorization of weapons and ammunition or in the regulation of the acquisition of ownership, possession and carrying of selected categories of weapons and ammunition, restrictions on high-capacity magazines, control and transfer (sharing) of information or firearms license.

In June 2023 the Czech government presented to the Chamber of Deputies of the Parliament of the Czech Republic a new Czech weapons act (the **New Czech Weapons Act**), which shall come into force on 1 January 2026. The New Czech Weapons Act proposes, *inter alia*, a requirement for gun dealers to report suspicious gun transfers to the police, to make it mandatory for general practicians to report cases of medical unfitness of their patients, who hold a gun licence, to the police, to reduce the number of gun licences and to introduce a brand-new set of rules for obtaining an arms license. The Chamber of Deputies and the Senate of the Parliament of the Czech Republic passed the New Czech Weapons Act on 26 January 2024 and 6 March 2024, respectively. On 22 March 2024 the New Czech Weapons Act was signed by the Czech President into law and will come into force on 1 January 2026.

The Group and its customers thus have to comply with the new legislation which is expected to further change and evolve over time, and this could impact its firearms, small calibre ammunition and accessories sales in the European commercial market and therefore influence the Group’s financial performance and financial position.

The Group may be unable to protect its intellectual property or may unintentionally infringe intellectual property rights of third parties.

The Group’s success and ability to compete depend on its ability to protect its intellectual property. Particularly the brands Colt CZ Group, CZ-USA, Dan Wesson, Brno Rifles and 4M SYSTEMS, trademarks “Colt CZ Group”, “CZ”, “CZ-USA”, “BREN”, “DAN WESSON”, “ZBROJOVKA BRNO” and “Colt”, “Colt’s Manufacturing”, “Colt Defense”, “Colt Canada”, “Sellier & Bellot”, and other related trademarks and the designs of the BREN and SCORPION model firearms and CZ P-09 and SHADOW model pistols, Colt Cobra, Python and Anaconda revolvers, Colt M4, M5 and M16 rifles, and eXergy and eXergy Blue rifle ammunition, are crucial for customers’ recognition of the Group’s products and for the marketing and sales efforts. The Group relies on a combination of patents, copyrights, trade secrets, trademarks, confidentiality agreements and other contractual provisions to protect its intellectual property, but these measures may provide only limited protection. However, the Group’s intellectual property rights could still be infringed and/or a third party could circumvent the Group’s intellectual property rights by registering patents, utility models or other intellectual property for products which closely emulate the Group’s products without directly infringing on the Group’s intellectual property rights.

Furthermore, given the increasing complexity of production technologies and the importance of fast product innovation, there is a risk that Group may unintentionally infringe intellectual property rights, in particular patents, trademarks and design rights, of third parties. In the case of such infringement, the Group may be liable for damages as well as litigation costs and may have to withdraw products already produced from the market or purchase a license to use such rights, and such license may not be available on reasonable terms, if at all.

The Group's failure to enforce and protect its intellectual property rights or an unintentional Infringement of intellectual property rights of third parties could reduce the Grou'’s firearms and accessories sales, erode margins or damage its reputation.

The Group is exposed to legal litigation risks from product liability and firearms industry.

The Group is exposed to risks from product liability, in particular from lawsuits by customers alleging defective product design, defective manufacture and/or failure to provide adequate warnings and seeking punitive as well as compensatory damages.

Because the nature and extent of liability based on the production or sale of allegedly defective products is uncertain, particularly as to firearms and small calibre ammunition, the Group's resources may not be adequate to cover future product liability and product related occurrences, cases or claims, in the aggregate, and such cases and claims may have a material adverse effect upon the Group's reputation and financial condition. Though certain Group entities maintain product liability insurance, for example, for liability to third parties caused by a faulty product, those insurance policies have limits and a large part of the costs of a complete recall of a product from the market would not be covered by the relevant product liability insurance.

Since the enactment of the Protection of Lawful Commerce in Arms Act (**PLCAA**) in 2005, firearm manufacturers and dealers have generally been shielded from liability for crimes committed by third parties using their products, subject to certain exceptions. However, several significant legal cases since the PLCAA’s enactment have tested the limits of this protection.

In November 2019, the U.S. Supreme Court declined to review a case related to the PLCAA. The U.S. Supreme Court's decision allows the family members of victims of gun violence to move forward with their suit against a gun manufacturer for damages and could ultimately erode the protections of the PLCAA.

In another instance, the Indiana Court of Appeals allowed the city of Gary's 1999 lawsuit against firearms manufacturers to proceed under the state's public nuisance laws. This case alleged that the manufacturers were aware of illegal handgun sales and did nothing to prevent them. The lawsuit continues to be litigated.

Additional cases have challenged the PLCAA's protections. For example, victims of a 2019 mass shooting at a California synagogue sued Smith & Wesson, claiming negligent marketing of the AR-15 style rifle used by the shooter. A state court judge rejected the company's argument that the lawsuit was barred under PLCAA.

In Texas, a lawsuit against the online seller of ammunition, Luckygunner.com, was allowed to proceed despite PLCAA protections. The company was accused of knowingly violating the law that makes it illegal to sell ammunition to minors, related to a 2018 shooting at a Santa Fe, Texas, high school.

Another significant lawsuit involved Mexico suing Smith & Wesson Brands Inc and Sturm, Ruger & Co, among other firearm makers, over the influx of weapons into Mexico from the United States. The lawsuit alleged that these companies designed, marketed, and distributed military-style assault weapons in ways that they knew would arm drug cartels. The companies argued that they cannot be held liable for crimes in Mexico resulting from legal sales in the United States.

These cases highlight the ongoing legal challenges and debates surrounding the PLCAA and its implications for firearm manufacturers. Though the Group still believes that the likelihood of success of an action for monetary damages against the Group in the United States significantly decreased after the U.S. Congress enacted the PLCAA, there can be no assurance that plaintiffs will not seek damages from the Group in the United States or elsewhere.

Even if the Group is ultimately successful in defending against any such claims, it may incur significant defence costs. Also, there can be no assurance that the PLCAA will not be repealed, amended or reinterpreted in the future.

A large portion of the Group's revenue depends on obtaining and maintaining export licenses.

Export of firearms and small calibre ammunition to foreign countries is subject to the regulation of the countries where the product is manufactured. Approximately more than 85 per cent of the Group's revenues depends on obtaining export licenses in various jurisdictions where the Group's products are manufactured (the European Union, the Czech Republic, the USA, Canada, Germany, Switzerland, Hungary and Sweden) and compliance with sanction lists adopted by the United Nations (the **UN**),, European Union, United States or other relevant governmental authorities (the **Sanctions Lists**).

In the Czech Republic, the Group spends considerable time and efforts to obtain export licenses, especially in the case of military firearms, this includes obtaining positive opinion from the Czech Ministry of Defence, the Czech Ministry of the Interior, the Czech General Directorate of Customs and Excise and the Czech Ministry of Foreign Affairs and 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. If a registered entity breaches the statutory conditions, or the transfer could disrupt public order or the security of the state or its inhabitants, the Czech Ministry of Trade and Industry may suspend the general registration for the transfer of military materiel within EU member states or revoke any license granted under Act No. 38/1994 Coll., on international trade in military materiel, as amended (the **Czech Act on Trade in Military Materiel**).

Products manufactured in the United States by Colt Canada (as defined below), for example rifles such as the Colt M4 and M5 and handguns and revolvers such as the Python and Anaconda, which are sold to foreign military, law enforcement and foreign commercial customers are currently subject to United States export restrictions. Products manufactured and sourced in Canada by Colt Canada, for example rifles such as the Colt Canada C7, C8 and C20 are currently subject to Canadian export restrictions.

In the United States and Canada, obtaining export licenses is also required to export Group's products and services. The issuance of an export license lies within the discretion of the issuing government authority. In the United States, all of Group's export licenses are processed and issued by the Directorate of Defense Trade Controls (**DDTC**) within the U.S. Department of State, in accordance with the Executive Order 13637 and the International Traffic 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, the import from Canada into the USA requires the importer to obtain an import license from the U.S. Bureau of Alcohol, Tobacco and Firearms (ATF).

In addition to the export control rules of the countries where its products originate, the Group is also subject to the 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 materiel, 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.

The denial or revocation of export licenses may cause the Group to postpone or refrain from entering into new contracts, prevent it from performing under existing contracts or require it to cease selling its products to certain customers or into certain countries entirely. Thus, the export regulation, including the implementation of rules under the Sanctions Lists, could have, in the future, a material adverse effect on the Group's revenue, financial condition and results of operations. For instance, in 2014 the EU imposed sanctions against Russia, including a firearms embargo, by adopting Council Decision 2014/512/CFSP, and Council Regulation (EU) No 833/2014, which remains in place as of the date of this Prospectus. Before the imposition of those sanctions, Russia was the Group's second most important market after the U.S., but with the imposition of those sanctions, that business ceased.

The Group's operations depend on obtaining and maintaining licenses and permits necessary for the operation of its business.

The Group is subject to regulation in the countries in which its products originate (the European Union, the Czech Republic, the United States, Canada, Germany, Switzerland, Hungary and Sweden). In 2023 and 2022, approximately 51 per cent and 57 per cent, respectively, of the Group's firearms originated in the Czech Republic. The main jurisdictions affecting the Group's operation are the Czech Republic and the United States.

In the Czech Republic, the Group conducts its business operations under the Trade License issued by the Czech Trade Licensing Office and the Arms License issued by the Czech police. Although both licenses have been issued for an indefinite period of time, each of them can be revoked if the Group fails to comply with numerous applicable laws and regulations. Both of the aforementioned licenses require compliance with extensive statutory requirements, regarding, for example, the integrity of responsible persons and the members of the executive bodies of the relevant entities, the maintenance of an evidence of firearms, the security measures ensuring the maintenance of proper conditions for securing firearms or ammunition against abuse, loss or theft and other statutory requirements. A license revocation would therefore have severe impacts on the Group and its ability to continue its operations and, consequently, its financial position. A failure by the Group to comply with applicable laws and regulations may also result in fines.

In the United States, the Group conducts its business operations under numerous federal state and local laws and regulations in the United States, including the rules and regulations of the United States Bureau of Alcohol, Tobacco, Firearms and Explosives (the **ATF**). If the Group fails to comply with ATF rules and regulations, the ATF may impose fines on the Group, or limit the Group's activities in the United States.

Therefore, the compliance with all applicable laws and regulations is costly and time consuming. Violation of any of these laws, regulations, and protocols could cause the Group to incur fines and penalties and may also lead to restrictions on the Group's ability to produce and sell firearm products which could significantly influence its financial performance and financial position. In addition, these laws, and regulations as well as their interpretation by regulatory authorities, may change at any time. There can be no assurance that such changes to the laws and regulations or to their interpretations will not adversely affect our business.

4 Internal control risks

The nature of the Group's business is highly susceptible to corruption, fraud or other improper activities.

The Group's operations and its participation in various tendering procedures, make the Group highly susceptible to corruption and its management, employees or agents may engage in misconduct, fraud or other improper activities. The Group is exposed to the risk that management, employees or agents, including foreign sales representatives cause export of defence articles or technical data without an export license, pay bribes in order to obtain business, fail to comply with applicable government procurement regulations, violate the government requirements concerning the protection of classified information and misappropriation of government or third-party property and information, which would result in the Group's suspension or debarment from contracting with the governments, as well as the imposition of fines and penalties, which would cause material harm to the Group's business and its reputation.

The Group is exposed to disruptions in its information technology and to cyber-attacks.

The Group depends on its information technology and data processing systems for the efficient operation of its business, and a significant malfunction or disruption in the operation of the systems could disrupt the Group's business. Breakdowns and interruptions in the Group's information technology systems could jeopardize their operation, causing errors in the execution of transactions, inefficient processes, loss of customers and other business interruptions.

The Group uses its information technology systems to collect and store confidential and sensitive data, including information about the Group's business, customers and employees. The remote communication features used by the Group are sensitive to both wilful and unintentional security breaches. In the event of a security breach that allows third parties to access such confidential information, the Group could be subject to lawsuits, fines and other means of regulatory enforcement. The Group has defined data privacy and cybersecurity as the key areas of materiality of the Group's ESG strategy.

The Group's assets are exposed to the risk of cyber-attacks, or threats of intentional disruption, which are increasing in terms of sophistication and frequency, with the consequence that such cyber-incidents may remain undetected for long periods of time. The Group has experienced a malware attack and an occurrence of invoice fraud in the past and, while these have not had a material impact on the Group, there can be no assurance that similar incidents will not occur again in the future and that they will not have a material adverse impact on the Group's reputation, business, financial condition, liquidity or results of operations. The measures taken by the Group may not prevent all instances of cyber-attacks. In case of a severe cyber-attack, the Group's operations could be temporarily disrupted, which could have a material adverse effect on the Group's reputation, business, financial condition, liquidity and results of operations.

5 Environmental, social and governance risks

The Group may face difficulties complying with ESG standards or other sustainability requirements.

ESG risks include the Group's environmental, social, and governance factors that could cause reputation or financial harm. By not complying with ESG standards, the Group could lose access to funding or financing from ESG-conscious investors, lose socially conscious customers, or even violate ESG-related regulations, which can result in fines or other penalties.

The Group published its first comprehensive ESG report based on the Global Reporting Initiative (**GRI** (**GRI**) standards in June 2023 and implemented the first set of ESG-related targets. The Group is also working on the implementation of Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting (the **CSRD**).

There is a risk that the Group will not be able to implement all the regulatory requirements concerning ESG in time or will fail to meet its targets and adopted strategies.

The small calibre ammunition industry is exposed to increasingly more demanding ESG standards and regulation.

The small calibre ammunition industry, including Sellier & Bellot, faces significant regulatory and environmental risks due to the increasing focus on ESG standards and the potential for expanded regulation on the use of lead in ammunition. The European Union has been at the forefront of this regulatory shift, with the European Chemicals Agency recommending restrictions on lead use. As a result, discharging and carrying lead shot within 100 meters of wetlands has been prohibited since 2023, and further EU-wide restrictions have been proposed. These include a ban on the sale and use of lead gunshot after a five-year transition period and a ban on the use of lead in bullets for hunting after a transition period of five years for small calibre bullets and 18 months for large calibre bullets. The proposed restrictions present an option for a derogation for sports shooting under strict conditions, but the overall trend is towards a reduction in lead use.

While the proposed restrictions do not cover military or other non-civilian uses, and indoor uses are also excluded, the trend is clear in other regions as well. For instance, Germany, Denmark, and the Netherlands have implemented wider bans on lead shot, and the United States is also considering similar measures on federal lands.

Sellier & Bellot has proactively developed a portfolio that includes lead-free and non-toxic ammunition (ie ammunition equipped with a primer that does not contain any traces of heavy metal in its emissions, such as lead, mercury, barium, and antimony). However, should the regulatory environment become more restrictive or the transition to non-toxic alternatives be accelerated, Sellier & Bellot, along with the entire sector, could face challenges in supplying the necessary quantities of alternative ammunition. This could necessitate significant additional investment in specialized production equipment and could impact the Sellier & Bellot's competitive position and financial performance.

Furthermore, the EU acknowledges the need to ensure access to finance and investment (including from the private sector) for all strategic sectors, in particular the defence industry. In its communication of 15 February 2022 on European defence, the EU Commission highlighted the need for initiatives on sustainable finance to remain consistent with the European Union efforts to facilitate the European defence industry’s sufficient access to finance and investment.

In response to potential financial constraints, EU defence ministers have called for enhanced coordination between national and EU institutions to mitigate negative effects and promote investments in the defence sector. However, the industry's ability to attract finance may be affected by ESG indexes that currently exclude companies active in the defence and armaments sectors.

In summary, the small calibre ammunition industry is navigating a complex and evolving regulatory landscape that poses risks related to the production and use of lead in ammunition, potential supply chain disruptions, increased costs associated with compliance and transitioning to alternative materials, and potential impacts on access to finance due to evolving ESG criteria. These factors could have a material adverse effect Sellier & Bellot's operational and financial performance.

The Group's performance is sensitive to social and political pressures due to the controversial nature of firearms and small calibre ammunition.

Given their intrinsic ability to inflict harm on others, firearms and ammunition are socially and politically controversial products. As a result, the production and sale of firearms is influenced by social and political pressures in addition to regulatory restrictions.

To integrate the core principles of ethical conduct in the Group's business, the Group has adopted a comprehensive compliance program (the **Compliance Program**) including the Code of Conduct which is binding for all Group companies. The Compliance Program is being reviewed and updated on a regular basis. Furthermore, individual Group companies have adopted compliance programs in accordance with their respective local jurisdictions. All the Group's employees and trading partners are required to comply with the code of ethics. However, despite efforts of the Group to counter an illicit trade in the Group's firearms and ammunition, there can be no assurance that future incidents involving an illicit trade in, or use of, firearms and ammunition produced by the Group would not have an adverse effect on the Group's reputation or will not adversely affect the Group's business, results of operations, financial condition, cash flows and prospects, as a result of social or political pressure or otherwise.

In addition, from time to time, the Group may be subject to informal private or public inquiries and/or formal proxy proposals by activists urging the Group to take certain corporate actions, any of which may not be aligned with the Group's best financial or operational interests. Such activities may adversely affect the Group's business in a number of ways, since responding to such inquiries or proposals could be costly, time consuming, disruptive to operations, and could meaningfully divert the attention of the Group's resources, including those of the management team and employees. For example, such activities could require the Group to retain the services of various professionals to advise on such matters, including legal, financial, and communications advisors, which could be costly.

In addition, certain shareholder inquiries and proposals could create perceived uncertainties or concerns as to the Group's future operating environment, legislative environment, strategy direction, sustainability strategy or leadership, and such uncertainties or concerns could result in the loss of potential business opportunities, harm the Group's ability to attract new investors, customers, and employees, harm or disrupt the Group's business and financial relationships, result in customer boycotts of the Group's products, and cause the share price to experience periods of decline, volatility, or stagnation. For example, certain activists could pressure financial institutions, customers, vendors, or other businesses and institutions with whom the Group maintains relationships to adopt actions that are not in the best interests of the Group, inconsistent with the legal operations of the Group's business, or contrary to the beliefs of the Group's core customers. Such activities could adversely affect the Group's business, results of operations, financial condition, cash flows and prospects.

Environmental laws and regulations may impact the Group's business.

Despite the fact that the Group's production facility in Uherský Brod, Czech Republic, has been in operation for more than 80 years, no comprehensive inspection has been carried out to assess any structural, subsurface or environmental problems that may exist or arise, and which could have an adverse impact on the value of the asset. Even when an inspection is undertaken, there is a risk that structural or environmental problems, such as ground water contamination, may not necessarily be observable. This facility has the most complex production within the Group, as it includes the complete cycle of casting, machining, metal treatments, assembly, and testing. Therefore, the environmental impact is greater in the Czech Republic than in the U.S. or Canadian operations, where the main activity is assembly and testing.

The Group is taking measures to reduce the noise that production machinery in Uherský Brod produces. For historical reasons, the facility is located in the city centre and the noise affects the local population.

It is not possible to predict with certainty the impact of future environmental compliance requirements or of the cost of resolution of future environmental proceedings and claims, in part because the scope of the remedies that may be required is not certain and environmental laws and regulations are subject to modifications and changes in interpretation. Environmental regulations may become more burdensome in the future and any such development, or discovery of unknown conditions, may require the Group to make material expenditures or otherwise materially adversely affect the way the Group operates its business, as well as have a material adverse effect on the Group's results of operations, financial condition, or cash flows.

ESG impact of Group´s products may affect Group's business.

The Group does not generate its revenues from fossil-fuel-powered military equipment, such as combat vehicles, aircraft, or naval vessels. Therefore, most of the carbon footprint generated by the Group's products is associated with sourcing of materials and Group's manufacturing processes. As a result, the Group is focusing on improving energy efficiency and reducing emissions to reduce its carbon footprint.

The Group's production program is not associated with any controversial weapons or nuclear deterrence, which are excluded from ESG labelling in most countries. The Group's 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 weapons is the level of control on the impact of the weapon (in space and time) when used, and the risk of collateral damage.

ESG risks related to weak product governance could lead to the loss of customers or fines imposed to the Group by regulators and could adversely affect the Group's business, results of operations, financial condition, cash flows and prospects.

RISKS RELATED TO THE SHARES

1 Risks related to the nature of the Shares

Shareholders experienced significant dilution as a result of the issue of the New Shares

Proportionate ownership and voting interests in the Company of existing shareholders of the Company was significantly reduced and the percentage of their existing Shares was accordingly reduced by approximately 27.7 per cent as a result of the issue of the New Shares.

Shareholders will not receive any compensation for such dilution.

Risk of reduced influence of existing shareholders due to entry of CBC Investor.

The entry of CBC Investor, who holds and will hold approximately 27.7 per cent of the Shares in the Company post Admission, may result in changes in the composition and dynamics of the Company's Supervisory Board and the board of directors of Colt CZ Group North America. CBC Investor may have different interests, objectives, expectations, or preferences than the existing shareholders. This may lead to conflicts of interest or even disputes among the shareholders, which could adversely affect the Company's reputation, or ability to pursue its business. As a result of such conflicts, CBC Investor may seek to exit or dispose of its stake at a short notice or unfavourable terms, which could create uncertainty or volatility in the Company's share price or financial position.

The entry of CBC Investor also diluted the voting power, ownership interest, or economic rights of the existing shareholders, and reduce their ability to influence the Company's decisions or protect their interests. The existing shareholders may face difficulties in participating in future capital increases. The existing shareholders should carefully consider the potential risks and implications of the entry of CBC Investor, and seek independent legal, financial, or other professional advice before making any investment decisions.

The rights of minority shareholders are governed by the laws of the Czech Republic, whose corporate governance standards may differ from those of other jurisdictions.

The Company is incorporated as a European Company (*Societas Europaea*) under the laws of the Czech Republic. The rights of holders of the Shares are governed by the Company's Articles of Association and by Czech law, mainly the Czech Act No. 90/2012 Coll., on commercial companies and cooperatives, as amended (the **Czech Companies Act**). These rights, including the rights of minority shareholders, may differ in some respects from the rights of shareholders in corporations organised outside the Czech Republic. For example, corporate law in the state of Delaware in the U.S. provides that a shareholder may bring a derivative action on behalf of a company to enforce the rights of the company. An individual may also commence a class action suit on its own behalf and on behalf of other similarly situated shareholders where the requirements for maintaining a class action under Delaware law have been met. Also, if a company is subject to the SEC's proxy rules, a shareholder who owns at least USD 2,000 in market value, or 1 per cent of the company's securities, is entitled to vote and may propose a matter for a vote at an annual or special meeting in accordance with those rules. Accordingly, the rights of minority holders of the Shares may differ materially and even be less beneficial from those applicable in other jurisdictions. Under Czech law: (i) under certain circumstances, majority shareholders holding at least 90 per cent of the shares in the Company (and corresponding portion of voting rights) can demand a squeeze-out of the remaining minority shareholders; (ii) Shareholders must reach certain percentage of the shares in a company in order to be able to exercise further rights (please see section *XVIII.3.3 Rights available to a shareholder (or shareholders, acting in concert) holding Shares representing at least 5 per cent of Shares if the Company's registered share capital is CZK 100 million or less, or at least 3 per cent of Shares if the Company's registered share capital exceeds CZK 100 million, or at least 1 per cent of Shares if the Company's registered share capital exceeds CZK 500 million* (the Qualified Shareholders)); (iii) minority shareholders may be unable to prevail in a claim against the Company under, or to enforce liabilities predicated upon, the securities laws of jurisdictions outside the Czech Republic. These provisions may cause that the minority shareholders' position within the Company and rights may be adversely affected, as well as the value of their investments.

Exchange rate fluctuations may impact the market price and the value of the Shares, as well as any dividends or other income paid on the Shares for an investor whose principal currency is not CZK.

The Shares are denominated in CZK. An investment in the Shares by an investor in a jurisdiction other than the Czech Republic exposes the investor to foreign currency rate risk. Any depreciation of CZK in relation to such foreign currency, will reduce the value of the investment in the Shares or any dividends in foreign currency terms. Further, the Company declares and distributes dividends or other income, if any, in CZK. Exchange rate movements of CZK will therefore affect the value of these dividends or other income for investors whose principal currency is not CZK. This could affect the value of the Shares and of any dividends or other income paid on the Shares for an investor whose principal currency is not CZK.

Shareholders in certain jurisdictions may not be able to participate in future equity offerings.

Czech law provides for pre-emptive rights to be granted to existing shareholders in the Company in the event of an issue of shares by the Company. However, securities laws of certain jurisdictions may restrict the Company's ability to allow participation by shareholders in future offerings. In particular, holders of the Shares in the United States may not be entitled to exercise these rights, unless the Shares and any other securities that are offered and sold are registered under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**), or the Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Company cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable U.S. or other shareholders to exercise their pre-emptive rights or, if available, that the Company will utilise any such exemption.

There can be no assurance of any returns in respect of any investment made in the New Shares.

Investors increasingly use environmental, social and governance criteria in making investment decisions and may exclude the purchase of gun manufacturers stock, such as the Shares, under such criteria. For example, some investment managers have created several options for investors to exclude firearms and small calibre ammunition manufacturers and retailers from their portfolio. If a greater number of investors exclude gun manufacturers from their investments, it would influence the demand for the Shares and could cause the Share price to decline or stagnate.

The fluctuation and decline of the prices of the Shares in the open market could lead to investors getting back less than what they invested or a total loss of their investment.

2 Risks related to the Admission

Substantial future offerings by the Company or its significant shareholders of equity or equity-linked securities may adversely affect the market price of the Shares and dilute the shareholders' interests.

Sales of additional Shares (or other equity or equity-linked securities) into the public market following the Admission, including by the Company and its significant shareholders could adversely affect the market price of the New Shares. Issuance or sale of a substantial amount of equity or equity-linked securities, or the availability of a substantial amount of equity or equity-linked securities for sale, could cause declines in or increase the volatility of the market price of the Shares.

In addition, the Company may raise additional capital by offering additional equity or equity-linked securities, including global depositary receipts, commercial paper, medium-term notes, senior or subordinated notes or series of ordinary shares. The issuance of equity or equity-linked securities may dilute the economic and voting rights of existing shareholders, if made without granting pre-emptive or other subscription rights, or reduce the price of the Company's Shares, or both. Any decision by the Company to issue additional securities depends on market conditions and other factors beyond the Company's control, and therefore the Company cannot predict or estimate the amount, timing or nature of any such future issuances. Thus, prospective investors bear the risk of the Company's future offerings reducing the market price of the Shares and diluting their interest in the Company.

Trading in the Shares may be suspended or halted.

The Prague Stock Exchange may suspend or cease trading in the Shares in a number of circumstances, such as if the Company failed to comply with certain reporting obligations or in the event of market manipulation. Suspension of trading in the Shares would prevent investors from selling the Shares and realizing any income from such sales.

III. IMPORTANT INFORMATION

1 General

This Prospectus constitutes a simplified prospectus for the purposes of, and has been prepared in accordance with, Article 14 of the Prospectus Regulation.

The material risks associated with the Company's activity, its shareholder structure and the New Shares are detailed in the section *II Risk Factors*. Potential investors should carefully consider the risks referred to and the other warnings contained in this Prospectus before making any investment decision. If any doubts remain regarding these matters, potential investors should consult their legal, tax and financial advisors. Prospective investors should also inform themselves of any applicable legal and tax implications in their country of residence arising from the acquisition, holding or disposal of the shares.

Prospective investors should rely only on the information contained in this Prospectus and any supplement to this Prospectus within the meaning of Article 23 of the Prospectus Regulation. The Company does not undertake to update this Prospectus, unless required pursuant to Article 23 of the Prospectus Regulation, and therefore potential investors should not assume that the information in this Prospectus is accurate as of any date other than the date of this Prospectus. No person is or has been authorised to give any information or to make any representation in connection with the Admission, other than as contained in this Prospectus, and, if given or made, any other such information or representations must not be relied upon as having been authorised by the Company, the Board of Directors or Supervisory Board, or any of their respective affiliates or representatives. The delivery of this Prospectus at any time after the date hereof will not, under any circumstances, create any implication that there has been no change in the Group's affairs since the date hereof or that the information set forth in this Prospectus is correct as of any time since its date.

No person has been authorised to give any information or to make any representations in connection with the Admission other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by or on behalf of the Company.

The contents of this Prospectus are not to be construed as legal, business or tax advice.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company or any of its representatives that any recipient of this Prospectus should purchase the Shares.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Shares in any jurisdiction. The distribution of this Prospectus may be restricted by law in certain jurisdictions. Neither the Company nor any of its representatives are making any representation regarding that this Prospectus may be lawfully distributed in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution. No action has been taken by the Company or any of its representatives is making any representation which is intended to permit a public offering of Shares or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Shares may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession this Prospectus comes must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus. In particular, there are restrictions on the distribution of this Prospectus in the United States and the United Kingdom.

This Prospectus may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone where such disclosure would be unlawful.

2 Presentation of Financial and other information

2.1 Historical financial information

The financial information included in this Prospectus reflects the situation as at the date of this Prospectus, unless specified otherwise. Neither the issue nor the distribution of this Prospectus shall under any circumstances imply that the information contained herein is accurate and complete as of any time subsequent to the date of this Prospectus or that there has been no change in the information set out in this Prospectus or in the affairs of the Company since the date of this Prospectus.

This Prospectus should be read and construed in conjunction with the audited consolidated financial statements of the Company as of and for the years ended 31 December 2023, 2022 and 2021, together with the notes thereto (the **Audited Financial Statements**). The Audited Financial Statements included in this Prospectus have been audited in accordance with the Czech Act No. 93/2009 Coll., on Auditors, as amended (the **Czech Act on Auditors**)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; and prepared in accordance with the IFRS as adopted by the European Union (the **EU**). The Group's date of transition to IFRS was 1 January 2016.

Unless stated otherwise, the financial data concerning the Group presented herein for the years ended 31 December 2023, 2022 and 2021 originates from, or has been calculated on the basis of, the Audited Financial Statements. Certain financial information and operating data presented in the Prospectus has been excerpted from, prepared or calculated based on sources other than the Audited Financial Statements, such as management accounts and schedules prepared on the basis of accounting records by the Group for its internal purposes. Such data has not been subject to any audit or review procedures carried out by independent certified auditors.

This Prospectus incorporates the S&B Financial Statements, which can also be accessed via the Company’s website www.coltgroup.com. However, it is important to note that the S&B Financial Statements are considered third-party information that the Company has obtained and disseminated on its website as at the date of this prospectus. The Company does not assume any responsibility for updating the S&B Financial Statements should there be any subsequent amendments or corrections. Furthermore, the Company disclaims any liability with respect to the content, accuracy, or any other aspect of the information contained in the S&B Financial Statements.

In this Prospectus references to **2023**, **2022** and **2021**, are to the financial year ended 31 December 2023, the financial year ended 31 December 2022 and the financial year ended 31 December 2021, respectively, and references to "as of" any of these periods ended shall mean as of 31 December 2023, 31 December 2022 and 31 December 2021, respectively.

The design, production, assembly and sale of firearms, tactical accessories and production of ammunition are reported in the Group's production, purchase and sale of firearms and accessories segment (the **Firearms and Accessories Segment**).

2.2 Alternative Performance Measures

This Prospectus 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 30 June 2015 (the **Alternative Performance Measures**), see section *X.4 Key Performance Indicators*.

2.3 Rounding and negative amounts

Certain figures in this Prospectus, including financial data, have been rounded. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures which precede them.

In preparing the financial information included in this Prospectus, most numerical figures are presented in millions of CZK or USD. For the convenience of the reader of this Prospectus, certain numerical figures in this Prospectus are rounded to the nearest million. Accordingly, figures shown for the same category presented in different tables may vary slightly, and figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures which precede them.

The percentages (as a percentage of revenue or costs and period-on-period percentage changes) presented in the textual financial disclosure in this Prospectus are derived directly from the financial information included elsewhere in this Prospectus. Such percentages may be computed on the numerical figures expressed in millions of CZK or USD. Therefore, such percentages are not calculated on the basis of the financial information in the textual disclosure that has been subjected to rounding adjustments in this Prospectus.

In tables, negative amounts are shown between brackets. Otherwise, negative amounts are shown by "-" or "negative" before the amount.

2.4 Foreign Language Terms and Currency

This Prospectus is drawn up in the English language. Certain legislative references and technical terms in the English version have been cited in their original Czech language in order that the correct technical meaning may be ascribed to them under applicable law.

In this Prospectus, all references to:

Czech Koruna and **CZK** refer to Czech Koruna, the currency of the Czech Republic; and

EUR, **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

U.S. Dollars and **USD** refer to United States dollars, the currency of the United States of America;

SEK, refer to **Swedish Krona**, the currency of Sweden; and

CHF, refer to **Swiss Franc**, the currency of Switzerland.

2.5 Market and industry information

All references to market share, market data, industry statistics and industry forecasts in this Prospectus consist of estimates compiled by industry professionals, competitors, organisations or analysts, of publicly available information or of the Company's own assessment of its sales and markets. Statements based on the Company's own proprietary information, insights, opinions or estimates contain words such as "believe", "the Company believes", "expect", "the Company expects", "see", "the Company sees", and as such do not purport to cite, refer to or summarise any third-party or independent source and should not be so read.

This Prospectus also contains statistics, data and other information relating to markets, market sizes, market positions and other industry data pertaining to the Company's business and markets. The information in this Prospectus that has been sourced from third parties has been accurately reproduced with reference to these sources in the relevant paragraphs and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information provided inaccurate or misleading.

Industry publications and market studies generally state that their information is obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. Where third-party information has been sourced in this Prospectus, the source of such information has been identified.

In this Prospectus, certain statements are made regarding the Company's competitive and market position. The Company believes these statements to be true, based on market data and industry statistics, but the Company has not independently verified the information. The Company cannot guarantee that a third party using different methods to assemble, analyse or compute market data or public disclosure from competitors would obtain or generate the same results. In addition, the Company's competitors may define their markets and their own relative positions in these markets differently than the Company does and may also define various components of their business and operating results in a manner which makes such figures non-comparable with the Company's figures.

2.6 Information about Sellier & Bellot

The S&B Financial Statements (as defined below) have been prepared in accordance with GAAP and usage of different accounting standards than those used by the Group could adversely affect the comparability of the Group's and Sellier & Bellot's financial results.

All information in this Prospectus about Sellier & Bellot that has been sourced from third parties has been accurately reproduced with reference to these sources in the relevant paragraphs. The Company relies on what are generally considered to be trustworthy sources. However, it is unable to further verify if third-party published information is complete. Consequently, there is no guarantee that the information reproduced and provided by the Company is free from omissions that could potentially make it incorrect or deceptive.

3 Supplements

If a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the New Shares, arises or is noted between the date of this Prospectus and the final closing of the Offer Period or the time when trading on a regulated market begins, whichever occurs later, a supplement to this Prospectus will be published in accordance with relevant provisions under the Prospectus Regulation. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies shall cease to apply upon the expiry of the validity period of this Prospectus, which is on the date of Admission or 12 months after its approval by the CNB, whichever occurs earlier.

Such a supplement will be subject to approval by the CNB in accordance with Article 23 of the Prospectus Regulation and will be made public in accordance with the relevant provisions of the Prospectus Regulation. The summary shall also be supplemented, if necessary, to take into account the new information included in the supplement.

Investors who have already agreed to purchase or subscribe for the New Shares before the supplement is published shall have the right, exercisable within two business days following the publication of a supplement, to withdraw their acceptances, provided that the new factor, material mistake or inaccuracy, arose or was noted before the final closing of the Admission. Investors are not allowed to withdraw their acceptance in any other circumstances.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any supplement shall specify which statement is so modified or superseded and shall specify that such statement shall, except as so modified or superseded, no longer constitute a part of this Prospectus.

4 Information regarding forward-looking statements

This Prospectus includes forward-looking statements. These forward-looking statements include, but are not limited to, statements regarding the Company's or the Board of Directors' expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statement that refers to projections, forecasts or other characterisations of future events or circumstances, including any underlying assumptions, is a forward-looking statement. The words "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "might", "plan", "possible", "potential", "predict", "project", "seek", "should", "would" and similar expressions, or in each case their negatives, may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements that reflect the Company's intentions, beliefs or current expectations and projections about the Group's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which the Group operates. In particular, the statements under the headings "*Risk Factors*", "*Reasons for the Offering and Use of Proceeds*", "*Dividend policy*" and "*The Group's business*" regarding the Group's strategy, targets, expectations, objectives, future plans and other future events or prospects are forward-looking statements.

Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Forward-looking statements are not guarantees of future performance and the Company's actual financial condition, actual results of operations and cash flows, and the development of the industry or industries in which it operates or will operate, may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if the Company's financial condition, results of operations and cash flows, and the development of the industry or industries in which it operates or will operate, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global, political, economic, business, competitive, market and regulatory conditions as well as, but not limited to, the following:

- the Company's strategy, outlook and growth prospects;
- the Company's liquidity, capital resources and capital expenditure requirements;
- the Company's expectations as to future growth in demand for the Company's products;
- the Company's medium-term objectives;
- changes in general economic conditions and capital markets; and
- actions of competitors and customers.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative, but by no means exhaustive, and should be read in conjunction with other factors that are included in this Prospectus. See section *II Risk Factors*. Should one or more of these risks materialise, or should any underlying assumptions prove to be incorrect, the Company's actual financial condition, cash flows or results of operations could differ materially from what is described herein as anticipated, believed, estimated or expected. All forward-looking statements should be evaluated in light of their inherent uncertainty.

Any forward-looking statement made by the Company in this Prospectus applies only as of the date of this Prospectus and is expressly qualified in its entirety by these cautionary statements. Factors or events that could cause the Company's actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. Except as required by laws and regulations, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any change in its expectations or any change in events, conditions or circumstances on which any forward-looking statement contained in this Prospectus is based.

5 Enforcement of civil liabilities against the Company

The following description contains only general information and relies on information obtained from publicly available sources. The Company or its advisers make no representation as to the accuracy or completeness of the information included herein. Any prospective purchasers of the New Shares should therefore not rely upon the information included herein and are recommended to contact their legal advisers for consultation about the enforcement of claims in respect of the Company's private law liabilities within any relevant jurisdiction.

The courts of the Czech Republic shall have jurisdiction to settle any disputes, which may arise out of or in connection with the New Shares (including a dispute relating to any non-contractual obligations arising out of or in connection with the New Shares).

The recognition and enforcement of foreign judgments in civil and commercial matters in the Czech Republic is governed by EU law, public international treaties and Czech law. Regulation (EU) 1215/2012 of 12 December

2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the **Regulation 1215/2012**) is directly applicable in the Czech Republic. Based on this regulation, court rulings issued by any court authority in the EU member states with regard to civil and commercial matters are enforceable in the Czech Republic, subject to the rules set forth in the Regulation 1215/2012 and, conversely, court rulings issued by court authorities in the Czech Republic with regard to civil and commercial matters are reciprocally enforceable in the EU member states.

As from 1 January 2021, the Regulation 1215/2012 no longer applies in the United Kingdom of Great Britain and Northern Ireland (the **United Kingdom** or the **UK**). As a result, persons enforcing a judgment obtained before English courts no longer benefit from the recognition of such judgment in EU courts (including the Czech Republic) under the Regulation 1215/2012. However, on 28 September 2020, the UK deposited an instrument of accession to the Hague Convention on Choice of Court Agreements 2005 (the **Hague Convention**). The Hague Convention is an international convention which requires contracting states to recognise and respect exclusive jurisdiction clauses in favour of other contracting states and to enforce related judgments. As the Czech Republic already is a party to the Hague Convention by virtue of being a member state of the EU, judgments handed down by a UK court should be recognised and enforced under the Hague Convention in the Czech Republic. However, the scope of the Hague Convention is limited to contracts containing exclusive jurisdiction clauses and there is no assurance that such judgments will be recognised on exactly the same terms and in the same conditions as under the Regulation 1215/2012.

According to the Regulation (EC) No 593/2008 of 17 June 2008 on the law applicable to contractual obligations, parties to a contract may, subject to the terms set out therein, select the law which will govern their contractual relations in civil and commercial matters and Czech courts will give effect to such choice of law. In addition, EC Regulation No. 864/2007 on the law applicable to non-contractual obligations of 11 July 2007 allows parties to make a choice with respect to governing law of their non-contractual obligations in civil and commercial matters, subject to the terms set out therein. Unless parties to the dispute agreed otherwise, or unless courts of a different member state have an exclusive jurisdiction, foreign entities are able to bring civil proceedings before Czech courts against individuals and legal entities domiciled therein. In court proceedings, Czech courts apply their respective national procedural rules and their judgments are enforceable in their respective jurisdictions, subject to certain statutory limitations on the ability of creditors to enforce judgments against certain assets.

Any person bringing an action in the Czech Republic may be required to: (i) submit to the court a translation of any relevant document into the Czech language (apostilled if applicable pursuant to respective international treaties) prepared by a sworn translator authorised by such court; and (ii) pay a court filing fee.

In the event that court judgments against the Company are issued by court bodies of non-EU member states, the following rules shall apply:

(a) In cases where the Czech Republic concluded an international treaty with a specific country on the recognition and enforcement of court rulings, the recognition and enforcement of court rulings issued in such country is processed in accordance with the provisions of the applicable international treaty.

(b) If no international treaty on the recognition and enforcement of court rulings exists, then the rulings of foreign courts shall be recognised and enforced in the Czech Republic in accordance with Czech Act No. 91/2012 Coll., on private international law, as amended (the **Czech Private International Law Act**) and other relevant legislation. In the event of a foreign ruling against a Czech individual or legal entity, such a foreign ruling shall be recognised and enforced if, among other things, actual reciprocity has been established regarding the recognition and enforcement of judgments rendered by Czech courts in the relevant country.

The Czech Ministry of Justice may, upon agreement with the Czech Ministry of Foreign Affairs and other ministries, declare that reciprocity has been established with respect to a particular foreign country. Such declaration is binding on the Czech courts and other state authorities. If such declaration of reciprocity has not been issued with regard to a particular country, however, this does not automatically mean that reciprocity cannot be established in a given case. In such cases, the recognition of reciprocity would be assessed as part of the proceedings by the Czech court based on the actual situation in a given country with regard to the recognition of judgments of Czech authorities.

On the other hand, even if reciprocity has been established and declared by the Czech Ministry of Justice with respect to judgments issued by judicial bodies of a particular foreign country, such judgments may not be recognised and enforced under applicable provisions of Czech law if, for example: (i) the matter falls within the exclusive jurisdiction of the courts of the Czech Republic, or in the event that the proceedings could not have been conducted by any authority of a foreign state, should the provisions on the jurisdiction of Czech courts be applied for considering the jurisdiction of the foreign authority (unless the party against whom the decision was issued voluntarily submitted to the authority of the foreign body); (ii) proceedings are underway before a Czech court with regard to the same legal relations and if said proceedings commenced prior to the proceedings abroad, in which the judgement whose recognition has been proposed was issued; (iii) a Czech court has issued or recognised a final judgment in the same matter, or proceedings regarding the same matter are pending before a Czech court; (iv) the foreign authority deprived the party to the proceedings against whom the judgment was made of the opportunity to properly participate in the proceedings (i.e., in particular, if such party had not been duly served for the purposes of the initiation of the proceedings); or (v) the recognition of a foreign judgment would be contrary to the public order in the Czech Republic.

The issue and acquisition of the New Shares is not subject to any foreign exchange regulation in the Czech Republic. Under Czech Constitutional Act No. 110/1998 Coll., on security of the Czech Republic, as amended, the Czech Government or its Prime Minister may declare an emergency (in Czech: *nouzový stav*). If the Czech Government declares an emergency, payments in foreign currency or abroad generally, interbank transfers of monies from abroad to the Czech Republic and/or sale of securities (including the New Shares) abroad may be suspended in accordance with Czech Act No. 240/2000 Coll., on crisis management and amendment to certain acts, as amended, for the duration of such emergency. Such an emergency may be declared for a maximum period of 30 days unless prolonged by the approval of the Chamber of Deputies of the Parliament of the Czech Republic.

6 Takeover rules

6.1 EU tender offer regulations

The relevant conflict of laws provisions of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, as amended (the **Takeover Directive**), implemented into Czech law through an amendment to the Act No. 104/2008 Coll., on takeover bids, as amended (the **Czech Takeover Act**) provide that if the securities of the offeree company (*i.e.* the company the securities of which are the subject of a bid) are admitted to trading on a regulated market in the Member State in which the company has its registered office, the authority competent to supervise the bid shall be that of the Member State in which the offeree company has its registered office. The competent authority in the Czech Republic is the CNB.

There has been no public take-over bid in relation to the Shares in the year ended 31 December 2023 and the period between 1 January 2024 and the date of this Prospectus.

6.2 Mandatory takeover bids

In compliance with the Czech Takeover Act, if a person acquires a share in the Company’s voting rights that corresponds to no less than 30 per cent of all votes attached to the Company's Shares and becomes a controlling person, such person is required to make, within 30 days of the date following the date of acquiring or exceeding such a share, a mandatory takeover bid to all owners of the Shares. This rule applies also to persons acting in concert.

The consideration offered for the Shares by the offeror must equal or exceed the premium price, being the highest price paid for the Shares by the offeror (or by persons acting in concert with it) in the last 12 months and reflecting all monetary and non-monetary considerations paid or given for the acquisition of these Shares, including all benefits provided in this respect. If there is no premium price, the consideration must equal or exceed the weighted average price of the Shares on the PSE for the last six months. The consideration may be in cash, shares or combination of both.

Mandatory takeover bids cannot be made without the consent of the CNB with a publication of an offer document. The Czech Takeover Act sets out conditions under which the CNB may change the consideration offered by the offeror.

Anyone who has accepted the mandatory takeover bid and deems the consideration unfair has the right to claim before a court the difference between the price paid on the basis of the mandatory takeover bid and the fair price (the court decision ordering payment of such difference is binding with respect to all shareholders of the Company having accepted the mandatory takeover bid). The court is not bound by the decision of the CNB on the amount of consideration.

The person who fails to perform the obligation to make a takeover bid (and the persons acting in concert) may not exercise voting rights in the Company until the obligation is met.

6.3 Mandatory disclosure during a takeover bid

Under the Czech Takeover Act, persons who are interested in the outcome or running of the takeover bid, in particular any shareholders of at least 5 per cent of the target's securities, the bidder, cooperating persons, the target, and persons forming a group of companies with the target must report to the CNB without undue delay following the announcement of an intention to launch a takeover bid, any acquisition or sale of the target's securities or options for these securities or securities being offered as consideration by the bidder.

6.4 Voluntary takeover bids

In case an offeror makes a voluntary public offer to buy the Shares with the intention to gain control in the Company, such voluntary takeover bid must be in accordance with the relevant rules of the Czech Takeover Act and the Czech Companies Act. The offeror must submit the bid document to the CNB, which has a power to prohibit the offer. The minimum period for which the bid is effective is four weeks from the date of publication of the bid document.

6.5 Squeeze-out and sell-out rules

In compliance with the Czech Companies Act and the Czech Companies Act, a majority shareholder owning Shares representing at least 90 per cent of (i) the registered share capital corresponding to shares with voting rights and (ii) voting rights in the Company (the **Requesting Shareholder**) is entitled to request the Board of Directors of the Company to convene a General Meeting to decide on the transfer of all the remaining Shares owned by the remaining minority shareholders (the **Squeezed-out Shareholders**) to such a Requesting Shareholder (squeeze-out).

The Squeezed-out Shareholders are entitled to fair monetary compensation for their Shares. The amount of the compensation is approved by the General Meeting and is based, as long as the Shares are admitted to trading on a European regulated market, on a justification of such amount prepared by the Requesting Shareholder.

The Requesting Shareholder, when asking the board of directors to convene the General Meeting to decide on the squeeze-out, must also attach a prior consent of the CNB (confirming that the Requesting Shareholder properly justified the amount of the compensation).

Any shareholder of the Company may also become a Requesting Shareholder after a successful mandatory or voluntary takeover bid. In such a case, the compensation according to such a bid would automatically be deemed fair by operation of law provided that the Requesting Shareholder asks the Board of Directors to convene the General Meeting deciding on the squeeze-out within 3 months after the end of the bid acceptance period.

On the day the squeeze-out becomes effective (*i.e.* one month after the publication of the registration of the resolution on the transfer of the Shares in the Commercial Register), the Shares admitted to trading on the Czech regulated market are automatically delisted from such market.

Within three months of the publication of the General Meeting resolution on the squeeze-out in the Czech Commercial Register, any Squeezed-out Shareholder is entitled to initiate court proceedings in case he or she deems the consideration unfair. The court then considers the difference between the price paid and the fair price, without regard to the CNB's consent to the squeeze-out. The outcome is then automatically binding with regards to all Squeezed-out Shareholders. If the conditions for the squeeze-out are fulfilled, the Squeezed-out Shareholders are granted, by operation of law, an opposite right to ask the Requesting Shareholder to buy their Shares (sell-out).

7 Declarations of the Company

7.1 Authorisations and consents

The Company has obtained all consents, approvals and authorizations in the Czech Republic in connection with the offer and sale of the New Shares.

7.2 No significant change

There has been no significant change in the financial position nor in the financial performance of the Group since 31 December 2023, the date to which the Audited Financial Statements 2023 were prepared.

7.3 Litigation

Save as described in this Prospectus (See section *XIII.20 Legal Proceedings*), there are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had, a significant effect on the Company's and/or the Group's financial position or profitability.

7.4 Working capital

In the opinion of the Company, taking into account the facilities available to the Group, the working capital available to the Group is sufficient for the Group's present requirements, that is for the next 12 months following the date of this Prospectus.

7.5 Auditors

The Audited Financial Statements were audited by Deloitte Audit s.r.o., an independent registered auditor with its registered seat in Italská 2581/67, Vinohrady, 120 00 Prague 2, Czech Republic, Id. No. 49620592, registered with the Commercial Register kept by the Municipal Court in Prague, File No. C 24349; and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic, under License No. 79 (**Deloitte Audit**). On behalf of Deloitte Audit, the auditors' reports on the Audited Financial Statements were signed by Martin Tesař, holding auditor's certificate No. 2030, and whose relevant audit reports are included in the Audited Financial Statements.

The Company declares that neither Deloitte Audit nor any of its members, employees or agents has any material interest in the Company.

8 Websites and press releases

Information contained on any website referred to herein, unless explicitly incorporated into this Prospectus by reference (see section *IV Information incorporated by reference*), does not form part of this Prospectus and has not been scrutinised or approved by the CNB.

During the twelve months up to the date of this Prospectus, the Company published several regulatory announcements and press releases in relation to the entering into by the Group of material agreements, the Group's financial and operational performance and the Group's strategy and accomplishments. The regulatory announcement and press releases can be found on the Company's website at: https://www.coltczgroup.com/en/investors-news-and-regulatory-announcement/ and https://www.coltczgroup.com/en/media-press-releases/.

9 Documents available for inspection

The following documents will be available free of charge at the registered office of the Company during normal business hours and on the Company's website during the term of this Prospectus:

(a) the Articles of Association of the Company available at https://www.coltczgroup.com/en/investors-corporate-affairs/;

(b) copies of the Audited Financial Statements available at https://www.coltczgroup.com/en/investors-financial-results-and-presentations/;

(c) the Articles of Association of Sellier & Bellot available at https://www.coltczgroup.com/file/1168; and

(d) copies of the documents required to be published on the Company's website pursuant to the applicable laws available in the corresponding section under the “Investors” tab at https://www.coltczgroup.com/en/.

The Prospectus and all the information explicitly incorporated into this Prospectus by reference (see section *IV Information incorporated by reference* will remain publicly available in electronic form on the Company's website www.coltgroup.com under the “Admission Documents” section in the “Investors” tab for at least 10 years after the publication on the website.

10 Tax Warning

The tax legislation of an investor's member state and the Czech Republic as the Company's country of incorporation may have an impact on the income received from the New Shares. Investors should therefore consult their own tax advisors regarding the tax implications of acquiring, holding or transferring the New Shares. Only qualified tax advisors are in a position to adequately consider the particular tax situation of individual investors.

The disposal of the New Shares generally results in the recognition of a capital gain or loss equal to the difference between the sale price and the acquisition cost. Unless relief under the relevant double taxation treaty or an exemption from Czech income tax applies, capital gains realised upon disposal of New Shares are generally subject to Czech income tax. See section *XXI Taxation*.

IV. INFORMATION INCORPORATED BY REFERENCE

The following documents which have previously been published on the Company's website www.coltczgroup.com, in section *Investors*, subsection *Financial Results and Presentations*, shall be incorporated in, and form part of, this Prospectus.

Information	**Document**	**Pages**	**Hyperlink**
Audited consolidated financial statements of the Company as of and for the year ended 31 December 2023	Annual financial report 2023 - ESEF format (Czech language)	129-209	https://www.coltczgroup.com/file/1163
	Annual Financial Report for 2023 (unofficial pdf version) (English language)	131-211	https://www.coltczgroup.com/file/1159
Independent auditor's report relating to the audited consolidated financial statements of the Company as of and for the year ended 31 December 2023	Annual financial report 2023 - ESEF format (Czech language)	210-215	https://www.coltczgroup.com/file/1163
	Annual Financial Report for 2023 (unofficial pdf version) (English language)	212-217	https://www.coltczgroup.com/file/1159
Audited consolidated financial statements of the Company as of and for the year ended 31 December 2022	Annual financial report 2022 - ESEF format (Czech language)	123-203	https://www.coltczgroup.com/file/866
	Annual Financial Report for 2022 (unofficial pdf version) (English language)	123-203	https://www.coltczgroup.com/file/863
Independent auditor's report relating to the audited consolidated financial statements of the Company as of and for the year ended 31 December 2022	Annual financial report 2022 - ESEF format (Czech language)	204-209	https://www.coltczgroup.com/file/866
	Annual Financial Report for 2022 (unofficial pdf version) (English language)	204-209	https://www.coltczgroup.com/file/863

Information	**Document**	**Pages**	**Hyperlink**
Audited consolidated financial statements of the Company as of and for the year ended 31 December 2021	Annual Report 2021 – ESEF format (Czech language) Annual Report 2021 – unofficial pdf version (English language)	147-253 133-204	https://www.coltczgroup.com/file/679 https://www.coltczgroup.com/file/754
Independent auditor's report relating to the audited consolidated financial statements of the Company as of and for the year ended 31 December 2021	Annual Report 2021 – ESEF format (Czech language) Annual Report 2021 – unofficial pdf version (English language)	254-260 205-210	https://www.coltczgroup.com/file/679 https://www.coltczgroup.com/file/754
Audited financial statements of Sellier & Bellot as of and for the year ended 31 December 2023	Annual Report 2023 – pdf version (Czech language)	4-32	https://www.coltczgroup.com/file/1202
Independent auditor's report relating to the audited financial statements of Sellier & Bellot as of and for the year ended 31 December 2023	Annual Report 2023 – pdf version (Czech language)	45-47	https://www.coltczgroup.com/file/1202
Audited financial statements of Sellier & Bellot as of and for the year ended 31 December 2022	Annual Report 2022 – pdf version (Czech language)	4-38	https://www.coltczgroup.com/file/1169
Independent auditor's report relating to the audited financial statements of Sellier & Bellot as of and for the year ended 31 December 2022	Annual Report 2022 – pdf version (Czech language)	51-54	https://www.coltczgroup.com/file/1169
Audited financial statements of Sellier & Bellot as of and	Annual Report 2021 – pdf version (Czech language)	4-39	https://www.coltczgroup.com/file/1170

Information	**Document**	**Pages**	**Hyperlink**
for the year ended 31 December 2021			
Independent auditor's report relating to the audited financial statements of Sellier & Bellot as of and for the year ended 31 December 2021	Annual Report 2021 – pdf version (Czech language)	53-55	https://www.coltczgroup.com/file/1170

Prospective investors should only rely on the information that is provided in this Prospectus or incorporated by reference into this Prospectus. Investor should refer to *III.2 Presentation of Financial and other information* for information about S&B Financial Statements.

No other documents or information, including the contents of the Company's website (www.coltczgroup.com) or of any websites accessible from hyperlinks on the Company's website or from hyperlinks included in this Prospectus that have not been specifically incorporated by reference in the section, form part of, or are incorporated by reference into, this Prospectus. Other than the Prospectus, the contents of the Company's website (www.coltczgroup.com), or of websites accessible from hyperlinks on that website or from hyperlinks included in this Prospectus that have not been specifically incorporated by reference in this section, have not been scrutinised or approved by the CNB.

V. REGULATORY DISCLOSURES

This section contains a summary of the information disclosed under Regulation (EU) No 596/2014 on market abuse, as amended, over the last 12 months which is relevant as at the date of this Prospectus.

1 Financial reports

On 24 May 2023, the Company announced results for its consolidated unaudited financial results for the first three months of 2023, ending 31 March 2023.

On 19 September 2023, the Company announced results for its consolidated unaudited financial results for the first six months of 2023, ending 30 June 2023.

On 23 November 2023, the Company announced results for its consolidated unaudited financial results for the first nine months of 2023 ending 30 September 2023.

On 26 March 2024, the Company announced selected figures for its preliminary consolidated unaudited financial results for the financial year 2023 ending 31 December 2023.

On 24 April 2024, the Company announced results for its consolidated audited financial results for the financial year 2023 ending 31 December 2023.

On 23 May 2024, the Company announced results for its consolidated unaudited financial results for the first three months of 2024, ending 31 March 2024.

2 Financings and Indebtedness

On 17 May 2023, the Company announced the increase of its share capital by CZK 36,529 by subscription of 365,291 new book-entry shares.

On 18 May 2023, the Company announced the issuance of 643 bonds with a nominal value of CZK 3,000,000 each, in the aggregate nominal amount of CZK 1,929,000,000, bearing interest at a floating rate of 6M PRIBOR plus margin in the amount of 1.8 % per annum.

On 7 June 2023, the Company made public a notification from certain shareholders regarding the commencement of the sale of a portion of their shares through an accelerated book-building process, with a view to sell up to 599,035 ordinary shares of the Company, representing approximately 1.74% of the Company's share capital.

On 8 June 2023, the Company made public a notification from certain shareholders regarding the completion of the accelerated book-building process and the outcome of such process.

On 15 June 2023, the Company announced a prospectus notice to shareholders regarding the possibility of receiving a share in the Company's profits in the form of the Company shares.

On 21 September 2023, the Company announced the increase of its share capital by CZK 32,217 by subscription of 322,170 new book-entry shares.

On 15 December 2023, the Company announced the increase of its share capital by CZK 36,803 by subscription of 368,038 new book-entry shares.

On 18 December 2023, Vocatus Investment as borrower entered into a loan agreement with KB, as lender (the **Bridge Loan**) under which Vocatus Investment, as of the date of this Prospectus, drew down EUR 91.2 million. The Bridge Loan was refinanced by a syndicated term loan dated 7 May 2024, see section (see section *XIII.19 Financing arrangements*).

On 16 May 2024, the Company announced the increase of its share capital by CZK 1,347,644 by subscription of 14,476,444 new book-entry shares.

On 22 May 2024, the Company announced that it increased its existing bond issue CCZG Bonds VAR 30 in the amount of CZK 1,071,000,000, resulting in the total aggregate nominal amount of the bond issue of CZK 3,000,000,000.

3 Corporate

On 15 June 2023, the Company announced the decision of the General Meeting about the distribution of profits for the year 2022 and the payment of dividends. The dividend payout for the year 2022 was set at CZK 30 per share before tax.

On 15 June 2023, the Company announced the decision of the General Meeting about, *inter alia*, the approval of the regular financial statements for 2022, approval of the consolidated financial statements for 2022, and approval of the distribution of profit for 2022 and resolution on the increase of the Company's share capital by subscription of new shares and setting off the issue price for the newly subscribed shares against the share in profits.

On 29 June 2023, the Company released its sustainability report covering the year 2023.

On 4 July 2023, the Company announced changes in the Company's elected bodies including, *inter alia,* the appointment of Mr. David Aguilar and Mr. René Holeček to the Supervisory Board and the subsequent election of Mr. David Aguilar as the chairman of the Supervisory Board and Mr. René Holeček as the vice-chairman of the Supervisory Board.

On 12 October 2023, the Company notified the shareholders of entering the share capital increase in the Commercial Register and of distributing agreements on the set-off of mutual monetary claims in relation to the stock dividend.

On 26 October 2023, the Company announced that on 25 October 2023 the Company filed Schedule 13D with the SEC declaring that together with other reporting persons the Company jointly acquired more than 5% of the share capital and voting rights of Vista Outdoor Inc.

On 22 November 2023, the Company announced that on 22 November 2023 the Company submitted an additional filing with the SEC in relation to its proposed transaction with Vista Outdoor Inc.

On 29 February 2024, the Company announced the decision of the General Meeting to authorise the Company´s Board of Directors to increase the Company´s share capital by a maximum of CZK 1,500,000 and to exclude the pre-emptive right to subscribe for new shares.

On 12 March 2024, the Company announced that on 12 March 2024 the Company filed Schedule 13D with the SEC declaring that together with other reporting persons the Company reduced its stake in the share capital and voting rights of Vista Outdoor Inc. below 5 per cent.

On 22 May 2024, the Company announced the intent to adopt decisions of the General Meeting of the Company outside its meeting.

On 29 May 2024, the Company announced the appointment of a new member of the Supervisory Board of the Company, effective from 27 May 2024.

4 M&A

On 28 June 2023, the Company announced the execution of a share purchase agreement resulting in the acquisition of a 100 per cent stake in the Swiss ammunition producer swissAA Holding AG.

On 18 December 2023, the Company announced the execution of an agreement with CBC Europe S.à r.l. resulting in the acquisition of a 100% stake in Sellier & Bellot.

On 19 December 2023, the Company presented the key highlights of its acquisition of Sellier & Bellot including the transaction rationale and expected timeline.

On 16 May 2024, the Company announced the closing of the acquisition of Sellier & Bellot.

VI. RESPONSIBILITY STATEMENT

The Company is responsible for the completeness and accuracy of information contained in this Prospectus. To the best of the Company's knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

The information contained in this Prospectus is accurate only as of the date of this Prospectus and any delivery of this Prospectus at any time after the date hereof does not imply that the information in this Prospectus is correct at such subsequent time.

In Prague on the date of this Prospectus.

Colt CZ Group SE

Jan Drahota	Josef Adam
Title: Chairman of the Board of Directors	Title: Vice-chairman of the Board of Directors

VII. REASONS FOR THE ADMISSION AND USE OF PROCEEDS

The fees and expenses to be borne by the Company in connection with the Admission including but not limited to the CNB's fees, fees related to the Admission, advisors' fees and expenses and the costs of printing and distribution of documents and other transaction costs are estimated to amount to approximately up to CZK 3 million (excluding VAT). The Admission is a part of the settlement of the acquisition of Sellier & Bellot. There will be no offering in connection with the Admission and no proceeds arising out of the Admission.

VIII. DIVIDEND POLICY

Dividends, if and when declared, are distributed to shareholders on a pro-rata basis proportionately to their participation in the paid-up share capital of the Company. Each fully paid Share gives its owner the right to receive dividends. The Company will pay any dividends in CZK.

The Company does not have a dividend policy stipulated in its Articles of Association. However, on 17 September 2020, the Board of Directors adopted a dividend policy pursuant to which, as from the financial year ended 31 December 2020 onwards and subject to (i) the availability of sufficient distributable cash; and (ii) shareholder approval, the Company intends to target an annual distribution of 33 per cent of its consolidated net profit for the year based on its consolidated annual financial statements. Notwithstanding the fact that the Company intends to follow this policy, no assurance can be given that the Company will be able to make the currently planned distributions or that its future results of operations will be such as to permit the Company to maintain the targeted dividend policy or otherwise comply with the above guidelines or that the Company will not change the adopted dividend policy or its approach to determining dividend payments as a result of any other circumstances which may occur in the future.

In 2022, the Company announced a change in its dividend policy and its intention to pay out at least 50 per cent of its consolidated net profit in dividends in the future. However, this declaration was never adopted as the official dividend policy by the Board of Directors.

The Company paid out dividends to shareholders in the amount of CZK 1,034,016,060 in 2023, CZK 852,547,775 in 2022 and CZK 253,024,650 in 2021.

Dividend paid in 2023

The dividend paid in 2023 was CZK 30 per share before tax. The decisive date for exercising the right to approve a dividend was 19 June 2023.

For the first time in the Company's history and in the Czech capital market, the shareholders could choose to receive their dividend either in cash or in new shares of the Company. To be eligible for this option, the shareholders had to own at least 27 shares of the Company and have a dividend entitlement as of 19 June 2023. The shareholders who did not opt for new shares received a cash dividend by default. The shareholders who opted for new shares received one new share for every 27 shares they owned. This one new share was equivalent CZK 526.50 of which CZK 19.50 per share was offset against the dividend entitlement, The balance of the dividend due for each share of the Company, after deducting applicable withholding taxes, was paid to the shareholders in cash.

The shareholders could only opt for new shares in multiples of one new share.

Dividend declared in 2024

On 26 March 2024, the Company announced that its Board of Directors will propose a dividend pay-out of CZK 30 per share to the General Meeting for its approval, with an option to choose between cash payment and stock dividend**.** For each year, the amount of dividend is set by a decision of the General Meeting on the basis of the Company's annual or extraordinary financial statements approved by the General Meeting. The payment of any dividends is therefore within the discretion of the General Meeting and will depend upon, among other things, the Company's earnings, financial condition, future outlook, capital requirements, level of indebtedness or contractual restrictions with respect to the payment of dividends.

The ability of the Company to declare a dividend is subject to limits imposed by Czech corporate law, in particular:

- The amount to be distributed as a dividend to shareholders must not exceed the amount of distributable net retained profit of the Company. The distributable net retained profit of the Company is calculated based on the Company's unconsolidated audited financial statements prepared in accordance with Czech Generally Accepted Accounting Standards (**GAAP**) as laid down in Decree 500/2002 Coll., Czech accounting standards, as amended. Czech GAAP differs from IFRS in material respects. When determining the net retained profit, the net profit or loss for the financial year must be adjusted for retained profit/loss carry forwards from the prior financial year and withdrawals from, or contributions to reserves (retained earnings) and other established funds in accordance with the Czech Companies Act and the Articles of Association.

- The General Meeting may not approve the distribution of dividends if this would result in the Company's insolvency or if the Company's equity, as shown in the annual or extraordinary financial statements, would fall below the amount of the registered share capital increased by the amount of the funds which cannot be distributed pursuant to the Czech Companies Act or the Articles of Association.

The decision of the General Meeting on dividends taken in violation of the statutory limitation described above would be considered as if not taken.

The dividend is payable within three months (unless the General Meeting decided otherwise) from the day on which the General Meeting approved the dividend distribution to shareholders registered in the CSD as a shareholder of the Company on the seventh calendar day before the General Meeting. A right to dividends is individually transferable commencing on the day on which the General Meeting passed the resolution on dividends distributions. Dividends are not refundable, unless the person to whom the dividend was paid out knew or should have known that the payment of dividend was made in breach of the conditions for dividends payments pursuant to the Czech Companies Act.

The Czech Companies Act does not provide for any time limit after which entitlement to dividends lapses. Subject to various exceptions, Czech law provides a statutory period of limitation of three years from the date on which an obligation is due.

There are no dividend restrictions or specific procedures for shareholders resident outside the Czech Republic claim dividends. For a description of withholding tax on dividends applicable to non-Czech residents, see section *XXI.2 Income taxation of dividends, decreases of registered share capital and distributions of share premium*.

IX. CAPITALISATION AND INDEBTEDNESS

The following tables set forth the Group's total capitalisation and indebtedness as of 31 March 2024, which was derived from the consolidated unaudited financial results for the first three months of 2024 ending March 31 on an actual basis. This table should be read in conjunction with section *XI Operating and Financial Review* and the Audited Financial Statements and the related notes thereto, which appear elsewhere in this Prospectus.

Since 31 March 2024, there have been no material changes in the total capitalisation and indebtedness of the Group except for the increase of the share registered capital of the Company on 16 May 2024 described *in XVIII.1 Share Capital* and the debt arising from the Syndicated loan described in *XIII.19 Financing arrangements*.

Capitalisation

	As of 31 March 2024 **(Unaudited)** *(CZK thousands)*
Total current debt	**5,841,529**
of which:	
Guaranteed	0
Secured	2,334,679
Unguaranteed / Unsecured	3,506,850
Total non-current debt (excluding current portion of long–term debt)	**10,380,612**
of which:	
Guaranteed	0
Secured	56,439
Unguaranteed / Unsecured	10,324,173
Shareholder's equity	
Share capital	3,516
Retained earnings	5,595,819
Other reserves	3,865,633
Total equity	**9,464,968**
Total capitalisation	**25,687,109**

Net Indebtedness

	As of 31 March 2024 **(Unaudited)** *(CZK thousands)*
A. Cash and cash equivalents	3,582,974
B. Other Financial Assets	0
C. Liquidity (A) + (B)	**3,582,974**
D. Current Financial Receivable	0
E. Current bank debt, bonds	2,392,465
F. Current portion of non-current debt	97,210
G. Other current financial debt	25,196
H. Current Financial Debt (E) + (F) + (G)	**2,514,871**
I. Net Current Financial Indebtedness (H) - (D) - (C	**(1,068,103)**
J. Non-current bank loans	0
K. Bonds issued	8,892,261
L. Other non-current financial debt	195,201
M. Non-current Financial Indebtedness (J) + (K) + (L	**9,087,462**
N. Net Financial Indebtedness (I) + (M)	**8,019,359**

X. SELECTED FINANCIAL INFORMATION

1 Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December		
	2023	**2022**	**2021**
	(audited)	(audited)	(audited)
			(CZK thousands)
Revenues from the sale of own products, goods and services	14,855,581	14,589,774	10,688,927
Other operating income	89,789	133,270	61,679
Change in inventories developed internally	887,593	521,050	166,666
Own work capitalized	172,976	151,781	139,611
Raw materials and consumables used	(8,065,419)	(7,326,333)	(5,113,073)
Services	(1,959,627)	(1,769,028)	(1,764,899)
Personnel costs	(3,083,096)	(2,888,813)	(2,088,146)
Depreciation and amortization	(801,721)	(910,435)	(789,623)
Other operating expenses	(210,225)	(238,086)	(190,090)
Allowances	(23,885)	(64,498)	(99,871)
Operating profit	**1,861,966**	**2,198,682**	**1,011,181**
Interest income	756,541	440,453	50,038
Interest expense	(894,604)	(612,056)	(204,985)
Other financial income	251,59)	172,833	32,488
Other financial expenses	(72,120)	(133,802)	(168,509)
Gains or losses from derivative transactions	221,019	236,826	184,139
Share in the profit of associates after tax	682	14,302	27,196
Profit from the investments in associates (successive acquisitions)	384,482	38,932	-
Profit before tax	**2,509,562**	**2,356,170**	**931,548**
Income tax	(467,024)	(321,978)	(171,086)
Profit for the period	**2,042,538**	**2,034,192**	**760,462**
Items that may be subsequently reclassified to the statement of profit or loss			
Cash flow hedges – remeasurement of effective portion of hedging instruments	(468,398)	948,231	(42,836)
Foreign currency translation of foreign operations	183,745	(125,035)	(153,438)
Other comprehensive income	**(284,653)**	**823,196**	**(196,274)**
Comprehensive income for the period	**1,757,885**	**2,857,388**	**564,188**
Profit for the period attributable to:			
Owner of the parent company	2,042,538	2,034,192	760,462
Comprehensive income for the period attributable to:			
Owner of the parent company	**1,757,885**	2,857,388	564,188
Net earnings per share attributable to the owner of the parent company (CZK per share)			
Basic	58	60	23
Diluted	58	59	23

2 Consolidated statement of financial position

	For the year ended 31 December		
	2023	**2022**	**2021**
	(audited)	(audited)	(audited)
			(CZK thousands)
Assets			
Non-current assets			
Intangible assets	3,413,881	3,462,131	3,505,464
Goodwill	2,547,480	2,457,416	2,390,127
Property, plant and equipment	4,281,449	3,066,251	2,810,115
Equity-accounted securities and investments	2,690,040	39,401	109,445
Financial derivatives	40,795	1,181,097	171,195
Trade and other receivables	1,013,168	35,515	58,999
Other receivables	61,891	6,560	11,163
Deferred tax assets	2,556	0	0
Total non-current assets	**14,072,505**	**10,248,371**	**9,056,508**
Current assets			
Inventories	5,298,077	3,797,557	2,861,673
Trade and other receivables	1,774,947	1,346,143	1,012,879
Provided loans	0	7,700	197,973
Other financial assets	908,580	756,834	-
Financial derivatives	149,047	217,123	156,118
Other receivables	351,165	304,005	148,098
Tax assets	93,751	-	6,357
Cash and cash equivalents	3,328,684	2,825,781	3,573,467
Total current assets	**11,904,251**	**9,255,143**	**7,956,565**
Total assets	**25,976,756**	**19,503,514**	**17,013,073**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	3,516	3,410	3,374
Share premium	1,942,818	1,366,386	1,139,211
Capital funds	1,641,512	1,641,512	1,641,512
Cash flow hedge reserve	599,816	1,068,214	119,983
Foreign exchange translation reserve	(142,688)	(326,433)	(201,398)
Accumulated profits (including current profit)	5,229,872	3,928,282	2,539,146
Total equity	**9,274,846**	**7,681,371**	**5,241,828**
Non-current liabilities			
Bonds, bank loans and borrowings	9,040,540	6,972,898	4,972,647
Financial derivatives	244,169	28,684	270,515
Lease liabilities	62,052	46,796	32,606
Other financial liabilities	0	240,468	372,531
Trade and other payables	42,022	7,825	5,422
Other payables	14,569	21,169	27,357
Provisions	76,188	23,654	63,695
Deferred tax liability	722,783	731,308	789,646
Employee benefit liabilities	255,721	265,280	357,707
Total non-current liabilities	**10,458,044**	**8,338,082**	**6,892,126**
Current liabilities			
Bonds, bank loans and borrowings	2,573,744	208,597	2,317,579
Financial derivatives	11,038	38,610	20,097
Lease liabilities	25,619	23,939	20,695
Other financial liabilities	44,580	238,593	185,568
Trade and other payables	1,746,796	1,154,955	1,116,373

	For the year ended 31 December		
	2023	**2022**	**2021**
	(audited)	(audited)	(audited)
			(CZK thousands)
Other payables	1,655,094	1,479,267	1,073,755
Provisions	30,084	51,371	50,780
Tax liabilities	142,084	269,096	76,156
Employee benefit liabilities	14,827	19,633	18,116
Total current liabilities	**6,243,866**	**3,484,061**	**4,879,119**
Total liabilities	**16,701,910**	**11,822,143**	**11,771,245**
Total equity and liabilities	**25,976,756**	**19,503,514**	**17,013,073**

3 Consolidated Cash Flow Statement

	For the year ended 31 December		
	2023	**2022**	**2021**
	(audited)	(audited)	(audited)
			(CZK thousands)
Cash flows from principal economic activity (operating activity)			
Profit from ordinary activity before tax	2,509,562	2,356,170	931,548
Depreciation/amortisation of non-current assets	801,721	910,435	789,623
Change in allowances and provisions	22,276	20,024	136,836
Profit(-)/Loss(+) from the sale of non-current assets	(2,659)	(12)	(2,340)
Interest expense and interest income	138,063	171,603	154 947
Share in the profit of associates	(682)	(14,302)	(27,196)
Unrealized foreign exchange gain and losses	(14,988)	(229,330)	(132,775)
Contingent consideration – remeasurement	-	21,671	141,722
Partial settlement of contingent consideration	406,915	227,211	-
Other financial assets - remeasurement	(160,692)	-	-
Profit from the investments in associates (successive acquisition)	-	(38,932)	-
Bargain purchase gain	(384,482)	-	-
Cash flow hedges – remeasurement of effective portion of hedging instruments	(468,398)	948,231	(41,811)
Share-based payments	293,068	198,360	-
Adjustments for other non-cash operations	52,921	25,616	(3,688)
Net operation cash flows before changes in working capital	**3,222,601**	**4,596,745**	**1,946,866**
Change in working capital			
Change in receivables and deferrals	(162,505)	(1,408,655)	51,356
Change in liabilities and accruals	244,040	143,517	230,620
Change in inventories	(1,008,033)	(850,259)	(410,095)
Cash flow from operating activities	**2,296,103**	**2,481,348**	**1,818,747**
Paid interest	(880,196)	(480,233)	(84,098)
Interest received	756,881	353,258	44,934
Income tax paid for ordinary activity	(759,473)	(454,197)	(256,624)
Net cash flow from operating activities	**1,413,315**	**1,900,176**	**1,522,959**
Cash flows from investing activities			
Acquisition of non-current assets	(924,156)	(679,725)	(633,256)
Income from the sale of non-current assets	2,964	-	-
Acquisition of subsidiaries – opening balance	(723,902)	(226,189)	(4,695,237)
Acquisition of subsidiaries –cash and cash equivalents	150,863	28,674	319,499
Acquisition of other investments	(2,690,040)	-	(595)
Acquisition of equity-accounted securities and investments	(1,212)	-	-
Acquisition of other financial assets	-	(756,834)	-
Provided loans	7,700	190,000	60,000
Employee benefit liabilities	(27,014)	(39,679)	(28,558)
Net cash flow from investing activities	**(4,204,797)**	**(1,483,753)**	**(4,978,147)**
Cash flows from financing activities			

	For the year ended 31 December		
	2023	**2022**	**2021**
	(audited)	(audited)	(audited)
			(CZK thousands)
Proceeds from the issue of bonds	1,917,756	1,984,796	4,972,647
Proceeds from loans	2,295,085		
Dividends paid to owners	(864,393)	(843,416)	(253,025)
Dividends paid to non – controlling interests	(22,333)	-	(8,101)
Repayment of loans and interest	(32,762)	(2,319,825)	(40,747)
Net cash flow from financing activities	**3,293,353**	**(1,178,445)**	**4,670,774**
Net change in cash and cash equivalents	**501,871**	**(762,022)**	**1,215,586**
Opening balance of cash and cash equivalents	**2,825,781**	**3,573,467**	**2,358,608**
Effect of exchange rate on cash and cash equivalents	1,032	14,336	(727)
Closing balance of cash and cash equivalents	**3,328,684**	**2,825,781**	**3,573,467**

4 Key Performance Indicators

This Prospectus presents the following Alternative Performance Measures defined in this Prospectus: EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, net profit margin, adjusted net profit, adjusted net profit margin, adjusted earnings per share (**EPS**), and net financial debt and net leverage ratio. The Company has included the Alternative Performance Measures in the Prospectus 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 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. 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 result. 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 amortisation are non-monetary charges, the assets being depreciated and amortised 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; and
- the fact that other companies in the Group's industry may calculate the Alternative Performance Measures differently than the Company does, which limits their usefulness as comparative measures.

(unaudited, in CZK thousands, unless indicated otherwise)	**As of and for the year ending 31 December**		
	2023	**2022**	**2021**
EBITDA[(1)]	2,663,687	3,109,117	1,800,804
EBITDA margin[(2)]	17.9%	21.3%	16.8%.
Adjusted EBITDA	3,048,379	3,365,297	2,168,797
Adjusted EBITDA margin	20.5%	23.1%	20.3%
Net profit margin	13.7%	13.9%	7.1%
Adjusted net profit	2,049,742	2,280,464	1,161,221
Adjusted net profit margin	13.8%	15.6%	10.9%
Adjusted EPS[(3)] (in CZK)	58	67	34
Net financial debt at the end of the period	7,464,691	3,669,615	3,770,060
Net leverage ratio (x)	2.80x	1.18x	1.42x

(1) Referred to as "EBITDA" in the annual financial report.

(2) Referred to as "EBITDA margin" in the annual financial report.

(3) The Group calculates net earnings per share, adjusted as profit for the period divided by the average number of shares issued by the Company.

4.1 EBITDA

The Group calculates EBITDA based on the figures reported in the Audited Financial Statements. EBITDA is calculated as post-tax profit for the period plus income tax less other financial income plus other financial expenses less gains/losses from derivative transaction less interest income plus interest expenses less share in the profit of associates after tax and profit from the investments in associates (including the bargain purchase of swissAA) plus depreciation and amortization.

4.2 EBITDA margin

The EBITDA margin is defined as a percentage of EBITDA and revenues from the sale of own products, goods, and services.

4.3 Adjusted EBITDA

In 2023, adjusted EBITDA was calculated as EBITDA *less* extraordinary one-time costs associated with realized and unrealized acquisitions and share-based payments associated with the employee option plan. In 2022, adjusted EBITDA was calculated as EBITDA *less* extraordinary one-time costs associated with unrealized acquisitions and share-based payments associated with the employee option plan. In 2021, adjusted EBITDA was calculated as EBITDA *less* expenses on professional advisors and other services connected with the acquisition of Colt Holding Company LLC (**Colt Holding**), the wasting assets depreciation in relation to a project in Arkansas, and the revaluation of inventories and their allowances in connection with the acquisition of Colt Holding. Expenses on professional advisors and expenses associated with unrealized 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. The wasted investment cost is presented under Other operating expenses in the consolidated statement of profit or loss and other comprehensive income of the Audited Financial Statements.

4.4 *Adjusted EBITDA margin*

Adjusted EBITDA margin is defined as a percentage of Adjusted EBITDA and revenues from the sale of own products, goods, and service.

The following is a reconciliation of post-tax profit for the period to EBITDA for the periods indicated.

(in CZK thousands, unless indicated otherwise)	**As of and for the year ending 31 December**		
	2023	**2022**	**2021**
Post-tax profit for the period	2,039,403	2,034,192	760,462
Income tax	467,024	321,978	171,086
Interest income	756,541	440,453	50,038
Interest expense	894,604	612,056	204,985
Depreciation and amortization	801,721	910,435	789,623
Other financial income	251,596	172,833	32,488
Other financial expenses	72,120	133,802	168,509
Gains/losses from derivative transactions	221,019	236,826	184,139
Share in the profit of associates after tax	682	14,302	27,196
Profit from the investments in associates (successive acquisition)	384,482	38,932	0
EBITDA	**2,663,687**	**3,109,117**	**1,800,804**
One-time expenses for services related to acquisitions	71,237	47,474	144,087
Wasted assets depreciation	0	0	61,471
Share based payments (ESOP)	313,455	208,706	0
Release of inventory step up	0	0	162,435
Adjusted EBITDA	**3,048,379**	**3,365,297**	**2,168,797**

4.5 *Net profit margin*

Net profit margin is calculated as profit for the period as a percentage of revenue from the sale of own products, goods, and services, each as shown in the consolidated statement of profit and loss and statement of profit and loss and other comprehensive income in the Audited financial Statements. Net Profit Margin is used in a ratio analysis to determine the proportional profitability of a business.

4.6 *Adjusted net profit*

Adjusted net profit is calculated as the net profit *less* extraordinary items that are generally unrelated to the current period's operations and value creation. In 2023, the net profit was adjusted by one-off items related to realized and unrealized acquisitions in 2023 and payments related to the Employee Share Option Plan, financing cost related to bond issue and the profit from the bargain purchase of swissAA which are not related to operational performance and value creation in the given period. In 2022, net profit was adjusted by one-off items related to 2022 unrealized acquisitions and payments related to the Employee Share Option Plan, cost of revaluation of equity earn out related to the Colt Holding acquisition and by financing cost related to bond issue which are not related to operational performance and value creation in the given period. In 2021, net profit was adjusted by one-off items related to costs of professional advisors and other services connected with the Colt Holding acquisition, impairment of the project in Arkansas, release of inventory step-up and cost of revaluation of equity earn out related to the Colt Holding acquisition and by financing cost related to bond issue.

The following is a reconciliation of post-tax profit for the period to Adjusted Net profit for the periods indicated.

(in CZK thousands, unless indicated otherwise)	**As of and for the year ending 31 December**		
	2023	**2022**	**2021**
Profit attributable to the owner of the parent company:	2,042,538	2,034,192	760,462

(in CZK thousands, unless indicated otherwise)	**As of and for the year ending 31 December**		
	2023	**2022**	**2021**
Share based payments related to the employees share option plan (ESOP)	313,455	208,706	0
One-time expenses for services related to acquisitions	71,237	47,474	144,087
One-time expenses related to Colt Holding acquisition – inventory step up	0	0	162,435
Wasted assets depreciation	0	0	61,471
One-time financial expenses connected with bond issue	8,641	7,402	4,059
Elimination of the revaluation of contingent consideration for the Colt Holding acquisition to market value (earn-out)	0	21,671	118,868
Negative goodwill related to profit from swissAA bargain purchase	(384,482)	-	-
Tax effect on the adjustment	(1,647)	(38,981)	(90,161)
Numerator			
Adjusted net profit	**2,049,742**	**2,280,464**	**1,161,221**
Denominator			
Average number of shares issued (thousands)	**35,458**	**34,053**	**33,756**
Net earnings per share (CZK/share) attributable to the owner of the parent company, adjusted	**58**	**67**	**34**

4.7 Adjusted net profit margin

Adjusted net profit margin is calculated as adjusted net profit for the period as a percentage of revenue from the sale of own products, goods, and services, each as shown in the consolidated statement of profit and loss and statement of profit and loss and other comprehensive income in the Audited Financial Statements.

4.8 Net financial debt at the end of the period

The Group defines net financial debt as long-term and short-term bank loans and borrowings and lease payables (non-current and current), *less* cash and cash equivalents and other financial assets as reported in the Audited Financial Statements. Net financial debt is used by the Group to assess its indebtedness to financial institutions, including banks, leasing companies and bond investors. The following table sets forth the Group's net financial debt for the periods indicated.

(in CZK thousands, unless indicated otherwise)	**For the year ended 31 December**		
	2023	**2022**	**2021**
Bonds, bank loans and borrowings including Short-term bank loans and overdrafts	11,614,284	7,181,495	7,290,226
Lease payables (current and non-current)	87,671	70,735	53,301
Less: Cash and cash equivalents and Other financial assets	4,237,264	3,582,615	3,573,467
Net financial debt at the end of the period	**7,464,691**	**3,669,615**	**3,770,060**

4.9 Net leverage ratio

Net leverage ratio is defined as the ratio of net financial debt at the end of the period to EBITDA (referred to as "EBITDA" in the Audited Financial Statements) for the period.

EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, net profit margin, adjusted net profit, adjusted net profit margin, adjusted EPS, net financial debt and net leverage ratio do not represent the terms of the same or similar names as may be defined by any documentation for any financial liabilities of the Group.

XI. OPERATING AND FINANCIAL REVIEW

The following discussion should be read together with the Audited Financial Statements. See section III.2 Presentation of Financial and other information and X Selected Financial Information . The following discussion of the Group's results of operations also makes reference to certain non-IFRS financial measures. See section III.2.2 Alternative Performance Measures.

Due to its material significance as well as the fact that Sellier & Bellot has not been, as of the date of this Prospectus, fully consolidated into the Group, Sellier & Bellot and Sellier & Bellot Trade a.s. are described separately in more detail in section *XVI Description of Sellier & Bellot*. Consequently, prospective investors should read this section *XI Operating and Financial Review* alongside section *XVI Description of Sellier & Bellot* in order to get a comprehensive understanding of the Group’s business.

1 Overview

The Group's management believes the Group is one of the world's leading manufacturers of firearms, tactical accessories and ammunition for military and law enforcement, personal defence, hunting, sport shooting and other commercial use. It markets and sells its products under the Colt, CZ (Česká zbrojovka), Colt Canada, CZ-USA, Dan Wesson and 4M Systems brands. The Group is headquartered in the Czech Republic and has production facilities in the Czech Republic, the United States, Canada, Sweden, Switzerland and Hungary. It has over 185 years of history. The Company is the holding company of the Group.

In 2023, the Group generated CZK 14.9 billion of revenues and CZK 2.7 billion of EBITDA. In 2023, 17.6 per cent of revenues were generated in the Czech Republic, 42.2 per cent in the United States and 13.0 per cent in Europe (excluding the Czech Republic). In 2023, the Group sold 621,210 firearms to customers in more than 100 countries on six continents. In 2023, the Group had an average recalculated headcount of 2,111, based, *inter alia*, in the Czech Republic, the United States, Canada, Sweden, Switzerland, Hungary.

The design, production, assembly and sale of firearms, ammunition and tactical accessories are reported in the Group's production, purchase and sale of the Firearms and Accessories Segment.

Unless otherwise specified, all amounts in respect of the Group's results of operations in this Operating and Financial Review relate to the Group's continued operations only.

2 Key Factors Affecting Comparability between Periods

2.1 Acquisition of swissAA

In June 2023, the Group acquired 100 per cent shareholder interest in swissAA. The acquisition contributed less than 3 per cent to the Group's 2023 revenues and less than 1 per cent to the Group's 2023 EBITDA.

2.2 Acquisitions of Colt

In May 2021, the Group completed the acquisition of 100 per cent shareholder interest in Colt Holding, the parent company of the U.S. firearms manufacturer Colt's Manufacturing Company LLC, and its Canadian subsidiary Colt Canada Corporation. The comparability of years 2021 (period from 21 May 2021 to 31 December 2021) and the year 2022 is therefore affected by the acquisition.

3 Key Factors Affecting the Group's Results of Operations

3.1 Firearm Sales

The Group's revenues are derived through the manufacture and sale of firearms and tactical accessories and ammunition for military and law enforcement, personal defence, hunting, sport shooting and other commercial use. The revenues the Group generates therefore generally depend primarily on the demand for the Group's products and the product mix and also on the prices for the Group's products.

The following table sets forth a breakdown of the Group's firearm units sold, by type, for the periods indicated:

	For the year ended 31 December		
	2023	**2022**	**2021**
Long guns....................................	247,520	289,479	246,777
Handguns.....................................	373,690	403,912	380,695
Total firearm units	621,210	693,391	627,472

(a) *Commercial market*

The majority of the Group's firearms sales are made to commercial markets worldwide, with the U.S. market being the single most important geographic market in which the Group sells its products (mainly through wholesalers). The U.S. accounted for 42 per cent of the Group's revenues in 2023 and 48 per cent of the Group's revenues in 2022. The Group's management believes that it is well positioned to continue to outperform overall market growth due to its robust product mix, competitive cost base and overall value offering.

Sales in the commercial market are driven by the buying habits of commercial customers, which are affected not only by disposable financial resources and trends such as the increasing number of sporting shooters and purchases for personal defence, which impacts the mix of products sold by the Group, but also by the political environment and actual and expected regulation of the purchase, possession and use of firearms in the customers' home markets. The fear of the potential implementation of stricter regulation of the purchase of the Group's products in the markets in which the Group operates may result in an initial demand spike while the regulation is being considered, followed by a drop in demand upon its implementation, as demonstrated in the U.S. See sections *The Group is exposed to the risk of rising protectionism in international trade* and *A large portion of the Group's revenue depends on obtaining and maintaining export licenses*.

(b) *Military and Law Enforcement market*

The majority of the Group's sales to military and law enforcement customers in 2023 and 2022 were to customers who are federal, state or local governments and agencies of NATO member countries. The most important geographical markets for military and law enforcement sales were the Czech Republic, Canada, United States and Switzerland in 2023, and the Czech Republic, Canada and Thailand in 2022. The Group's results of operations can be significantly affected both by the overall defence and security policies of federal, state or local governments and agencies, and more specifically, by the current procurement and budget priorities of those agencies. There are many competing factors that influence how military and law enforcement customers allocate their budgets. These factors include both internal fiscal concerns and external fiscal, political and economic factors. While changes in defence or security policies can have an impact on the Group's business in the longer term, the procurement priorities of military and law enforcement customers can affect the Group's results of operations over the short to medium term. Although most sales to military and law enforcement customers are pursuant to long-term programs and contracts, delays by such customers in placing orders under contracts, reductions or changes in timing of funding, changes in the size of orders or changes in specifications may occur. Such budget constraints are even more evident in developing countries due to their lower gross domestic product. Sales to developing countries are often also less predictable than sales to developed countries. In addition, while relatively rare, from time to time military and law enforcement customers may terminate arms procurement contracts, and it has occurred that even though the Group won a tender process, the customer did not enter into a contract with the Group following completion of the tender process. Any delays or changes by military and law enforcement customers may have a material negative impact on the Group's revenues and results of operations in the period in which they occur.

3.2 Product mix and procurement and service contracts

The Group's results of operations in any period are affected by the product mix and, in respect of sales to military and law enforcement customers, terms of the individual procurement contracts in effect in any period. The revenues and margins the Group generates vary widely by product. Compared to the years 2020 and 2021, demand for the Group's products in the commercial market has shifted in recent years. Some product segments, mainly the CZ-brand products, were impacted by the partial slowdown of the U.S. commercial market in 2022 and 2023.

The price and terms the Group is able to negotiate for its products in procurement contracts with military and law enforcement customers are significantly affected by the defence and security policies and the procurement and budget priorities of federal, state or local governments and agencies. In addition, the Group's unit costs tend to decrease over the first few years of production of a new product as a result of improving efficiency in the manufacturing process. Consequently, margins for a specific product tend to increase and then stabilize over the life of the product. The Group's revenues and margins are also affected by how favourable to the Group the terms of individual contracts with its customers are, which terms may vary within such contracts depending on certain variables. The resulting mix of products coupled with the nature of contract terms (particularly the pricing terms the Group is able to negotiate with its customers), can have an effect on the Group's revenues and profitability from period to period.]

3.3 Competition and Regulatory Environment

The small firearms industry is highly competitive, and competition presents an ongoing threat to the success of the Group's business, particularly in the commercial market. The global market for small firearms is highly fragmented and includes hundreds of companies of various sizes and market power. According to the BIS Small Arms Report, the market is observing new entrants with new technologies, which further decreases the stability of the global small firearms industry. Some firearms types, mainly polymer framed pistols, remain under quite fierce competitive pressure reflected in the very aggressive pricing policies of some of the Group's competitors. The Group competes primarily with respect to price, quality, customer service, delivery performance and innovation. The level of competition affects the Group's ability to set prices, including its ability to pass through cost increases to its customers. Consequently, competition has a direct impact on the Group's results of operations. Strong competition could reduce the Group's sales volumes and adversely impact its prices and margins. It could also require the Group to spend more on sales, marketing and research and development. In addition, increased competition and any resulting pricing pressure may result in the Group incurring impairment charges, if the carrying value of an asset is no longer recoverable as a result of a change in market conditions. See section *The Group's industry is highly competitive, and the success of the Group's business depends on its ability to compete effectively*.

In addition, any introduction or increase of import tariffs on firearms by the United States and other countries into which the Group exports its products or any introduction or increase of sanctions or embargos related to countries into which the Group exports its products may increase the price of the Group's products, which could adversely affect the competitiveness of the Group's products and the Group's market share in such market, and/or decrease the Group's revenues and profitability derived from exporting to such countries. See sections *The Group is exposed to the risk of rising protectionism in international trade* and *A large portion of the Group's revenue depends on obtaining and maintaining export licenses*.

3.4 Currency exchange rate fluctuations and hedging

The Group's functional currency is CZK. The vast majority of the Group's revenues are denominated in USD and to lesser extent in EUR, while significant part of the Group's costs, capital expenditures and investments are denominated in CZK as most of the Group's employees are located in the Czech Republic.

This currency mismatch represents significant foreign exchange exposure for the Group. Fluctuations in currency rates can influence the Group's operating and financial result. As a significant portion of the Group's sales is denominated in USD and EUR, an appreciation of CZK against EUR or USD generally has a negative impact on the Group's revenues and CZK depreciation against EUR or USD typically has a positive effect on the Group's revenues.

In order to mitigate the foreign exchange risk and the impact of foreign exchange fluctuations on its operating results, the Group engages in hedging by entering into derivative transactions, including currency contracts, put options, call options, currency swaps and forward contracts. Due to the lack of long-term contracts, the Group hedges its expected future foreign currency exchange rate exposure, rather than its exposure under specific underlying contracts. This can result in an over-hedged or under-hedged position in case the estimates of future foreign exchange exposures do not materialize. In addition, to the extent these hedges do not qualify for cash flow hedge accounting (under which changes in fair values of the derivatives are recognized in other comprehensive income) changes in the fair values of the derivatives are recognized directly as income or loss in the consolidated statement of profit or loss and other comprehensive income and thus directly affect the Group's results of operations. The Group's net income from derivative transaction was CZK 221 million in 2023, CZK 237 million in 2022 and CZK 184 million in 2021. See section *The Group's business is subject to foreign exchange risk* In addition, the combined financial impact of the derivatives which qualified for the hedge accounting, together with the foreign currency translation of foreign operations, represented CZK -285 million in 2023, CZK 823 million in 2022 and CZK 196 million in 2021.

3.5 Personnel costs

Over 70 per cent of Group's total headcount is located in the Czech Republic, where the Group benefits from the relatively low cost of labour in the country. Approximately 25 per cent of the Group's total headcount is located in the U.S. and Canada and other European countries. The improving economic conditions in recent years in the Czech Republic have created upward pressure on wages that has increased the Group's personnel costs. The Group had an average recalculated headcounts (considering full time employees only) of 2,111, 2,205 and 2,196 in 2023, 2022 and 2021, respectively.

3.6 Seasonality

The Group's business is driven by the timing of its customers' purchasing decisions, which, for military and law enforcement customers, are in turn driven by customers' budgets. Military and law enforcement customers' budgets are generally set on an annual basis or longer. Further, customers operating with annual budgets are often required to spend their entire budgets within the annual period in which they are granted. As a result, subject to exceptions, the majority of their spending often occurs in the fourth quarter of the year, followed typically by significantly lower spending in the first quarter of the following year. This can result in a spike in orders in the fourth quarter of the year and increased pressure on the production capacity.

4 Key Income Statement Items

4.1 Revenues from the sale of own products, goods and services

Revenues from the sale of own products, goods and services, or revenues, consist of revenues from the sale of own products, sale of goods and services. The Group's revenues are mainly derived from the sale of firearms, tactical accessories and ammunition for military and law enforcement, personal defence, hunting, sport shooting and other commercial use.

4.2 Other operating income

Other operating income comprises various other operating income items, such as contractual penalties, rental income, grants, reimbursement from the insurance company, reimbursement from employees, claims from suppliers etc., proceeds from the sale of fixed assets, proceeds from the sale of material and other operating income.

4.3 Changes in inventories of finished goods and works in progress

Changes in inventories of finished goods and works in progress represents the change in the value of internally developed inventories (Group manufactured items that are completed and ready for sale) and work in progress (portion of Group manufactured items in various stages of production but not yet complete). Internally developed inventories and work in progress are valued at the actual purchase cost (material) *plus* the transformation costs (including direct payroll costs and the production overheads corresponding to regular production capacity), *net of* interest. The net realizable value of internally developed inventories and work in progress is the estimated selling price of such inventory *less* all estimated costs of completion and selling costs.

4.4 Own work capitalized

Own work capitalized represents the production cost of additions to tangible fixed assets that have been manufactured by the Group itself and consequently caused material, labour and other production costs. Tangible fixed assets manufactured by the Group are measured at internal cost including direct material and payroll expenses and production overheads.

4.5 Raw materials and consumables used

Raw materials and consumables used comprise the cost of raw material consumption, costs of goods sold and energy consumption for the products and services the Group sells.

4.6 Services

Services comprise various expense items, such as maintenance of machinery and buildings, freight expenses relating to sales, commission from sales, external services, promotion, advertising and exhibitions, postage, freight and telecommunication expenses, rental expenses, travel expenses, repairs, advisory, legal and translation services, car leases expenses, employment agency expenses, recycling and waste handling, services related to firearms and services of immaterial nature and other services.

4.7 Personnel costs

Personnel costs include wages and bonuses and other employee benefits paid to the Group's employees and the members of its management boards, cost of social security, share-based payments and health insurance and other social costs.

4.8 Depreciation and amortization

Depreciation expenses include costs related to the depreciation of tangible assets, in particular buildings and machinery. Amortization expenses include costs related to the amortization of various intangible assets, in particular contractual customer relations, capitalized R&D costs and software.

4.9 Other operating expenses

Other operating expenses comprise various other operating expense items, such as taxes and levies, change in provisions and allowances, gifts, fines and penalties, insurance, share-based payments, written-off receivables, damage compensation, liquidation of inventories, impairment of assets held for sale, loss from the sale of material and other operating expenses.

4.10 Financial income and expenses

(a) Interest income/expenses

The Group's interest expenses largely relate to the Company's outstanding bonds and to the Group's credit facilities. The Group's interest income mainly relates to interest earned on bank deposits and bonds and securities held for trading.

(b) Other financial income/expenses

Other financial income/expenses consist of foreign currency exchange rate gains/losses, income/expenses from derivative transactions, primarily related to the Group's currency and interest rate hedges, expenses for banking fees and certain other minor financial income/expenses.

4.11 Income tax

Income tax includes current and deferred tax expense. Current taxes are recognized for taxable income of the financial year in which such income was generated in each tax jurisdiction in which the Group operates, as well as for additional tax payments or refunds relating to prior years. Deferred taxes are recognized for temporary differences between the carrying amounts of existing assets and liabilities in financial statements and their respective tax base.

The Group operates its business in various tax jurisdictions and, therefore, has to determine the income taxes considering the tax rates of the different tax jurisdictions. In the Czech Republic, corporations were, prior to 2024, subject to 19 per cent corporate income tax. As of 2024 corporations in the Czech Republic are subject to 21 per cent corporate income tax.

5 Results of Operations

The following tables set forth key items from the Group's consolidated statement of profit or loss and other comprehensive income for the periods indicated derived from the Audited Financial Statements.

	For the year ended 31 December		
	2023	**2022**	**2021**
		(audited)	
Revenues from the sale of own products, goods and services..	14,855,581	14,589,774	10,688,927
Other operating income....................................	89,789	133,270	61,679
Changes in inventories developed internally	765,923	521,050	166,666
Own work capitalized	172,976	151,781	139,611
Raw materials and consumables used	(7,943,749)	(7,326,333)	(5,113,073)
Services..	(1,959,627)	(1,769,028)	(1,764,899)
Personnel costs	(3,083,096)	(2,888,813)	(2,088,146)
Depreciation and amortization...........................	(801,721)	(910,435)	(789,623)
Other operating expenses	(210,225)	(238,086)	(190,090)
Allowances	(23,885)	(64,498)	(99,871)
Operating profit...	**1,861,966**	**2,198,682**	**1,011,181**
Interest income	756,541	440,453	50,038
Interest expense	(894,604)	(612,056)	(204,985)
Other financial income.....................................	251,596	172,833	32,488
Other financial expenses	(72,120)	(133,802)	(168,509)
Gains/losses from derivative transactions	221,019	236,826	184,139
Share in the profit of associates after tax............	682	14,302	27,196
Profit from the investments in associates (successive acquisition)	-	38,932	-
Bargain purchase gain	384,482		
Profit before tax...	**2,509,562**	**2,356,170**	**931,548**
Income tax..	(467,024)	(321,978)	(171,086)
Profit for the period..	**2,042,538**	**2,034,192**	**760,462**

6 Financial Year ended 31 December 2023 Compared to Financial Year ended 31 December 2022

6.1 Revenues from the sale of own products, goods and services

The following table sets forth a breakdown of the Group's revenues by region for the periods indicated.

	For the year ended 31 December		**Change**
	2023	**2022**	**%**
	(audited)		
	(CZK thousands)		
Czech Republic	2,621,059	1,926,379	36.1%

United States	6,269,821	6,983,933	(10.2)%
Canada	2,231,392	1,773,822	25.8%
Europe (excl. the Czech Republic)	1,935,068	1,584,169	22.2%
Africa	185,994	243,317	(23.6)%
Asia	1,131,068	1,483,412	(23.8)%
Other	481,179	594,742	(19.1)%
Total	**14,855,581**	**14,589,774**	1.8%

Revenues increased by CZK 266 million, or 1.8 per cent, from CZK 14.6 billion in 2022 to CZK 14.9 billion in 2023. Negative impacts on revenues during 2023, which were mainly a higher seasonality of military and law enforcement (M/LE) sales, impact of FX translation of USD and EUR into CZK and also the decline of some product segments on the U.S. commercial market, were partially compensated by higher sales in the Q4 2023.

Regionally, revenues in the Czech Republic increased by CZK 695 million, or 36.1 per cent, from CZK 1,926.4 million in 2022 to CZK 2,621 million in 2023, mainly due to the continued deliveries to the Czech Army under the Czech Army Framework Agreement. Revenues generated in the United States declined by CZK 714 million, or 10.2 per cent, from CZK 6,983.9 million in 2022 to CZK 6,269.8 million in 2023, due to the slowdown of the U.S. commercial market. The revenues in Canada increased by CZK 458 million or 25.8 per cent, from CZK 1,773.8 million in 2022 to CZK 2,231.4 in 2023. A significant portion of the revenues generated in Canada is an outcome of the Canadian government's support of Ukraine. Revenues generated in Europe (excluding the Czech Republic) increased by CZK 351 million, or 22.2 per cent, from CZK 1,584.2 million in 2022 to CZK 1,935.1 in 2023, mainly as a result of higher sales in Central and Eastern Europe.

Revenues generated in Africa decreased by CZK 57 million or 23.6 per cent, from CZK 243.3 million in 2022 to CZK 186 million in 2023, due to high comparative base in 2022. Revenues generated in Asia decreased by CZK 352 million or 23.8 per cent, from CZK 1,483.4 million in 2022 to CZK 1,131,1 million in 2023 as most of the deliveries to the military and law enforcement customers occurred in 2022. Revenues from sales to other parts of the world (Other) decreased by CZK 113 million or 19.1 per cent, from CZK 594.7 million in 2022 to CZK 481.2 million in 2023.

6.2 Other operating income

Other operating income decreased by CZK 43.5 million, or 32.6 per cent, from CZK 133.3 million in 2022 to CZK 89.8 million in 2023.

6.3 Changes in inventories developed internally

Changes in inventories of finished goods and works in progress increased by CZK 244.8 million, or 44.8 per cent, from CZK 521.1 million in 2022 to CZK 765.9 million in 2023 as a result of higher inventories.

6.4 Own work capitalized

Own work capitalized increased by CZK 21.2 million, or 14.0 per cent, from CZK 151.8 million in 2023 to CZK 173 million in 2022.

6.5 Raw materials and consumables used

Raw materials and consumables used increased by CZK 523.7 million, or 7.1 per cent, from CZK 7,326.3 million in 2022 to CZK 7,943.7 million in 2023. As a percentage of revenues, raw materials and consumables used increased from 50.2 per cent in 2022 to 53.4 per cent in 2023. This relative increase was attributable to a product mix and generally rising prices of input materials, energy and commodities.

6.6 Services

Services expenses increased by CZK 190.6 million, or 10.8 per cent, from CZK 1,769.0 million in 2022 to CZK 1,959.6 million in 2023. As a percentage of revenues, services expenses went up from 12.2 per cent in 2022 to

13.2 per cent in 2023. This was mainly caused by higher advisory costs related to M&A projects and marketing costs.

6.7 Personnel costs

Personnel costs increased by CZK 194.3 million, or 6.7 per cent, from CZK 2,888.8 million in 2022 to CZK 3,083.1 million in 2023. The increase was attributable to an increase in salaries based on the collective bargaining agreements both in the Czech Republic and the United States following the inflationary pressures and higher Group’s headcount (the acquisition of swissAA in June 2023). .]

6.8 Depreciation and amortization

Depreciation and amortization decreased by CZK 108.7 million, or 11.9 per cent, from CZK 910.4 million in 2022 to CZK 801.7 million in 2023. The decrease can be attributed mainly decline of the purchase price allocation related to Colt´s acquisition. .

6.9 Other operating expenses

Other operating expenses decreased by CZK 27.9 million, or 11.7 per cent, from CZK 238.1 million in 2022 to CZK 210.2 million in 2023.

6.10 Allowances

Allowance decreased by CZK 40.6 million or 63.0 per cent, from CZK 64.5 million in 2022 to CZK 23.9 million in 2023.

6.11 EBITDA

The Group's management considers EBITDA to be a key performance indicator in evaluating the Group's business. EBITDA is not a measure of performance defined or recognized under IFRS. See section *III.2.2 Alternative Performance Measures*. The Group calculates EBITDA 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 after tax, less gain on investments in associates, *plus* depreciation and amortization and adjusted by gains or losses from derivatives transactions. For a reconciliation of post-tax profit for the period to EBITDA see section *X.4.4 Adjusted EBITDA margin.*

EBITDA decreased by CZK 445.4 million, or 14.3 per cent, from CZK 3,109.1 million in 2022 to CZK 2,663.7 million in 2023. The decrease in 2023 was related to lower revenues related to seasonality in the military and law enforcement segment, impacts of foreign currency translation of USD and EUR into CZK and also due to decline of demand for some product segments in the U.S. commercial market.

6.12 Financial income and expenses

(a) <u>*Interest income/expenses*</u>

Interest income increased by CZK 316.1 million, or 71.8 per cent, from CZK 440.5 million in 2022 to CZK 756.5 million in 2023.

Interest expenses increased by CZK 282.5 million, or 46.2 per cent, from CZK 612.1 million in 2022 to CZK 894.6 million in 2023.

(b) <u>*Other financial income/expenses*</u>

Other financial income increased by CZK 78.7 million, or 45.6 per cent, from CZK 172.8 million in 2022 to CZK 251.6 million in 2023.

Other financial expenses decreased by CZK 61.7 million, or 46.1 per cent, from CZK 133.8 million in 2022 to CZK 72.1 million in 2023.

(c) *Gains/Losses from derivative transactions*

Gains from derivative transactions decreased by CZK 15.8 million, or 6.7 per cent, from CZK 236.8 million in 2022 to CZK 221 million in 2023.

(d) *Share in the profit of associates after tax*

Share in the profit of associates after tax decreased by CZK 13.6 million, or 95.2 per cent, from CZK 14.3 million in 2022 to CZK 0.7 million in 2023.

(e) *Profit from the investments in associates (successive acquisition)*

Profit from the investments in associates (successive acquisition) increased by CZK 345.6 million, or 100% per cent, from CZK 38.9 million in 2022 to CZK 384.5 million in 2023, primarily due to negative goodwill resulting from the swissAA acquisition.

6.13 Profit before tax

Profit before tax increased by CZK 153.4 million, or 6.5 per cent, from CZK 2,356.2 million in 2022 to CZK 2,509.6 million in 2023. The increase in 2023 related to the positive results from the financial operations and negative goodwill related to the acquisition of swissAA.

6.14 Income tax

Largely as a result of the higher pre-tax profit, income tax increased by CZK 145 million, or 45.0 per cent, from CZK 322.0 million in 2022 to CZK 467 million in 2023. In addition, the Group's effective tax rate increased from 13.7 per cent in 2022 to 18.6 per cent in 2023.

6.15 Profit for the period

Profit for the period increased by CZK 8.3 million, or 0.4 per cent, from CZK 2,034.2 million in 2022 to CZK 2,042.5 million in 2023, due to the positive effect of gains from the derivative transactions which the Group uses for hedging the CZK foreign exchange rate against the USD and EUR operations, and negative goodwill related to acquisition of swissAA.

6.16 Comprehensive income for the period

Comprehensive income for the period decreased by CZK 1,099.5 million, 38.5 per cent, from CZK 2,857.4 million in 2022 to CZK 1,757.9 million in 2023.

7 Financial Year ended 31 December 2022 Compared to Financial Year ended 31 December 2021

7.1 Revenues from the sale of own products, goods and services

The following table sets forth a breakdown of the Group's revenues by region for the periods indicated.

	For the year ended 31 December		**Change**
	2022	**2021**	**%**
	(CZK thousands)		
Czech Republic	1,926,379	824,128	133.7%
United States	6,983,933	6,248,038	11.8%
Canada	1,773,822	551,509	221.6%
EU (excl. the Czech Republic)	1,584,169	1,053,754	50.3%
Africa	243,317	752,850	(67.7)%
Asia	1,483,412	727,426	103.9%
Other	594,742	531,222	12.0%
Total	**14,589,774**	**10,688,927**	**36.5%**

Revenues increased by CZK 3,900 million, or 36.5 per cent, from CZK 10.7 billion in 2021 to CZK 14.6 billion in 2022. The increase was caused by increased number of sold products, a better sales mix, and the full consolidation of Colt Holding's revenues.

Regionally, revenues in the Czech Republic significantly increased by CZK 1,102.3 million, or 133.7 per cent from CZK 824.1 million in 2021 to CZK 1,926.4 million in 2022, mainly due to supplies to the Army of the Czech Republic under the Czech Army Framework Agreement. Revenues in the United States increased by CZK 735.9 million, or 11.8 per cent, from CZK 6,248.0 million in 2021 to CZK 6,983.9 million in 2022, primarily driven by the full-year consolidation of Colt Holding in the U.S., compared to 2021 (Colt Holding was included in the consolidation as of 21 May 2021). Revenues in Canada increased by CZK 1,222.3 million, or 221.6 per cent, from CZK 551.5 million in 2021 to CZK 1,773.8 million in 2022, due to the acquisition of Colt Canada. Revenues in Europe (excluding the Czech Republic) increased by CZK 530.5 million, or 50.3 per cent, from CZK 1,053.7 million in 2021 to CZK 1,584.1 million in 2022, primarily driven by growth in sales in countries of Central and Eastern Europe. Revenues in Asia increased by CZK 756.0 million, or 103.9 per cent, from CZK 727.4 million in 2021 to CZK 1,483.4 million in 2022, primarily driven by large orders from Colt Holding. Revenues in Africa decreased by CZK 509.6 million, or 67.7 per cent, from CZK 752.9 million in 2021 to CZK 243.3 million in 2022, as large one-time supplies to military and law enforcement customers were made in 2021. Revenues in the rest of the world (Other) increased by CZK 63,5 million, or by 12 per cent from CZK 531.2 million in 2021 to CZK 594.7 million in 2022.

7.2 Other operating income

Other operating income increased by CZK 71.6 million, or 116.1 per cent, from CZK 61.7 million in 2021 to CZK 133.3 million in 2022.

7.3 Changes in inventories developed internally

Changes in inventories developed internally increased by CZK 448.1 million, or 268.9 per cent, from CZK 166.7 million in 2021 to CZK 614.8 million in 2022. The increase was mainly related to inventories of finished products.

7.4 Own work capitalized

Own work capitalized increased by CZK 12.2 million, or 8.7 per cent, from CZK 139.6 million in 2021 to CZK 151.8 million in 2022.

7.5 Raw materials and consumables used

Raw materials and consumables used increased by CZK 2,307.0 million, or 268.9 per cent, from CZK 5,113.1 million in 2021 to CZK 7,420.1 million in 2022. Of that increase, CZK 219.0 million was attributable to an increase in the costs of goods sold, CZK 1,803.6 million was attributable to increased materials consumption, primarily as a result of the increase in the number of firearm units sold, higher input prices and consolidation of Colt Holding and CZK 190.7 million was attributable to consumed energy. As a percentage of revenues, raw materials and consumables used increased, from 47.8 per cent in 2021 to 50.9 per cent in 2022.

7.6 Services

Services expenses increased by CZK 4.1 million, or 0.2 per cent, from CZK 1,764.9 million in 2021 to CZK 1,769.0 million in 2022. As a percentage of revenues, services expenses decreased, from 16.5 per cent in 2021 to 12.1 per cent in 2022.

7.7 Personnel costs

Personnel costs increased by CZK 800.7 million, or 38.3 per cent, from CZK 2,088.1 million in 2021 to CZK 2,888.8 million in 2022. The increase was attributable to effect of the consolidation of Colt Holding, an increase in salaries in line with the overall economic environment and based on the increases stated in the collective agreements at CZUB and Colt Holding. The remaining increase was primarily due to an increase in other employee benefits and share-based payments related to the Employee Share Option Plan.

7.8 Depreciation and amortization

Depreciation and amortization expenses increased by CZK 120.8 million, or 15.3 per cent, from CZK 789.6 million in 2021 to CZK 910.4 million in 2022.

7.9 Other operating expenses

Other operating expenses increased by CZK 48.0 million, or 25.3 per cent, from CZK 190.1 million in 2021 to CZK 238.1 million in 2022.

7.10 Allowances

Allowance decreased by CZK 35.4 million, or 35.4 per cent, from CZK 99.9 million in 2021 to CZK 64.5 million in 2022.

7.11 EBITDA

The Group's management considers EBITDA to be a key performance indicator in evaluating the Group's business. EBITDA is not a measure of performance defined or recognized under IFRS. See section *III.2.2 Alternative Performance Measures*. The Group calculates EBITDA 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 after tax, *less* gain on investments in associates, *plus* depreciation and amortization and adjusted by gains or losses from derivatives transactions. For a reconciliation of post-tax profit for the period to EBITDA see *X.4.4 Adjusted EBITDA margin*

EBITDA increased by CZK 1,308.3 million, or 72.7 per cent, from CZK 1,800.8 million in 2021 to CZK 3,109.1 million in 2022. The increase in 2022 resulted from the growth of sales and the full-year consolidation of Colt Holding compared to 2021 (Colt Holding was included in the consolidation as of 21 May 2021).

7.12 Financial income and expenses

(a) Interest income/expenses

Interest income increased by CZK 390.4 million, or 780.2 per cent, from CZK 50.0 million in 2021 to CZK 440.4 million in 2022.

Interest expenses increased by CZK 407.1 million, or 198.6 per cent, from CZK 205.0 million in 2021 to CZK 612.1 million in 2022.

(b) *Other financial income/expenses*

Other financial income increased by CZK 139.5 million, or 418.6 per cent, from CZK 33.3 million in 2021 to CZK 172.8 million in 2022. Other financial expenses decreased by CZK 35.5 million, or 21.0 per cent, from CZK 169.3 million in 2021 to CZK 133.8 million in 2022.

(c) *Gains/Losses from derivative transactions*

Gains/Losses from derivative transactions increased by CZK 52.7 million, or 28.6 per cent, from CZK 184.1 million in 2021 to CZK 236.8 million in 2022. By hedging the CZK exchange rate against EUR and USD, when market rates were below the Group's average hedged rates, the Group generated gains on hedging derivative transactions in 2022.

(d) *Share in the profit of associates after tax*

Share in the profit of associates after tax decreased by CZK 12.9 million, or 47.4 per cent, from CZK 27.2 million in 2021 to CZK 14.3 million in 2022.

(e) *Profit from the investments in associates (successive acquisition)*

Profit from the investments in associates (successive acquisition) amounted to CZK 38.9 million in 2022 and was zero in 2021.

7.13 Profit before tax

Profit before tax increased by CZK 1,424.7 million, or 152.9 per cent, from CZK 931.5 million in 2021 to CZK 2,356.2 million in 2022. The Group's operating performance and positive financial result improved, partly due to gains on derivative transactions. The Group hedged the CZK exchange rate against EUR and USD when the market rates were lower than the Group's average hedged rates, and thus earned gains on hedging derivative transactions in 2022.

7.14 Income taxes

Income taxes increased by CZK 150.9 million, or 88.2 per cent, from CZK 171.1 million in 2021 to CZK 322.0 million in 2022.

7.15 Profit for the period

Profit for the period increased by CZK 1,273.7 million, or 167.5 per cent, from CZK 760.5 million in 2021 to CZK 2,034.2 million in 2022.

7.16 Comprehensive income for the period

Comprehensive income for the period increased by CZK 2,293.2 million, 406.5 per cent, from CZK 564.2 million in 2021 to CZK 2,857.4 million in 2022. The increase in comprehensive income for the period was driven by the positive impact of cash flow hedging subsequently reclassified to the financial statement.

8 Liquidity and Capital Resources

8.1 Overview

Historically, the Group's liquidity requirements have been for debt service obligations, working capital requirements, capital expenditures, payment of dividends and acquisitions, and the Group expects these to also be its principal uses of liquidity going forward. The Group's principal sources of liquidity have been cash generated from its operating activities, and proceeds from the issuance of corporate bonds and borrowings under credit facilities.

(a) *Cash Flows*

The following table sets forth an overview of the Group's cash flows for the periods indicated.

	For the year ended 31 December		
	2023	**2022** (audited)	**2021**
Net cash flow from operating activities................	1,413,315	1,900,176	1,522,959
Net cash flow from investing activities................	(4,204,797)	(1,483,753)	(4,978,147)
Net cash flow from financing activities................	3,293,353	(1,178,445)	4,670,774
Net change in cash and cash equivalents..............	501,871	(762,022)	1,215,586
Opening balance of cash and cash equivalents	2,825,781	3,573,467	2,358,308
Closing balance of cash and cash equivalents.......	3,328,684	2,825,781	3,573,467

(b) *Cash flows from operating activities*

Net cash flow from operating activities decreased by CZK 487 million, from CZK 1,900 million in 2022 to CZK 1,413 in 2023. This decrease was impacted by higher corporate tax income paid and change in inventories.

Cash flows from operating activities comprised an inflow of CZK 1,900 million in 2022 and an inflow of CZK 1,523 million in 2021. The change in operating cash flow was primarily due to increased profitability and better working capital management in 2022.

(c) *Cash flows from investing activities*

Net cash flow from investing activities comprised outflows of CZK 4,205 million in 2023. The increase was mainly the result of the acquisition of swissAA (CZK 724 million) and the advance payment of CZK 2,690 million for the acquisition of Sellier & Bellot. Cash capital expenditures (defined by the Group as cash payments for the acquisition of non-current assets as reflected in the corresponding line item in the consolidated cash flow statement of the Audited Financial Statements), increased from CZK 679.7 million in 2022 to CZK 924,2 million in 2023. See section *XI.8.1(e) Cash Capital Expenditures* below.

Cash flows from investing activities comprised outflows of CZK 1,484 million in 2022 and CZK 4,978 million in 2021. The decrease was mainly the result of the acquisition of Colt Holding, which amounted to a cash outflow of CZK 4,695 million in 2021, while in 2022 there was a smaller acquisition of 75 per cent shareholder interest in SPUHR for CZK 226 million only. Cash capital expenditures (defined by the Group as cash payments for the acquisition of non-current assets as reflected in the corresponding line item in the consolidated cash flow statement of the Audited Financial Statements), on the other hand, increased from CZK 633.3 million in 2021 to CZK 679.7 million in 2022. See section *XI.8.1(e) Cash Capital Expenditures* below.

(d) *Cash flow from financing activities*

Net cash flow from financing activities was inflow of CZK 3,293 million in 2023. The cash inflow was represented mainly by the sale of a third tranche of Bonds in an aggregate principal amount of CZK 1,929 million and a drawdown of the Bridge Loan in the amount of EUR 91.2 million. This was offset by a dividend payment of CZK 864 million.

Cash flow from financing activities was an outflow of CZK 1,178 million in 2022 and an inflow of CZK 4,671 million in 2021. The cash outflow in 2022 was primarily a result of a significantly higher dividend payment of CZK 843.4 million and a repayment of CZUB bonds of CZK 2,225 million that have been replaced by Colt CZ Group SE bonds with lower principal value of CZK 1,998 million. The cash inflow in 2021 was primarily a result of the sale of a first tranche of bonds by Colt CZ Group SE in an aggregate principal amount of CZK 5,000 million to investors, which was partially offset by the payment of dividends of CZK 253.0 million.

(e) *Cash Capital Expenditures*

Cash capital expenditures are defined as the Group's cash payments for the acquisition of non-current assets as reflected in the corresponding line item in the consolidated cash flow statement of the Audited Financial Statements.

(f) *Cash capital Expenditures in the financial years ended 31 December 2023, 2022 and 2021*

Cash capital expenditures amounted to CZK 924.2 million in 2023, an increase of CZK 244.5 million, or 36 per cent, from CZK 679.7 million in 2022. One of the most notable investments was Colt's Manufacturing Company´s acquisition of ownership of the Mk 47 40mm Advanced Lightweight Grenade Launcher system (**Mk 47**), including the fire control, from General Dynamics Ordnance and Tactical Systems Inc. (**GD-OTS**). The Mk 47 is a reliable, portable 40mm grenade launcher suited for light infantry vehicles and tripod applications. In addition, cash capital expenditures increased due to necessary investments into the production capacity of swissAA.

Cash capital expenditures amounted to CZK 679.7 million in 2022. This amount represents an increase of CZK 46.5 million compared to 2021. Capital expenditures were primarily related to further improvements in the production machinery, mainly in the production plant of CZUB. Colt Canada acquired two adjacent residential properties behind the Colt Canada facility to accommodate future expansion plans.

Cash capital expenditures amounted to CZK 633.3 million in 2021. Capital expenditures were primarily related to improvements in the Group's production machinery and capacities, where most of the expenditures were incurred in the production plant of Česká zbrojovka a.s. located in the Czech Republic.

(g) *Current and Planned Capital Expenditures*

The projected Group's capital expenditures for 2024 are about CZK 1,100 million. These will be distributed evenly between North America and Europe. A significant portion of the projected capital expenditures will be channelled to R&D.

On 16 May 2024 the Company completed the acquisition of Sellier & Bellot for the combination of a cash consideration in the amount of USD 350 million and the issue of New Shares.

The above discussion of the Group's capital expenditure plans and expectations contains forward looking statements which, although based on assumptions that the Group considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing the Group as a result of various factors, see section *III.4 Information regarding forward-looking statements* and *II Risk Factors* in particular, *II.1 Risks related to the Group's business activities and industry*

8.2 *Contractual Obligations*

The following table sets forth the Group's contractual obligations as of 31 December 2023.

	Payments due by period			
	Up to 1 year	More than 1 and up to 5 years	More than 5 years	Total
	(CZK thousands)			
Colt CZ Group SE Bonds	819,755	6,190,880	4,050,713	11,061,348
Loan agreements and overdrafts	2,489,901	73,866	142,055	2,705,822
Finance lease payables	25,619	50,096	11,956	87,671
Trade payables	1,776,041	12,777	0	1,788,818
Total	5,111,316	6,327,619	4,204,724	15,643,659

In 2021, the Company issued CZK 5 billion floating rate bonds due March 2027, followed by a second tranche in the amount of CZK 1,998 million issued in 2022 and due January 2029, and a third tranche in the amount of CZK 1,929 million issued in May 2023 and due May 2030, increasing the total nominal amount to CZK 8.927 billion (the **Bonds**). The Bonds are redeemable at par and bear interest at a floating rate of 6M PRIBOR plus margin of 1.40 per cent and 1.80 per cent per annum. The Bonds are listed on the Regulated Market of the PSE (see section *XIII.18.5 Colt CZ Group SE Bonds*).

In December 2023, Vocatus Investment as borrower entered into the Bridge Loan with KB, as lender and, as of the date of this Prospectus, drew down EUR 91.2 million. The Bridge Loan matures on 31 October 2024. Following the entering into of the Syndicated Loan, the Bridge Loan was refinanced under the terms of the Syndicated Loan (see section *XIII.19 Financing arrangements*).

As of the date of this Prospectus, Saltech AG has two outstanding mortgage loans from Raiffeisen Olten and UBS AG with aggregate unpaid principal of CHF 7.05 million. Saltech also has CHF 2.5 million of overdraft limits available in Raiffeisen Olten and UBS AG, out of which CHF 1.213 million is utilized.

SPUHR draws a loan from Sparbanken Skåne AB with remaining principal of SEK 4.036 million, which is due in 2026.

CZUB has available cash credit lines in an aggregate amount of CZK 500 million from KB and Česká spořitelna, a.s., of which CZK 0 million was utilized as of 31 December 2023.

In addition to the contractual obligations shown in the table above, the Group completed the acquisition of Sellier & Bellot for the combination of a cash consideration in the amount of USD 350 million and the issue of New Shares.

The purpose of the contractual obligations table is to disclose the Company's known contractual obligations, including long-term debt obligations, lease obligations, purchase obligations and other long-term liabilities reflected on the balance sheet. A purchase obligation' means an agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantitates to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction**.**

8.3 *Off-balance Sheet Arrangements*

As of 31 December 2023, the Group had no significant off-balance sheet arrangements.

9 Quantitative and Qualitative Disclosures about Financial Risks

As a result of our business activities, the Group is exposed to various financial risks: market risk in the form of currency and interest rate risks and liquidity risk.

9.1 Market Risks

(a) Currency Risk

The Group operates internationally and is therefore exposed to currency risk arising from fluctuating exchange rates between various currencies, in particular exchange rate changes between the CZK and the EUR and the USD. The Group seeks to mitigate the impact of exchange rate fluctuations on its results of operations by using derivative instruments. See section *XI.3.4 Currency exchange rate fluctuations and hedging* and *The Group's business is subject to foreign exchange risk.* For an overview of the net book value of the Group's monetary assets and liabilities denominated in foreign currencies and a sensitivity analysis with respect to the impact of currency exchange rate fluctuations on such assets and liabilities, see notes 41.3.1 and 41.3.2 of the Audited Financial Statements.

(b) Interest Rate Risk

The Group is exposed to interest rate risk because the Group has entered into variable-interest financing instruments, including the Bonds, which carry interest at a floating rate, variable interest rate loans. Interest rate risk is the risk that fair values of or future cash flows from existing or future financial liabilities may fluctuate due to changes in market interest rates. The Group has managed interest rate risk using interest rate swap agreements since 2014. This ensures the utilization of hedging strategies which are most economically effective.

See sections *XIII.18.5 Colt CZ Group SE Bonds* and *The Group is exposed to interest rate risk.* For more detail, refer to note 41.3.3 of the Audited Financial Statements.

(c) Liquidity Risk

Liquidity risk is a risk that the Group will not have sufficient available resources to meet its payables arising from financial contracts. Liquidity risk arises mostly in relation to the Group's cash flow generated and used for working capital and from financing activities, particularly for servicing the Group's debt, in terms of both interest and capital, and the Group's payment obligations relating to its ordinary business activities. In order to ensure the Group's solvency as well as its financial flexibility, the Group monitors anticipated and actual cash flows, working capital levels and maturities of financial instruments and ensures that adequate borrowing facilities are maintained.

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.

See sections *XI.8 Liquidity and Capital Resources* and *The Group is exposed to liquidity risk*. For more detail, refer to note 41.2 of the Audited Financial Statements.

10 Significant Accounting Policies and Critical Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires the Group's management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities for future periods. On an ongoing basis, the Group's management evaluates the Group's estimates, assumptions and judgments.

The Group's management based its assumptions and estimates on parameters available when the Group's consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the Group's control. Such changes are reflected in the assumptions when they occur.

Significant accounting policies are discussed in the note 3 of the Audited Financial Statements.

XII. INDUSTRY

The following discussion is based on certain historical and estimated market, economic and industry data, statistics and other information. This historical and estimated industry and market data was obtained or extrapolated by the Company from industry publications, generated by it through internal analysis and/or based on its analysis and review of third-party materials and reports. For additional information regarding the Company's use of industry and market data in the Prospectus, see section *III.2.5 Market and industry information*.

The Group designs, produces, assembles and sells firearms, tactical accessories and ammunition for a wide range of customers. Key market segments include the commercial market segment and the military and law enforcement market segment. The Group sells its products worldwide, but the most important markets for the Group's products are the United States, Canada, the Czech Republic and Europe (excluding the Czech Republic) (each a "**Key Market**" and together, the "**Key Markets**").

1 Key Geographic Markets for the Group

The Group supplies its products to over 100 countries all over the world. In 2023, the United States represented 42 per cent, the Czech Republic represented 18 per cent, Canada 15 per cent and Europe (excluding the Czech Republic) represented 13 per cent, of the Group's revenues.

2 Key Market Segments for the Group

2.1 Firearms and Accessories Market

The Group produces a wide range of firearms including pistols, revolvers, assault rifles, submachine guns, grenade launchers, sniper rifles, shotguns, and rim fire and centrefire rifles as well as components for firearms, including sights, triggers, stocks, grips and spare parts. The Group also markets a broad portfolio of tactical accessories, including firearms accessories, tactical and ballistic equipment, such as ballistic vests, helmets and other protection, combat uniforms, backpacks and firearms accessories, such as handgun holsters, magazine pouches and slings. There is a wide range of applications for the Group's products including for commercial use and for military and law enforcement use. The Group's product portfolio also consists of optical mounts, accessories and upgrade kits for firearms produced by SPUHR in Sweden. The SPUHR optical mounts and accessories are used by many military and law enforcement units around the world. SPUHR also offers a popular hunting series of products. Through the acquisition of swissAA in 2023, the Group now produces ammunition, especially small calibre ammunition, specifically 5.56 mm, 7.62 mm, 9 mm, and 12.7 mm, as well as 40 mm grenade launcher ammunition.

2.2 Market Drivers

(a) Commercial Market

The commercial market segment includes personal defence, hunting, sport shooting and other commercial use. According to the BIS Small Arms Market Report, commercial demand for firearms for personal defence is expected to grow. The increase is a result of the increasing number of female shooters purchasing firearms for personal defence because of rising security concerns in developed markets, mainly North America and Europe. In addition, the BIS Small Arms Market Report, expected a growing number of participants in hunting and shooting sports with a medium impact over the next one to two years and a high impact over the next three to five years.

(b) Military and Law Enforcement Market

The Group's customers in the military and law enforcement market segment are federal, state or local governments and agencies. According to the BIS Small Arms Market Report, the military and law enforcement market segment will be driven by (i) rising demand for handguns for law enforcement with a high impact over the next one to two years and a high impact over the next three to five years and (ii) an increase in defence expenditures with a medium impact over the next one to two years and a high impact over the next three to five years. There has been an increase in the overall defence spending of various countries all over the world. The growing defence budget of the different countries is playing a major part in the defence modernization program adopted for strengthening their military forces. As reported by the Stockholm International Peace Research Institute (**SIPRI**") global military expenditure reached an all-time high (*Source*: SIPRI Trends) of USD 2,239.9 billion in 2022 (*Source*: SIPRI Military Expenditure Database). The 15 countries with the highest military expenditures in 2022 include the United States (USD 877 billion), China (USD 292 billion), Russia (USD 86.4 billion), India (USD 81.4 billion), Saudi Arabia (USD 75 billion) and the UK (USD 68.5 billion), using constant 2022 prices and exchange rates.

The following table sets forth the total military expenditures in selected world regions for the period from 2018 to 2022:

Total military expenditures 2018-2022

	2018	**2019**	**2020**	**2021**	**2022**	**CAGR**
			(USD billion)(1)			
North America(2)	761.4	803.0	840.5	831.6	837.7	**1.9%**
Europe(3)	368.4	387.3	407.9	420.7	477.0	**5.3%**
Asia and Oceania(4)	523.0	549.0	567.8	580.4	595.5	**2.6%**
World(5)	1950.1	2028.6	2091.9	2104.1	2181.9	**2.3%**

Source: SIPRI Military Expenditure Database (2024).

(1) Figures are in USD billion, at constant 2021 prices and exchange rates.

(2) Includes Canada and the U.S.

(3) Includes all of Europe, the UK and Russia, except the former Yugoslavia.

(4) North Korea, Turkmenistan and Uzbekistan are not included.

(5) Cuba, Djibouti, Eritrea, Myanmar, North Korea, Somalia, Syria, Turkmenistan, Uzbekistan, Yemen / North Yemen are not included.

World military expenditures grew steadily from 2018 to 2022, resulting in a CAGR of 2.3 per cent for the period from 2018 to 2022. Military expenditures in North America, represented mainly by the United States, were stable and represented approximately 38 per cent of the global military spending in 2022. As reported by SIPRI, Russia's invasion of Ukraine in 2022 was a major driver of the growth. Unsurprisingly, Europe experienced the largest growth in military expenditure by any region in 2022, up by 13 per cent from 2021. Ukraine's spending alone, not including military aid received, increased by staggering 640 per cent. Furthermore, China's expenditure continued to grow in 2022 for a 28th consecutive year.

The following table sets forth military expenditure as a share of gross domestic product (**GDP**) in two of the Group's key markets, the United States and the Czech Republic, and also shows the same data in respect of UK and Europe (excluding the Czech Republic), for the period from 2018 to 2022:

Military expenditure as a share of GDP

	2018	**2019**	**2020**	**2021**	**2022**	**Change** *(basis points)*
United States(1)	3.32%	3.43%	3.70%	3.46%	3.45%	13
Czech Republic	1.09%	1.15%	1.32%	1.40%	1.36%	27
EU and UK(2)	1.31%	1.41%	1.50%	1.49%	1.54%	23

Source: SIPRI Military Expenditure Database (2024).

(1) All figures for the United States are for the financial year (1 October of the previous year to 30 September of the stated year) rather than calendar year.

(2) Figures for the EU and the UK are aggregated from data for the UK and all the EU members countries excluding the Czech Republic.

Based on data presented by SIPRI, in the Czech Republic, the United States and the EU and the UK (excluding the Czech Republic) military expenditure as a share of GDP grew between 2018 and 2022. Meanwhile, in 2022 the average share of defence spending in NATO countries including the USA was 2.57 per cent of GDP and 1.65 per cent excluding the USA (*Source:* NATO), putting the Czech Republic slightly below average. In 2023, the Czech Republic´s military expenditure as a share of GDP rose to 1.52 per cent and the budget for 2024 expects to meet the 2 per cent share of GDP NATO guideline (*Source:* Ministry of Defence of the Czech Republic).

(c) *The United States*

The United States is the Group's largest geographical market. In 2023, 42 per cent of the Group’s revenues were generated in the United States.

(i) *Commercial Market*

Despite a lack of an official national firearms registration system in the United States, the number of applications for firearms purchases accompanied by criminal background checks, which are carried out by the National Instant Criminal Background Check System (**NICS**), indicate the commercial demand for firearms in the United States (*Source*: AP News). Demand for NICS firearm background checks increased to a record level of 28.4 million in 2019, a 3.3 per cent rise from the previous record of 27.5 million in 2016 (*Source*: NICS Firearm Background Checks). This trend persisted in 2020 and 2021, with 39.7 million and 38.9 million background checks respectively, the highest numbers ever recorded. Since then, the total number of background checks has declined steadily to just slightly above its pre-2020 levels, with 31.6 million background checks in 2022 and 29.6 million in 2023 (*Source*: NICS Firearm Background Checks).

It should be stressed, that while the number of NICS firearm background checks is considered to be the best indicator of the commercial demand for firearms in the U.S., the applications include not only applications for purchases of new firearms, but also for secondary purchases by regulated retailers and do not account for firearm sales or transfers using approved alternate permits such as a concealed carry license. Further, the criminal background check procedure differs for individual states and not all states require background checks, which might bring additional inaccuracy to the data.

The following table sets forth the number of NICS firearm background checks for the period from 2017 to 2022:

NICS Firearm Background Checks from 2017-2022

	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**CAGR**
			(number)				
	25,235,215	26,181,936	28,369,750	39,695,315	38,876,673	31,596,646	3.8%
per 100 inhabitants(1)	7.8	8.0	8.6	12.0	11.7	9.5	3.4%

Source: 2023 NICS Operations report. These statistics represent the number of firearm background checks initiated through the NICS. They do not represent the number of firearms sold. Based on varying state laws and purchase scenarios, a one-to-one correlation cannot be made between a firearm background check and a firearm sale.

(1) According to the World Bank, the U.S. population was estimated at 325,122,128 in 2017, 326,838,199 in 2018, 328,329,953 in 2019, 331,511,512 in 2020, 332,031,554 in 2021 and 333,287,557 in 2022. The World Bank has not yet published data for 2023.

The number of NICS firearm background checks increased at a CAGR of 3.8 per cent from 2017 to 2022. The number of NICS firearm background checks per 100 inhabitants increased from 7.8 in 2017 to 9.5 in 2022 at a CAGR of 3.4 per cent. The data also show that once the panic buys caused by the COVID-19 pandemic had subsided, background checks fell significantly in 2023, suggesting a return to pre-2020 numbers (*Source*: NICS Firearm Background Checks).

The following table sets forth the number of NICS firearm background checks for the period from January 2022 to December 2022 and from January 2023 to December 2023:

NICS Firearm Background Checks from January to December in 2022 and 2023

	January	**February**	**March**	**April**	**May**	**June**
			(number)			
2022	2,591,588	2,554,912	3,081,724	2,728,802	2,340,383	2,570,608
2023	2,673,921	2,565,607	3,036,667	2,860,074	2,551,747	2,262,750
% change	**3.2%**	**0.4%**	**(1.5)%**	**4.8%**	**9.0%**	**(12.0)**

	July	**August**	**September**	**October**	**November**	**December**
			(number)			
2022	2,404,332	2,518,132	2,470,462	2,511,034	2,788,138	3,036,531
2023	2,015,789	2,143,982	2,104,825	2,255,089	2,652,870	2,730,855
% change	**(16.2)%**	**(14.9)%**	**(14.8)%**	**(10.2)%**	**(4.9)%**	**(10.1)%**

Source: NICS Firearm Background Checks. These statistics represent the number of firearm background checks initiated through the NICS. They do not represent the number of firearms sold. Different state laws and purchase scenarios mean that there is not a direct link between a firearm background check and firearm sale.

The following table sets forth the number of NICS firearm background checks for handguns for the period from 2017 to 2022:

NICS Handgun Background Checks from 2017-2022

	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**CAGR**
			(number)				
	7,226,979	6,657,111	6,802,167	11,897,521	9,999,061	8,784,415	3.31%
per 100 inhabitants(1)	2.2	2.0	2.1	3.6	3.0	2.6	2.9%

Source: 2023 NICS Firearm Background Checks State/Type. These statistics represent the number of firearm background checks initiated through the NICS. They do not represent the number of firearms sold. Different state laws and purchase scenarios mean that there is not a direct link between a firearm background check and firearm sale.

(1) According to the World Bank, the U.S. population was estimated at 325,122,128 in 2017, 326,838,199 in 2018, 328,329,953 in 2019, 331,511,512 in 2020, 332,031,554 in 2021 and 333,287,557 in 2022. The World Bank has not yet published data for 2023.

The following table sets forth the number of NICS firearm background checks for handguns for the period from January 2022 to December 2022 and from January 2023 to December 2023:

NICS Handgun Background Checks from January to December in 2022 and 2023

	January	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**September**	**October**	**November**	**December**
			(number)						*(number)*			
2022	645,635	736,949	914,071	750,381	663,455	763,168	688,408	675,800	635,269	641,140	765,879	904,715
2023	689,132	736,452	839,648	747,601	658,524	610,594	561,949	575,396	558,130	665,186	762,257	883,957
% change	**6.7%**	**(0.1)%**	**(8.1)%**	**(0.4)%**	**(0.7)%**	**(20.0)%**	**(18.4)%**	**(14.9)%**	**(12.1)%**	**3.8%**	**(0.5)%**	**(2.3)%**

Source: NICS Firearm Background Checks Month/Type. These statistics represent the number of firearm background checks initiated through the NICS. They do not represent the number of firearms sold. Different state laws and purchase scenarios mean that there is not a direct link between a firearm background check and firearm sale.

In addition, political developments drive demand for firearms in the United States. Based on ATF data, firearms production in the United States experienced an increasing trend that is observable beginning in 2014, which peaked in 2016 when approximately 11.5 million firearms were produced. After a significant drop in 2017, when the total production in terms of units fell by 27.6 per cent to 8.3 million firearms, there was a recovery in the number of units produced (4 per cent more units produced in 2018 as compared to the previous year) before yet another and even more significant drop in 2019, when the number of firearms produced fell to 7.0 million units (a 22.5 per cent year-on-year decrease). Based on seasonally adjusted estimated gun sales, approximately 754 thousand guns were sold in the month of the September 11, 2001 attacks in the United States, 1.1 million guns were sold the month President Obama was elected, 2.0 million guns were sold in the January after President Obama's re-election and the mass shooting at Sandy Hook Elementary School in Newtown, Connecticut took place and 1.9 million guns were sold in March 2020 during the COVID-19 pandemic (*Source*: The New York Times). Small Arms Analytics & Forecasting's (**SAAF**) chief economist Jurgen Brauer commented that the firearm sales in 2020 reached an unprecedented level of almost 23 million units sold (*Source:* SAAF 2020*)*. NPR reported that first-time gun owners drove the record sales in 2020 (*Source:* National Public Radio). Although sales declined by 12.5 per cent in 2021, they still remained well above the levels before 2020 (*Source:* SAAF 2021). Gun retailers in the U.S. were largely able to operate during the COVID-19 pandemic, as only three states ordered them to close statewide (*Source:* The Trace). Americans bought nearly 60 million firearms during the pandemic (2020-2022) – more than in any other period in U.S. history (*Source:* The Hill).

The market has largely normalized in 2023. The SCOPE database (*Source:* NASGW 2023 Annual Report) showed that the number of NICS checks in 2023 decreased by 4 per cent compared to 2022 but increased by 20 per cent compared to 2019. According to SCOPE sales statistics, the fourth quarter of 2023 was relatively strong, exceeding the same period of 2022 by 5 per cent. The seasonality returned to patterns that were typically observed before the COVID-19 pandemic with low demand in summer and high demand in the fall. The fastest growing segment was rifles, which accounted for 24 per cent of total shipments, compared to 21 per cent in 2022.

The Group's management believes the United States market is, to a large extent, influenced by the current political situation and attitude of the United States public towards gun ownership regulation pressures. The Group's management believes the significant growth in demand and consequently production can be attributed to uncertainty of firearms possession regulations in the United States, which is traditionally associated with presidential elections, as demand may change based on a newly elected president's stance on the issue. The drop in demand and production overcapacity after 2016 was likely due to front-loading of the firearms purchases as consumers believed more restrictive firearm possession regulation would come into force. The drop in 2023 was likely mainly driven by exceptionally strong sales in 2021 and 2022 and the normalization of high inventory levels in 2023, resulting in price discounts offered to customers during the year.

(ii) *Military and Law Enforcement Market*

In addition to the commercial market, the Group also operates in the military and law enforcement market. Due to security reasons, relevant market information from publicly available sources is rather limited. Generally, increases in the number of full-time law enforcement officers correspond to increased demand for firearms.

The following table sets forth the number of full-time law enforcement officers in the United States for the period from 2018 to 2022:

Number of full-time law enforcement officers

	2018	**2019**	**2020**	**2021**	**2022**	**CAGR**
			(number)			
Full-time law enforcement officers, male and female	704,806	712,759	724,670	702,915	751,634	1.3%

Source: FBI: Crime Data Explorer.

Apart from a drop in 2021, the number of full-time law enforcement officers in the United States grew steadily at a CAGR of 1.3 per cent between 2018 and 2022.

(iii) *Supply of Firearms in the United States*

Based on available data from the ATF on firearms production, exports and imports in the United States, it is possible to approximate the supply of firearms to the United States market only until 2020, the most recent year for which the ATF has published the number of firearms imported into the U.S. The following table sets forth the number of firearms manufactured in the United States and distributed into commerce for the period from 2015 to 2020:

Supply of firearms in the United States, 2015-2020

	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**CAGR**
				(units)			
Total Manufactured in U.S.	9,358,661	11,497,441	8,327,792	9,052,628	7,011,945	11,064,078	2.8%
Total Imported in the U.S.	3,930,211	5,137,771	4,492,256	4,305,851	3,986,663	6,831,376	9.7%
Less Total Exported out of U.S.	(343,456)	(376,818)	(488,300)	(554,237)	(317,482)	(529,138)	7.5%
Implied U.S. firearms supply.	**12,945,416**	**16,258,394**	**12,331,748**	**12,804,242**	**10,681,126**	**17,366,316**	**5.0%**

Source: ATF 2021 Update, ATF 2020 Annual Firearms Manufacturing and Exports Report. The ATF has not reported on the number of firearms imported after 2020, therefore the implied U.S. firearms supply after 2020 cannot be calculated.

As data on firearms imported beyond 2020 are not available, the table does not fully capture the rising demand for firearms during the COVID-19 pandemic. But the data that are available indicate that both the number of background checks and the number of firearms purchased set new records between 2020 and 2022. In addition, the available data on firearms manufactured in the United States indicate a slight decrease from 13,804,919 firearms manufactured in 2021 to 13,387,643 in 2022 (*Source:* individual ATF annual firearms manufacturing and exports reports for 2021 and 2022).

The ATF's data on firearms imported by type reveals that the total proportion of handguns decreased from 71.5 per cent in 2016 to 59.0 per cent in 2020. At the same time, the proportion of shotgun imports nearly doubled from 14.3 per cent in 2016 to 28.2 per cent in 2020. The Czech Republic consistently ranked among the top 15 importers to the United States in the period from 2016 to 2020, excelling especially in the import of handguns. Among the largest importers of firearms into the United States, the number of firearms imported from the Czech Republic grew at its fastest rate in the period from 2016 to 2018 at a CAGR of 14.2 per cent, from 150,162 firearms in 2016 to 223,836 firearms in 2018. In 2019, the global imports of firearms into the U.S. declined by 8.0 per cent, whilst imports from the Czech Republic plummeted by 19.3 per cent. The following year imports from the Czech Republic rose again, reaching a total of 275,943 units imported in 2020 (*Source:* individual ATF Updates for 2016-2021). To the best of the Group's management's knowledge, apart from the Group, there are no other significant Czech importers of small firearms into the United States market and therefore, this growth is attributable to the Group's sales.

(d) The Czech Republic

The Czech Republic is the Group's domestic market and one of the largest geographical markets. In 2023, 18 per cent of the Group's revenues were generated in the Czech Republic. The Group is a key strategic partner of the Czech Armed Forces. For example, the Group has supplied firearms and tactical products to the Czech Army, Czech Police and the Czech Prison Service. The rearmament of the Czech Army begun pursuant to the framework agreement executed in April 2020 with a subsequent amendment which was signed in March 2022 (see section *XIII.18.1 Framework Agreement with the Ministry of Defence of the Czech Republic*).

The Czech Police reported that the total number of firearms license holders in the Czech Republic rose from 302,990 in 2017 to 314,039 in 2022. Based on the World Bank estimates of approximately 10.6 million and 10.7 million inhabitants for 2017 and 2022, respectively, the relative number of firearms license holders in the Czech Republic stayed constant at 2.9 firearms license holders per 100 inhabitants in both years. The most common license type was type E, which authorizes the holder to possess a firearm for personal and property defence. The proportion of firearms license holders with this type of firearms license grew steadily, from 81.0 per cent to 82.0 per cent, between 2017 and 2022. In the Czech Republic, a firearms license holder may hold more than one license type and the average number of license types per holder increased slightly from 2.2 in 2017 to 2.3 in 2022. The fastest growing firearms license categories were hobby-related, especially collector-type (at CAGR of 2.1 per cent from 2017 to 2022) and sports-type (at CAGR of 1.7 per cent from 2017 to 2022) (*Source:* Czech Police Statistics).

The number of registered firearms in the Czech Republic increased between 2017 and 2022 at a faster pace than the number of firearms license holders. The ratio of registered firearms per 100 inhabitants in the Czech Republic rose by 1.4 from 7.8 in 2017 to 9.2 in 2022. Type B firearms (i.e. weapons where the ownership is subject to a arms licence - mostly centre-fire weapons, semi-automatic weapons and short rim-fire weapons) represented the largest segment in firearms registrations in the Czech Republic with 519 224 Category B weapons registered in 2023) (*Source:* Czech Police Statistics).

The number of police officers per 1,000 inhabitants in the Czech Republic remained unchanged at 3.8 between 2017 and 2022 (*Source:* Czech Police Numbers 2000-2019, Czech Police Numbers 2020-2022).

3 Competitive Landscape

The Group's main competitors are small arms and light weapons producers. The Group's management believes the following weapons producers are the Group's competitors in its Key markets:

- FN Herstal S.A. (Belgium) – producer of defence and security products including rifles, machine guns, grenade launchers and pistols, as well as commercial market products such as shotguns and handguns for clay shooting, big game hunting, tracker and practical shooting. It is part of the Herstal Group, which also produces Browning and Winchester firearms;

- Fabbrica D'Armi Pietro Beretta S.p.A., (Italy) – producer of shotguns, pistols, rifles and premium guns for a variety of purposes such as hunting, competition sports and target shooting, with a similar product breadth as the Group. It is part of Beretta Holding S.A., along with the Finnish based firearms producer SAKO, Limited, the producer of Sako and Tikka rifles and accessories, as well as Ammolux S.A., the producer of Ammotec ammunition;
- Glock Gesellschaft m.b.H., (Austria) – producer of pistols for the commercial market and the military and law enforcement market and one of the largest importers of firearms to the United States;
- Heckler & Koch GmbH, (Germany) – producer of small firearms mainly for the military and law enforcement market;
- SIG SAUER, Inc., (the U.S.) – producer of pistols and assault rifles mainly for the military and law enforcement market, also occupying a very strong position in the U.S. commercial market, repeatedly ranking among the top of five most sold producers in terms of revenue;
- Taurus Holdings Inc., (the U.S.) – producer of revolvers and pistols for the commercial market and the military and law enforcement market and part of the Brazil-based Taurus Armas, S.A.;
- Smith & Wesson Brands, Inc., (the U.S.) – producer of pistols, revolvers and rifles for the commercial market and the law enforcement market;
- Sturm, Ruger & Company, Inc., (the U.S.) – producer of rifles, rimfire and centrefire autoloading pistols, revolvers and firearms accessories and replacement parts as well as steel investment castings and metal injection moulding parts, with its main focus on the commercial market;
- O.F. Mossberg & Sons, Inc., (the U.S.) – producer of rimfire rifles, centrefire rifles and shotguns for the commercial market and the law enforcement market; and
- Savage Arms Inc., (the U.S.) – producer of rimfire rifles, shotguns, centrefire rifles and modern sporting rifles for the commercial market, formerly part of Vista Outdoor Inc.;

Additionally, the Group's management believes the Group also competes in specific sectors with the following firearms producers:

- Pistols market: Springfield Armory, Inc. (and its affiliate HS Produkt d.o.o); Fratelli Tanfoglio S.R.L.; Staccato 2011, LLC; Samsun Yurt Savunma Sanayi ve Ticaret A.Ş. (known as Canik Arms); Girsan Makina ve Hafif Silah Sanayi Ticaret A.Ş. (known as Girsan);
- Military and law enforcement market: Israel Weapon Industries; Knight's Armament Company; Daniel Defense, LLC; C.G. Haenel GmbH; Caracal International LLC; and
- Long guns market: Remington Outdoor Company, Inc.; Blaser GmbH.

Financial information for most of the Group's competitors is not readily available, because many of them are privately-held companies; however, the following table sets forth current revenues, EBIT, EBITDA values and margins and most common valuation metrics of the Group's competitors, for which data is available, was derived from publicly available information, as compared to the Group's main financial and valuation metrics. Please see the notes below for information on individual numbers that are not necessarily comparable.

EBIT, EBITDA, EBITDA margin and other selected indicators of competing firearms producers

LTM, USD 000	**SWBI(1)**	**RGR(2)**	**TASA4(3)**	**MLHK(4)**	**Peer Group**	**the Group(5)**
LTM date	**31 October 2023**	**30 September 2023**	**30 September2023**	**30 September 2023**	**(average 1 - 4)**	**30 September 2023**
Net Sales	513,014	562,374	379,944	348,801	451,033	658,630

EBIT	40,080	68,217	67,222	58,193	58,428	117,352
EBIT margin	7.8%	12.1%	17.7%	16.7%	13.0%	17.8%
EBITDA	73,628	88,204	74,276	72,268	77,094	123,129
EBITDA margin	14.4%	15.7%	19.5%	20.7%	17.1%	18.0%
Enterprise value (USD m)	655	681	424	-	587	1,053
EBITDA multiple	8.9	7.7	5.7	-	7.6	8.6
EPS	0.6	0.8	1.8	1.8	-	2.7

All figures are in thousands of USD and reflect the last twelve months (LTM) of financial reporting by each company, as far as the data is available. The following exchange rates apply: 2022 average, USD/CZK 22.198, USD/EUR 0.924, USD/BRL 5.0. Enterprise value is based on market capitalization as of 21 February 2024.

(1) Smith & Wesson Brands, Inc., listed on Nasdaq
(2) Sturm, Ruger & Company, Inc., listed on NYSE
(3) Taurus Armas S.A., listed on Sao Paulo Stock Exchange
(4 Heckler & Koch AG, listed on Euronext Paris. Due to extremely low daily volumes, the enterprise value and market capitalization do not seem to be representative of its real enterprise value
(5) The Group, Colt CZ Group SE, listed on Prague Stock Exchange

3.1 Product comparison with competition

In 2023, Gun News Daily ranked Colt 1911 and the CZ 75 gun in the ten best handguns for home defence. The following table sets forth the result of the ranking assigned by Guns News Daily review:

	Score(1)
Walther PPQ M2	9.8
FNX-45	9.7
CZ 75 SP-01 Tactical	**9.5**
Springfield XD MOD2	9.4
Colt 1911	**9.2**
Ruger 1707 GP100	9.0
Smith & Wesson M&P Shield	8.9
Sig Sauer MK25 P226	8.7
Gen 4 Glock 19	8.6
Beretta M9	8.5

Source: Gun News Daily: 10 Best Handguns for Home Defense (In 2023 and beyond).

(1) Ranking based on main factors of the overall quality, reliability, accuracy, capacity and ease of use for each gun and presented in descending order.

XIII. THE GROUP'S BUSINESS

1 Overview

The Group's management believes the Group is one of the worldwide leading producers of firearms, tactical accessories and ammunition for military and law enforcement, personal defence, hunting, sport shooting and other commercial use. It markets and sells its products under the Colt, CZ (Česká zbrojovka), Colt Canada, CZ-USA, Dan Wesson, SPUHR, swissAA and 4M Systems brands. The Group is headquartered in the Czech Republic and has production facilities in the Czech Republic, the United States, Canada, Sweden, Switzerland, and Hungary. It has over 80 years of history in the Czech Republic and over 170 years in the US. The Company is the holding company of the Group.

Following the closing of the acquisition of Sellier & Bellot by the Group on 16 May 2024, Sellier & Bellot has also become a Group company. Information in this section *XIII The Group's Business*, presents information about the Group without taking into account information about Sellier & Bellot, save for section *XIII.11 Impact of the Sellier & Bellot acquisition on the Group's performance and results*, which offers a commentary on the impact of Sellier & Bellot becoming part of the Group. For detailed information on Sellier & Bellot see section *Description of Sellier & Bellot*.

In 2023, the Group generated CZK 14.9 billion of revenues and CZK 2.7 billion of EBITDA. In 2023, 18 per cent of revenues were generated in the Czech Republic, 42 per cent in the United States, 15 per cent in Canada and 13 per cent in Europe (excluding the Czech Republic). In 2023, the Group sold 621.2 thousand of firearms to customers in more than 100 countries on six continents. In 2023, the Group had an average recalculated headcount of 2,111, based in the Czech Republic, the United States, Canada, Sweden, Switzerland, Hungary and Germany.

In 2022, the Group generated CZK 14.6 billion of revenues and CZK 3.1 billion of EBITDA. In 2022, 13 per cent of revenues were generated in the Czech Republic, 48 per cent in the United States, 12 per cent in Canada and 11 per cent in Europe (excluding the Czech Republic). In 2022, the Group sold 693 thousand of firearms to customers in more than 100 countries on six continents. In 2022, the Group had an average recalculated headcount of 2,205, based in the Czech Republic, the United States, Canada, Sweden and Germany.

The table below sets forth a breakdown of the Group's revenues by regions for the periods indicated.

	FY 2023	**FY 2022**	**FY 2021**
		(in CZK thousands)	
Czech Republic	2,621,059	1,926,379	824,128
United States	6,269,821	6,983,933	6,248,038
Canada	2,231,392	1,773,822	551,509
Europe (excl. the Czech Republic)	1,935,068	1,584,169	1,053,754
Africa	185,994	243,317	752,850
Asia	1,131,068	1,483,412	727,426
Other	481,179	594,742	531,222
Total	**14,855,581**	14,589,774	10,688,927

2 General information

The Company was incorporated in the Czech Republic on 10 January 2013 and is registered in the Commercial Register maintained by the Municipal Court in Prague, Section H 962, with company identification number 291 51 961. The Company is a European Company (Societas Europaea) governed by (i) the laws of the Czech Republic and EU laws applicable to commercial companies in the Czech Republic, in particular the Czech Companies Act, Czech Act No. 627/2004 Coll., on the European company, as amended, and Council Regulation (EC). No 2157/2001 of 8 October 2001 on the Statute for a European company (SE), as amended and (ii) specific provisions of Czech and EU law in relation to manufacturing and trading activities relating to firearms as described in further detail in section *XVII.2 Czech Firearms Regulation* below, including the Czech Weapons Act. The registered office of the Company is náměstí Republiky 2090/3a, Nové Město, 110 00 Prague 1, Czech Republic. The Company's telephone number is +420 222 814 617 and its website is www.coltczgroup.com. The Company's website does not form part of this Prospectus unless that information is incorporated by reference into this Prospectus.

As of the date of this Prospectus, the Company’s share capital was CZK 4,863,385 and was fully paid up. It was divided into 48,633,850 ordinary registered book-entry shares with nominal value of CZK 0.10 each. According to article 2 of the Company’s Articles of Association, the scope of business of the Company includes: a) management of its own assets; b) manufacturing, trade and services other than those listed in Annex 1 through 3 of the Act No. 455/1991 Coll., on trade licensing, as amended (the **Czech Trade Licensing Act**).

3 The Group's Vision

The Group aims to become the undisputed leader of the small arms industry, recognized for its excellence and innovation.

3.1 The Group's Mission

The Group's mission is to deliver reliable and high-quality products that meet the diverse and demanding needs of its customers.

3.2 The Group's Values

The Group's values reflect its vision of being a global leader in the small arms industry, as well as its mission of providing the most innovative, high-quality, and reliable products and services to its customers. The Group's values are team spirit, integrity, responsibility, and innovation. These values guide the Group's actions and decisions, and shape its culture and identity.

The Group's employees are the cornerstone of its future success, and they share a culture of collaboration, mutual support, honesty, transparency, and self-confidence. The Group embraces diversity and respects different perspectives as sources of strength and resilience. The Group aims to meet the highest ethical and legal standards in everything it does. The Group treats its people, suppliers, business partners, and customers with respect, and evaluates them based on merit and contribution. The Group is a responsible member of its communities, and delivers on its commitments and expectations, provides a safe environment for its employees and customers, and promotes, distributes, and sells its products in cooperation with proven business partners and to customers who intend to use them solely for legal and ethical purposes. The Group is committed to building a company for future generations through a culture of innovation and strives to reinvent what and how it does to offer the most reliable and innovative products and services.

4 Strengths

4.1 Well-established manufacturer of high-quality firearms, accessories and ammunition with recognized brands

The Group markets and sells its products under the Colt, CZ (Česká zbrojovka), Colt Canada, CZ-USA, Dan Wesson, SPUHR, swissAA and 4M Systems brands. The Group believes that its brands are globally recognized among firearms customers and valued especially for good craftsmanship, which is backed by the Group's more than 150 years of experience in the firearms business and the iconic status of some of its products. The Group's products are also used by numerous military and law enforcement customers, such as armed forces in the Czech Republic, Canada, Switzerland, Germany, Denmark, Hungary, the Netherlands, Poland, Slovakia, Portugal, Romania, Austria and Serbia, police and border units in the Czech Republic, Colombia, Kenya, Indonesia, Malaysia, Mexico, Poland, Romania, Malaysia, Slovakia, Slovenia, Singapore, Thailand, Uzbekistan, and Vietnam.

The Group's cash capital expenditures (Acquisition of non-current assets) were CZK 924 million in 2023. These capital expenditures were primarily related to improvements in the Group's production technology and machinery, both in the production plant of Česká zbrojovka a.s. Uherský Brod and in the production plants in the United States and Canada. One of the most notable investments was Colt’s Manufacturing Company´s acquisition of ownership of the Mk 47, including the fire control, from GD-OTS. The Mk 47 is a reliable, portable 40mm grenade launcher suited for light infantry vehicles and tripod applications. In addition, cash capital expenditures increased due to required investments into the production capacity at swissAA.

The Group believes providing superior product quality to its customers is the key to the Group's business model and paramount to its success, as the firepower, safety and readiness of the Group's firearms are mission-critical for the Group's customers. A holistic quality management system in the Group's production facilities ensures compliance with the Group's high-quality standards and, without exception, each of Group's firearms must pass functional tests and quality checks prior its delivery to a customer.

The Group's commitment to the highest industry quality standards and technological prowess are also underlined by successes of the Group's products in expert shooting events.

The CZ Shooting Team achieved outstanding success at the Extreme Euro Open, which took place from 18 June 2023 to 25 June 2023 at the Hodonice shooting range, near the Czech city of Znojmo. This competition is one of the biggest and most challenging of the shooting season, attracting the largest number of shooters from all over the world. A total of 1,078 competitors from 53 countries participated. Members of the international CZ Shooting Team excelled at the competition, dominating all main divisions and winning six gold, three silver and three bronze medals.

From 24 September 2023 to 30 September 2023, the 2023 European Handgun Championship was held in Corinth, Greece, as part of the European International Practical Shooting Confederation (**IPSC** Practical Shooting Championship event. In an extremely tough competition of the best shooters from all around the world, members of CZ Shooting Team, armed with CZ pistols, performed brilliantly. Members of CZ Shooting Team dominated all of the main IPSC divisions, securing a total of nine medals – six gold, two silver, and one bronze medal from the individual competitions – as well as six European Champion titles and eight victories in the worldwide rankings.

Jalise Williams, a member of Colt Shooting Team won High Lady Overall and 3rd enhanced service pistol division at the 4th annual Florida State International Defensive Pistol Association Championship, which took place from 2 February 2024 to 4 February 2024 in Frostproof, Florida.

On 14 December 2022, EG-CZ Academy, a brand new multifunctional indoor shooting range, had its grand opening in Quimper, France. One of the world's most sophisticated facilities of its kind, it was designed and built as a joint effort between CZUB, and Eric Grauffel, a sport shooting icon and nine-time IPSC World Champion. The EG-CZ Academy is the first officially approved professional sport shooting centre in France. In addition to offering the opportunity to train directly in Quimper, the EG-CZ Academy also provides highly effective online courses for novices, recreational shooters and advanced competitors.

4.2 Technological leader in designing innovative products supported by continuous investment and R&D spend

The Group's R&D and ability to innovate are crucial to its business, as the Group's customers, particularly military and law enforcement customers, demand innovative, reliable and state of the art products. The Group's technology leadership is also one of its key competitive advantages, and the Group’s product innovations have formed the backbone of its success. The Group’s substantial financial and human capital investments into R&D activities enabled the Group to substantially shorten its innovation cycle and offer products that are technological and functional class leaders (see examples above in *XIII.4.1 Well-established manufacturer of high-quality firearms, accessories and ammunition with recognized brands*) in their respective categories faster than would have been possible a decade ago. Most of the Group’s product portfolio in firearms was introduced less than five years ago, three generations of assault rifles were introduced in the last 10 years.

The Group’s technological leadership is demonstrated by the significant numbers of competitive sports shooters that use the Group’s firearms to win awards.

The Group carries out research and development in respect of each of its key brands, with global coordination and with the aim of developing new products and services for customers who demand innovative and reliable products for the most demanding missions. The development of the Group's R&D, either on its own or in collaboration with partners, is one of the Group's highest priorities. The Group invests actively in R&D to broaden its product portfolio and to enhance the innovation of new products, reduce the innovation cycle and introduce products with the most advanced technologies and functions in their categories.

The Group's R&D activities are based on an experienced team of growing experts - in 2023, an average of 106 full time employees worked in R&D and related technical functions, mainly at the Group’s production plants in the arms segment (Uherský Brod, West Hartford, Kitchener). Other R&D specialist teams are focused on developing innovative solutions in the field of ammunition (swissAA in Dulliken, Switzerland) and accessories (SPUHR in Löddeköpinge, Sweden). The Group also holds a stake in CARDAM (a research company), which is jointly owned by the Institute of Physics of the Academy of Sciences of the Czech Republic and gives the Group access to the most advanced scientific knowledge, especially in the field of materials research.

The Group's R&D teams have a diverse range of expertise, including designers, material specialists, mathematicians, experienced project managers and development lab teams. The Group aims to further grow the team and enhance the required skills in the coming years, while keeping a balanced mix of seasoned experts and young engineers with potential. The Group’s R&D teams benefit from state-of-the-art facilities for both virtual and physical research work. The Group will prioritise investing in technology and equipment for R&D, with the objective of strengthening its position as a technological leader.

The main goal of the Group’s R&D is to provide customers with a clear benefit when making a purchase decision, while at the same time constantly improving the reliability, functionality, quality, safety and durability of the Group’s products.

4.3 Global player offering complete solutions to diverse customer base

The Group’s broad portfolio of handguns, long guns and tactical accessories, such as ballistic vests, grenades and ammunition, enables it to serve a broad variety of firearm users, from civilians purchasing firearms for personal defence, hunting, sport shooting and other commercial uses, to federal, state or local governments and agencies, including military and law enforcement units. The Group produces a wide range of firearms, including dozens of models, in three main categories for the commercial market: (i) pistols (including, steel frame pistols and polymer frame pistols which can be further split into hammer fired and striker fired pistols), (ii) revolvers and (iii) hunting guns (which can be split into three categories: centrefire rifles, rim fire rifles and shotguns) and five main categories for the military and law enforcement market: (a) pistols, (b) submachine guns, (c) assault rifles, (d) sniper rifles and I grenade launchers. Moreover, the firearms the Group produces for the military and law enforcement market are available in semi-automatic versions for the commercial market.

The Group is able to meet a variety of customer requirements through a wide range of products and product customization options. For example, in order to further expand its reach to even the most demanding of commercial customers, the Group provides an online firearm configurator, which allows customers to customize some of the Group’s products. The online firearm configurator is now available in seven countries including the United States. The Group also intends to evaluate potential applications of the on-line firearm configurator for military and law enforcement customers.

Through its subsidiary Colt CZ Defense Solutions, the Group also engages in the trade of military equipment and material. The subsidiary SPUHR manufactures a range of products, such as optical mounts, accessories and enhanced gun kits, that suitably complement the Group’s core business. SPUHR mounts and accessories are used by many military and armed forces around the world. SPUHR also offers a popular hunting line of products. From 2023, the Group provide its customers, through its subsidiary swissAA, with ammunition and technology for the armed forces, including small-calibre ammunition of 5.56 mm, 7.62 mm, 9 mm and 12.7 mm, as well as 40 mm grenade launcher cartridges. At the end of 2023, the Group acquired the Mk 47, expanding its portfolio to heavier and more sophisticated weapon systems.

The Group has expanded into more than 100 markets globally. In 2023, the Group generated CZK 14.9 billion of revenues, of which 42 per cent was generated in the United States, 18 per cent in the Czech Republic, 15 per cent in Canada and 13 per cent in Europe (excluding the Czech Republic), and CZK 2.7 billion of EBITDA. In 2023, the Group sold 621.2 thousand of firearms to customers in more than 100 countries on six continents. The Group ranks among the largest exporters in the Czech Republic. Based on the Czech Chamber of Commerce’s Exporter of the Year ranking, the Group ranked 2nd in 2023 in the category “highest number of export destinations”.

Imports and exports of defence articles and services to and from the United States and U.S. persons are subject to the U.S. International Traffic in Arms Regulations (the **ITAR**) and the U.S. Export Administration Regulations (the **EAR**), which restrict and control the flow of defence and military-related items and services, including firearms, from, and through the United States and U.S. persons. The Group's sales that do not involve the flow of defence articles, other military-related items, and services to or from the U.S. or U.S. persons, directly or indirectly, are not subject to the ITAR or the EAR. Accordingly, the Group's non-U.S. activities provide the Group a competitive advantage over its U.S.-based competitors because the Group can serve military and law enforcement customers that exclude from their tender processes any products and producers which are subject to the ITAR or the EAR (for example recent tenders in Germany and France). The Group's management believes these factors form a solid foundation for the Group's further growth.

4.4 Track record of growth and profitability and sound financial profile

The Group has a proven track record of strong financial results in terms of growth and profitability. The Group has demonstrated consistently above-market growth and consistent profit expansion, driven especially by growth in product sales, geographic expansion, particularly in the U.S., operational efficiency initiatives and optimisation of asset utilisation.

The Group's revenues have consistently increased year on year, from CZK 14.6 billion in 2022 to CZK 14.9 billion in 2023. The Group's EBITDA decreased from CZK 3.1 billion in 2022 to CZK 2.7 billion in 2023.

The Group also has a relatively low level of financial leverage. The Group's net leverage ratio, defined as the ratio of net financial debt to EBITDA for the last twelve months, was 2.8x as of 31 December 2023 and 1.18x as of 31 December 2022. Well capitalised and liquid Czech banking and financial markets provide the Group with financial flexibility to finance organic growth initiatives (capital expenditures) and potential acquisitions and allows the Group to access external funding sources, including state export financing agencies, for financing potential projects with military and law enforcement customers outside the Czech Republic.

4.5 Experienced management team and supportive, stable shareholders

The Group has a dedicated management team with extensive experience in the firearms industry, high employee loyalty and a demonstrated history of enhancing efficiency and driving growth. The Group's management team members have diverse backgrounds and combined firearms and military and law enforcement experience. The Group's management team's achievements include the Group's revenue momentum from 2019 to 2023, in particular due to the growth in the number of firearms sold by the Group and the successful acquisition of Colt as a result of the long-term experience and know-how of the Group's workforce and managers, the Group is able to promptly respond to each customer's unique requirements for its products.

The Group's Czech production facility of Česká zbrojovka a.s. is located in Uherský Brod, Czech Republic, a town of approximately 16,500 inhabitants, situated in a rural region with a moderate cost of living, a skilled workforce at affordable wages and, most importantly, a long tradition of firearms manufacturing and metal craftsmanship in general. The Group is the biggest employer in Uherský Brod and plays an important role in the region's industry. The Group believes that the combination of these favourable factors has enabled the Group to attract and retain a loyal and productive workforce. In 2023, the Group had an average recalculated headcount of 2,111, of which 1,421 were located in the Czech Republic, of which 1,369 were located at CZUB in Uherský Brod.

Colt's Manufacturing Company's domestic U.S. production facility is located in West Hartford, Connecticut United States of America and Colt's Canadian production facility is located in Kitchener, Ontario, Canada. In 2023, Colt CZ Group North America Inc. had an average headcount of 561 of which an average of 124 were employed by Colt Canada located in Kitchener, Ontario, an average of 353 were employed by Colt's

Manufacturing Company LLC located in West Hartford, Connecticut and an average of 84 were employed by CZ-USA.

The Group's well-defined ownership structure enables it to align investors' interests with those of its management. The Group also benefits from its long-standing supportive majority owner, Mr. Holeček who is also a vice-chairman of the Supervisory Board. The modern Group is a personal achievement of Mr. Holeček and the other co-owners and managers. Mr. Holeček's support has enabled the Group to pursue longer-term strategies aimed at steady, stable and maintainable growth and to see them through to fruition. It is the Group's understanding that Mr. Holeček does not intend to dilute his share below 51 per cent in the foreseeable future. The Group has implemented the Employee Share Option Plan to further align the interests of the Group's management and employees with investors' interests. In addition, the Group has established international market standard corporate governance structures to align all stakeholders' interests and in June 2023, it published its first comprehensive sustainability report which is based on the GRI standards metrics.

5 Weaknesses

5.1 Susceptibility to global economic fluctuations and political instability

The Group's performance is significantly influenced by global economic conditions, which can lead to reduced demand for its products in times of economic downturn. For instance, high unemployment and cautious consumer spending can lead to lower sales, as seen in the U.S. market contraction experienced in 2023. Additionally, the Group's reliance on government contracts makes it susceptible to budgetary constraints and austerity measures, which can result in reduced defence spending. The Group's sales to military and law enforcement customers, which represented approximately 46% of its consolidated revenues in 2023, are particularly at risk in such economic climates. Moreover, geopolitical events, such as the Russian invasion of Ukraine, have led to increased energy prices and input material shortages, further complicating the Group's operational and financial performance. The Group's revenues from sales to countries under EU sanctions (Russia and Belarus) have historically been less than half a percent, but the broader impact of such geopolitical tensions can be unpredictable and detrimental to the Group's business.

5.2 Exposure to intense competition and technological advancements

The Group operates in a highly competitive small firearms industry, where it faces the challenge of differentiating its products and maintaining technological leadership. With numerous well-established competitors in the market the Group must continuously innovate and adapt to new trends without compromising quality. The Group's R&D efforts, which involved an average of 106 full-time employees and expenditures of approximately CZK 223 million in 2023, are critical to maintaining its competitive edge. However, there is a risk of insufficient resources for future R&D or the inability to anticipate new technological trends, which could delay product introductions and affect the Group's market share and reputation. Additionally, the Group's success depends on its ability to compete effectively in international markets, which may be hindered by rising protectionism and trade barriers, such as the U.S. Buy American Laws.

5.3 Regulatory compliance and export license dependence

The Group's business is subject to stringent regulations and the need for various licenses and permits, which are critical for its operations. In the Czech Republic, the Group must comply with extensive statutory requirements to maintain its Trade License and arms license. In the United States, the Group must adhere to ATF rules and regulations. Non-compliance could result in fines, penalties, or restrictions on the Group's ability to produce and sell firearms. Additionally, the Group's ability to export its products is contingent on obtaining export licenses in multiple jurisdictions, with more than 85% of its revenues depending on such licenses. Changes in export control rules or the imposition of sanctions could materially affect the Group's revenue and operations.

5.4 Vulnerability to market dynamics and financial instability

The Group's financial stability is intricately tied to the volatile nature of foreign exchange rates, with a significant portion of its revenue being in EUR and USD, while costs are predominantly in CZK. A 10% depreciation of CZK against the EUR could negatively impact the Group's profits by CZK 492 million, while a similar depreciation against the USD could have a positive impact of CZK 109 million. Although the Group engages in hedging strategies, the effectiveness of these measures is uncertain, especially during market crises or economic recessions, and may not always qualify for hedge accounting, potentially leading to direct impacts on profitability and financial position. Furthermore, the Group's ability to export is contingent upon the availability of trade finance products, which can be hindered by the reluctance of banks to finance firearms trade due to regulatory, public, or political pressures, potentially restricting the Group's market expansion and adversely affecting revenue.

5.5 Environmental, social, and governance (ESG) challenges

The Group's operations and products are subject to ESG scrutiny, which can impact its reputation and financial performance. Failure to comply with ESG standards or meet sustainability targets could result in the loss of investors and customers. The Group's manufacturing processes contribute to its carbon footprint, and it faces pressure to improve energy efficiency and reduce emissions. Additionally, the controversial nature of firearms can lead to social and political pressures, potentially affecting sales and the Group's ability to operate. Environmental regulations, particularly at the Group's main production facility, could become more stringent, requiring significant expenditures and potentially impacting operations.

6 Strategy

The Group believes that it can execute a mixed growth strategy, combining organic growth with external growth driven by acquisitions.

6.1 Penetration of military and law enforcement market

Currently, the Group generates most of revenues from sales to the commercial market. The Group intends to focus on increasing its penetration of military and law enforcement markets particularly in Western Europe, the North America and select markets in Asia. 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 (especially in light of the war in Ukraine), and the rather long investment gap in most developed countries. The Group also believes that increased sales to military and law enforcement customers will enhance the Group's brand recognition generally, supporting the Group's aim of positioning its products as premium brands.

The Group believes that it is well positioned to further penetrate the military and law enforcement market. The Group can capitalize on its experience gained from supplying firearms to military and law enforcement customers for many years and can offer full firearm and ammunition solutions to existing and new military and law enforcement customers. In addition, it is critical to obtain the appropriate export licenses in order to be able to export firearms and the Group has a successful track record of obtaining the necessary approvals for export from the EU.

The Group has been upgrading its product offering to include all relevant types of handguns (mainly pistols), submachine guns and advanced assault rifles. Also, the Group intends to intensify its firearms and accessories sales and marketing efforts in order to penetrate the military and law enforcement market, including through presentations and testing events for military and law enforcement customers. In order to increase its success rate in reaching and concluding agreements with various military and law enforcement customers, the Group set up a tender support department that specifically monitors and assesses various opportunities within this market. In order to increase the Group's penetration of the market, the Group also actively seeks, selects and cooperates with external governmental agencies, partners and experts, such as various supply and procurement agencies and hires experienced experts with military background and a long-term experience within the defence industry. These individuals actively seek new opportunities as well as provide feedback to the research and development teams assuring the Group maintains a highly competitive product portfolio.

6.2 Generate growth by expanding its presence in the North America and Europe

The Group has expanded into more than 100 markets globally and continues to expand its presence in growth markets. The especially dynamic trends in the U.S. in recent years underscore the importance of further expanding not only the Group's production capabilities, but also its degree of localization. The Group seeks to establish itself as a premium brand in the North America by strengthening its brand recognition among military and law enforcement customers, increasing the production volume of its firearms as well as expanding the variety of types of firearms it offers, including modifications and upgrades to the current product mix. The Group intends to continue upgrading its existing production facilities in both the Czech Republic, the North America, Switzerland, Hungary and Sweden to stimulate the organic growth of the Group and to enhance its production efficiency and optimize inventory management and order fulfilment.

The Group has also decided to strategically expand its production capacities in the North America by expanding its production facility of Colt Canada in Ontario, Canada. During 2022, Colt Canada acquired two adjacent residential properties behind its production facility to accommodate future expansion plans. Colt Canada is engaging with various parties to have the properties re-zoned to industrial use.

In May 2023, the Group gained a 51 per cent stake in a joint venture, Colt CZ Hungary. The long-term strategic interest of Colt CZ Hungary is to strengthen the Group's sales by producing long and short firearms for the military and law enforcement segment (see also section *The cooperation of the Group with Hungarian government through a joint stock company Colt CZ Hungary Zrt. (Colt CZ Hungary) may not produce the benefits expected*).

In addition to its geographic expansion, the Group is also developing a wider product portfolio. Apart from the ammunition business, the new additions could include optics and optoelectronics with the aim to support the anticipated shift to the use of smart and integrated firearms among military and law enforcement customers which are being developed by the Group and its partners.

6.3 Growth through opportunistic acquisitions

In order to fulfil the Group's vision, the Group continuously monitors and evaluates opportunities for growth through opportunistic acquisitions. The Group is primarily looking at acquisition opportunities among its competitors in the firearms production industry, including crew-served weapons, particularly those with significant sales to, and a proven track record with, military and law enforcement customers in order to help the Group penetrate that market further. In addition, the Group anticipates potential changes in the needs and preferences of military and law enforcement customers, which could result in the digitalization of small firearms, and increased integration of optics and optoelectronics and other modern firearms accessories. The Group has been also following the trends of introducing of autonomous and remotely controlled weapon systems in the military. The Group may also consider the acquisition of further ammunition producers and designers that would be complementary to the Group's firearms products and to the business of swissAA and Sellier & Bellot due to the importance of seamless functioning of the Group's products with the relevant ammunition and the increasing demand of military and law enforcement customers for ammunition with more impact.

The Group considers the ideal enterprise value of potential acquisition targets to be in the area of EUR 50 to 300 million. However, the enterprise value of the potential acquisition target is highly dependent on the relevant market in which it operates and its position in such market.

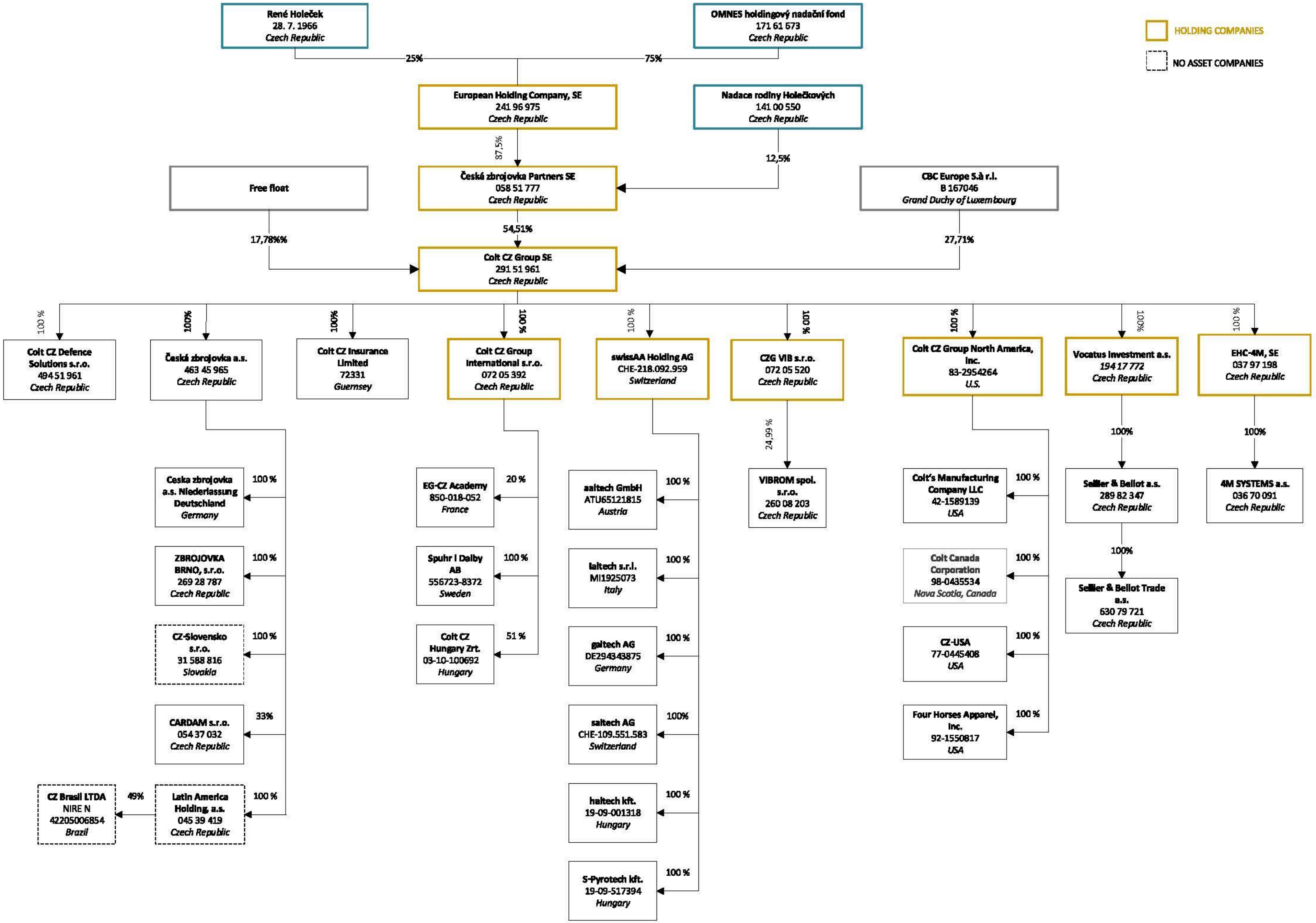
In order to be able to execute the Group's acquisition strategy in a transparent manner and in line with the interests of all stakeholders, the Group has created the Strategic Investments and Acquisitions committee (the **Strategic Investments and Acquisitions committee**), which helps the Group to ensure a disciplined approach to M&A activity.

7 Recent Developments and Trends

There has been no material negative change in the prospects of the Company or the Group since the date of its last published audited consolidated financial statements (i.e. from 31 December 2023). There has been no significant change in the financial performance of the Company or the Group since the end of the last financial period for which the audited consolidated financial statements were published until the date of preparation of this Prospectus except for the acquisition of Sellier & Bellot by the Group under the Sellier & Bellot SPA, which was completed on 16 May 2024. See sections *XIII.18.3 Sellier & Bellot SPA* and *XVI Description of Sellier & Bellot* for more information regarding the acquisition of Sellier & Bellot and the position and standing of Sellier & Bellot.

8 Group Structure

The following chart shows the structure of the Group and the shareholding interest in each Group company as of the date of this Prospectus:


HOLDING COMPANIES
NO ASSET COMPANIES
René Holeček 28. 7. 1966 Czech Republic
OMNES holdingový nadační fond 171 61 673 Czech Republic
25%
75%
European Holding Company, SE 241 96 975 Czech Republic
Nadace rodiny Holečkových 141 00 550 Czech Republic
87,5%
12,5%
Free float
Česká zbrojovka Partners SE 058 51 777 Czech Republic
CBC Europe S.à r.l. B 167046 Grand Duchy of Luxembourg
17,78%%
54,51%
27,71%
Colt CZ Group SE 291 51 961 Czech Republic
100 %
100%
100%
100 %
100 %
100 %
100 %
100%
100 %
Colt CZ Defence Solutions s.r.o. 494 51 961 Czech Republic
Česká zbrojovka a.s. 463 45 965 Czech Republic
Colt CZ Insurance Limited 72331 Guernsey
Colt CZ Group International s.r.o. 072 05 392 Czech Republic
swissAA Holding AG CHE-218.092.959 Switzerland
CZG VIB s.r.o. 072 05 520 Czech Republic
Colt CZ Group North America, Inc. 83-2954264 U.S.
Vocatus Investment a.s. 194 17 772 Czech Republic
EHC-4M, SE 037 97 198 Czech Republic
Ceska zbrojovka a.s. Niederlassung Deutschland Germany
100 %
ZBROJOVKA BRNO, s.r.o. 269 28 787 Czech Republic
100 %
CZ-Slovensko s.r.o. 31 588 816 Slovakia
100 %
CARDAM s.r.o. 054 37 032 Czech Republic
33%
Latin America Holding, a.s. 045 39 419 Czech Republic
100 %
CZ Brasil LTDA NIRE N 42205006854 Brazil
49%
EG-CZ Academy 850-018-052 France
20 %
Spuhr i Dalby AB 556723-8372 Sweden
100 %
Colt CZ Hungary Zrt. 03-10-100692 Hungary
51 %
aaltech GmbH ATU65121815 Austria
100 %
laltech s.r.l. MI1925073 Italy
100 %
galtech AG DE294343875 Germany
100 %
saltech AG CHE-109.551.583 Switzerland
100%
haltech kft. 19-09-001318 Hungary
100 %
S-Pyrotech kft. 19-09-517394 Hungary
100 %
24,99 %
VIBROM spol. s.r.o. 260 08 203 Czech Republic
Colt's Manufacturing Company LLC 42-1589139 USA
100 %
Colt Canada Corporation 98-0435534 Nova Scotia, Canada
100 %
CZ-USA 77-0445408 USA
100 %
Four Horses Apparel, Inc. 92-1550817 USA
100 %
100%
Sellier & Bellot a.s. 289 82 347 Czech Republic
100%
Sellier & Bellot Trade a.s. 630 79 721 Czech Republic
100%
4M SYSTEMS a.s. 036 70 091 Czech Republic

As of the date of this Prospectus, the majority shareholder of the Company is Česká zbrojovka Partners SE, incorporated as a European Company (*Societas Europaea*) in the Czech Republic, having its registered office at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic, Id. No. 05851777, registered with the Commercial Register maintained by the Municipal Court in Prague, File No. H 1879, LEI: 3157003YXPXM8ML04Q29, telephone: +420 222 814 610, e-mail: info@czpartners.cz (the **Major Shareholder**), who holds 54.5 per cent of the shares and voting rights in the Company, while 17.8 per cent of the Company's shares are in free-float and the remaining 27.7 per cent of the Company's shares are owned by CBC. The Company's shares are admitted to trading on the Regulated Market of the PSE.

The majority shareholder of the Major Shareholder is European Holding Company, SE (**EHC**) which holds 87.5 per cent of the share capital and voting rights in the Major Shareholder, the remaining 12.5 per cent stake is held by the Holeček Family Foundation. EHC is owned by Mr. René Holeček, who owns 25 per cent of the share capital in EHC directly, with the remaining 75 per cent of the share capital in EHC being held by OMNES holdingový nadační fond, whose ultimate owner is Mr. René Holeček (whereas Mr. René Holeček and OMNES holdingový nadační fond act in concert when exercising their shareholder rights). Accordingly, the Major Shareholder directly exercises ultimate control over the Company. The control of the Major Shareholder over the Company is based on its ownership of 54.5 per cent of the share capital and voting rights. The Major Shareholder is a Czech holding company with the shareholding in the Company being its only material asset.

The Company uses standard statutory mechanisms to prevent the Major Shareholder's potential misuse of its position and control over the Company, including the statutory instrument of the report on relations between the related entities. Management of the Company is not aware of any arrangements, the operation of which could result in a change in control of the Company. The Company is not dependent upon other Group members or its parent companies.

9 Group Companies

The description below provides certain information with respect to the key operational and/or material companies of the Group:

9.1 Česká zbrojovka a.s. (CZUB)

CZUB is the main European production facility of the Group, located in Uherský Brod, Czech Republic. It produces firearms for commercial, military and law enforcement customers worldwide. The company exports products to more than 90 countries. Currently, CZUB's firearms are widely used by military and law enforcement agencies in more than 40 countries worldwide. Apart from its manufacturing activities, CZUB also has a 100 per cent shareholding in Zbrojovka Brno, Ceska zbrojovka a.s. Niederlassung Deutschland, CZ-Slovensko s.r.o. and Latin America Holding a.s. (that holds 49 per cent of CZ Brasil LTDA), as well as a 33 per cent shareholding in CARDAM. The Group owns 100 per cent of CZUB´s shareholding and is therefore its sole shareholder.

As of 31 December 2023, CZUB had an average recalculated headcount of 1,369.

9.2 ZBROJOVKA BRNO, s.r.o. (Zbrojovka Brno)

Zbrojovka Brno is a fully owned subsidiary of CZUB based in Brno, Czech Republic. Zbrojovka Brno used to be an independent firearm producer with its own rich production history. It was acquired by the Group in 2004. Zbrojovka Brno currently produces mainly hunting rifles and provides customized solutions for the Group customers. CZUB intends to use Zbrojovka Brno as the customization centre for its recently launched online firearms configurator.

9.3 CZ Brasil LTDA (CZ Brasil)

CZ Brasil is a subsidiary of CZUB based in Brazil. CZ Brasil is no longer an active company. CZ Brasil was originally founded as a joint venture with its local partner R&T Comércio de Importação e Exportação Ltda with the intention to enhance the visibility of the Group on the Brazilian market.

9.4 CARDAM s.r.o. (CARDAM)

CARDAM is a partially owned subsidiary of CZUB based in Dolní Břežany, Czech Republic, with CZUB owning 33 per cent of CARDAM's share capital. Besides CZUB, the founding members and shareholders of CARDAM are the Institute of Physics of The Czech Academy of Sciences and foundry Beneš and Lát a.s. The shareholding grants the Group access to research conducted at the Institute of Physics of the Czech Academy of Sciences as well as an in-house research and development platform. CARDAM serves as the Group's centre of research and development for additive manufacturing and advanced surface treatment.

9.5 Colt CZ Group North America, Inc. (Colt CZ Group North America)

Colt CZ Group North America is a fully owned subsidiary of the Group based in West Hartford, New York, United States. The company is a holding company which does not conduct any business operations of its own and has no employees. The main asset of the company is its direct 100 per cent shareholdings in Colt's Manufacturing Company LLC, Colt Canada Corporation, CZ-USA, and Four Horses Apparel, Inc.

9.6 Colt's Manufacturing Company LLC (Colt's Manufacturing Company)

Acquired in 2021, Colt's Manufacturing Company is the Group's main manufacturing entity in the United States. Founded in 1855 by Samuel Colt, its main areas of business include design, production and distribution of handguns, rifles, and accessories for military, law enforcement, and commercial markets. Assets of Colt's Manufacturing Company encompass manufacturing facilities and an extensive intellectual property portfolio.

As of 31 December 2023, Colt's Manufacturing Company had an average recalculated headcount of 355.

9.7 Colt Canada Corporation (Colt Canada)

Colt Canada is a fully owned subsidiary of Colt CZ Group North America, has been providing Military and Law Enforcement customers in Canada and around the world with its products for over 45 years. As the Canadian Small Arms Centre of Excellence, Colt Canada exclusively supplies the Canadian military.

As of 31 December 2023, Colt Canada had an average recalculated headcount of 124.

9.8 CZ-USA Inc. (CZ-USA)

CZ-USA is a fully owned subsidiary of Colt CZ Group North America, Inc. based in Kansas City, Kansas, United States. CZ-USA mainly imports its products from the Group's production facility in the Czech Republic, but also imports shotguns from Turkey where CZ-USA has a long-standing relationship with two large manufacturers which are not part of the Group.

Due to United States regulations, CZ-USA does not sell directly to the end customers but rather sells its product through wholesalers and other merchants.

As of 31 December 2023, CZ-USA had an average recalculated headcount of 84.

9.9 Four Horses Apparel, Inc. (Four Horses Apparel)

Four Horses Apparel is a company based in West Hartford, New York, United States, which sells high-end fashion apparel and accessories that draw on Colt's heritage and prestige, as well as incorporating American and military themes.

9.10 Colt CZ Defence Solutions s.r.o. (Colt CZ Defence Solutions s.r.o.)

Colt CZ Defence Solutions s.r.o. is a fully owned subsidiary of the Company based in Prague, Czech Republic. The company specializes in the international trade of military equipment and material. It also provides services in the field of financing, training and support throughout the entire lifecycle of the delivered products and technologies.

9.11 CZG VIB s.r.o. (CZG VIB)

CZG VIB is a fully owned subsidiary of the Company 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 per cent direct shareholding in VIBROM.

9.12 VIBROM spol. s.r.o. (VIBROM)

VIBROM is a strategic equity investment of the Group and is based in Třebechovice pod Orebem, Czech Republic. It specializes in powder injection moulding (PIM) which is a modern technology that combines plastics and a conventional powder method, allowing for the cost-effective series production of durable precision MIM (metal) or ceramic powder injection moulding (CIM) parts. The company utilizes modern and innovative technology and a system of 100 per cent quality control (3D measurement, defectoscopy station) and is a holder of an ISO 9001 certificate. The importance of VIBROM for the Group lies in the ongoing trend towards an increasing number of MIM parts in firearms and the resulting need to secure close cooperation between production and R&D units. The shareholding in VIBROM enables the Group to have close cooperation with a MIM specialist without having to invest in developing its own MIM technology and expertise.

9.13 EHC-4M, SE (EHC 4M)

EHC 4M is a fully owned subsidiary of the Company based in Prague, Czech Republic. EHC 4M does not conduct any business operations of its own and has no employees. The main asset of the company is its shareholding in 4M SYSTEMS.

9.14 4M SYSTEMS a.s. (4M SYSTEMS)

4M SYSTEMS is a fully owned subsidiary of EHC 4M based in Prague, Czech Republic. 4M SYSTEMS operations include the design, production and sale of tactical equipment for customers including the military, police, customs, prison service and border guards. 4M SYSTEMS enhances the ability of the Group to offer its customers a broader scope of products for complex orders, such as full rearmament.

As of 31 December 2023, 4M SYSTEMS had an average recalculated headcount of 19.

9.15 Colt CZ Group International s.r.o. (Colt CZ Group International)

Colt CZ Group International is a fully owned subsidiary of the Company 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 per cent shareholding in EG-CZ Academy, 100 per cent shareholding in SPUHR and 51 per cent shareholding in Colt CZ Hungary.

9.16 EG-CZ Academy (EG-CZ Academy)

EG-CZ Academy is a partially owned subsidiary of Colt CZ Group International based in Quimper, France. Colt CZ Group International owns a 20 per cent shareholding in EG-CZ Academy. EG-CZ Academy was founded in cooperation with Eric Grauffel, the seven-time World IPSC Champion. EG-CZ Academy aims to provide a new experience in indoor shooting. It operates a modern training facility providing its members (from sport shooters to government bodies) with access to all types of modern shooting disciplines. EG-CZ Academy serves as a marketing tool for the Group and its importance lies mainly in its impact on increasing brand and product awareness and loyalty.

9.17 Spuhr i Dalby AB (SPUHR)

SPUHR is a renowned Swedish manufacturer of class leading optical mounting solutions for weapons, in which the Group owns a 100 per cent shareholding since October 2022. This was a strategic investment of the Group in a producer of optical mounted solutions. SPUHR develops the Group's R&D related to optical mounts, firearm upgrade kits and firearms development and distributes SPUHR products via the Group's distribution network. SPUHR was founded in 2007 and has its own factory in Löddeköpinge. SPUHR's products are also used by numerous military and law enforcement customers, such as armed forces in Sweden, the Netherlands and Denmark and border units in Germany.

As of 31 December 2023, SPUHR had an average recalculated headcount of 17.

9.18 Colt CZ Hungary (Colt CZ Hungary)

Colt CZ Hungary is a joint venture in form of a joint stock company of Colt CZ Group International (51 per cent shareholding) and N7 Holding Ltd, a state-owned Hungarian company (49 per cent shareholding). They have a common goal of modernizing the small arms of the Hungarian armed forces and establishing reliable production facilities in Hungary to serve both shareholders' needs. The joint venture specializes in producing 9 mm calibre weapons, such as the CZ P-07 and P-10 pistols and the CZ SCORPION 3 EVO carbines, as well as military rifles, such as the CZ BREN 2, and components for Colt CZ Group's manufacturing plants in the Czech Republic, Canada and the USA. The production plant, situated in Kiskunfélegyháza, operates with modern automation, including forging, deep drilling, honing, metal heat treatment, testing and measurement in test tunnels.

9.19 swissAA (swissAA)

On 28 June 2023, the Company acquired 100 per cent shareholding in swissAA, which owns munitions plants in Switzerland and Hungary.

SwissAA is the holding company to several fully owned subsidiaries (namely, aaltech GmbH, laltech s.r.l., galtech AG, saltech AG, haltech kft. and S-Pyrotech kft.) and also holds a number of patents on ammunition.

As of 31 December 2023, swissAA had an average recalculated headcount of 103.

9.20 aaltech GmbH (aaltech GmbH); ialtech s.r.l. (ialtech s.r.l.); galtech AG (galtech AG)

These three subsidiaries of swissAA Holding AG, serve purely as representatives of swissAA abroad, in Austria, Italy and Germany, respectively, and do not conduct any business.

9.21 saltech AG (saltech)

Saltech, based in Switzerland and fully owned by swissAA, is a leading manufacturer in the swissAA group and concentrates on ammunition and technology for military use. It specialises in small calibre ammunition, particularly 5.56mm, 7.62mm, 9mm and 12.7mm.

9.22 haltech kft. (haltech)

Haltech, based in Hungary and fully owned by swissAA, is one of the main manufacturers within the swissAA group, together with saltech. It focuses on production of ammunition, including ammunition for the rocket-propelled grenades with a calibre of 40 mm, and technology for armed forces.

9.23 S-Pyrotech kft. (S-Pyrotech)

S-Pyrotech, based in Hungary and fully owned by swissAA, does not conduct any business and its activity consists of supporting haltech, especially by renting buildings or procuring components required for haltech's production.

9.24 Colt CZ Insurance Limited (Colt CZ Insurance)

The Group has insurance coverage that it considers adequate for the business risks it faces, as well as insurance for its buildings and inventory, business interruption insurance, third-party liability insurance for environmental damage (contamination) and various other insurance policies.

In addition to the standard (commercial) insurance, the Group adopted an innovative approach to certain insurance programmes and set up Colt CZ Insurance in 2023, a Guernsey-based captive insurance company in the form of a single parent captive reinsurer. The captive insurance reduces the overall cost of risk and provides a flexibility of coverage in case there are gaps in commercial policies.

9.25 Vocatus Investment a.s. (Vocatus Investment)

Vocatus Investment is a new entity founded on 6 June 2023, fully owned by the Company. It was established for the purpose of facilitating the Group's acquisition of Sellier & Bellot. Vocatus Investment does not conduct any business operations and has no employees.

9.26 Sellier & Bellot, Sellier & Bellot Trade a.s.

Following the closing of the acquisition of Sellier & Bellot by the Group on 16 May 2024, Sellier & Bellot became a Group company fully owned by Vocatus Investment. Sellier & Bellot Trade a.s., a subsidiary wholly owned by Sellier & Bellot also became a Group company.

Due to its material significance as well as the fact that Sellier & Bellot has not been, as of the date of this Prospectus, fully consolidated into the Group, Sellier & Bellot and Sellier & Bellot Trade a.s. are described separately in more detail in section *XVI Description of Sellier & Bellot*. Consequently, prospective investors should read this section *XIII The Group's Business* alongside section *XVI Description of Sellier & Bellot* in order to get a comprehensive understanding of the Group’s business.

10 History

The history of the Group dates back to 1836. The table below sets forth the most significant milestones in the development of the Group:

1836	Samuel Colt is issued the US Patent for the first Colt firearm.
1847	Samuel H. Walker of the US Army collaborates with Colt to develop a more powerful revolver, known as the Walker.
1873	The single action army revolver is introduced and secures a US government contract.
1936	A firearms factory was established in Uherský Brod by the predecessor of CZUB.
1949	CZUB became the number one small firearms producer in the Czech Republic.
1959	The factory in Uherský Brod commenced production of the Model 58 (in Czech: *vz. 58*) submachine gun, today classed as an assault rifle. The Model 58 represented an alternative to the Kalashnikov assault rifle. The production of the Model 58 continued at the Uherský Brod factory until 1984 with nearly a million pieces produced for the Czech Armed Forces and for export.
1963	Colt received its first government contract for the M16 rifle.
1975	The factory in Uherský Brod commenced the production of the Model CZ 75 pistol, which has reached an iconic status in its class, with more than one million pieces sold to date.
1992	CZUB was transferred to the National Property Fund of the Czech Republic (in Czech: *Fond národního majetku České republiky*), a governmental entity established by the Czech state in order to implement the large-scale privatization of state assets in accordance with approved

privatization projects and to manage state property pending its privatization; and incorporated as a joint stock company.

1997 CZ-USA was established in the United States as a subsidiary of CZUB to handle firearms and accessories sales and servicing in the United States.

2001 Mr. René Holeček became one of the two key shareholders of the Group.

2004 A firearms division of Zbrojovka Brno was acquired and contributed to a newly-founded Zbrojovka Brno company (now a subsidiary of CZUB which focuses on the development and production of break-action firearms).

2005 The Group acting through CZ-USA acquired Dan Wesson Firearms, consisting of its certain trademarks, equipment and related assets (e.g. completed firearms and parts) (see section *XIII.14.1(b)(iii) New York Production Facility*

Colt Defence LLC purchased Diemaco and renamed it to Colt Canada.

2007 The one millionth Model 75 pistol was produced.

2011 The Group entered into an agreement with the Ministry of Defence of the Czech Republic to rearm the Czech Army with a total contract value of approximately CZK 1,200 million.

2013 On 10 January 2013, the Company was incorporated for an indefinite period of time.

2014 Mr. René Holeček became the controlling majority shareholder of the Group.

2015 CZ-USA launched its Law Enforcement department, which focuses on firearm sales through public tenders in the United States. Since then, noteworthy deliveries were made to the Utah State Highway Patrol and several sheriff's departments in various states.

The Group expanded its product portfolio to include tactical accessories with the acquisition of a majority stake in 4M SYSTEMS.

2016 The Group commenced the production of CZ BREN 2, the second generation of the BREN assault rifle.

The Group entered into an agreement with the Ministry of Defence of the Czech Republic to supply the Czech Army with a total contract value of approximately CZK 476 million.

2018 Colt CZ Defence Solutions entered into the Framework Agreement with HM ARZENÁL, a Hungarian company fully owned by the Hungarian state.

The Group also further expanded its portfolio with the acquisition of a stake in the production technology company VIBROM.

2020 The Group entered in the Czech Army Framework Agreement with the Ministry of Defence of the Czech Republic to supply the Czech Army with firearms from 2020 to 2025 with a total contract value of approximately EUR 90 million (see section *XIII.18.1 Framework Agreement with the Ministry of Defence of the Czech Republic* below).

The Group further strengthened its focus on the military and law enforcement market with the acquisition of a minority stake in SPUHR, the renowned Swedish manufacturer of class leading optical mounting solutions for weapons.

In September 2020, the Company undertook an initial public offering, in which its Major Shareholder (prior to the offering sole shareholder) offered existing shares and the Company offered newly issued shares to investors in a public offering in the Czech Republic and in private placements in certain other jurisdictions. In October 2020, the newly issued shares were admitted to trading on the Regulated Market of the PSE. As of the date of this Prospectus, 17.8 per cent of the Company's shares are in free-float.

2021 On 21 May 2021, the Group successfully completed acquisition of Colt Holding where it acquired the entire share capital of Colt Holding.

2022 In March 2022, CZUB entered into an amendment to the Czech Army Framework Agreement with the Ministry of Defence. The amendment will enable the Czech Army to receive small arms supplies worth up to CZK 1.18 billion more than the original limit of CZK 2.35 billion. Under the amended, CZUB will, among other things, increase the supply of CZ BREN 2 assault rifles, CZ P-10 pistols, and other small arms, along with accessories.

Rebranding of the Group to Colt CZ Group SE.

The Group completed the acquisition of the remaining stake in SPUHR.

2022 Entering into a joint venture agreement with N7 Holding Ltd., a Hungarian state-owned company, and incorporation of Colt CZ Hungary.

2023 On 28 June 2023, the Group entered into a share purchase agreement for the acquisition of a 100 per cent shareholding interest in the Swiss ammunition producer swissAA.

On 18 December 2023, the Group entered into a share purchase agreement with CBC to purchase 100 per cent shareholding interest in Sellier & Bellot, a traditional Czech ammunition manufacturer which ranks among the oldest engineering companies in the Czech Republic and worldwide.

In December 2023, the Group has acquired the Mk 47 40mm Advanced Lightweight Grenade Launcher system, including the Fire Control, from GD-OTS.

11 Impact of the Sellier & Bellot acquisition on the Group's performance and results

11.1 Reasons for not including pro forma financial information

The information in this section *Impact of the Sellier & Bellot acquisition on the Group's performance and results* is prepared with the intent to explain the impact of the acquisition of Sellier & Bellot by the Group on the Group's assets and liabilities and earnings and has been put together, *inter alia*, based on the S&B Financial Statements, which have been prepared and audited in accordance with GAAP, as opposed to the Audited Financial Statements of the Company, which have been prepared and audited in accordance with IFRS, which affects comparability of financial results of the Group and Sellier & Bellot.

Combining the financial data from the S&B Financial Statements with that of the Audited Financial Statements to collate pro forma financial information could result in a highly inaccurate portrayal of financial information and such an approach would not accurately describe the effect of the acquisition of Sellier & Bellot by the Group.

In addition, the process of converting the financial details from the S&B Financial Statements into a format compliant with IFRS (as applied by the Group), which would be necessary for collating the pro forma financial information is not feasible in a timeframe for the Admission due to both time and would be only possible on significant and unproportionate financial costs.

As a result, the Company has opted for satisfying the requirement to describe the impact of the Sellier & Bellot acquisition on the Group's performance and results by providing an unaudited narrative in this section *XIII.11 Impact of the Sellier & Bellot acquisition on the Group's performance and results.*

11.2 Narrative of the impact of the Sellier & Bellot acquisition on the Group's performance and results

The acquisition of Sellier & Bellot by the Group represents a pivotal move for the Group, aligning with its long-term strategy to bolster its presence in the small firearms and ammunition sector. Sellier & Bellot, a venerable entity with a heritage dating back to 1825, is a leading manufacturer of small calibre ammunition, serving both commercial and military sectors globally. See *XIII.18.3 Sellier & Bellot SPA* for information of the structuring of the acquisition.

The Group anticipates yielding a multitude of synergies, including enhanced sales networks, a broadened product portfolio, and operational efficiencies. Sellier & Bellot's EBITDA/total sales ratio (calculated on basis of statutory reports published by Sellier & Bellot as ((depreciation + operating income) / (sales of own products and services + sales of goods)) reached 23.5 per cent, 26.2 per cent and 28.3 per cent for the years 2021, 2022 and 2023, respectively. The revenue from ammunition sales in 2022 climbed to the level of CZK 5.96 billion, which represented an exceedance of the revenues from the previous years, but also a significant exceedance of the original sales plan. In 2023 the Sellier & Bellot revenue from ammunition sales increased yet again to a total of CZK 6.57 billion.

The performance of Sellier & Bellot for the year 2023 thus exceeded the 2022 results in terms of revenue and EBITDA and should therefore contribute significantly to the Group's consolidated financial results in the next financial years.

Fixed tangible assets of Sellier & Bellot had a net value of CZK 2.621 billion according to the published financial statements of Sellier & Bellot for the financial year 2023. The equity position (net asset value, in Czech: *vlastní kapitál*) of Sellier & Bellot was CZK 3.338 billion as of 31 December 2023. The Group financed the transaction using a combination of own cash and long-term bank debt (syndicated), which resulted in additional leverage starting from the end 2023 with a net leverage ratio 2.8x as of 31 December 2023 due to the USD 120 million advance payment. The Group expects that the cash generative business of consolidated companies of the Group (including Sellier & Bellot) will allow leverage reduction going forward, with expected acquisition financing repayment by 2029.

Capital expenditures of the Group in 2024 including Sellier & Bellot could reach CZK 1–1.2 billion, which corresponds to roughly a 5 per cent share of the 2024 expected revenues and is in line with the medium-term target of the Company. The key planned capital expenditures in 2024 include investments into new technologies, product development and extension of existing production in Colt Canada. For comparison, the total cash capital expenditures of the Group in 2023 were CZK 924 million, which represented a 6.2 per cent share of total revenues in 2023. The reasons for higher capital expenditures were the investment in the production capacity at swissAA in the last quarter of 2023 (swissAA Group has been consolidated since 1 July 2023) and the acquisition of intellectual property rights for the Mk 47 Advanced Light Grenade Launcher System from General Dynamics Ordnance and Tactical Systems, which was signed by Colt USA in December 2023. Investments into production, product development and new technologies is long term priority of the Group.

The number of employees of the Group in the Czech Republic will approximately double following the acquisition, with Sellier & Bellot employing on average 1,620 employees in 2023.

The Group's revenue guidance for both the Group standalone and inclusive of Sellier & Bellot's expected contribution, ranges from CZK 16,200 million to CZK 25,000 million for the year 2024, with corresponding adjustments in Adjusted EBITDA projections. For 2023, the Group’s pro-forma aggregated revenue inclusive of Sellier & Bellot's contribution is approximately CZK 21,600 million.

The information presented in this section is predicated on assumptions made by the Group's management, which are informed by historical performance and the due diligence findings. No potential positive or negative synergies between the Group and Sellier & Bellot are taken into calculation. It is important to note that the actual results may differ from these assumptions. Specifically, the information does not take into consideration possible impact of difference between IFRS and Czech accounting standards.

12 Firearms and Accessories Business

The Group's business is operated mainly through Colt's Manufacturing Company, CZUB, Colt Canada, CZ-USA, Colt CZ Defence Solutions, SPUHR, swissAA and 4M SYSTEMS a.s. (**4M SYSTEMS**) and marketed under both Colt and CZ (Česká zbrojovka), Colt Canada, CZ-USA, Colt CZ Defence Solutions, Spuhr i Dalby, swissAA and 4M SYSTEMS brands. The Group designs, produces, assembles, markets and sells firearms, tactical accessories and ammunition. The Group addresses a broad variety of end-user customers, ranging from federal, state or local governments and agencies, including military and law enforcement units, to civilians purchasing firearms for hunting, sport shooting or personal defence purposes.

The Group produces a wide range of firearms including pistols, revolvers, assault rifles, submachine guns, grenade launchers, sniper rifles, shotguns and rim fire and centrefire rifles. The Group's main products include the 1911 Colt family models, CZ 75 family models, CZ P-10, and CZ P-09/07 model pistols, the CZ Scorpion EVO 3 submachine gun, or the CZ BREN 2 and M4/M5 assault rifles and revolvers Python and Anaconda. The Group also produces components for firearms, including sights, triggers, stocks, grips and spare parts.

The Group also markets and sells a wide portfolio of tactical accessories, including tactical and ballistic equipment, such as ballistic vests, helmets and other protection, combat uniforms, backpacks and firearms accessories, such as handgun holsters, magazine pouches and slings. The Group's main accessories products include a ballistic t-shirt CZ 4M SPIRIT, a plate carrier CZ 4M RAPTOR 2.0 Modular Protection System and tactical trousers CZ 4M OMEGA.

The Group also trades with the military equipment and material through its subsidiary Colt CZ Defense Solutions.

Group's core business is complemented by SPUHR, who manufactures a range of products such as optical mounts, accessories and enhanced gun kits. SPUHR mounts and accessories are used by many military and armed forces around the world, and SPUHR also offers a popular hunting line of products.

Through its subsidiary swissAA, the Group offers its customers ammunition and technology for the armed forces, including small-caliber ammunition of 5.56 mm, 7.62 mm, 9 mm and 12.7 mm, as well as 40 mm grenade launcher cartridges from 2023. At the end of 2023, the Group acquired the Mk 47 Advanced Light Grenade Launcher System, which expanded its portfolio for heavier and more sophisticated weapon systems. In 2023, the Group sold 621,210 firearms, and during 2023 generated CZK 14.9 billion of revenue and CZK 2.7 billion of EBITDA.

The firearms produced by the Group can be split into the following categories: handguns and long guns.

12.1 Handguns

The portfolio of the Group's handguns is formed by pistols and revolvers. The production of pistols has formed the bedrock of the Group's production portfolio since 1957 and includes dozens of different designs and modifications. The Group's most successful pistol model is the COLT 1911 and CZ 75, which is still being produced in an improved form.

The Group's portfolio of handguns includes handguns for both military and law enforcement use and commercial use. The Group's handgun products are used by a wide customer base, ranging from federal, state or local governments and agencies, including military and law enforcement units, to civilians purchasing firearms for hunting, sport shooting or personal defence purposes.

In 2023 and 2022, the Group sold 373,690 and 403,912 handguns, respectively.

Handguns can be split into pistols and revolvers with pistols being further split into steel frame pistols (e.g. Colt 1911, CZ 75 Family, Cobra Series, Model P, Shadow 2 and Modern Sporting Rifles) and polymer frame pistols (e.g. CZ P-07, CZ P-09 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 steal frame pistols.

The table below contains most notable products in the handguns category for the Group:

Colt 1911	The iconic Colt 1911 Pistols are still very popular more than a century after their introduction and today are offered in both traditional models like the Classic (similar to WWII Colt A1) or updated models like the Colt Competition
CZ 75 family	Pistols in the CZ 75 family are semi-automatic metal compact handguns based on the locked breech principle. The CZ 75 line is equipped with a large-capacity double-column magazine. The CZ 75 family line is directed at all types of customers, including military and law enforcement customers and commercial customers.
Cobra Series & Model P	Colt helped to originate and popularize Single and Double Action Revolvers and given their renewed popularity, Colt recently successfully relaunched and updated many of its timeless designs with significant commercial success.
CZ Shadow 2	CZ Shadow 2 represents the second generation of a standard-sized, all-metal competition pistol which was developed in collaboration with CZUB's shooting team participating in International Practical Shooting Confederation (**IPSC**) competitions.
CZ P-07	CZ P-07 is a polymer compact pistol, designed primarily as a service firearm and for concealed carry. The CZ P-07 is offered in versions for military and law enforcement and for commercial use and is marketed to all types of customers, ranging from military and law enforcement to commercial customers.
CZ P-09	The CZ P-09 is a pistol designed primarily for military and law enforcement units and for personal defence. The frame of the CZ P-09 is produced from a mechanically and thermally extremely stable glass fibre-reinforced polymer material. The CZ P-09 is offered in versions for military and law enforcement customers and for commercial customers and is marketed to all types of customers, ranging from military and law enforcement to commercial customers.
CZ P-10 family	The CZ P-10 family of pistols functions on a "striker-fired principle" (*i.e. hammerless pistol*). They are suitable for personal defence and armed forces. The family is produced in different frame sizes to satisfy particular needs of specific client groups.

12.2 Long guns

The Group's long guns are comprised of production for military and law enforcement use (assault rifles, submachine guns and sniper rifles) as well as commercial use (especially rim fire and centrefire rifles, shotguns or combos), which means that the Group covers all the main markets for long guns up to a certain calibre.

In 2023 and 2022, the Group sold 274,520 and 289,479 long guns, respectively.

The table below contains most notable products in the long guns category for the Group:

CZ Scorpion EVO 3	The CZ Scorpion EVO 3 is a modern submachine gun chambered in 9x19 millimetre ammunition rounds. The CZ Scorpion EVO 3 enables the adjustment of fire in fully-automatic fire, three-round bursts, and single shots. The CZ Scorpion EVO 3 is produced in versions for military and law enforcement and for commercial use.
CZ BREN 2	The CZ BREN 2 is a multi-calibre assault rifle. The CZ BREN 2 is the successor of the CZ 805 BREN. The system of the CZ BREN 2 is based on a tried-and-tested gas system with a three-position adjustable regulator of the piston mechanism The CZ BREN 2 is primarily marketed to military and law enforcement customers. A modified CZ BREN 2 as a submachine gun is also produced for commercial use.
Modern Sporting Rifles (MSR)	Colt successfully sells its popular MSRs (Colt Carbine Series) into both the Law Enforcement and Commercial markets. Colt's M4-inspired MSRs are marketed under the Colt Carbine Series, better identifying key attributes of these rifles.
M4	In service since 1994 and having been used heavily by U.S. armed forces during the Global War on Terrorism, including Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom, the M4 is the primary infantry weapon and service rifle of U.S. Army and U.S. Marine Corps combat units. The M4 Carbine is a 5.56×45mm NATO, air-cooled, gas-operated, direct impingement, magazine-fed carbine with a 14.5 inch barrel and a telescoping stock.
M5	Colt has once again enhanced the AR platform with its most recent offering the M5. Setting a new standard in performance with fully ambidextrous functionality, enhanced accuracy, and modular rail design.
Colt C20 DMR	Colt Canada's C20, 7.62 NATO, Semi-Automatic Sniper Weapon was developed to meet the Canadian Armed Forces (CAF) need for an Intermediate Sniper Weapon.
CZ 457	The CZ 457 is the successor of the popular model CZ 455, which is being discontinued and replaced by the advanced CZ 457 model. The CZ 457 is a magazine-fed bolt-action rim fire rifle. The CZ 457 has hammer-forged, handlapped steel barrels, a trigger that is adjustable for weight of pull and the capability to interchange barrels in different contours and calibres by simply removing two set screws from the receiver.
CZ 557	The CZ 557 is a universal centrefire rifle with a universal system of sights. It is equipped with adjustable open sights on the barrel and a weaver rail on the receiver. The CZ 557 is primarily marketed to commercial customers including, primarily, sportsmen, hunters and outdoorsmen.
Advanced Military	The Group provides through Colt a range of other advanced weapon systems and Equipment / Services capabilities such as the Eagle Grenade Launcher, the C20

sniper rifle, the C6A1 General Purpose Machine Gun, and bespoke engineering services.

12.3 Tactical Accessories

Within the Group, 4M SYSTEMS designs, markets and sells a wide-ranging portfolio of tactical accessories, including tactical and ballistic equipment, such as ballistic vests, helmets and other protection, combat uniforms, backpacks, and firearms accessories, such as handgun holsters, magazine pouches and slings. The Group's tactical accessories target a variety of end-user customers, ranging from federal, state or local governments and agencies, including military and law enforcement units, to civilians purchasing tactical accessories for hunting, sport shooting or personal defence purposes. The sale of tactical accessories enables the Group to provide its customers with the full set of weapon equipment and such cross-selling is particularly welcomed by military and law enforcement customers.

The Group's core competence lies in the design, precise machining and production of firearms. The Group therefore made a strategic decision to outsource most of the production of tactical accessories to external suppliers. The Group's key external suppliers of tactical accessories are located primarily in the Czech Republic, Vietnam, China and Malaysia.

The table below contains most notable products in the tactical accessories category for the Group:

CZ 4M SPIRIT	The CZ 4M SPIRIT is a ballistic t-shirt for concealed wearing. The design of the t-shirt is geared towards achieving the maximum stealth required by secret operations for personal protection. The CZ 4M SPIRIT is primarily marketed to military and law enforcement units.
CZ 4M RAPTOR 2.0 Modular Protection System	The CZ 4M RAPTOR 2.0 is a plate carrier and compact modular system designed specifically for special units. It is a lightweight and mobile plate carrier. The CZ 4M RAPTOR 2.0 is the result of continuing development of plate carriers of the RAPTOR type which members of the Czech Army's 601st Special Forces Group use as their standard means of ballistic protection. The CZ 4M RAPTOR 2.0 is primarily marketed to military and law enforcement units.
CZ 4M OMEGA	The CZ 4M OMEGA tactical trousers are made of highly breathable tear-resistant material designed for a wide range of special military and security operations. The CZ 4M OMEGA is primarily marketed to military and law enforcement units.

The Group also trades with the military equipment and material through its subsidiary Colt CZ Defense Solutions. The subsidiary SPUHR manufactures a range of products such as optical mounts, accessories and enhanced gun kits. SPUHR mounts and accessories are used by many militaries and armed forces all over the world. SPUHR also offers a popular hunting line of products.

12.4 Ammunition

From 2023, the Group offers its customers ammunition and technology for the armed forces through its subsidiary swissAA. This includes small-calibre ammunition of 5.56 mm, 7.62 mm, 9 mm and 12.7 mm, as well as 40 mm grenade launcher cartridges. In late 2023, the Group acquired the Mk 47 Advanced Light Grenade Launcher System, expanding its portfolio to include heavier and more sophisticated weapon systems.

13 Suppliers

The Group's production of firearms relies on external suppliers of materials, parts, and even complete products (i.e. firearms, accessories, ammunition, etc.). The Group utilizes numerous raw materials, including steel, wood, aluminium and certain alloys. The Group also utilizes various types of supplied components, especially polymers and plastic firearms parts, pistol magazines, machining firearms parts and metal powder injection moulding (**MIM**) parts for handguns.

The Group maintains relationships with more than 2,000 suppliers of various parts, commodities, materials and services via a combination of short-and medium-term contracts, some of which contain minimum purchase requirements (primarily those with utility companies), but often without volume requirements or fixed prices, with a variety of suppliers, as well as long-term relationships with vendors. For example, the Group works with Rheinmetall Waffe Munition GmbH for the development and supply of medium and high caliber ammunition as well as pyrotechnic products. The Group sources sporting and hunting shotguns from two Turkish suppliers for sale in the United States firearms market, where they are marketed and sold under the CZ-USA brand. The Group deems the following contractual relationships to be the most significant for the Group's production process: supplies of pistol magazines, machining firearms parts (mainly slides) and MIM parts for handguns and rifles. With respect to the supply of steel, the Group purchases a majority of the specially treated steel it uses from a single source that specializes in the production of special steel and super alloys.

14 Facilities and Production

14.1 Facilities

The Group's material assets are primarily its production, distribution and storage facilities. Accordingly, the Group's material assets consist primarily of buildings, warehouses and other structures, as well as real estate (plots of land) on which these structures are located, and the machinery and equipment housed by these structures (e.g. production lines).

The Group owns or leases various properties in Uherský Brod and Prague in the Czech Republic and West Hartford, Connecticut, Kansas City, Kansas and Norwich, New York in the U.S., Kitchener, Ontario in Canada and Sweden, Löddeköpinge in Sweden, Dulliken and Däniken in Switzerland and Balatonfűzfő in Hungary.

The table below sets forth the Group's production or distribution facilities as of the date of this Prospectus:

Country	Location	Title	Total area (approximately)	Brief Description
Czech Republic	Uherský Brod	Owned	204,915 m2 (1)	Production facility mainly for the CZ products
Czech Republic	Prague	Leased	2,151 m2	Offices and small storage
U.S.	West Hartford, Connecticut	Owned	84,983 m2 (0.91 million ft2)	Production facility mainly for the Colt products
U.S.	Kansas City, Kansas	Leased	5,295 m2 (57,000 ft2)	Main distribution centre for North America, assembly, customization and limited production
U.S.	Norwich, New York	Leased	2,322 m2 (25,000 ft2)	Production facility for Dan Wesson handguns
Canada	Kitchener, Ontario	Owned	27,566 m2 (297,000 ft2)	Production and assembly facility mainly for Colt products
Canada	Kitchener, Ontario	Leased	743 m2 (8,000 ft2)	Warehouse storage space
Sweden	Löddeköpinge	Leased	1,680 m2	Production facility for SPUHR´s product portfolio
Switzerland	Dulliken	Owned	8,884 m2	Production facility, warehouse, R&D and offices
Switzerland	Däniken	Owned	18,147 m2	Production site incl. underground shooting range

Hungary	Balatonfűzfő	Owned	Approx. 120,000 m2 [2]	Haltech production facilities, warehouses, offices and a shooting range

[1] The total area of buildings and facilities within this location was approximately 43,925 m2.

[2] The total area of buildings and facilities within this location was approximately 11,130 m2

(a) *Czech Republic*

The main Group's production facility in the Czech Republic is located in Uherský Brod with a total area of approximately 204,915 m2 (square meters).

CZUB's production facility located in Uherský Brod is a fully integrated firearm manufacturing plant with state of the art manufacturing capabilities, which allows CZUB to control the complete production process and to cover multiple functions and operations from Uherský Brod, including casting, cold hammering, coating and heat treatment, all in-house. The CZUB's firearms production process is qualified to ISO 9001:2015 quality control standards throughout the production process. In addition, the CZUB utilizes specifically tailored testing procedures and analyses depending upon the nature of the firearms and material that is being produced. Upon completion, each firearm is tested for endurance and reliability. Each firearm is proof fired and checked for function and accuracy before it leaves the factory.

The process of producing firearms involves the utilization of modern computerized numerical control (**CNC**) technologies, i.e., the automated computer control of machining tools such as drills, boring tools or lathes. CNC technologies are utilized with elements of robotics to secure the efficiency of the production process.

(b) *United States*

(i) *Colt production facility*

Colt's Manufacturing Company's headquarters is located in West Hartford, Connecticut, United States. The West Hartford facility is company owned and is approximately 300,000 square feet facility on 21 acres (approx. 27,871 m2 facility on 85,000 m2). The West Hartford facility is located in Connecticut Opportunity Zone. The West Hartford facility allows for manufacturing and maintenance capabilities and includes active testing/firing range, metallurgical and metrology laboratories, magnetic particle inspection, heat treat and packaging. The West Harford facility has separate onsite administrative offices and conference rooms.

(ii) *Kansas City Distribution, Assembly and Production Facility*

CZ-USA leases its Kansas City distribution, assembly and production facility (the **Kansas City Facility**) consisting of two buildings with a total area of approximately 5,295 m2 (57,000 ft2). The Kansas City Facility is the Group's main distribution facility in the United States.

CZ-USA's production focuses on the assembly of products in the United States. It has moved the production of its CZ P-10 pistols and the CZ Scorpion EVO 3 carbine to the facility in West Hartford, while it continues to produce variety of CZ rimfire rifles in Kansas City. The Kansas City facility serves as a distribution centre for the Group's product for the North American markets. It also handles all warranty and repair works for the Group's products, and has a well-stocked parts department that benefits from its central location for further distribution.

CZ-USA is in the process of relocating its distribution centre from the Kansas City facility to the facility in West Hartford. In 2024, CZ-USA anticipates distributing products from both locations until it completes the move to West Hartford and consolidates the remaining operations in Kansas City into one building.

(iii) *New York Production Facility*

The Group leases its New York production facility with a total area of approximately 2,322 m2 (25,000 ft2).

In 2005, CZ-USA purchased certain patents, trademarks, equipment and related assets (e.g. completed firearms and parts) of the traditional American firearms manufacturer Dan Wesson Firearms located in Norwich, New York. CZ-USA then revived the production of premium revolvers and 1911 pistols under the Dan Wesson brand. The pistols and revolvers are currently produced by the Group in Norwich, New York, and subsequently marketed and sold under the Dan Wesson brand.

(c) Colt Canada's assembly and production facility

Colt Canada is located in Kitchener, Ontario, Canada. The Kitchener facility is company owned and Colt Canada also leases warehouse space used for storage of firearm components, not any assembled weaponry or ammunition are located at the leased warehouse. The Kitchener facility is approximately 49,000 square feet (approx. 4,552 m2) and the warehouse is approximately 8,000 square feet (approx. 743 m2). The Kitchener facility allows for complete manufacturing, repair and maintenance capabilities, precision manufacturing equipment and management offices and conference rooms. In 2022, Colt Canada acquired two adjacent residential properties behind its facility to accommodate future expansion plans. Colt Canada is actively working with various parties to rezone the properties for industrial use. The Kitchener facility is conveniently located near Toronto, Canada.

(d) SPUHR, Sweden

SPUHR is located in Löddeköpinge, Sweden. The Löddeköpinge facility is leased. The Löddeköpinge facility is approximately 1,680 m2 and is divided into the production part which is approximately 1,400 m2 and the office space which is approximately 280 m2. The Löddeköpinge facility allows for complete manufacturing, repair and maintenance capabilities, precision manufacturing equipment and management offices. The SPUHR Facility's production focuses on the production of scope mount systems, and low weight upgrade kits for weapons.

(e) Saltech, Switzerland

(i) Dulliken production facility

Saltech's headquarters are located in Dulliken, Solothurn. The premises comprise a production hall with an adjoining warehouse (totalling 1,723 m2) and offices (868 m2). Saltech's R&D division occupies part of the production hall.

(ii) Däniken production facility

The production facility includes a production hall and warehouse (4,038 m2) with water treatment systems. The property also has a 25m/100m shooting range in the basement for internal product testing.

(f) Haltech, Hungary

Haltech has a substantial landholding in Balatonfüzfö, covering approximately 120,000 m2. On this land, there are various production halls and warehouses (10,137 m2) and an administration building (993 m2). A test range for internal testing is also situated on the premises.

15 Production

The Group controls the entire production process beginning with planning and through to manufacturing, assembly and inspection and adheres to strict quality control standards. To begin, production is planned based on a master production plan and includes the ordering of raw materials and purchased parts such as, springs, screws and polymer frames. Then, the Group manufactures the majority of its firearms' components and performs casting, cold hammering, surface coating and heat treatment in-house. Next, the Group assembles those components into the final product. Finally, the Group inspects each firearm. For safety, the Group performs a pressure test that is supervised by state authorities, firing two rounds under 25 per cent increased pressure. For reliability, the Group fires the product at a shooting range, which can potentially be supervised by state authorities for products purchased pursuant to a government contract. For accuracy, the Group checks a scattering of each firearms' shots and the position of its midpoint. Once a firearm is properly inspected, it moves on to packaging and shipment.

16 Research and Development

The Group's R&D activities are based on an experienced team of growing experts who have worked in research and development and related technical functions, and who are mostly part of the Group's production plants in the arms segment (Uherský Brod, West Hartford, Kitchener). Other teams of R&D specialists are focused on the development of innovative solutions in the field of ammunition (swissAA in Dulliken) and accessories (SPUHR in Löddeköpinge). The Company also holds a stake in the research company CARDAM, which jointly owned by the Institute of Physics of the Academy of Sciences of the Czech Republic and provides the Group with access to the most advanced scientific knowledge, especially in the field of materials research.

The Group has a diverse and skilled R&D team, comprising designers, material specialists and mathematicians, experienced project managers and development lab teams. In the next few years, the Group aims to expand the R&D team and supplement the necessary competences while maintaining a balanced mix of seasoned experts and young engineers with potential. The Group's R&D teams benefit from cutting-edge facilities for both virtual and physical research work. The Group will prioritise investing in technology and equipment for R&D, in order to strengthen its role as a technological leader.

The main objective of the Group's R&D is to offer customers a clear advantage when choosing to buy, as well as to continually improve the reliability, functionality, quality, safety and durability of our products.

The Group's main areas of research and development are:

- product development that focuses on creating value for the customer. The Group seeks to leverage synergies through platform-based and highly modular product design, which allows for quick diversification of the Group's product families with new variants;
- development of methods and algorithms for mathematical simulations to optimize product features and reduce the time required for developing new products, including the use of artificial intelligence (AI) tools in the research and development of new technologies and materials;
- product design optimization for novel technological processes, such as additive manufacturing; and
- elements of the Industry 4.0 concept with an emphasis on the automation of the production process. In this area, the Group benefits from the knowledge transfer between different production plants – for example, by applying the unique expertise of SPUHR to advanced automation projects in the Group's largest production facilities.

The Group's applied research begins in-house and expands to CARDAM, universities and the European Defence Agency. CARDAM is an R&D workplace that focuses on the realization of innovative, technically and technologically advanced solutions and products by using sophisticated mathematical simulations and additive technologies. CARDAM provides complete engineering solutions for the development of new applications and manufacturing processes. One of the founding members and owners of CARDAM is the Institute of Physics of The Czech Academy of Sciences (in Czech: *Akademie věd České republiky*), which cooperates with the Group and supports the Group's R&D activities with essential and unique scientific resources, know-how and laboratory equipment and has several projects with the Group in the pipeline. The Group has also established a close R&D collaboration with the Czech Institute of Informatics, Robotics and Cybernetics (**CIIRC**) at the Czech Technical University in Prague (in Czech: *České vysoké učení technické v Praze*). CIIRC is at the forefront of activities in the area of Industry 4.0 in the Czech Republic. It actively promotes international cooperation in the field and synergies between the private sector and academia. It has opened the "Testbed for Industry 4.0" as a new research and experimental workplace for testing innovative solutions and processes for smart factories.

As of 31 December 2023, the Group's R&D team consisted of an average recalculated headcount of 106, including product designers, mathematical analysts, material specialists, advanced chief designers and project leaders, who utilize not only their know-how and knowledge, but also state-of-the-art research and development methods, laboratory equipment and resources.

In 2023, 2022 and 2021, the Group's R&D expenses amounted to CZK 223 million, 209.7 million and 149.7 million, respectively; corresponding to an average of 1.5 per cent of the Group's revenues in 2023.

17 Intellectual Property

The Group owns patents, utility models, industrial patterns, trademarks and know-how. All the mentioned intellectual property, including various brands and trademarks (Colt, CZ, swissAA, SPUHR), is essential for the Group to conduct its business and exercise its overall business strategy successfully. The intellectual property has been accumulated by the Group companies over decades of development, production and sales of firearms and accessories. It is essential for the Group to be and remain profitable and it also defines its business model and competitive advantage.

The Group's intellectual property is specifically protected in the following regions: Asia, Africa, Latin America, Europe and the U.S.

The Group's key brands and trademarks include CZ (Česká zbrojovka), Colt, CZ-USA, Dan Wesson, swissAA, SPUHR, Brno Rifles and 4M SYSTEMS, including other related trademarks in various forms.

The Group owns more than 140 patents and designs of their products registered mainly in the EU and the United States. As of the date of the Prospectus, there were approx. 14 ongoing patent and design proceedings for the Group's results of R&D.

Generally, where the research and development expense are underwritten by customers, such customers demand use rights to the resulting intellectual property. As a result, in order to maintain proprietary rights within the Group, the Group's research and development is mostly self-funded.

In certain cases, the Group grants licenses to its customers whereby the ability to produce certain components or to assemble the Group's products is licensed to such customers, for example, to HM ARZENÁL in relation to assembly and production of firearms in Hungary (see section *The cooperation of the Group with Hungarian government through a joint stock company Colt CZ Hungary Zrt. (Colt CZ Hungary) may not produce the benefits expected*).

18 Material Contracts

18.1 Framework Agreement with the Ministry of Defence of the Czech Republic

In April 2020, the Czech Ministry of Defence and CZUB have entered into a framework agreement for the supply of up to 39,000 small arms (the **Czech Army Framework Agreement**). The deal is worth CZK 2.35 billion (exclusive of value-added tax) and covers the period until 2025. The final price will depend on the number of the weapons the ministry will order within narrower purchase order contracts in accordance with the military's needs. It includes up to 16,182 BREN 2 modular assault rifles, 21,280 CZ P-10 pistols, 1,646 CZ 805 G1 grenade launchers and 94 Scorpion carbines.

On 9 March 2022, CZUB concluded an amendment to the framework agreement for the purchase of small arms, signed in April 2020, with the Czech Ministry of Defence. The amendment will enable the Army of the Czech Republic to receive small arms supplies with the value of up to CZK 1.18 billion higher than the originally agreed limit of CZK 2.35 billion. Based on the amended contract, CZUB will, among other things, increase the supply of the CZ BREN 2 assault rifles, CZ P-10 pistols, and other small arms, including accessories, depending on the current needs of the Army of the Czech Republic.

In 2022, the revenues under the Czech Army Framework Agreement were CZK 1,466.87 million (excluding value-added tax). In 2023, the revenues under the Czech Army Framework Agreement were CZK 1,859.46 million (excluding value-added tax). In 2024 the revenues under the Czech Army Framework Agreement are expected to contribute less than 10 per cent of the total revenues of the Group.

18.2 The joint venture agreement with N7 Holding

In December 2022, the Group entered into a joint venture agreement with N7 Holding. Subsequently, Colt CZ Hungary was founded in May 2023. The Group owns a 51 per cent stake in Colt CZ Hungary and N7 Holding owns a 49 per cent stake there.

The establishment of Colt CZ Hungary should further enhance the existing cooperation between the Group and the Hungarian Government under the framework of technology transfer cooperation entered into between Colt CZ Defence Solutions and HM ARZENÁL, who is fully owned by the Hungarian state, in 2018.

18.3 Sellier & Bellot SPA

On 18 December 2023, the Group entered into an agreement with CBC to purchase 100 per cent shareholding interest in Sellier & Bellot.

The closing of the transaction took place on 16 May 2024. As a result of the transaction, the Company acquired 100 per cent shareholding interest in Sellier & Bellot for the combination of a cash consideration in the amount of USD 350 million and the issue of New Shares, leading to approx. 27.7 per cent interest of CBC in the Company. The acquisition of Sellier & Bellot has been financed through a combination of the Company's existing cash resources and debt financing (See section *XIII.19 Financing arrangements*).

18.4 The Agreement of Intent for the assembly of the CZ BREN 2 rifles in Ukraine

In February 2024, CZUB signed an Agreement of Intent with Ukrainian Defense Industry (*Ukroboronprom*) for the assembly of the CZ BREN 2 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. As of the date of this Prospectus, the Ukraine Defense Industry has not made any firm commitments, and the sole document executed by both parties continues to be of a non-binding nature.

18.5 Colt CZ Group SE Bonds

(a) CCZG Bonds VAR 27

In March 2021, the Company issued CZK 5 billion floating rate bonds due March 2027 (the **CCZG Bonds VAR 27**). The CCZG Bonds VAR 27 are redeemable by the Company in 2027 at par value and bear interest at floating rate of 6M PRIBOR plus margin in the amount of 1.80 per cent per annum. The CCZG Bonds VAR 27 are listed on the Regulated Market of the PSE.

The terms and conditions of the CCZG Bonds VAR 27 impose certain restrictions on the Company regarding the disposal of its assets, incurrence of financial indebtedness, pledging, mortgaging or otherwise encumbering its property, carrying out transactions with related parties and payment of dividends or other distributions to its shareholders. In particular, the Company is prohibited from declaring or paying dividend, make any other distribution of profit, return capital, provide loan or credit, and/or repay any debt, in each case to any of its shareholders, if the Company's consolidated Net Indebtedness Ratio would exceed 3.5 as a result of any such payment or transaction. Apart from the above-described indebtedness covenant, the terms and conditions of the CCZG Bonds VAR 27 contain a change of control clause, subject to which the Company must give notice of a change of control event (such an event being at such time when Mr. René Holeček ceases to directly or indirectly own at least 51 per cent of CZUB or otherwise loses control over the Company) and all holders of the CCZG Bonds VAR 27 shall have the option to request redemption of their CCZG Bonds VAR 27 within 45 days after the change of control notification.

(b) CCZG Bonds VAR 29

In January 2022, the Company issued a total of 666 bonds with a nominal value of CZK 3,000,000 each and with the total nominal value of CZK 1,998,000,000 due January 2029 (the **CCZG Bonds VAR 29**). The CCZG Bonds VAR 29 are redeemable by the Company in 2029 at par value and bear interest at floating rate of 6M PRIBOR plus margin in the amount of 1.40 per cent per annum. The CCZG Bonds VAR 29 are listed on the Regulated Market of the PSE.

The terms and conditions of the CCZG Bonds VAR 29 impose certain restrictions on the Company regarding the disposal of its assets, incurrence of financial indebtedness, pledging, mortgaging or otherwise encumbering its property, carrying out transactions with related parties and payment of dividends or other distributions to its shareholders. In particular, the Company is prohibited from declaring or paying dividend, make any other distribution of profit, return capital, provide loan or credit, and/or repay any debt, in each case to any of its shareholders, if the Company's consolidated Net Indebtedness Ratio would exceed 3.5 as a result of any such payment or transaction. Apart from the above-described indebtedness covenant, the terms and conditions of the CCZG Bonds VAR 29 contain a change of control clause, subject to which the Company must give notice of a change of control event (such an event being at such time when Mr. René Holeček ceases to directly or indirectly own at least 51 per cent of Colt CZ Group or otherwise loses control over the Company) and all holders of the CCZG Bonds VAR 29 shall have the option to request redemption of their CCZG Bonds VAR 29 within 45 days after the change of control notification.

(c) *<u>CCZG Bonds VAR 30</u>*

In May 2023, the Company issued a total of 643 bonds with a nominal value of CZK 3,000,000 each and with the total nominal value of CZK 1,929,000,000 due May 2030 (the **CCZG Bonds VAR 30**). The CCZG Bonds VAR 30 are redeemable by the Company in 2030 at par value and bear interest at floating rate of 6M PRIBOR plus margin in the amount of 1.80 per cent per annum. The CCZG Bonds VAR 30 are listed on the Regulated Market of the PSE.

The terms and conditions of the CCZG Bonds VAR 30 impose certain restrictions on the Company regarding the disposal of its assets, incurrence of financial indebtedness, pledging, mortgaging or otherwise encumbering its property, carrying out transactions with related parties and payment of dividends or other distributions to its shareholders. In particular, the Company is prohibited from declaring or paying dividend, make any other distribution of profit, return capital, provide loan or credit, and/or repay any debt, in each case to any of its shareholders, if the Company's consolidated Net Indebtedness Ratio would exceed 3.5 as a result of any such payment or transaction. Apart from the above-described indebtedness covenant, the terms and conditions of the CCZG Bonds VAR 30 contain a change of control clause, subject to which the Company must give notice of a change of control event (such an event being at such time when Mr. René Holeček ceases to directly or indirectly own at least 51 per cent of Colt CZ Group or otherwise loses control over the Company) and all holders of the CCZG Bonds VAR 30 shall have the option to request redemption of their CCZG Bonds VAR 29 within 45 days after the change of control notification.

On 18 April 2024, the Board of Directors of the Company and on 23 April 2024 the Supervisory Board of the Company approved an increase in the volume of the existing CCZG Bonds VAR 30 bond issue in the amount of CZK 1,071,000,000. The increase in the volume of the existing bond issue is in accordance with the prospectus issued on 18 May 2023, which allows for an increase in the volume of the bond issue up to a maximum of CZK 3,000,000,000.

On 17 May 2024 the Company increased the volume of the existing CCZG Bonds VAR 30 issue in the amount of CZK 1,071,000,000, resulting in the total aggregate nominal amount of the CCZG Bonds VAR 30 of CZK 3,000,000,000. The tranche bears a floating rate coupon calculated as the sum of a reference rate 6M PRIBOR and a margin of 1.80 per cent per annum. The issue price was 100 per cent of the nominal value of the CCZG Bonds VAR 30.

19 Financing arrangements

The Group's principal sources of liquidity have been cash generated from its operating activities, borrowings under credit facilities and proceeds from the issuance of debt or equity instruments. While the Group is considering various financing options, it expects these sources to continue to be the primary financing sources of the Group's activities also going forward.

In relation to Sellier & Bellot acquisition, the Group drew down EUR 91.2 million under the Bridge Loan in December 2023. On 7 May 2024 a syndicated loan was entered into between the Company as parent, original borrower and original guarantor, Vocatus Investment as original borrower and original guarantor, CZUB as original borrower and original guarantor and Colt's Manufacturing Company as original guarantor entered into a facilities agreement with KB as arranger, original lender, facility agent and security agent, COMMERZBANK Aktiengesellschaft acting in the Czech Republic through COMMERZBANK Aktiengesellschaft, pobočka Praha, as arranger and original lender, UniCredit Bank Czech Republic and Slovakia, a.s. as arranger and original lender, Česká spořitelna, a.s., as arranger and original lender, and Česká exportní banka, a.s., as original lender (the **Syndicated Loan**). The Syndicated Loan is EUR-denominated and in the aggregate amount of equivalent of EUR up to 484.8 million and serves dual purposes. Firstly, it includes a term loan component, which is primarily utilized to refinance the Bridge Loan and the S&B Syndicated Loan, as well as being allocated to support additional financial requirements associated with the acquisition of Sellier & Bellot by the Group. Secondly, the Syndicated Loan features a revolving credit line to cater to the routine operational needs of Sellier & Bellot and the Group. Tenor of the loan is 5 years and the term sheet contains standard acquisition financing provisions. The obligations of the Group under the Syndicated Loan are secured, *inter alia*, by a pledge of book-entry shares in Sellier & Bellot, as well as bank account receivables, intra-group receivables and intellectual property of Sellier & Bellot.

20 Legal Proceedings

The Group may from time to time be subject to governmental, regulatory and legal or arbitral proceedings and claims, including those described below. Other than the proceedings described below, there have been no governmental, regulatory and legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) during the 12 months prior to the date of this Prospectus which may have, or have had a significant effect on the financial position or profitability of the Group.

20.1 Mexico v. Colt, et al.

Colt is a defendant in a case captioned, "Estados Unidos Mexicanos v. Smith & Wesson Brands, Inc., et al., Civil Action No. 1:21-CV-11269-FDS (District Court of Massachusetts). This case is a lawsuit filed on 4 August 2021, against firearm manufacturers, distributors and retailers alleging that the defendants manufacture and sell firearms that are subsequently trafficked into Mexico and obtained by members of drug cartels, who then use the firearms to commit violence in Mexico. Mexico asserts claims of negligence, public nuisance, defective design, negligence per se, gross negligence, unjust enrichment/restitution, and violation of the Connecticut Unfair Trade Practices Act. Mexico seeks compensatory and punitive damages, as well as injunctive relief.

On 22 November 2021, the defendants jointly moved to dismiss the complaint based on lack of standing, the Protection of Lawful Commerce in Arms Act, and failure to state a claim upon which relief can be granted. In addition, Colt moved to dismiss the complaint for lack of personal jurisdiction and, with respect to the claim under the Connecticut Unfair Trade Practices Act, for lack of standing, for violation of the Protection of Lawful Commerce in Arms Act, and for failure to state a claim upon which relief can be granted.

On 30 September 2022, the district court granted defendants' motion to dismiss based on the Protection of Lawful Commerce in Arms Act and granted the motion to dismiss the Connecticut Unfair Trade Practices Act for lack of standing and denied the personal jurisdiction motions without prejudice. Mexico appealed the dismissal, and on 22 January 2024, the First Circuit Court of Appeals reversed the dismissal and remanded the case to the district court for further proceedings. The case continues to be litigated at the district court level while Colt and other defendants seek review by the U.S. Supreme Court.

20.2 City of Gary v. Colt, et al.

Colt is a defendant in a case captioned, "City of Gary, IN v. Smith & Wesson Corp. et al. (Docket 45DO5-005-CT-243, Lake Division Superior Court, Indiana). This case is a lawsuit brought against firearm manufacturers alleging public nuisance and negligent distribution of handguns. After the case was filed in 1999, Defendants moved to dismiss, and the trial court granted the motion. The City filed an amended complaint, and Defendants again moved to dismiss. The trial court once again granted the motion, which the Court of Appeals affirmed, but the Indiana Supreme Court subsequently reversed. The Defendants subsequently moved to dismiss the case based on the federal Protection of Lawful Commerce in Arms Act, 15 U.S.C. §§ 790-7903, but that motion was denied in October 2006. Defendants appealed, and in October 2007, the Indiana Court of Appeals affirmed the Trial Court's denial of Defendants' motion. The defendants sought a rehearing and transfer of the case to the Indiana Supreme Court, which was denied. The case was referred back to the trial court in January 2009.

After not actively prosecuting this case for several years, the plaintiff City of Gary, Indiana requested a status conference in the fall of 2015. In December 2015, the defendant manufacturers filed a Motion for Judgment on the Pleadings based on an amended Indiana immunity statute which precludes claims against firearm manufacturers based on criminal use of a firearm by a third party, and they renewed their motion under the federal Protection of Lawful Commerce in Arms Act.

In January 2018, the trial court granted the Motion for Judgment on the Pleadings and dismissed the lawsuit under both the state and federal statutes. The City of Gary appealed the ruling, and in May 2019, the Indiana Court of Appeals reversed the dismissal. Defendants once again sought transfer to the Indiana Supreme Court, which was denied in November 2019. Discovery in the action is currently ongoing.

20.3 Carp 2 Dispute

Colt executed a letter of intent with a company called Carp 2 in which Colt offered to Carp 2 an option to purchase a parcel of land on Colt's West Hartford property. There is a dispute as to whether Carp 2 has the right to execute the option to purchase Colt's property, however, Colt is not willing to sell the property.

Carp 2 filed suit against Colt in December 2021 seeking to compel Colt to participate in the legal discovery process so that Carp 2 may determine if they have a basis to sue Colt for damages. It is too early in the dispute to determine the likelihood of Carp 2 prevailing on either their suit to compel discovery or on any subsequent suit for damages. The risk of a judgment against Colt is moderate.

20.4 Buffalo v. Colt et al.; Rochester v. Colt et al.

In December 2022 the City of Buffalo and City of Rochester sued Colt in New York in two separate cases. In January 2023, certain defendants removed the cases to federal court in the Western District of New York. The lawsuits are brought against firearm manufacturers and distributors, as well as certain sellers of unfinished firearm frames. As to firearm manufacturers and distributors, the lawsuits allege that the design, manufacturing, importing, selling, marketing and distribution of firearms has created a public nuisance of unlawful possession, transportation and disposition of firearms and the use of guns in crimes by (a) marketing that emphasizes firearm characteristics that appeal to criminals; (b) purposely supplying more firearms than the legitimate market can bear in order to induce sales in the secondary market; (c) not training dealers to avoid straw sales and other illegal transactions; and (d) refusing to terminate contracts with distributors who sell to dealers with disproportionately high volumes of guns traced to crime scenes. The plaintiffs alleges that defendants' conduct violates New York General Business Law § 898 (public nuisance), constitutes a common law public nuisance, violates New York General Business Law § 349 (deceptive acts), and violates New York General Business Law § 350 (deceptive advertising). The plaintiffs seek compensatory damages, the establishment of an "abatement fund" to abate the alleged public nuisance, and punitive damages.

On 8 June 2023, the district court consolidated the Buffalo Action and the Rochester Action for pretrial purposes only and stayed the consolidated cases pending a decision by the Second Circuit Court of Appeals in National Shooting Sports Foundation, Inc. v. James, No. 22-1374. The consolidated cases remain stayed.

21 Employees

The Group's employees are based in the Czech Republic, the United States, Canada, Sweden, Switzerland, Hungary and Germany. The table below provides average recalculated headcount data for the Group for the years ended 31 December 2023, 2022 and 2021.

	For the year ended 31 December		
	2023	**2022**	**2021**
Average recalculated headcount	2,111	2,205	2,196

The table below sets forth information on the geographical split of the Group's employees as of 31 December 2023:

	As of 31 December 2023

	(average recalculated headcount)
Czech Republic	1,421
United States	439
Canada	124
Sweden	17
Switzerland	65
Hungary	35
Other	10
Total	**2,111**

Most of the Group's employees are covered by an incentive program that makes the amount of their bonuses conditional on the accomplishment of their individual or collective goals and on the financial results achieved by the Group's companies at which they are employed. In addition to offering training and other benefits, the size and diversity of the Group's operations provide development and promotion opportunities for new employees.

The Group's remuneration policy aims to align employees' incentives with the Group's purpose and strategy, as well as to create stakeholder value, and to motivate and retain them. The Group is committed to paying equally for equal work. In the Czech Republic, the Group is following the statistics closely and conducts regular reviews, which include external benchmarking, and applies a consistent grading system with limited leeway for deviations. The Group also offers part-time contracts where feasible.

In the US, the Group relies on its own internal benchmarks, while in Canada the Group performs pay equity reviews and evaluates all positions based on standard criteria and sets wage bands. All new hires are assessed using the same criteria and must be paid within the relevant bands. The Group has a broad training program in place at the level of the operational companies, covering compulsory training (such as health and safety), talent development and regulatory compliance. These training programs also help to promote basic values of the Group: teamwork, a customer-oriented approach, constant improvement and performance. At CZUB, the Group has a training and development program in place that is tailored to each employees' positions and required skill set. Educational methods range from e-learning and on-the-job training to internal and external seminars. Apart from the legally required curriculum (about 10 per cent of the program), the Group offers a wide range of trainings to promote development of skills and competencies, including courses on soft-skills, technology, languages, and well-being. The Group also supports its employees furthering their education, such as pursuing MBAs. The Group also cooperates with the University of Ostrava with regard to obtaining a bachelor's degree in the fields of small arms design, ballistics, measurements, and quality management. In the U.S., the Group provides financial assistance to employees who wish to further their education under the Group's educational assistance policy. In Canada, the Group is developing coaching programs for all positions, with a focus on core competencies, such as communication and conflict resolution. The Group also offers reimbursement of tuition and professional designation program fees.

In December 2021, the Company's Supervisory Board approved the Share Program of Colt CZ Group SE (the **Employee Share Option Plan** or **ESOP**), which was prepared in accordance with the Company's remuneration policy approved by the General Meeting of the Company on 22 June 2021 (the **Remuneration Policy**). Further details of the Employee Share Option Plan are set out below.

21.1 Employee Share Option Plan

On 27 December 2021, the Company's Supervisory Board approved the Employee Share Option Plan. The Employee Share Option Plan entitles the Group's key executives and employees (option holders) to purchase the Company's shares for nominal value. It is currently only available to executives and senior employees. Shares designated for the Employee Share Option Plan will be newly issued. The maximum number of shares issued under the Employee Share Option Plan will be 3,373 thousand. The fair value of employee stock options was determined using the Black-Scholes model. The options are subject to the employment term/function term and non-market performance condition which were not considered in the fair value determination.

21.2 Environmental and Health and Safety Matters

The Group is 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 and solid materials and waste, 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 or waste.

The Group's principal production facility in Uherský Brod, Czech Republic has been in operation for more than 80 years, but no comprehensive inspection has been carried out and contamination or other environmental impacts of the Group's past, present or future operations could be discovered for which no insurance coverage is in place (See section *Environmental laws and regulations may impact the Group's business*).

Historically, the Group identified soil and underground water contamination by chlorinated hydrocarbons and oils within its facility in Uherský Brod. This contamination was successfully remedied in full in 2018. The Group conducts further monitoring in two year intervals. The Group also periodically reviews the probable and reasonably estimable environmental costs in order to create or update any environmental reserves.

The Group has implemented an effective environmental management system (**EMS**) and obtained ISO 14000 certification (EMS) for all CZUB sites, which exceeds the legal requirements. It also aspires to achieve ISO 50001 certification to enhance its energy efficiency management. CZUB's safety, health and environment policy commits to continuous improvement of the integrated safety, health and environment system, active leadership in raising employees' environmental impact awareness, and responsible behaviour that encourages everyone to be alert to the potential environmental impacts. The Group conducts environmental impact assessments for all operations and departments every two years, or more frequently, if any changes are made. Any purchase of machinery or equipment requires an environmental impact assessment.

The Group's facilities in the US and Canada are not ISO 14000, 45000 and 50001 certified, but the Group is preparing a plan to implement environmental policies in the future. In the US, the Group has two dedicated full-time employees who are responsible for environmental management. The Group also contracts with an outside firm to review, coach, and lead us towards responsible environmental improvements. The Group follows 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 its compliance. The Group is working to align both internal and external resources that will better support Colt Canada to setup a comprehensive environmental management system.

Based on the information known to the Group, the Group does not expect current environmental regulations or environmental proceedings and claims to have a material adverse effect on the results of its operations, financial condition or cash flows, with the following exceptions: environmental regulations are gradually becoming more burdensome and it is expected that this trend will continue in the upcoming years. It is not possible to predict with certainty the impact of future environmental compliance requirements or of the cost associated with the resolution of any future environmental proceedings and claims, in part because the scope of the remedies that may be required is not certain and environmental laws and regulations are subject to modification and changes in interpretation. There can be no assurance that environmental regulations will not become more burdensome in the future or that no unknown conditions will be discovered and that such developments will in no case have a material adverse effect on the Group's business (See sections *Environmental laws and regulations may impact the Group's business* and *The Group may face difficulties complying with ESG standards or other sustainability requirements*.

22 Insurance

The Group possesses insurance coverage that the Group believes to be adequate for the risks of the business in which is engaged. Although its insurer does not cover punitive damages, the Group believes that all of its insurance policies meet industry standards.

The Group also maintains insurance for its buildings and inventory as well as business interruption insurance, third-party liability insurance for environmental damage (contamination) (which is limited to USD 2 million), and various other insurance policies which the Group believes provide it with adequate protection against the ordinary risks associated with conducting its business.

In addition to the standard (commercial) insurance, the Group adopted an innovative approach to certain insurance programmes and set up Colt CZ Insurance in 2023, a Guernsey-based captive insurance company in the form of a single parent captive reinsurer. The captive insurance reduces the overall cost of risk and provides a flexibility of coverage in case there are gaps in commercial policies.

23 Corporate Social Responsibility

Corporate social responsibility is an integral part of the Group's activities. The Group engages actively with communities where it operates and supports them through volunteering, internships, and donations. The Group also contributes to charitable projects, non-profit organizations, foundations, interest groups, sport clubs, gamekeeping, members of the armed forces, the police and the firefighters.

Some of the key projects supported by the Group include:

Auctioning limited-edition firearms for charities

The Group donated limited-edition pistols for auction to support selected charities, including the Military Solidarity Fund, the police and firefighters, as well as to the collection account of the Ukrainian Embassy in the Czech Republic for the benefit of the Ukrainian army.

Scholarships to spouses and children of America's fallen and disabled service members

In the U.S., Colt's Manufacturing Company supports Folds of Honor, a nonprofit organization that provides scholarships to spouses and children of America's service members who have died or been disabled. It also supports Habitat for Humanity North Central Connecticut, a nonprofit organization that works to eliminate substandard housing locally and worldwide by building, rehabilitating, and preserving homes; advocating for fair and just housing policies; and offering training and resources to help families improve their shelter conditions.

Back-to-school with Waterloo Regional Police

In Canada, the Group cooperates with Waterloo Regional Police, which hosts annual Backpack Challenges that help assist and prepare youth organizations and children in the Waterloo Region for the back-to-school season. Colt Canada has supported this initiative for the past few years by collecting and donating new school supplies, including backpacks, lunch bags, and other school supplies. Overall, Colt Canada has donated over 80 backpacks and multiple school supplies. The participation in the Backpack Challenge helps contribute to building strong community ties and furthering our professional relationship with the Waterloo Regional Police. The Group also supported The Food Bank of Waterloo Region, which provides food and other vital support to people in need in the Waterloo Region. Colt Canada has supported this organization and its initiative for the past few years with its donations of non-perishable food. Our participation helps advance our mission of building strong community ties.

Blood Donations

CZUB has a history of supporting blood donations and gives vouchers to its staff who participate. CZUB was also a general partner of the regional sports and music festival "Slovácké léto", which involved philanthropic initiatives, such as promoting plasma donation registrations.

24 Corporate governance code

The corporate governance structure of the Company complies with the applicable laws, including the Czech Companies Act. Under Czech law, the Company is not required to comply with any corporate governance code. The Company intends to comply with the Czech companies' corporate governance code (in Czech: *Kodex správy a řízení společností ČR*) issued by the Czech Institute of Directors in September 2018 (the **CG Code**) based on a "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. The Company currently complies with the CG Code, except for certain principles as follow:

- the Articles of Association allow for the *per rollam* voting at the General Meeting as one of the measures implemented during the COVID-19 pandemic;
- Mr. Holeček holds several board positions in the companies owned by the majority shareholder. The Company does not consider such positions conflicting;
- Mrs. Růžičková holds several board positions in the companies owned by the majority shareholder. The Company does not consider such positions conflicting;
- Mr. Kovařík holds several external board positions. The Company does not consider such positions conflicting;
- Only Mr. Aguilar and Mr. Dlouhý can be considered as independent members of the Supervisory Board;
- No member of the audit committee (out of three members) is currently a member of the Supervisory Board; and
- Most of the members of the Supervisory Board's committees (namely, the Remuneration Committee, the Strategic Investments and Acquisitions Committee, and the Compliance and Ethics Committee) are not non-executive members of the Supervisory Board.

25 Compliance and anti-bribery policy

The Group conducts its business with integrity, responsibility and transparency, and invests in enhancing its practices and systems to support these values. The Group expects its employees and associates to follow the same high ethical standards.

To implement these principles and rules, the Group has adopted the Compliance Program that applies across the Group. The Compliance Program also extends beyond the Group, as the Group seeks to uphold the relevant principles in any companies that it acquires or affiliates with.

The Code of Conduct is the cornerstone of the Compliance Program and a comprehensive guide for setting the basic standards of conduct. It establishes the basic ethical duties of the Group's employees, which are to (i) comply with relevant laws, (ii) refrain from any actions that could involve bribery, (iii) prevent any conflicts of interest, and (iv) safeguard the Group's reputation. The Code of Conduct should always be the first point of reference, especially when confronted with ethical dilemmas. All subsequent instruments of the Compliance Program, such as specific policies (anti-corruption, protection of personal data, competition compliance), instructions and various communication, reflect the individual elements of the Code of Conduct.

To ensure proper implementation and compliance, the Group has a comprehensive compliance management system, which aims to address any breaches of legal regulations, requirements, rules, and organizational standards that govern the Group's business, as well as standards of good governance and the values declared by the company. It also aims to respond appropriately to identified risks and breaches with preventive measures.

The Group's anti-corruption policy establishes the main standards of conduct for the Group's employees regarding corruption activities. Its fundamental principles include:

- The Group does not tolerate any acts related to providing, offering, promising, accepting or requesting unauthorized benefits in the form of money, gifts or other advantages in connection with business or work-related activities of the respective individual in order to obtain or keep benefits for oneself or a third party.
- The management of the Group actively acts against any manner of corruption and prevents any suspicious activities that could be labelled as corruption.

- The Group's employees are obligated to avoid any conflicts of interest, in particular, such conflicts of interest that lie in the participation of the Group's employees in business relations of the Group on the side of the suppliers or purchasers that would result in unfair personal benefit.

Accepting or offering gifts, or other similar advantages, exceeding relevant thresholds is forbidden (except for sponsorship and charity activities).

XIV. MANAGEMENT

1 General overview

The Company has a two-tier board system consisting of the Board of Directors (in Czech: *představenstvo*) (the **Board of Directors**) and the Supervisory Board (in Czech: *dozorčí rada*) (the **Supervisory Board**). 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 in their management of the Company and resolves on matters defined in the Czech Companies Act and the Articles of Association, particularly matters with material impact on the value of the ownership interests in the Company. Under the Czech Companies Act, the Supervisory Board may not make management decisions.

The Supervisory Board may form committees from among its members and delegate decision making power to any such committees as permitted by law. The committees' respective tasks, authorizations and processes are determined by the Supervisory Board. As provided for by the Supervisory Board's rules of procedure, the Supervisory Board has formed a remuneration committee (the **Remuneration Committee**), the strategic investments and acquisitions committee (the **Strategic Investments Committee**) and a compliance and ethics committee (the **Compliance and Ethics Committee**). Pursuant to the Articles of Association, the Company formed an audit committee (the **Audit Committee** members of which are elected by the General Meeting.

2 Board of Directors

The Board of Directors represents the Company in all matters, unless such matter is specifically entrusted to the Supervisory Board or the General Meeting and is responsible for the Company's management and day-to-day operations and acts on the Company's behalf. The business address of each member of the Board of Directors is at náměstí Republiky 2090/3a, Nové Město, 110 00 Prague 1, the Czech Republic.

The Articles of Association provide that the Board of Directors consists of five members that are elected and recalled by the Supervisory Board. A member of the Board of Directors is appointed for a period of five years and may be reappointed. 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-Chairmen from amongst its members.

The Board of Directors constitutes a quorum if a majority of its members is present or otherwise takes part in a meeting. The Board of Directors adopts a decision by a majority vote of all its members. In case of a tie vote, the vote of the Chairman decides. Members of the Board of Directors may participate in the meetings through telephone or other remote means. When necessary, a decision may be made by the Board of Directors without holding a meeting.

In accordance with the Articles of Association, meetings of the Board of Directors are called by the Chairman or a Vice-Chairman of the Board of Directors or, in their absence, by any member of the Board of Directors, at least once a month. The Board of Directors shall convene upon the request of any member of the Board of Directors or the Chairman of the Supervisory Board.

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
Jan Drahota	Chairman of the Board of Directors / CEO	1 July 2021	17 January 2025
Josef Adam	Vice-Chairman of the Board of Directors	1 November 2021	1 November 2026
Jan Zajíc	Member of the Board of Directors	24 November 2020	24 January 2025
Jan Holeček	Member of the Board of Directors	1 July 2021	1 July 2026
Dennis Veilleux	Member of the Board of Directors	1 July 2021	1 July 2026

On 27 February 2024 the General Meeting adopted a decision on the increase of the number of members of the Board of Directors from five to six. On 16 May 2016 the Group announced that it expects Mr. Radek Musil,

chairman of the board of directors of Sellier & Bellot, to become a member of the Board of Directors of the Company (see section *XVI.9 Administrative, management and supervisory bodies, remuneration and benefits* for more information on Mr. Radek Musil). As of the date of this Prospectus neither Mr. Radek Musil, nor any other person for that matter, has been elected as a sixth member of Board of Directors of the Company.

Jan Drahota

Chairman of the Board of Directors, Chief Executive Officer

Mr. Drahota studied Finance at the University of Economics, Prague and holds a Master of Business Administration degree from the University of Chicago, Booth School of Business. Before joining the Group at the level of the Major Shareholder in 2014, Mr. Drahota worked for about 15 years in the financial markets and investment banking field, spending most of his career in 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 of the Czech Republic with regards to corporate governance of publicly held hospitals and institutions.

Josef Adam

Vice-Chairman of the Board of Directors

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

Jan Zajíc

Member of the Board of Directors

Jan Zajíc graduated in Economics and Management at the Faculty of Business and Economics of Mendel University in Brno. Prior to joining CZUB, he held various managerial positions in industrial companies in the Czech Republic and abroad. He started his career in Fatra, the 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 the financial management and controlling at the production plant in Kuala Lumpur, Malaysia, and subsequently at the company's headquarters in Hannover, Germany. Mr. Zajíc has been working at CZUB as is 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 represents CZUB, the key operating entity, on the Board of Directors.

Jan Holeček

Member of the Board of Directors

Mr. Holeček studied economy and finance at Bentley University, USA. In 2016 he started his career in Siemens as market analyst, later on as business development specialist. In 2017 he joined CZUB starting first as an analyst and later on as marketing director. Since 2019 he has been the member of the board of directors of CZUB responsible for sales. He is member of the Board of Directors of the Company since July 2021 and is responsible for global sales.

Mr. Holeček is the son of Mr. René Holeček, Vice-Chairman of the Supervisory Board.

Dennis Veilleux

Member of the Board of Directors

Dennis Veilleux is the Chief Executive Officer of Colt Holding. With 35 years of experience in the industry, Mr. Veilleux has deep expertise in firearms manufacturing, design and business. Since joining Colt in 2006 and prior to being appointed CEO in 2013, Mr. Veilleux served in several key positions for Colt, including executive director of engineering, vice president of manufacturing, and chief operating officer. Before Colt he spent three years with GE Armament Systems where he participated in the manufacture and development of military weapon systems, he worked eight years at Sturm Ruger and eight years at U.S. Repeating Arms Company (FN Group).

The table below sets forth principal activities performed by members of the Board of Director outside the Company where these are significant with respect to the Company:

Name	**Position**
Jan Drahota	*Past positions:* THERMAL-F, a.s. – vice-chairman of the supervisory board (October 2014 – March 2018) Česká exportní banka, a.s. – member of the supervisory board (June 2017 – June 2019) CZ-AUTO SYSTEMS a.s. – member of the supervisory board (September 2019 – November 2019) Zero Emissions Debt Finance, a.s. – executive director (September 2015 – January 2021) Česká zbrojovka Partners SE – member of the board of directors (February 2018 – October 2021) ČEPS, a.s. – member of the supervisory board (February 2015 – November 2022) *Present positions:* DCF Partners, s.r.o. – executive director (January 2012 – to date) Zero Emissions Debt Finance, a.s. – chairman of the management board (September 2015 – to date) hypo360.cz, SE – member of the board of directors (October 2016 – to date) Česká zbrojovka Defence SE – member of the board of directors (November 2021 – to date)
Jan Zajíc	*Past positions:* None *Present positions:* ITeuro, a.s. – chairman of the supervisory board (October 2020 – to date) Sdružení pro rozvoj Zlínského kraje – management member (September 2021 – to date)
Josef Adam	*Past positions:* České aerolinie a.s. – member of the board of directors (April 2014 – October 2018) ellipse aero s.r.o. – member of the supervisory board (December2020 – January 2022) KOVACO Electric, a.s. – member of the supervisory board (January 2020 – April 2021) *Present positions:* European Holding Company – member of the supervisory board (November 2021 – to date)
Dennis Veilleux	None
Jan Holeček	None

3 Supervisory Board

The Supervisory Board is an independent body of the Company that primarily oversees the Board of Directors. The Supervisory Board may not, under the Czech Companies Act and the Articles of Association make management decisions. However, certain key decisions of the Board of Directors are subject to prior approval of the Supervisory Board. The business address of each member of the Supervisory Board is at náměstí Republiky 2090/30, Nové Město, 110 00 Prague 1, the Czech Republic.

The Articles of Association provide that the Supervisory Board consists of five members that are elected and recalled by the General Meeting. A member of the Supervisory Board is appointed for a period of five years. A member of the Supervisory Board may be reappointed. The General Meeting may recall a member of the Supervisory Board at any time. The Supervisory Board appoints its Chairman and two Vice-Chairmen from amongst its members. Members of the Supervisory Board cannot simultaneously be a member of the Board of Directors.

The Supervisory Board constitutes a quorum if a majority of its members is present or otherwise takes part in a meeting. The Supervisory Board adopts a decision by a majority vote of all its members. Members of the Supervisory Board may participate in the Supervisory Board meetings through telephone or other remote means. When necessary, a decision may be made by the Supervisory Board without holding a meeting.

In accordance with the Articles of Association, meetings of the Supervisory Board are called by the Chairman of the Supervisory Board. Members of the Supervisory Board are required to attend General Meetings.

The following table sets out the name and principal position of each member of the Supervisory Board:

Name	Position	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
David Aguilar	Chairman of the Supervisory Board	1 July 2023	1 July 2028
Lubomír Kovařík	Vice-Chairman of the Supervisory Board	17 January 2020	17 January 2025
René Holeček	Vice-Chairman of the Supervisory Board	1 July 2023	1 July 2028
Vladimír Dlouhý	Member of the Supervisory Board	17 January 2020	17 January 2025
Jana Růžičková	Member of the Supervisory Board	1 November 2021	1 November 2026
Daniel Benasayag Birmann	Member of the Supervisory Board	27 May 2024	June 2024 (see below)

On 27 February 2024 the General Meeting adopted a decision on the increase of the number of members of the Supervisory Board from five to six. On 16 May 2016 the Group announced that it expects a representative of CBC to be elected as a member of the Supervisory Board of the Company. On 27 May 2024 the Company announced that Mr. Daniel Benasayag Birmann was appointed as an alternate member of the Supervisory Board based on the Nomination Agreement made on 16 May 2024 between the Company and CBC. Under Article 20.5 of the Articles of Association the Supervisory Board has the authority to appoint alternate members of the Supervisory Board until the next General Meeting if no alternate members have been elected by the General Meeting and if the number of Supervisory Board members has not dropped to less than one half. As of the date of this Prospectus, the General Meeting that is to decide on the future term of Mr. Birmann as a Supervisory Board member has not yet been held. The appointment of Mr. Birmann is effective from 27 May 2024 until the next General Meeting of the Company in June 2024.

David Aguilar

Chairman of the Supervisory Board

Mr. Aguilar retired from his career in the U.S. Government's service on 31 March 2013 where he served 35 years with U.S. Customs and Border Protection and the United States Border Patrol, acquiring a wealth of knowledge and experience in border 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 U.S. largest 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 Defence and Government Advancement Lifetime Achievement Award. Currently, besides his role in the Group, David is 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.

Lubomír Kovařík

Vice-chairman of the Supervisory Board

Mr. Kovařík graduated from Military Air Force University and he also completed an MBA program at Sheffield University. He started in the army as a pilot. He reached the rank of lieutenant in the Army Air Force. His pilot's career ended in the mid-1990s and he began his civilian career in 1995 as manager in company Aulis. After a year he joined Škoda Praha as Production Director, where he worked his way up to the position of CEO. He later worked for Eltodo EG and Mavel. He served as the CEO of CZUB from 2006 to 2017. He was the President and Chairman of the Board of Directors of the Company from 2018 to July 2021 and was the Chairman of the Supervisory Board from July 2021 to July 2023.

René Holeček

Vice - chairman of the Supervisory Board

Mr. Holeček holds degree in economics and management in metallurgy from the Technical University in Ostrava. In 1990, he started his career in banking, working at Komerční banka, a.s. and Pragobanka, a.s. in various executive roles. In 1994, Mr. Holeček became an entrepreneur and industrial investor. He participated in the landmark privatization of Třinecké železárny, a.s. and has since established an outstanding industrial track record. Together with his former business partner, he acquired CZUB when it was on brink of bankruptcy and transformed it into one of the world's leading small arms manufacturers. He has been the majority owner of the Company since 2014.

Mr. Holeček is the father of Mr. Jan Holeček, member of the Board of Directors.

Vladimír Dlouhý

Member of the Supervisory Board

Mr. Dlouhý is a graduate of the University of Economics in Prague. He subsequently earned a Master of Business Administration degree at the Catholic University of Louvain, Belgium in 1978 and pursued postgraduate studies in mathematical statistics and probability at Charles University in Prague.

Mr. Dlouhý began his professional career as a lecturer. In 1983, he moved to the Czechoslovak Academy of Sciences as a researcher and later became Deputy Director of the Forecasting Institute. In 1989, Mr. Dlouhý was invited by Václav Havel to join the first post-communist government and until 1992 he served as the Minister of Economy of Czechoslovakia. After the split of the country, he served as Minister of Industry and Trade of the Czech Republic until June 1997. Simultaneously, he was a member of the Czech Parliament and vice-chairman of Civic Democratic Alliance, which was part of the governing coalition.

In 1997, he announced his departure from politics and currently serves as an international advisor for Central and Eastern Europe at Goldman Sachs. Currently, he is also a member of the advisory board for Meridiam Infrastructure, Paris, France, and of the supervisory board of Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague, Czech Republic. Between 2014 - 2023, he was the president of the Czech Chamber of Commerce.

Mr. Dlouhý is also an associate professor of macroeconomics and economic policy at Charles University in Prague. Between 2000 and 2011, he was a member the board of international overseers at the Illinois Institute of Technology, Chicago, USA. He is also a member of the trilateral commission and in the past he was a deputy chairman of its European Group. From 2009 to 2012, he was a member of the European Advisory Group to the managing director of the International Monetary Fund.

Mr. Dlouhý is an author of numerous publications.

Jana Růžičková

Member of the Supervisory Board

Mrs. Růžičková graduated from the University of Economics in Prague. She has been engaged in several companies which belong to the portfolio of the EHC (majority shareholder of the Major Shareholder) since 1996 and the Group specifically, since 1997. She acts as the key economics expert and is responsible for audit, 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. Mrs. Růžičková also held the position of Vice-Chairman of the Board of Directors until 31 October 2021.

Daniel Benasayag Birmann

Member of the Supervisory Board

Mr. Birmann holds an MBA from the University of Colorado. For the last few decades, he has accompanied the success of CBC Global Ammunition Group as a member of the shareholding family. His extensive experience in the small arms and ammunition sector make him an expert in the field.

In 2024, following the Group's acquisition of Sellier & Bellot a.s., Mr. Birmann was appointed to represent CBC as the 27.71% minority investor on the Supervisory Board of the Company.

The table below sets forth principal activities performed by members of the Supervisory Board outside the Company where these are significant with respect to the Company:

Name	**Position**
David Aguilar	*Past positions:* Global Security and Innovative Strategies – principal (April 2014 – May 2022) Drone Aviation Holding Corp – member of the board of directors (May 2019 – April 2021) University of Houston – Borders, Trade, and Immigration Institute External Advisory member of the board of directors (term expired) SAP NS2 advisory - member of the board of directors (April 21 – April 22) (term expired) *Present positions:* U.S. Border Patrol Foundation – member of the board of directors (2013 – to date) Spectredge Wireless Inc. (Non-publicly held) - member of the board of directors (2013-to date)
Lubomír Kovařík	*Past positions:* Česká zbrojovka Partners SE – chairman of the board of directors (February 2018–October 2021) CZ-SKD Solutions a.s – member of the board of directors (January 2019–September 2020) *Present positions:* Česká zbrojovka Defence SE – chairman of the board of directors (November 2021 – to date) Holeček Family Foundation – vice-chairman of the management board (December 2021 – to date)

	CEVRO Institut, z.ú. –member of the board of directors (July 2023 – to date) PRIMARY Capital a.s. - member of the board of directors (August 2023 - to date) and sole shareholder (August 2023 – to date) BIOINVESTIMED a.s. – member of the board of directors (November 2023 - to date) PRIMARY Capital Services s.r.o. – executive director (October 2023 - to date)
René Holeček	*Past positions:* Minezit Property Investments a.s.– member of the supervisory board and a sole shareholder (June 2014 – October 2022) Minezit SE – member of the supervisory board – (September 2015 – May 2022) *Present positions:* TRX, s.r.o. – executive director (September 2002 – to date) Silesia Invests SE – member of the supervisory board (September 2016 – to date) Česká zbrojovka Partners SE – member of the supervisory board (February 2017 – to date) Česká zbrojovka Defence SE – member of the supervisory board (August 2017- to date) BAZADO s.r.o. – executive director (December2020 – to date) European Holding Company, SE– chairman of the supervisory board (November 2021 – to date) M&H Management a.s. – member of the supervisory board (October 2021 – to date) and sole shareholder (September 2022 -to date) CELLINI spol. s r.o.– executive director (September 2022 – to date) Holeček Family Foundation – founder (December 2021 – to date) Kykulin Trade a.s. – sole shareholder (September 2022 – to date) OMNES holdingový nadační fond – chairman of the board of directors (May 2022 – to date) Nadace C-EDUCA – founder (November 2023 – to date)
Vladimír Dlouhý	*Past positions:* National Committee of International Chamber of Commerce in the Czech Republic – chairman (January 2015–December 2018) Czech Chamber of Commerce – president (June 2014 – October 2023) Výzkumný ústav pro podnikání a inovace, z.ú. – chairman of the management board (July 2017 – November 2023) *Present positions:* BOHEMIAE Foundation, v likvidaci – vice-chairman (March 1999 – to date) Academia Medica Pragensis Foundation – inspector (July 2002 – to date) Tatra Aerospace, a.s., „v likvidaci" – member of the board of directors (October 2003 – to date) Kooperativa pojišťovna, a.s., Vienna Insurance Group – member of the supervisory board (January 2019 – to date) Meridiam Infrastructure – member of advisory committee – to date Goldman Sachs – member of international advisory committee – to date
Jana Růžičková	*Past positions:* CZ AGRO Servis a.s. – member of the supervisory board (June 2014–June 2019) V.F.H EKONOMICKÝ SERVIS a.s. – member of the supervisory board (January 2011–December 2020) RAIL CARGO a.s. – member of the board of directors (February 2008–June 2020) CZ-SKD Solutions a.s. – member of the supervisory board (November 2017–September 2020) M&H Management a.s. – executive director and chairwoman of the management board (February 2014–January 2021) Minezit SE – member of the board of directors (July 2013–November 2021) Kykulin Trade a.s. – executive director and chairwoman of the management board (April 2015–November 2021) Minezit Property Investments a.s. – member of the board of directors (February 2008 – October 2022)

	CZ-AUTO SYSTEMS a.s. – member of the supervisory board (December 2022 – August 2023) Lundmonte s.r.o. – executive director (January 2022 – February 2024) *Present positions:* IT eCompany Management a.s. – member of the supervisory board (11/2014 – to date) Silesia Invest SE – member of the board of directors (September 2016 – to date) CZ AGRO Servis a.s. – chair of the supervisory board (June 2019 – to date) AIT Group - Advanced Industrial Technology Group a.s. – member of the supervisory board (September 2019 – to date) Česká zbrojovka Partners SE – member of the board of directors (October 2021- to date) M&H Management a.s. – member of the board of directors (October 2021 – to date) European Holding Company, SE – member of the board of directors (11/2021 – to date) Kykulin Trade a.s. – member of the management board (November 2021 – to date) Minezit SE – chairwoman of the board of directors (November 2021 – to date) Holeček Family Foundation – member of the supervisory board (December 2021 – to date) Minezit Property Investments a.s. – member of the supervisory board (October 2022 – to date) Leima Equity Three a.s. – chair of the board of directors (November 2023 – to date) Sequoia, family foundation – controller (August 2023 – to date)
Daniel Benasayag Birmann	None

4 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 on Auditors, 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 at náměstí Republiky 2090/3a, Nové Město, 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. A member 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	1 July 2023	1 July 2028
Věslava Piegzová	Member of the Audit Committee	17 January 2020	17 January 2025
David Ondroušek	Member of the Audit Committee	17 January 2020	17 January 2025

Jiří Nekovář

Chairman of the Audit Committee

Mr. Nekovář was the President of the Czech Tax Advisers Chamber from 1996 to 2011. He became vice-president of Confédération Fiscale Européenne in 2006 and its president in 2013 and 2014. Mr. Nekovář is a member of the Czech Finance Minister's Coordination Committee on Taxes and the Government Legislative Council's Working Committee for regulation impact assessment (RIA), which he joined in 2011. He also served on the Government's National Economic Council (NERV) from December 2010. He was a member of the management board of the General Health Insurance Company from 2000 to 2006. He is the chairman of the management board of the University of Economics in Prague and a vice-chairman of the management board of Brno University of Technology. Mr. Nekovář is an arbitrator of the Arbitration Court of the Economic Chamber of the Czech Republic. He was the president of the Public Audit Oversight Board from August 2013 to May 2017. He received the Honorary Tax Advisor award from Asia Oceania Tax Consultants' Association (AOTCA) in November 2015. He is a founding member of the Global Tax Advisory Platform and an executive board director of Confederation Fiscale Europeenne (CFE), elected in September 2020. Mr. Nekovář has been Chairman of the Audit Committee since 1 July 2023 and his office term expires on 1 July 2028.

Věslava Piegzová

Member of the Audit Committee

Mrs. Piegzová graduated from the VŠB, Technical University in Ostrava, Faculty of Economics. From 1978 to 1996, she was employed at TŘINECKÉ ŽELEZÁRNY, a. s. in Třinec, initially, as a member of the accounting and reporting department and later became a leader of the team responsible for the implementation of the financial and controlling systems. In 1996, she was appointed as chief financial officer of Vesuvius CR, a producer of isostatic pressed refractory for steel industry. At the same time, she began an MBA programme at the Ostrava branch of the Open University of London and eventually completed her degree at Newport International University. In 2001, she returned to TŘINECKÉ ŽELEZÁRNY, a. s. as the Director for Strategy of Moravia Steel and also a member of the management board. From 2005 to 2006, she also served as the General Manager of Barrandov Studios, which also belonged to the TŘINECKÉ ŽELEZÁRNY, a. s. group. From 2007 to 2010, Mrs. Piegzová became chief financial officer and chairwoman of the board of directors of České loděnice a.s. in Děčín, a former ship-building company. Then in 2010, she became CFO at České loděnice to Barkmet a.s., also a shipbuilding company. In 2013, Mrs. Piegzová joined CZUB as its chief financial officer and later became the Vice-Chairwoman of its board of directors. From January 2020 until October 2021, Mrs. Piegzová was a member of the Supervisory Board of the Company. Mrs. Piegzová is member of the Audit Committee since 17 January 2020 and her office term expires on 17 January 2025.

David Ondroušek

Member of the Audit Committee

Mr. Ondroušek worked for more than ten years in Deloitte Audit, followed by 10 months in the WOOD & Company Finance Department and 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 international professional organization Association of Chartered Certified Accountants. In addition to providing audit services, he focuses primarily on IFRS and transfer pricing advice.

5 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 advises the Supervisory Board on a permanent basis about remuneration matters in the Group, covering the following areas:

- service contracts for members of the Board of Directors;

- setting and evaluating the achievement of annual targets and key performance indicator (KPIs) of members of the Board of Directors;
- extraordinary remuneration for members of the Board of Directors;
- parameters and conditions of the Group's Employee Share Option Plan for members of statutory and supervisory bodies, and, if applicable, the key employees of the Group; and
- human resources management strategy.

The Remuneration Committee advises the Supervisory Board on its decision-making in the abovementioned matters. The Supervisory Board elects members of the Remuneration Committee and issues the rules of procedure of the Remuneration Committee. The Chairman of the Supervisory Board is a permanent member of the Committee and is at the same time the Chairman of the Remuneration Committee. The Chairman of the Board of Directors and the member of the Board of Directors responsible for human resources management are permanent guests to the Remuneration Committee meeting.

The Remuneration Committee convenes as necessary on agreed-upon dates, usually once a calendar quarter. Only the Remuneration Committee members can vote at meetings. Each Remuneration Committee member shall have one vote. A decision of the Remuneration Committee is adopted if a majority of the members of the Remuneration Committee present vote in favour. Otherwise, the decision is not adopted. The Chairman of the Remuneration Committee shall only submit to the Supervisory Board those decisions that the Remuneration Committee has proposed to the Supervisory Board for discussion and, where appropriate, approval.

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

Mr. Aguilar, Mr. Kovařík and Mr. Holeček's CVs are provided above.

6 Strategic Investments Committee

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

The Strategic Investments Committee is established as a permanent advisory body of the Group's Supervisory Board for matters pertaining to the Group's strategic and conceptual plans requiring the consent of the Group's General Meeting or Supervisory Board, in particular:(a) acquiring or increasing interest in a business corporation or a company that is a member of the Group, (b) the Group's acquisition strategies and concepts of growth.

The Strategic Investments Committee makes recommendations to the Group's Supervisory Board on its decision-making in the above areas. The Supervisory Board decides on the composition of the Strategic Investments Committee. The Chairman of the Supervisory Board is a mandatory member of the Strategic Investments Committee. The Chairman of the Supervisory Board is at the same time the Chairman of the Strategic Investments Committee. The Chairman of the Board of Directors is a permanent guest of the Strategic Investments Committee.

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

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

Mr. Aguilar, Mr. Kovařík and Mr. Holeček's CVs are provided above.

Peter Stračár

Member of the Strategic Investments 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 GE Central and Eastern Europe. Before that, he was the president of Hilti Asia Pacific, based in Hong Kong.

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

7 Compliance and Ethics Committee

The goal of the Compliance and Ethics Committee is to evaluate and advise on how to improve and strengthen the risk management system, internal control system, legislation compliance management, industry standards, and the Group 's values in the Group and companies directly or indirectly controlled by the Group.

The Compliance and Ethics Committee is established as a permanent advisory body of the Group 's Supervisory Board for matters pertaining to the Group in the areas of: (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, and (h) activities in corporate social responsibility, sponsorship, donation, and philanthropy with respect to the business areas of the Group companies.

The Compliance and Ethics Committee makes recommendations to the Group 's Supervisory Board on its decision-making in the above areas. The Supervisory Board decides on the composition of the Compliance and Ethics Committee. The Chairman of the Supervisory Board is a mandatory member of the Compliance and Ethics Committee. The Chairman of the Supervisory Board is at the same time the Chairman of the Compliance and Ethics Committee. The member of the Board of Directors responsible for compliance management is a permanent guest of the Compliance and Ethics Committee.

The Compliance and Ethics Committee meets as needed on agreed-upon dates, usually once in a calendar quarter. Only Committee members are entitled to vote at meetings. Each member of the Compliance and Ethics Committee has one vote. A decision of the Compliance and Ethics Committee shall be deemed adopted if a majority of the members of the Compliance and Ethics Committee present agree with it. In all other cases, the decision is deemed not to have been taken. The Chairman of the Compliance and Ethics Committee shall only submit to the

Supervisory Board those decisions for discussion and, where appropriate, approval that have been recommended by the Compliance and Ethics Committee to the Supervisory Board.

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	12 December 2023	12 December 2028
Lubomír Kovařík	Member of the Compliance and Ethics Committee	2 September 2021	2 September 2026
gen. George W. Casey	Member of the Compliance and Ethics Committee	2 September 2021	2 September 2026
Jillair Kubish	Member of the Compliance and Ethics Committee	2 September 2021	2 September 2026
Petr Kolář	Member of the Compliance and Ethics Committee	2 September 2021	2 September 2026

Mr. Aguilar and Mr. Kovařík's CVs are provided above.

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 CZ-US Holdings, subsidiary of the Company, since 2021. He is a published author and currently lectures at the SC Johnson College of Business of Cornell University and is the Rice Family Professor of Practice at the Korbel School of the University of Denver. Before joining the Group, 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 the Multi-National Force – Iraq.

Gen. Casey also serves as the chairman of the board of governors of the United Service Organizations, the premier support organization for U.S. service personnel, as the director of Leonardo DRS, a leading defense technology innovator, and the 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 supporting veterans.

Gen. Casey graduated from the Georgetown University School of Foreign Service and holds a master's degree in international relations from Denver University.

Jillair Kubish

Member of the Compliance and Ethics Committee

Jillair Kubish is the Executive Vice-President for global military and law enforcement business operations at Colt's Manufacturing Company and Colt Defense. Prior to working for the Group, 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 U.S. 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. Ms. Kubish graduated from Temple University.

Petr Kolář

Member of the Compliance and Ethics Committee

Petr Kolář is a former Czech diplomat, consultant and a public figure. Mr. Kolář graduated from Charles University in Prague in 1986 with majors in information technology, library science and ethnography. Mr. Kolář held several posts at the Czech Ministry of Foreign Affairs since 1993. He served as the Czech Ambassador to Russia from 2010 to 2012, the United States from 2005 to 2010, Ireland from 1999 to 2003, and Sweden from 1996 to 1998. Most recently, Mr. Kolář has been collaborating with Petr Pavel, the Czech President, as an advisor.

8 Conflicts of Interest

There are no conflicts of interest between the duties of the members of the Board of Directors, Supervisory Board Members, Audit Committee Members and other senior managers to the Company and their private interests or other duties. Jan Drahota, Josef Adam, René Holeček, Lubomír Kovařík and Jana Růžičková and Věslava Piegzová act on the elected bodies of companies owned by the Company's majority shareholder. The Group does not consider such positions a conflict of interest.

9 Other Information on Members of the Board of Directors, Supervisory Board Members and Audit Committee Members

In the last five years, no member of the Board of Directors, the Supervisory Board and Audit Committee has been:

(a) convicted in relation to any fraudulent offence;

(b) subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies);

(c) disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer of securities or from acting in the management or conduct of the affairs of any issuer of securities; or

(d) associated with any bankruptcies, receiverships or liquidations, when acting in his capacity as a member of the administrative, management or supervisory body or as a senior manager within the Group.

10 Contracts and remuneration

In May 2023, the General Meeting of the Company held outside its meeting (resolution *per rollam*) approved an update to the Remuneration Policy and remuneration report for 2022 published on the Group's website (available at https://www.coltczgroup.com/en/ under the "Investors" link in the "General Meetings/Archive 2023" section) (the **Remuneration Report**). The Remuneration Report in relation to 2023 will be published by the Company after the date of this Prospectus.

The Remuneration Report provides a complete overview of remuneration including all benefits in any form whatsoever provided or payable in 2022 to members of the Group's Board of Directors, Supervisory Board or Audit Committee (the **Group Officers**). Persons whose membership in the Group's Board of Directors or Supervisory Board terminated in 2021 or 2022 and who received, directly or indirectly, remuneration from the Group in 2022, were also considered Group Officers.

Remuneration and other benefits for the Group Officers are agreed either in their respective service contracts or employment contracts approved by the Group's Supervisory Board or General Meeting, in compliance with the wording of its Articles of Association or the Group decision as the shareholder of subsidiaries under its control.

In 2022, the Company provided the Group Officers with remuneration and other benefits in compliance with the Remuneration Policy in the following breakdown:

Fixed component of remuneration:

- basic monthly remuneration; and
- benefits and perquisites pursuant to Section 121l(2) of Act No. 256/2004 Coll., on Capital Market Business, as amended (the **CMBA**), in the form of liability insurance covering damage caused by a breach of duty of an officer (i.e. the directors and officers liability insurance), accident insurance, travel insurance for short-term business trips, including accommodation, a passenger car also for private use,

use of IT equipment and mobile phone for personal use, pension benefits and health insurance in the US, contribution for meals, contribution for healthcare

Variable component of remuneration:

- annual bonus tied to the fulfilment of certain performance criteria set for 2021 (up to twelve times the amount of the basic salary); and
- extra bonus (determined based on a decision of the body that elected the Group Officer concerned).

An overview of gross remuneration and other benefits provided to members of the Group's Board of Directors in 2022:

in CZK(1)	**Total**	**Companies that provided remuneration and other benefits to members of the Board of Directors in 2022**				
		Colt CZ Group SE	**Česká zbrojovka a.s.**	**Colt CZ Group North America Inc.**	**CZ-USA Inc.**	**Colt's Manufacturing Company LLC**
Annual full time equivalent number of directors	6.67					
Fixed component of the remuneration						
Basic remuneration	34,136,751	8,640,000	2,400,000	4,380,000	9,372,751	9,344,000
Benefits and other perquisites	3,883,608	714,793	352,797		730,835	2,085,184
Variable component of the remuneration						
Annual bonus	30,768,000	7,200,000	4,880,000		9,344,000	9,344,000
Extra bonus	5,842,336				3,504,000	2,338,336
Total remuneration and other perquisites	**74,630,695**	**16,554,793**	**7,632,797**	**4,380,000**	**22,951,586**	**23,111,520**

(1) Remuneration paid in a currency other than CZK is converted at the CNB's average exchange rate for 2022.

Ratio between the fixed component of remuneration and total remuneration	50.94%
Ratio between the variable component of remuneration and total remuneration	49.06%

The variable component of the remuneration shown in the table above represents the annual remuneration paid for the year 2021 with the conditions for entitlement being set in 2021 and assessed and paid in 2022. The variable component of the remuneration also includes a prorated part of the annual bonus paid to members of the Board of Directors whose term of office ended in 2021 (Jana Růžičková, Andrej Chrzanovski).

All components of remuneration were paid to the members of the Board of Directors in compliance with the Remuneration Policy that has been applied in the Group since the date of its approval.

The Group's key performance criterion under the approved Remuneration Policy was EBITDA. For some members of the Board of Directors (Dennis Veilleux, Alice Poluchová and Jan Zajíc) this indicator was EBITDA achieved by the companies controlled by Colt Holding Company, or by CZ-USA, or by Česká zbrojovka a.s., respectively.

In relation to the other members of the Board of Directors (Jan Drahota, Josef Adam and Jan Holeček), the key performance criterion was the consolidated EBITDA for the entire Colt CZ Group.

An overview of gross remuneration and other benefits provided to members of the Group's Supervisory Board in 2022:

	Total	Companies that provided remuneration and other benefits to members of the Supervisory Board in 2022	
		Colt CZ Group SE	**Česká zbrojovka a.s.**
Annual full time equivalent number of members	3		
Fixed component of the remuneration			
Basic remuneration	CZK 6,240,000	CZK 5,760,000	CZK 480,000
Benefits and other perquisites	CZK 501,487	CZK 68,609	CZK 432,878
Variable component of the remuneration			
Annual bonus	CZK 3,960,000	CZK 3,480,000	CZK 480,000
Extra bonus	CZK 0		
Total remuneration and other perquisites	**CZK 10,701,487**	**CZK 9,308,609**	**CZK 1,392,878**
Ratio between the fixed component of remuneration and total remuneration		63.00%	
Ratio between the variable component of remuneration and total remuneration		37.00%	

The variable component of the remuneration shown above represents the remuneration paid for the year 2021; its amount and conditions for entitlement were set out in the service agreement and approved by the General Meeting in 2022. The variable component of the remuneration in 2022 also included a prorated part of the annual bonus to members of the Supervisory Board whose term of office ended in 2021 (René Holeček, Věslava Piegzová).

All components of remuneration have been paid to the members of the Supervisory Board in compliance with the Remuneration Policy that has been applied in the Group since the date of its approval. Performance criteria are not applied in remunerating the Group's s Supervisory Board members.

An overview of gross remuneration and other benefits provided to members of the Audit Committee in 2022:

	Total	**Colt CZ Group**
Annual full time equivalent number of members	3	
Fixed component of the remuneration		
Basic remuneration	CZK 240,000	CZK 240,000
Benefits and other perquisites	CZK 0	CZK 0
Variable component of the remuneration		
Annual bonus	CZK 0	CZK 0
Extra bonus	CZK 0	CZK 0
Total remuneration and other perquisites	**CZK 240,000**	**CZK 240,000**

Ratio between the fixed component of remuneration and total remuneration	100.00%
Ratio between the variable component of remuneration and total remuneration	0.00%

No variable component of the remuneration has been agreed for members of the Audit Committee. All components of remuneration have been paid to the members of the Audit Committee in compliance with the Remuneration Policy that has been applied in the Company since the date of its approval. Performance criteria are not applied in remunerating the Company's Audit Committee members.

In December 2021, the Group's Supervisory Board approved the Employee Share Option Plan, which was prepared in accordance with the Remuneration Policy approved by the General Meeting of the Company on 22 June 2021. Based on the Employee Share Option Plan, the Group may provide the Group Officers and other persons defined as the *Authorized Persons* in the Remuneration Policy with remuneration in the form of shares.

None of the members of the administrative, management or supervisory bodies of the Group or any member of the Group, have any contracts with the Group or the respective member of the Group which would provide benefits upon termination of the member's services with the Group or the respective member of the Group beyond standard benefits approved by the Group Supervisory Board or relevant corporate body.

10.1 Interests of the Management in the Company

The shares issued by the Group have been publicly traded in the regulated market, the Prime Market of the Prague Stock Exchange, since October 2020. As a result of that some members of the Board of Directors, Supervisory Board, Audit Committee, or other senior managers may have direct interest in the Company. The Group is aware about such interest and trades in shares only if the shareholdings reach thresholds required for the notification of the management trading by the Czech National Bank. Such notifications can be found on the webpages of the Czech National Bank.

XV. RELATED PARTY TRANSACTIONS

1 Overview

In the ordinary course of business, the Company and the Group companies enter into related party transactions. All of the Group's related party transactions for the period between 1 January 2021 and the date of this Prospectus are carried out on an arm's length basis.

2 Overview of other Mutual Relations with Related Parties

All of the Group's related party transactions are described in the annual financial report in caption "Report on relations between the controlling and the controlled entity and the controlled entity and other entities controlled by the same controlling entity" (2021 – page 62, 2022 – page 52, 2023 – page 58) and amount of liabilities and payables are shown in the notes to the Audited Financial Statements (2021 – page 249, 2022 – page 201, 2023 – page 207).

No related party transactions were entered into between 1 January 2024 and the date of this Prospectus by either the Company or the Group companies.

XVI. DESCRIPTION OF SELLIER & BELLOT

The following chapter presents a description of Sellier & Bellot as a material Group company following its acquisition by the Group. Prospective investors should read this section *XVI Description of Sellier & Bellot* alongside section *XIII The Group's Business* in order to get a comprehensive understanding of the Group's business.

As described in sections *II.1 Risks related to the Group's business activities and industry* and *XIII.18.3 Sellier & Bellot SPA*, on 18 December 2023 the Group entered into an agreement with CBC to purchase 100 per cent shareholding interest in Sellier & Bellot. The envisaged financial effects of this transaction on the Group are described in Section *XIII.11 Impact of the Sellier & Bellot acquisition on the Group's performance and results.* Additional information concerning Sellier & Bellot which is not already contained elsewhere in this Prospectus is also presented below. As the case may be, further relevant information can be found in other sections of this Prospectus, e.g. sections *II Risk Factors, V Regulatory Disclosures or XIII The Group's* Business.

1 Company name, registered office, registration, address, legal entity identification and share capital

Sellier & Bellot is a joint-stock company established under Czech law with its registered office at Lidická 667, 258 01 Vlašim, the Czech Republic and was established through a merger by combination dated 24 June 2009 of Sellier & Bellot a.s., identification number 45147523 and CBC Czech Republic a.s., identification number 28428251. Sellier & Bellot has been established for an indefinite period.

Sellier & Bellot was registered into the Commercial Register on 31 December 2009 under the identification number 28982347. As of the date of this Prospectus the merger project is available in the collection of deeds of the Commercial Register.

The registered share capital of Sellier & Bellot is CZK 814,000,000 and is divided into 814,000 ordinary registered book-entry shares with a nominal value of CZK 1,000 each. The registered share capital of Sellier & Bellot has been fully paid up. As of 31 December 2023, Sellier & Bellot did not own any of its own shares and the Company is not aware of any own shares currently owned by Sellier & Bellot.

Sellier & Bellot's telephone number is + 420 317 891 111 and its website is www.sellier-bellot.cz. The website of Sellier & Bellot does not form part of this Prospectus. Sellier & Bellot's LEI is 52990011BUX2HJ344805.

2 Articles of association, scope of activity, scope of business and the financial year

The current articles of association of Sellier & Bellot (the **S&B Articles**) have been filed with the Commercial Register maintained by the Municipal Court in Prague and are available in its collection of deeds.

Under article 3 of the S&B Articles, the scope of activity of Sellier & Bellot is gamekeeping and exercise of gamekeeping rights and the scope of business of Sellier & Bellot is, *inter alia*, conducting foreign trade in military material within the scope of the permit issued pursuant to the Czech Act on Trade in Military Materiel.

There are no provisions in the S&B Articles that would have an effect of delaying, deferring or preventing a transfer of shares or change of control over Sellier & Bellot nor are there provisions restricting ownership of shares.

The financial year of Sellier & Bellot is the calendar year.

3 Business activity, principal markets, important events, strategy and objectives

As reported by the magazine European Security & Defence, Sellier & Bellot is a major producer of small-calibre ammunition (*Source*: European Security & Defence) including pistol and rifle ammunition as well as shotgun shells.

According to financial statements of Sellier & Bellot for the years ended 31 December 2022 and 2021 available in the collection of deeds of the Commercial Register available at https://or.justice.cz/ias/ui/rejstrik deed nos. B 15674/SL65/MSPH and B 15674/SL61/MSPH, respectively, as well as the financial statement of Sellier & Bellot for the year 2023, which is available to the Company, together with the notes thereto (**S&B Financial Statements**), one of the most important events in the development of Sellier & Bellot in the recent years included the completion of a new production plant in 2022, with the prospect of helping to solve Sellier & Bellot's recent lack of production capacity. The Company also believes that the acquisition of Sellier & Bellot by the Group under the Sellier & Bellot SPA constitutes an important event in the development of Sellier & Bellot.

Sellier & Bellot mainly operates in the segment of hunting and sport shooting, closely followed by law enforcement and armed forces contracts, which account for 42 per cent of its sales. Sellier & Bellot relies heavily on exporting with approximately 90 per cent of its production being exported (revenues generated abroad formed 84.4 per cent, 82 per cent and 80.7 per cent out of total revenues of Sellier & Bellot in 2023, 2022 and 2021, respectively). The principal markets of Sellier & Bellot include the United States, Germany, Belgium, Luxembourg, Poland and Austria.

The revenue from ammunition sales in 2023 increased to CZK 6.57 billion, which represents a stable growth of revenue levels from CZK 5.96 billion in 2022 and CZK4.64 billion in 2021. The profit before taxation increased by more than 15 per cent compared to the previous year, reaching a value of CZK 1.49 billion in 2023 from CZK 1.29 billion in 2022. In 2022 profit before taxation increased by more 29 per cent from CZK 1.0 billion in 2021. The management of the company considers Sellier & Bellot to be a long term stable company.

During the COVID-19 pandemic and the subsequent global lack of ammunition, Sellier & Bellot chose to primarily accommodate the needs of its traditional customers. Sellier & Bellot has also recently oriented on law enforcements and army tenders, securing contracts for the French Ministry of the Interior and the Danish Ministry of Defence. Following the closing of the acquisition of Sellier & Bellot by the Group the strategy of Sellier & Bellot has been integrated in the strategy of the Group described in section *XIII.6 Strategy*.

Some of the main competitors of Sellier & Bellot include Vista Outdoor Inc, with brands such as Remington, Federal, CCI, Speer and HEVI-Shot; Olin Corporation, known for the Winchester brand; Fiocchi Munizioni S.p.A., and Aguila Ammunition. Following the closing of the acquisition of Sellier & Bellot by the Group, CBC has also become a direct competitor of Sellier & Bellet.

4 Intellectual property rights and products

Sellier & Bellot owns patents, utility models, industrial patterns, trademarks and know-how. All the mentioned intellectual property, including various brands and trademarks, is essential for Sellier & Bellot to conduct its business and exercise its overall business strategy successfully and for Sellier & Bellot to remain profitable.

According to the online database of the Czech Industrial Property Office, Sellier & Bellot has currently nine patents, European patents and utility models registered with territorial protection in the Czech Republic and Europe, respectively. These include, *inter alia*, a patent for IR radiation-emitting tracer mixtures, a patent for a jacket-free bullet with controlled deformation, a European patent for a fuel for pyrotechnic mixtures emitting in the near-infrared region a utility model for a full-jacketed and half-jacketed bullet with zinc core and a utility model for a homogeneous projectile of zinc and alloys thereof with protective coating.

One of the main inventions protected by Sellier & Bellot in the Czech Republic, Europe and the United States is a patent for a non-toxic, non-corrosive, and non-erosive match composition from which heavy metals have been removed. This patent is used in Sellier & Bellot signature non-toxic cartridges (**NONTOX**). In 2023 Sellier & Bellot was also granted a U.S. patent for bismuth-based energetic materials.

Sellier & Bellot produces pistol and revolver cartridges ranging from 6.35 Browning to 45ACP, rifle ammunition in cartridges ranging from 22 Hornet to 9.3 x 74R and shotguns ammunition in cartridges 12, 16, 20, 28 and 410. The product range includes almost 100 different items.

4.1 Pistol and revolver ammunition

Sellier & Bellot’s portfolio of handgun ammunition includes pistol and revolver ammunition for both military, law enforcement and commercial use. The handgun cartridges are manufactured in a wide variety of calibres and types. With a goal to minimize the usage of lead in their products, Sellier & Bellot focuses on research and gradual improvement of their portfolio. Recently, Sellier & Bellot introduced the XRG 38 Special, 357 Magnum and 460 SW Cartridges to the category. Due to the rising interest of customers in lead-free and safer ammunition, Sellier & Bellot also developed the TXRG Cutting Edge line of cartridges which, similarly to the all-new eXergy Cutting Edge, combine the benefits of lead-free ammunition with the effectiveness of the soft point cut-through edge (**SPCE**) cartridges. The abovementioned NONTOX technology allows Sellier & Bellot to produce cartridges that minimize the harm caused to the shooter and the environment by poisonous gases.

Pistol and Revolver Cartridges	Sellier & Bellot's portfolio of smaller cartridges includes a variety of pistol cartridges from traditional 9 mm Luger and 45 Colt cartridges up bigger cartridges for handguns such as the 357 Magnum, the 38 SPECIAL and the 460 S&W Magnum.
NONTOX Cartridges	Sellier & Bellot's creates their signature non-toxic cartridges which are precisely engineered towards their controlled expansion and high weight retention. Their unique patented design ensures safe shooting in closed premises, free from barium, lead, mercury and antimony.
XRG Defense Cartridges	The solid copper hollow-point XRG Defense bullets, used by many European law enforcement units, produce low perceived recoil, high velocity, and reliable expansion from today's compact personal defence handguns.

4.2 Rifle ammunition

Similarly to the pistol and revolver ammunition product line, Sellier & Bellot focuses on reducing the usage of lead in the rifle ammunition line. At the same time, implementing cutting edge technology is a priority. Because of this, Sellier & Bellot introduced the eXergy Cutting Edge line of lead-free ammunition to calibres such as the 6,5 x 55 SE, the 30-06 Spring and the 300 Winchester Magnum. Also, Sellier & Bellot introduced, a new bullet, under name FMJ-MATCH to the 308 Winchester calibre as a new type of bullets with a modernized shape and boat-tail construction, which manages to achieve the accuracy levels of the hollow point boat-tail rounds that are usually considered superior in terms of accuracy to full metal jacket rounds. Sellier & Bellot's line of rifle ammunition also includes training ammunition such as full metal jacket bullets, the non-toxic SCREEN ammunition and Target bullets. In the category of hunting ammunition, Sellier & Bellot's development aims at a change of copper type to perfect the construction of bullets from the perspective of projectile expansion, while also introducing the calibre 6mm Creedmoor projectile.

eXergy, eXergy Edge and eXergy Blue Bullets	The eXergy bullets are solid lead-free hunting bullets designed for deep penetration and high weight retention. The eXergy Edge variant combines the features of Sellier & Bellot's lead free bullets with the effectiveness of the ever-popular SPCE bullets. The lead-free bullets with eXergy Blue use a new pointed tip for a flat trajectory and maximum retained energy. The blue plastic tip allows for an enhanced expansion at all ranges.
SP, SPCE and HPC Bullets	Sellier & Bellot's soft point (**SP**), SPCE and hollow point capped (**HPC**) bullets are engineered to accommodate hunters interested in light, medium and also heavy game. The HPC bullets are the most hurtful, as they allow for both dramatic expansion and deep penetration.
Hunting Rifle Ammunition	Sellier & Bellot's hunting rifle ammunition portfolio includes PTS bullets designed and manufactured by Hornady and Spitzer boat tail GameKing® bullets. They come in different sizes and calibres, such as the traditional

17 Hornet bullets and also larger ones, such as the 300 Winchester Magnum.

4.3 Shotgun shells

For both hunting and sporting events, Sellier & Bellot produces shotgun shells in a range of sizes and colours, which meet the needs of hunters and clay target shooters. For preservation of nature, Sellier & Bellot also manufactures non-toxic shells loaded with either steel or zinc pellets.

Hunting Shells	For universal shotgun hunting purposes, Sellier & Bellot provides traditional shells with paper casing, as well as plastic, magnum and buck shot ones, all in various calibres. Special non-toxic shells allow for use in areas where non-toxic shotshell pellets are mandatory.
Special and Sporting Shells	Sellier & Bellot produces a range of sporting shotgun shells designed for elite sport shooting competitions, as well as other types of special shells, such as self-defence shells and rubber ball shells.

4.4 Law enforcement products

With focus on accuracy and safety, Sellier & Bellot's line of law enforcement products include rounds designed to eliminate dangerous targets and types of rounds which paralyze potential attackers. This wide range of calibres serves to adhere to special needs of law enforcement and military personnel.

Standard, Open Door and Training Rounds	For general use, Sellier & Bellot produces standard handgun ammunition, some specifically engineered as lead-free and using the patented NONTOX technology to achieve a high protection standard for active law enforcement personnel. The special Open Door type of cartridge is designed to destroy front door holding points and locks. Sellier & Bellot also manufactures a variety of training rounds suited for both indoor and outdoor shooting training and rounds made to paralyze an aggressor without lethal consequences.
Indoor Shooting Rounds	Green ammunition – lead-free projectiles combined with a NONTOX primer ideal for indoor shooting ranges. Sellier & Bellot also offers a variety of bullets that adhere to FBI-protocol and German Richtlinie performance standards. For shooting in heavily populated areas, Sellier & Bellot produces its line of Frangible bullets which eliminate the danger of a bystander being hit by a ricochet.
Sniper Line and Tactical Ammunition	The Sniper & Tactical Line, focused on high accuracy, allows law enforcement and military snipers to engage threats in any situation and at long distances. This line mostly includes larger calibres of rounds, including 300 AAC rounds. Sellier & Bellot's also manufactures the infrared DIM Tracer line, which are a special kind of bullets with a bullet trace only visible through night vision devices.

4.5 Rimfire ammunition and centrefire caps

Rimfire, mostly made by Sellier & Bellot in smaller calibres, is a standard type of cartridge liked for its affordability and easy use. The centrefire caps, made by Sellier & Bellot in the 9 mm calibre, is preferred to the rimfire cartridge and is also a standard type of cap.

4.6 Components – cases, bullets and primers

Sellier & Bellot produces and sells types of components used in the process of manufacturing of firearm ammunition. These include unprimed rifle and handgun cartridge cases for various firearms, bullets for handgun and rifle cartridges and primers and percussion caps.

5 Investments

Recent investments include the building of a new production facility for a total aggregate cost of more than CZK 1 billion. Sellier & Bellot also invests in the modernization of work efficiency technology and production automation. In 2023 Sellier & Bellot invested CZK 32.6 million into R&D, which represents a 28.5 per cent decrease from the 2022 level of CZK 45.6 million but still a significant increase from CZK 21.4 million in 2021.

6 Environmental and health security matters

As of 31 December 2023 Sellier & Bellot complied with environmental regulations, especially, but not limited to, emission limits and the handling of waste and water. As of 31 December 2022, Sellier & Bellot processed its carbon footprint and established the amount of greenhouse gases, the values of which correspond to the nature of the company's manufacturing activities.

Sellier & Bellot obtained a safety report in 2023 pursuant to Act No. 224/2015 Coll., on the prevention of major accidents and conducted a check of the physical protection plan and functionality of security measures.

In relation to the use of chemical substances, Sellier & Bellot complied, as of 31 December 2022, with Regulation (EC) No 1907/2006 concerning the registration, evaluation, authorisation and restriction of chemicals, as amended and Regulation (EC) No 1272/2008 on the classification, labelling and packaging of substances and mixtures, as amended.

In March 2022, Sellier & Bellot successfully underwent a supervisory audit to demonstrate compliance with the quality system according to the requirements of ČOS 051672 (military audit according to NATO standard - AQAP 2110). In June 2022, Sellier & Bellot underwent a recertification audit to demonstrate system compliance with the requirements of the standard ČSN EN ISO 9001:2016 (quality) and received a certificate valid for the next three years.

7 Organisational structure, sole shareholder, joint ventures and undertakings

Following the closing of the transaction under the Sellier & Bellot SPA, Sellier & Bellot is directly owned by Vocatus Investment, which is fully owned by the Company. The ultimate owners of the Company, and therefore also Sellier & Bellot following the closing of the transaction under the Sellier & Bellot SPA, are discussed in more detail in section *XIII.8 Group Structure*.

According to the S&B Articles, all shares are associated with equal rights as only one type of shares exists in Sellier & Bellot.

Sellier & Bellot is the sole shareholder of Sellier & Bellot Trade a.s, established and existing under the laws of the Czech Republic, having its registered office at Lidická 667, 258 01 Vlašim, Czech Republic, Id. No. 630 79 721 (**Sellier & Bellot Trade**). Sellier & Bellot Trade engages in reselling products purchased from Sellier & Bellot.

8 Employees

The average number of employees in 2021 totalled 1,535 out of whom 5 were senior managers and 1,530 were other employees. In 2022 the average number of employees totalled 1,574 out of whom 5 were senior managers and 1,569 were other employees. In 2023 the average number of employees totalled 1,620 out of whom 5 were senior managers and 1,615 were other employees.

9 Administrative, management and supervisory bodies, remuneration and benefits

As of the date of this Prospectus, powers of the general meeting are exercised by Sellier & Bellot's sole shareholder, ie Vocatus Investment, in accordance with Czech law and article 12 of the S&B Articles.

Sellier & Bellot follows a dualistic governance model.

The board of directors has three members who are appointed for a fixed term of five years and may be dismissed by the sole shareholder. Sellier & Bellot shall be represented jointly by two members of the board of directors.

The supervisory board has three members who are appointed for a fixed term of five years. Two members of the supervisory board are appointed and may be dismissed by the sole shareholder and one member of the supervisory board is elected and may be dismissed by the employees of Sellier & Bellot.

The following table sets out the name and principal position of each member of the board of directors of Sellier & Bellot as registered as of the date of this Prospectus in the Commercial Register and the S&B Articles:

Name	Position on the board of directors	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
Radek Musil	Chairman of the board of directors	31 December 2019	31 December 2024
Vladimír Vošický	Member of the board of directors	1 March 2023	1 March 2028
Josef Strnad	Member of the board of directors	31 October 2023	31 October 2028

The table below sets forth principal activities performed by members of the board of directors outside Sellier & Bellot where these are significant with respect to Sellier & Bellot, including month of commencement of the latest term of office:

Name	**Position**
Radek Musil	*Past positions:* None *Present positions:* Sellier & Bellot Trade a.s. - Chairman of the board of directors (November 2021 - to date)
Vladimír Vošický	*Past positions:* None *Present positions:* Rolnická společnost, a. s. - Member of the supervisory board (August 2020 - to date) Sellier & Bellot Trade a.s. - Member of the supervisory board (March 2023 - to date)
Josef Strnad	*Past positions:* None *Present positions:* Sellier & Bellot Trade a.s. - Member of the board of directors (November 2021 - to date)

The following table sets out the name and principal position of each member of the supervisory board of Sellier & Bellot as registered as of the date of this Prospectus in the Commercial Register and the S&B Articles:

Name	Position on the supervisory board	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
Petr Lajda	Chairman of the supervisory board	1 January 2021	1 January 2026
Pavel Šimon	Member of the supervisory board	4 June 2019	4 June 2024
Jiřina Vojtíková	Member of the supervisory board	1 January 2021	1 January 2026

The table below sets forth principal activities performed by members of the supervisory board outside Sellier & Bellot where these are significant with respect to Sellier & Bellot, including month of commencement of the latest term of office:

Name	Position
Petr Lajda	*Past positions:* Sellier & Bellot Trade a.s. **-** Member of the supervisory board (March 2020 – March 2023) *Present positions:* None
Pavel Šimon	*Past positions:* None *Present positions:* None
Jiřina Vojtíková	*Past positions:* Sellier & Bellot Trade a.s. **-** Member of the supervisory board (November 2021 – March 2023) *Present positions:* None

Sellier & Bellot paid out a total of CZK 180,000 in remuneration to the members of the board of directors and a total of CZK 180,000 in remuneration to the members of the supervisory board in 2023, 2022 and 2021, respectively. As of 31 December 2023, Sellier & Bellot had no pension, retirement or similar benefit obligations towards any former members of administrative, management and supervisory bodies. As of 31 December 2023, members of administrative, management and supervisory bodies did not receive any advances, deposits, loans, credits, granted guarantees, and other benefits and did not own any shares of Sellier & Bellot.

Additionally, Sellier & Bellot paid out a total of CZK 39,163,000 and CZK 32,623,000 in remuneration to its five senior managers in 2023 and 2022, respectively. The S&B Financial Statements do not indicate whether as of 31 December 2023 any member of the board of directors or the supervisory board also held a senior management position.

Sellier & Bellot does not have an audit committee.

10 Trend information

The following is a summary of known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on Sellier & Bellot's prospects for at least the current financial year. Information regarding the most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of this Prospectus and information regarding any significant change in the financial performance since the end of the last financial period for which financial information has been published to the date of this Prospectus are not available to the Company.

10.1 Demand in 2024

The Company assumes growth of Sellier & Bellot's topline in 2024 as compared to 2023. The main driver is likely to be the increased defence spending due to the increased military budgets of most NATO member countries as well as continued tensions in the Middle East. The Company believes that the direct impact of war in the Ukraine on Sellier & Bellot’s sales will be less important than the indirect impact through military spending of other countries. Similarly to the business of the Group, the current armed conflict in Ukraine may result in greater interest in Sellier & Bellot products on the side of military and law enforcement customers, but also in unpredictable negative impact on the operating and financial performance.

10.2 Volatile prices of inputs in global markets

The market price of copper, a metal used in many industries including electric vehicles production, has had major impact on prices of brass and thus is very significant for Sellier & Bellot operations. While copper price in 2023 and 2024 was below the peak prices seen in the markets in 2011 and then in 2021 and 2022, there has been a recent price increase, and the future development is unpredictable. Zinc and lead are also important inputs for Sellier & Bellot. The prices of zinc and lead have been below the historical peaks in recent quarters. The impact of volatile commodity prices can be to some extent mitigated by price hedging and by purchasing of raw material stock in advance.

10.3 Uncertain availability of materials

The supply of specialized explosive chemicals is dependent on a very limited number of producers. Given the recent surge in demand for ammunition production, there is a risk that Sellier & Bellot may not be able to secure future supply of propellant and further chemicals necessary for the production of primers. This is to some extent mitigated by the fact that unlike most competitors, Sellier & Bellot has own production of primers, i.e. is less dependent on the available primer manufacturing capability of its partners.

10.4 Export licenses

Sellier & Bellot is subject to extensive legal regulation, including complex regulations relating to the specific activities of manufacture and trade with military materiel. It holds licences for foreign trade with military material and a arms license for weapons categorized in A, B, C and D categories and trade licenses for many trades including operation of shooting ranges and shooting courses, and development, production, repairs, modifications, transportation, purchase, sale, lending, storage, devaluing and destruction of weapons and ammunition.

Similarly to many other companies of the Group, there is a possible risk that the export licenses, especially those for export of military materiel, may not be issued on time or at all, or may be revoked, by one of the state authorities involved in the process of approving both the permanent and one-off licenses. This applies in particular to the Ministry of Industry and Trade (in case of trading with ammunition for sports and hunting). The Ministry of Defense, the Ministry of the Interior, the Ministry of Foreign Affairs and the General Directorate of Customs and Excise may be all involved in case of export of military materiel.

10.5 Environmental risks

The business of Sellier & Bellot involves activities potentially dangerous to the environment, especially production of explosives and lead smelting. It has a valid and regularly amended Integrated Authorization issued in accordance with Act No. 76/2002 Coll., on Integrated Pollution Prevention and Control, as amended, with limits regulating the permitted of levels air, water, noise and soil pollution. Furthermore, Sellier & Bellot has been, on a voluntary basis, certified by the Company Carbon Footprint Calculation for several years. It holds certificate of a responsible company in the field of waste sorting and recycling awarded by EKO-KOM, a.s. (Czech company focused on waste management and related environmental issues). Sellier & Bellot is a holder of ISO 14001:2015 Environmental Management System Certificate in the line of development, production and sales of ammunition and pyrotechnic products and machines, tools and metering devices. Sellier & Bellot is subject to regular checks of Czech Environmental Inspectorate.

Despite the above, it is not possible to entirely mitigate potential environmental issues or predict with certainty the impact of future environmental compliance requirements or the costs related to resolution of future environmental proceedings and claims.

In the Czech Republic, compliance with operational safety and the rules for handling of explosives and related occupational safety and health issues, are monitored by the Czech Mining Authority on a regular basis.

While the Group is not aware of any major non-compliance issues related to the safety and working conditions in Sellier & Bellot, given the nature of its business, the hazards connected to workers and environmental safety cannot be fully eliminated. Sellier & Bellot has introduced special measures to mitigate these risks, such as separated area for destruction of explosives and application of strict standards for maximum quantities of explosives. Sellier & Bellot has its own inhouse fire brigade team. The main facility of Sellier & Bellot is located at the outskirts of the city, with the shooting range and area for destruction of explosives being further away from the city centre.

10.6 Commercial market development

A slight majority of products offered by Sellier & Bellot is aimed at the commercial market. Commercial market fluctuations and extensive regulation may impact both sales of ammunition and sales of firearms and accessories which are crucial for generating sales of small calibre ammunition. United States, the largest commercial market in the world, is still recovering from the post-Covid decrease of consumer demand and is in the stage of inventory normalization. Judging by the historical precedent, the US presidential election in November 2024 may have impact on development of demand in late 2024 and 2025.

10.7 Consolidation of the market

There have been several recent transactions in the market of small calibre ammunition. Czechoslovak Group acquired majority in Fiocchi Munizioni in 2022 and has proposed acquisition of the ammunition business of Vista Outdoor Inc in October 2023. Clarus Corporation sold its Precision Sport segment, comprised of the Sierra Bullets, L.L.C. and Barnes Bullets Mona, LLC subsidiaries, to a US based non-strategic buyer in December 2023. These transactions may have impact on the market in the long run, although The Group does not expect an immediate negative impact of these transactions on the market, although they may have impact on the market in the long run.

10.8 Increased leverage

As described in this Prospectus, the Group financed the acquisition of Sellier & Bellot primarily by means of acquisition financing. The existing bank financing of Sellier & Bellot has been refinanced and serviced similarly to the situation before the acquisition (see section *XIII.19 Financing arrangements*). The new acquisition financing as well as assumption of Sellier & Bellot financing has led to increased leverage of the Group and will increase its exposure to potential interest rate changes. The potential negative impacts can be mitigated by applying interest rate hedging.

11 Historical Financial Information of Sellier & Bellot

This Prospectus incorporates the S&B Financial Statements by reference as a part of this Prospectus. Please see also *III.2 Presentation of Financial and other information*.

The Company has chosen to select and present below in this section *Historical Financial Information of Sellier & Bellot* the most relevant financial information from the audited S&B Financial Statements that, in the Company's view, provides a fair and comprehensive overview of Sellier & Bellot's relevant information in relation to financial standing position of Sellier & Bellot.

11.1 Selected financial information about Sellier & Bellot

The following selected financial information is derived from the audited S&B Financial Statements prepared in accordance with Czech GAAP for the financial years 2021, 2022 and 2023.

a) Selected balance sheet items

For the year ended 31 December

	2023	**2022**	**2021**
	(audited)	(audited)	(audited)
			(CZK thousands)
TOTAL ASSETS	7,709,945	7,197,851	7,304,247
Fixed assets	3,825,996	3,857,496	4,438,061
Intangible fixed assets	7,580	4,259	4,689
Tangible fixed assets	2,621,466	2,519,992	2,176,169
Financial fixed assets	1,196,950	1,333,245	2,257,203
Current assets	3,846,540	3,305,383	2,824,258
Inventories	1,759,474	1,563,056	1,335,376
Receivables	1,453,105	1,602,982	1,274,321
Long-term receivables	68,915	90,079	14,020
Short-term receivables	1,384,190	1,512,903	1,260,301
Short-term financial assets	114,120	2,201	4,184
Cash	519,841	137,144	210,377
Deferrals	37,409	34,972	41,928
TOTAL LIABILITIES AND EQUITY	7,709,945	7,197,851	7,304,247
Equity	3,338,420	3,167,981	2,940,085
Registered capital	814,000	814,000	814,000
Capital funds	82,922	96,479	(5,938)
Funds created from net profit	235,950	226,954	217,773
Retained earnings (+/-)	1,014,567	974,080	1,101,880
Provisions and Liabilities	4,355,063	4,006,528	4,359,282
Provisions	173,974	122,754	97,640
Liabilities	4,181,089	3,883,774	4,261,642
Long-term liabilities	223,584	2,904,525	3,430,353
Short-term liabilities	3,957,505	979,249	831,289
Accruals	16,462	23,342	4,880

11.2 Selected income statement items

For the year ended 31 December

	2023	**2022**	**2021**
	(audited)	(audited)	(audited)
			(CZK thousands)
Revenue from products and services	6,704,905	6,084,817	4,847,917
Revenue from goods	20,299	32,998	21,323
Cost of sales	5,327,932	5,050,554	4,125,181
Change in inventories from own operations	(126,052)	(185,390)	(163,428)
Activation	(1,618,492)	(1,329,721)	(995,037)
Personnel expenses	1,169,273	1,019,218	909,572
Adjustments relating to operating activities	353,466	296,850	294,236
Other operating revenues	973,720	995,750	906,209
Other operating expenses	1,042,319	957,983	752,804
Operating profit (loss) (+/-)	1,550,478	1,304,071	852,121
Interest revenue and similar revenue	140,663	122,486	159,019
Interest expense and similar expense	160,452	94,077	98,611
Other financial expenses	211,766	274,531	297,987
Profit (loss) from financial operations (+/-)	(61,723)	(9,856)	148,022
Profit (loss) before tax (+/-)	1,488,755	1,294,215	1,000,143
Income tax	297,774	237,747	187,773
Profit (loss) after tax (+/-)	1,190,981	1,056,468	812,370
Profit (loss) for the accounting period (+/-)	1,190,981	1,056,468	812,370

	For the year ended 31 December		
	2023	2022	2021
	(audited)	(audited)	(audited)
			(CZK thousands)
Net turnover for the accounting period	8,009,908	7,472,317	6,320,069

11.3 *Selected Cash Flow Statements items*

	For the year ended 31 December		
	2023	2022	2021
	(audited)	(audited)	(audited)
			(CZK thousands)
Cash and cash equivalents, beginning of period	139,345	214,561	157,898
NET OPERATING CASH FLOW			
Accounting profit (loss) from ordinary activities	1,488,755	1,294,215	1,000,143
Non-cash transactions	389,845	275,920	226,187
Net operating cash flow before taxation financial items, changes in working capital and extraordinary items	1,878,600	1,570,135	1,226,330
Changes in working capital	6,108	(148,756)	(319,660)
Net operating cash flow before taxation, financial balances, and extraordinary items	1,884,708	1,421,379	906,670
INVESTING ACTIVITIES			
Net cash flow from investing activities	(529,933)	231,913	661,414
FINANCING ACTIVITIES			
Change in long-term resp. short-term liabilities from financing	417,772	(640,206)	(500,755)
Effect of changes in equity on cash	(1,023,880)	(928,188)	(944,410)
Net cash flow from financing activities	(606,108)	(1,568,394)	(1,445,165)
Net increase or decrease in cash balance	494,616	(75,216)	56,663
Cash and cash equivalents, end of period	633,961	139,345	214,561

11.4 *Statement of Changes in Equity*

	For the year ended 31 December		
	2023	2022	2021
	(audited)	(audited)	(audited)
			(CZK thousands)
REGISTERED SHARE CAPITAL AS REGISTERED IN COMMERCIAL REGISTER			
Balance at the beginning of the accounting period	814,000	814,000	814,000
Balance at the end of the accounting period	814,000	814,000	814,000
NON-REGISTERED SHARE CAPITAL			
REGISTERED AND NON-REGISTERED SHARE CAPITAL			
Balance at the beginning of the accounting period	814,000	814,000	814,000
Balance at the end of the accounting period	814,000	814,000	814,000
RESERVE FUNDS			
Balance at the beginning of the accounting period	210,000	210,000	210,000
Balance at the end of the accounting period	210,000	210,000	210,000
OTHER FUNDS FROM PROFIT			
Balance at the beginning of the accounting period	16,954	7,773	1,918
Increase	10,000	10,000	7,000
Decrease	1,004	819	1,145
Balance at the end of the accounting period	25,950	16,954	7,773
CAPITAL FUNDS			
Balance at the beginning of the accounting period	96,479	(5,938)	36,999
Increase	12,536	102,417	50,301

	For the year ended 31 December		
	2023	**2022**	**2021**
	(audited)	(audited)	(audited)
			(CZK thousands)
Decrease	26,093	-	93,238
Balance at the end of the accounting period	82,922	96,479	(5,938)
RETAINED PROFITS			
Balance at the beginning of the accounting period	2,030,548	1,914,250	2,067,364
Increase	1,190,981	1,056,468	812,370
Decrease	1,015,981	940,170	965,484
Balance at the end of the accounting period	2,205,548	2,030,548	1,914,250
TOTAL	**3,338,420**	**3,167,981**	**2,940,085**

11.5 Statutory auditors

The S&B Financial Statements for the financial years 2021 and 2022 were audited by KPMG Česká republika Audit, s.r.o., an independent registered auditor with its registered seat at Pobřežní 648/1a, 186 00 Prague 8, Czech Republic, Id. No. 49619187, registered with the Commercial Register kept by the Municipal Court in Prague, File No. C 24185; and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic, under License No. 71 (**KPMG Audit)**. On behalf of KPMG Audit, the auditors' reports on the S&B Financial Statements for the financial years 2021 and 2022 were signed by Martina Štegová, holding auditor's certificate No. 2082, and whose relevant audit reports are included in the S&B Financial Statements for the financial years 2021 and 2022.

The S&B Financial Statement for the financial year 2023 was audited by Deloitte Audit. On behalf of Deloitte Audit, the auditors' reports on the S&B Financial Statements for the financial year 2023 were signed by Jiří Sauer, holding auditor's certificate No. 2301, and whose relevant audit reports are included in the S&B Financial Statements for the financial year 2023.

The Company notes that KPMG Audit was replaced by Deloitte Audit as the auditor of Sellier & Bellot during the period covered by the historical financial information. The Company is not aware of any material interest of KPMG Audit or Deloitte Audit or any of their members, employees or agents in Sellier & Bellot or the Group.

12 Regulatory overview

Please refer to the regulatory overview pertaining to the business activities of the Group presented in Section *XVII Regulatory Overview* which is also applicable *mutatis mutandis* to the business activities of Sellier & Bellot.

13 Material contracts

Sellier & Bellot's regular operations involve meeting the demands of private commercial customers while also participating in competitive bidding for substantial military and law enforcement contracts. These two objectives are equally critical to the company's prosperity and are thus regarded as standard operations within the company's usual scope of business. Nonetheless, certain public tenders stand out due to their potential to generate sustained income over multiple years, making them particularly valuable to Sellier & Bellot.

13.1 Engagement in European law enforcement contracts

Considering that 90 per cent of Sellier & Bellot's production is exported to international markets, and that contracts with law enforcement and military entities represent 42 per cent of the company's revenue, it is crucial for Sellier & Bellot to maintain a competitive edge in public international bidding processes, particularly within Europe. Some of the major recent public contracts included a framework supply agreement entered into with the law enforcement agencies of Norway, Sweden and Denmark in 2022, a framework supply agreement entered into with the French Ministry of the Interior in 2022, a framework supply agreement entered into with the Danish Ministry of Defence in 2022 with an expected sales volume of CZK 3 billion. In 2023 Sellier & Bellot then secured a seven-year supply contract for the Dutch army.

13.2 Engagement in Czech law enforcement contracts

Sellier & Bellot has a significant legacy in the Czech industrial sector, which naturally extends to its engagement with the Czech military and law enforcement agencies. For many years, Sellier & Bellot has consistently provided the Czech Army with ammunition, culminating in a recent framework agreement with the Czech Ministry of Defence in 2021. This agreement anticipates sales reaching as much as CZK 2 billion. Similarly, the company maintains its role as a supplier to the Czech Police, underlined by a recent framework agreement with the Czech Ministry of the Interior in 2021, which forecasts sales of approximately CZK 199.3 million.

XVII. REGULATORY OVERVIEW

This section represents a summary of material regulation applicable to the Group's business in the EU, the Czech Republic and the United States in force as of the date of this Prospectus. A description of EU law has been included due to its increasing influence on Czech national firearms legislation. However, this regulation is subject to change (or subject to changes in interpretation), possibly with retroactive effect. This section is not meant to be a comprehensive or complete description of the entire regulatory framework accompanying and/or pertaining to the main determinants of the Group's business, but to underline the main regulatory requirements necessary to be fulfilled in order for the Group to operate its business.

1 Regulatory Introduction

All segments of the Group's business are subject to applicable Czech and foreign (mainly the U.S.) laws and regulations.

Within the Firearms and Accessories Segment, the Group primarily conducts the below activities which are particularly regulated as follows:

1.1 Czech Republic

- The key laws relating to manufacturing and trade of firearms (both military and non-military) in the Czech Republic are:
    - Act No. 119/2002 Coll., on firearms and ammunition, as amended, which implements the relevant EU legislation, in particular Council Directive 91/477/EEC of 18 June 1991 on control of the acquisition and possession of weapons, as amended (the **Firearms Directive**) and the Gun Ban Directive;
    - Act No. 455/1991 Coll., on trade licensing, as amended; and
    - Act No. 156/2000 Coll., on the authentication of certain types of firearms, ammunition and pyrotechnics, as amended (the **Czech Firearms Authentication Act**).
- The key laws relating to export of non-military firearms are:
    - Act No. 228/2005 Coll., on control of trade in products whose possession is restricted for security reasons in the Czech Republic, as amended (the **Czech Act on Control of Trade**);
    - Governmental Regulation No. 282/2013 Coll., on list of the relevant products and conditions upon which such products to be traded, as amended (the **Czech Control of Trade Regulation**), which further develops the Czech Act on Control of Trade; and
    - Governmental Regulation No. 280/2021 Coll., on the regulation of export of certain firearms to EU Member States, as amended (the **Czech EU Export Regulation**).
- The key laws relating to export of military firearms are:
    - Act No. 38/1994 Coll., on international trade in military materiel, as amended; and
    - Governmental Regulation No. 210/2012 Coll., on the implementation of certain provisions of the Czech Act on Trade in Military Materiel, as amended (the **Czech Regulation on Trade in Military Materiel**).

- The key laws relating to handling of firearms (both military and non-military) are:
    - Act No. 119/2002 Coll., on firearms and ammunition, as amended;
    - Governmental Regulation No. 217/2017 Coll., on security requirements for weapons, ammunition, black hunting dust, smokeless dust, matches and ammunition depot, as amended (the **Czech Security Requirements Regulation**), which further develops the Czech Weapons Act; and
    - Decree No. 221/2017 Coll. on implementing some provisions of the Czech Weapons Act, which among others regulates the transit requirements of firearms, as amended (the **Czech Implementation Decree**).

1.2 United States

- The key laws relating to manufacturing and trade of firearms in the United States are:
    - the Gun Control Act of 1968 (the **GCA**);
    - the National Firearms Act of 1934 (the **NFA**);
    - the Arms Export Control Act of 1976 (the **AECA**);
    - the International Traffic in Arms Regulations (the **ITAR**); and
    - the Export Administration Regulations (the **EAR**).

2 Czech Firearms Regulation

2.1 Relevant Legislation

Manufacturing and trading activities relating to firearms in the Czech Republic are primarily subject to the Czech Weapons Act, which implements the relevant EU legislation, in particular the Firearms Directive, and the Czech Trade Licensing Act. Further, the Czech Firearms Authentication Act sets forth the obligations of firearm manufacturers, importers, distributors and other persons related to the firearm authentication procedure conducted by the Czech Authority for Firearms and Ammunition Testing (in Czech: *Český úřad pro zkoušení zbraní a střeliva*). The procedures conducted by the Czech Authority for Firearms and Ammunition Testing is further regulated by the Czech Ministerial Decree No. 335/2004 Coll., as amended, on the implementation of certain provisions of the Firearms Authentication Act.

Regarding EU legislation, the Firearms Directive was amended by the Gun Ban Directive.

One of the main Gun Ban Directive's purposes is to improve the Firearms Directive in order to address the misuse of firearms for criminal purposes and the directive therefore aims to implement stricter conditions regarding the possession of firearms. The Gun Ban Directive modifies the categorization of firearms by e.g. broadening the category of prohibited firearms. Newly, this category shall include for example some of the semi-automatic firearms. Moreover, the Gun Ban Directive obliges the relevant authorities to review the authorizations for possession of firearms (gun licences in the Czech Republic) at intervals not exceeding 5 years.

The Czech Republic consistently rejected implementing the Gun Ban Directive into Czech law citing the EU´s lack of competence to pass such legislation. In July 2019, the European Commission issued a reasoned opinion urging the Czech Republic and other member states that failed to transpose the Gun Ban Directive into their respective national laws to do so as soon as possible. This step followed the letters of formal notice, which the European Commission sent to the relevant member states in November 2018. In December 2019 Court of Justice of the EU dismissed the Czech Republic´s action seeking the annulment of the Gun Ban Directive. Finally, the Czech Republic implemented the Gun Ban Directive into Czech law in 2021.

In response to the Gun Ban Directive, the Czech constitutional act No. 2/1993 Coll., the Charter of Fundamental Rights and Freedoms was amended in 2021 introducing a right to defend oneself as well as the lives of others with a weapon as a constitutional right.

In June 2023 the Czech government presented to the Chamber of Deputies of the Parliament of the Czech Republic the New Czech Weapons Act, which shall come into force on 1 January 2026. The New Czech Weapons Act proposes, *inter alia*, a requirement for gun dealers to report suspicious gun transfers to the police, to make it mandatory for general practicians to report cases of medical unfitness of their patients, who hold a gun licence, to the police, to reduce the number of gun licences and to introduce a brand-new set of rules for obtaining an arms license. The Chamber of Deputies and the Senate of the Parliament of the Czech Republic passed the New Czech Weapons Act on 26 January 2024 and 6 March 2024, respectively. On 22 March 2024 the New Czech Weapons Act was signed by the Czech President into law and will come into force on 1 January 2026.

2.2 Manufacturing and Trade Licenses

All persons conducting business relating to manufacturing or trading of firearms are required to obtain the following licenses: (i) a trade license under the Czech Trade Licensing Act, (ii) an arms licence under the Czech Weapons Act and (iii) an export licenses under the Czech Act on Control of Trade and the Czech Act on Trade in Military Materiel (as defined below).

2.3 Trade License

Issuance of a trade license relating to manufacturing and trading of firearms is a principal condition in order to commence business in this segment. Trade licenses are issued by the competent Czech Trade Licensing Office (in Czech: *živnostenský úřad*). The main oversight authority regarding trade licensing is the competent Czech Trade Licensing Office. The competent Czech Trade Licensing Office also procures an oversight over compliance with the respective laws of the Czech Republic by the respective trade license holder.

Trade licensing in the Czech Republic is divided into two main categories: (i) notified trade licences, which are issued under the "shall issue" principle, *i.e.* a notified trade licence is issued upon the applicant's filling of relevant documents to the competent Trade Licensing Office, and (ii) concession trade licences, which are issued under the "may issue" principle, *i.e.* issuance of a concession trade license is subject to a discretion of the competent Czech Trade Licensing Office. Trade licences for conducting business in the Firearms and Accessories Segment are classed as a concession (in Czech: *koncese*). Concession trade licences are subject to the strictest conditions under the Czech Trade Licensing Act, pursuant to which the applicant is required to prove its professional capability (or of its responsible person) within the meaning of the Czech Trade Licensing Act to the competent Czech Trade Licensing Office. Under the Czech Trade Licensing Act, the requisite professional capability for firearms trade licenses includes especially professional education and relevant experience in firearms' industry.

Members of the Group hold a number of trade licenses, among others trade licenses to trade, repair and store security material, firearms, explosives and ammunition, which were granted for an indefinite period of time for conducting the business of the Group (the **Trade License**). Responsible persons (in order to prove professional capability of the Group) were appointed in connection with the Trade Licence. If any of the responsible persons were to retire or otherwise leave the Group, the Group would be obliged to appoint another responsible person.

Trade licences for the Czech persons within the meaning of the Czech Trade Licensing Act are generally issued for an indefinite period of time. Under the Czech Trade Licensing Act, a trade licence can be revoked by the competent Czech Trade Licensing Office, in particular on the grounds that (i) the holder has violated the respective laws of the Czech Republic especially relating to a licensed business, (ii) the holder has violated the conditions under which the respective concessional trade licence was issued or (iii) the holder has ceased to comply with the requirements for an issuance of the trade licence (e.g. loss of a criminal integrity, bankruptcy of the holder).

2.4 Arms License

Pursuant to the Czech Weapons Act, manufacturing and trading of firearms (including both military and non-military firearms) also requires an arms licence (in Czech: *zbrojní licence*). An arms license may be issued for a number of different reasons distinguished by the Czech Weapons Act into classifications A through J. While arms licenses of type A, B, C, D and E authorize the production, mending, purchase, lending and disabling of firearms being generally obtained for business purposes, other licenses are intended for recreational purposes and for providing security to property and individuals. The competent authority for the issuance of arms licences is the

Police of the Czech Republic. The Police of the Czech Republic is also a main oversight authority in respect of arms licences holders. The respective police office procures an oversight over compliance with all arms licence holder's duties.

The fundamental conditions for the issuance of an arms licence are the domicile or seat of the applicant in the Czech Republic, the possession of a firearms' trade licence, the integrity of the applicant and of the members of its management body, and the submission of a draft internal directive which sets forth rules, in particular, for the usage and evidence of firearms and ammunition and the credentials of the applicant's armorer (in Czech: *zbrojíř*).

The holder of an arms licence is required to observe duties imposed by the Czech Weapons Act, in particular to:

- have an armorer in place (a person who carries out the duties of possession, storage or usage of firearms under the Czech Weapons Act);
- have an internal directive in place which sets forth rules for the usage and evidence of firearms and ammunition;
- ensure and maintain the proper conditions for securing firearms or ammunition against abuse, loss or theft in accordance with the Czech Weapons Act; and
- keep records of its firearms in the Central Register of Firearms maintained by the respective police office.

The main operating company of the Group, CZUB, is the holder of an arms licence for conducting business in relation with its firearms business. The arms licence was issued on 20 July 2016 for an indefinite period of time.

In accordance with the Czech Weapons Act, the competent police office is generally authorized to revoke an arms licence, especially if the respective holder violates its obligations under the Czech Weapons Act or if the respective holder ceases to comply with the statutory requirements for the issuance of an arms licence. If an arms licence is revoked on grounds of a violation of the Czech Weapons Act, such holder may apply for a new arms licence only after five years since the revocation.

The New Czech Weapons Act proposes several changes to the conditions for the issuance of arms licences, as well as to the concept of arms licences itself. The current A to J classification of arms licences shall be replaced by licence types ZL1, ZL2 and ZL3. The ZL 1 arms licence shall encompass the current A to E classifications and is intended mainly for the performance of business activities in the field of firearms and ammunition while the ZL 2 arm license includes the current F to J classifications. A ZL 3 license enables its holder to carry out a one-off or specific activity that normally requires a ZL1 or ZL2 firearm license, but not for business reasons.

The conditions for the issuance of all three arms licence shall also include proof of professional capability, which is to be fulfilled by the applicant´s main armorer (in Czech: *hlavní zbrojíř*). The New Czech Weapons Act sets out that one of the permitted persons capable of taking up the role of main armorer may be the responsible person selected for the purposes of the Trade License.]

(a) *<u>Export Licences in Non-military Firearms</u>*

The export of non-military products is primarily subject to Czech Act on Control of Trade and the Control Trade Regulation. Oversight in respect of non-military firearms exports is exercised by the competent Czech Customs Office.

The Czech Act on Control of Trade and the Czech Control of Trade Regulation set out requirements as to the export of non-military firearms within the EU and also to non-EU countries. In principle, all firearms exports require licensing by the Czech Ministry of Industry and Trade; no licence is required for the export of shotguns and rim fire rifles within the EU (also, air guns are not generally subject to any licensing). The types of firearms listed in the Annexes to the Czech Control of Trade Regulation (such as pistols and the main parts of firearms) are subject to export restrictions in accordance with the Czech Act on Control of Trade and the Czech Control of Trade Regulation. The main products of the Group subject to export licensing under the Czech Act on Control of Trade and the Czech Control of Trade Regulation are all firearms produced by the Company with the exception of fully-automatic firearms and air guns. More specifically, firearms falling under the Czech Act on Control of Trade and the Czech Control of Trade Regulation include handguns such as the CZ P-10 pistol series, rim fire rifles such as the CZ 457 series, centrefire rifles such as the CZ 600 series, semi-auto carbines such as the CZ Scorpion Evo 3 S1 and semi-auto rifles such as the CZ Bren 2 MS.

On the EU level, the matters described above are also regulated by Regulation (EU) No 258/2012 of the European Parliament and of the Council of 14 March 2012, implementing Article 10 of the United Nations' Protocol against the illicit manufacturing of and trafficking in firearms, their parts and components and ammunition, supplementing the United Nations Convention against Transnational Organised Crime (UN Firearms Protocol), and establishing export authorisation, and import and transit measures for firearms, their parts and components and ammunition.

Export licences in relation to each country are being issued by the Czech Ministry of Industry and Trade. The average time required to obtain an export licence for non-military firearms is between three and four weeks. However, the authorities may draw out the licensing process in certain circumstances. Under the Czech Act on Control of Trade, an export licence can be revoked by the Czech Ministry of Industry and Trade, in particular on the grounds that (i) the issuance of the export licence was based on false or incomplete information, (ii) the conditions set out in the export licence were not observed, (iii) the holder has ceased to comply with the requirements for an issuance of the export licence, or (iv) it is necessary for the security of the Czech Republic or for the fulfilment of its international commitments. In the cases described above, the state is not liable for the harm caused by the lawful revocation of the export licence.

(b) *Export Licences in Military Firearms*

The export of military products is primarily subject to the Czech Act on Trade in Military Materiel. Oversight in respect of military firearms exports is exercised by The Czech Ministry of Industry and Trade and the competent Czech Customs Office.

The Czech Act on Trade in Military Materiel sets forth requirements for the applicant to comply with in order to be granted a licence for trade with military materiel, particularly capital requirements and requirements for persons acting as directors of the respective licence holder. The Czech Regulation on Trade in Military Materiel, contains a detailed listing of objects considered as "military materiel" and other particulars concerning trade in military materiel.

Export of military materiel (including firearms) within the EU and also to non-EU countries is subject to the Czech Act on Trade in Military Materiel which presupposes a general licence for trade with such material as well as individual licences for each export. The licences (both general and individual) are issued by the Czech Ministry of Industry and Trade; however, the issuance of licences is also subject to approval by the Czech Ministry of Defence, the Czech Ministry of the Interior, Czech Ministry of Foreign Affairs and the Czech General Directorate of Customs and Excise. In order for a person to be allowed to export military materiel, it is necessary to obtain a general licence first. Military materiel export may be carried out only within the limits set out in the respective general licence. In addition to a general licence, each export agreement (under which the respective exports are performed) relating to military materiel is subject to an issuance of an individual export licence. For each individual export conditions of both the respective general and individual licence apply.

The average time required to obtain a general licence is up to 60 days, but for an individual export licence for military firearms it might take longer than 60 days. Further, the authorities may prolong the licensing process in certain circumstances.

The Group conducts exports of military firearms primarily through Colt CZ Defence Solutions. However, CZUB and 4M SYSTEMS also possess the licence for trade with military materiel, as can be viewed on the website of the Czech Ministry of Industry and Trade (available at https://www.mpo.cz/assets/cz/zahranicni-obchod/licencni-sprava/zahranicni-obchod-s-vojenskym-materialem/2024/1/Seznam-drzitelu-povoleni-k-zahranicnimu-obchodu-s-vojenskym-materialem-ke-dni-12_1_2024.pdf).

Under the Czech Act on Trade in Military Materiel, the general export licence in military firearms can be revoked by the Czech Ministry of Industry and Trade, in particular on the grounds that (i) the issuance of a general export licence was based on false or incomplete information, (ii) the holder of a general export licence has significantly breached the Czech Act on Trade in Military Materiel or other laws regulating the trade with military firearms, (iii) the holder has ceased to comply with the requirements for an issuance of a general export licence, or (iv) it is necessary for the security, political or business interests of the Czech Republic.

The individual export licence can be revoked also by the Czech Ministry of Industry and Trade if the export of military materiel has not yet taken place or has not yet been fully completed, mainly on the grounds that (i) the issuance of an individual export licence was based on false or incomplete information, (ii) it is necessary for the security, political or business interests of the Czech Republic, (iii) the holder has breached conditions set out in an individual export licence, or (iv) the general export licence of the respective holder has been terminated.

The main products of the Group subject to export licences under the Czech Act on Trade in Military Materiel are all military firearms produced by the Company as well as military or law enforcement designated accessories manufactured and sold by various companies of the Group. More specifically, firearms falling under the Czech Act on Trade in Military Materiel include submachine guns such as the CZ Scorpion Evo3 A1, assault rifles such as the Bren 2 series, battle rifles such as the CZ Bren 2 BR, grenade launchers such as the CZ 805 G1 and accessories such as silencers, night vision goggles, ballistic protection and military munitions.

The Czech Act on Trade in Military Materiel also recognizes licences for the transfer of military materiel within the EU and CZUB and Colt CZ Defence Solutions s.r.o. both hold such licence, as can be viewed on the website of the Czech Ministry of Industry and Trade (available at https://www.mpo.cz/assets/cz/zahranicni-obchod/licencni-sprava/zahranicni-obchod-s-vojenskym-materialem/2024/1/registrace-k-transferu-vojenskeho-matrialu-na-zaklade-obecne-licence-c--2---stav-k-24--1--2024.pdf).

Arms embargoes may be imposed on exports of military materiel by various organisations including the European Union, the United Nations and the Organization for Security and Co-operation in Europe.

(c) *Handling of Firearms*

Handling of firearms (both military and non-military) is primarily subject to the Czech Weapons Act and the Czech Security Requirements Regulation. The Czech Security Requirements Regulation further elaborates requirements under the Czech Weapons Act on handling with firearms (both military and non-military).

Compliance with the Czech Weapons Act and the Czech Security Requirements Regulation is overseen by the relevant Czech police office; in this regard the relevant Czech police office may, in particular, seize firearms, require access to the documentation relating to controlled firearms, request the submission of the relevant security material or to oversee the destruction thereof.

In accordance with the Czech Weapons Act and the Czech Security Requirements Regulation, the Group is required to comply with the restrictions set forth within this legislation, in particular:

- firearms have to be placed within an approved establishment;
- firearms have to be secured against theft or misuse. Loss or theft of firearms are to be notified to the relevant police office without undue delay;
- the competent police office must be provided with the relevant information and documents related to the firearms upon request;
- records of firearms must be kept.

The Czech Implementation Decree also regulates the requirements for transit of firearms.

(d) *End-User Certificates / International Import Certificate*

End-user certificates or International Import Certificates are issued by the governments of the countries to where the products are exported.

The Group also sells its firearms products to end-users. Exports of firearms outside the EU require End-user Certificates or International Import Certificates pursuant to the Czech Control of Trade Regulation. End-user certificates or International Import Certificates are especially required in relation to the export of military firearms. End-user certificates or International Import Certificates indicate who will receive the firearm and for what purpose. The purpose of the End-user certificates or International Import Certificates is to avoid the re-export of military weapons or armaments/equipment to countries of political concern and/or to unauthorized individuals or groups. If this occurs, the governmental agency issuing the end-user certificates risks being put on a watch list and having all further requests for export of arms delayed or denied by the Czech government.

(e) *Gun License*

Under the Czech Weapons Act, acquiring ownership and/or possession of firearms by a natural person is subject to issuance of a gun licence (in Czech: *zbrojní průkaz*). The competent authority for issuance of gun licences is the respective police office of the Czech Republic.

The fundamental conditions for the issuance of a gun licence are especially (i) the domicile of the applicant in the Czech Republic, (ii) full legal capacity, (iii) medical fitness, (iv) professional competence and (v) integrity of the applicant. Upon satisfying all necessary conditions the respective police office of the Czech Republic shall issue a gun licence to the applicant, i.e. the issuance of gun licence cannot be denied if the applicant successfully meets all the necessary condition (the Czech gun licence is so called "shall issue").

A gun licence is a public instrument. Gun licences are divided into five categories according to the extent of firearms use authorization, as follows: category A – firearm collection, category B – sport shooting, category C – hunting, category D – exercise of a profession, category E – self-defence. Conditions that need to be satisfied in order to obtain a gun licence differ with respect to the category of a gun licence an applicant applies for. Validity of a gun licence is ten years, unless the respective police office of the Czech Republic decides otherwise, for example, based on a medical opinion or in the case of revocation of the relevant gun licence.

The New Czech Weapons Act proposes to reduce the current gun licence categories into just two licence types: a general gun licence encompassing categories A, B and C, and an extended gun licence encompassing all five categories of the current Czech Weapons Act. The medical report attesting the gun licence holder´s fitness condition shall be valid for 5 years, after which a new report will have to be issued. It is also being proposed for general practicians to report cases of medical unfitness of their patients, who hold a gun licence, to the police.

(f) *Handling of Security Material*

In order to legally handle security material (i.e. to acquire, possess, purchase, sale, lend, develop, manufacture, repair, modify, store, transport, deteriorate, damage security material) within a business activities of a person, an authorization in the form of a concession (in Czech: *koncese*) is required by Czech law. Handling security material is regulated by Act No. 229/2013 Coll., on handling certain material used for defence and security purposes in the territory of the Czech Republic, as amended (the **Czech Security Material Handling Act**). The Czech Trade Licensing Office issues such concession on the basis of a binding opinion of the relevant police department. The person holding the concession is required to undertake its permitted activities in the premises that have been considered eligible by the police. A person handling security material have to comply with all requirements set out in the Security Material Handling Act, especially with the Section 6 et seq. Compliance with the Czech Security Material Handling Act is overseen by the Police of the Czech Republic. In some cases, depending on the type of material handled, the Czech Ministry of Defence may inspect both physical and evidentiary status of security material. In the case that the relevant rules are not duly complied with, an administrative fine (up to CZK 500,000) may be imposed.

3 U.S. Firearms Regulation

The U.S. manufacture, sale, and purchase of firearms are subject to extensive federal, state, and local government regulation.

3.1 Federal Regulation

The primary federal laws and regulations are the GCA, the NFA, the AECA, the ITAR and the EAR, which have been amended from time to time.

The GCA, and its underlying regulations, restrict the interstate sale of firearms, among other things. The NFA, and its underlying regulations, govern the manufacture and transfer of, as well as restrict the private ownership of fully automatic weapons and other firearms defined by the NFA, including firearm suppressors. The GCA and NFA are primarily administered and enforced by the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives (the **ATF**). The export and reexport of firearms and firearms-related technology and technical data are governed by both (1) the ITAR, which implement the provisions of the AECA, and is administered and enforced by the U.S. Department of State, and (2) the EAR, which are administered by the U.S. Department of Commerce. If the Group wants to sell products, including firearms, that are subject to the controls of either the ITAR or the EAR, to non-U.S. customers, then it must obtain export authorizations from the United States government, either the U.S. Department of State or the U.S. Department of Commerce, depending on the type and characteristics of the firearm. (The export or reexport of a firearm will be subject to the jurisdiction of one or the other: it will not be subject to the jurisdiction of both the U.S. Department of State and the U.S. Department of Commerce.) Both the U.S. Department of State and the U.S. Department of Commerce have discretion to grant licences for the export or reexport of firearms subject to their jurisdiction, and the Departments' approvals depend, among other things, on the foreign policies and national security interests of the United States. In addition, the U.S. Congress may block a proposed firearms export valued at USD 1 million or more. Consequently, the Group may not be able to obtain export licences, or fulfil profitable contracts as a result of political or other reasons that are beyond the Group's control, which could have a material adverse effect on the Group's business, operating results, and financial condition.

Among other requirements, applicable laws and regulations provide for the following:

- require the federal registration and licensing of all entities manufacturing, exporting, importing, or selling firearms as a business;
- require serialization and tracking of the acquisition and disposition of firearms;
- regulate the interstate sale and transportation of firearms;
- regulate the international sale and transportation of firearms;
- restrict or prohibit the ownership, use, or sale of firearms broadly, and by type narrowly;
- restrict or prohibit the export of firearms, and firearms technical data and services;
- regulate the employment of personnel with certain criminal convictions; and
- require the payment of Federal Ammunition and Explosives Taxes on the sale of firearms and ammunition.

3.2 State Regulation

In addition to federal laws and regulations, state and local laws and regulations may place additional restrictions on firearms ownership and transfer. These laws and regulations vary significantly from jurisdiction to jurisdiction. Some states or localities have enacted legislation restricting or prohibiting the ownership, use, or sale of certain categories of firearms, ammunition, ammunition feeding devices ("**magazines**"), and firearms suppressors. Some states require internal or external locking mechanisms. Still others require certain design features or additional specific warning labels, on safety or other grounds. This complex, and often conflicting, system of laws and regulations may adversely affect consumer demand for the Group's products by imposing limitations that increase the costs or limit the availability of the Group's products in certain markets.

3.3 Other Factors – Litigation, Gun Control, and Political/Social Forces

In addition to the challenges presented by the formal legal and regulatory environment, the United States "plaintiff's bar" and gun control groups present a unique threat to the firearms industry.

Current firearms industry protections may be repealed or adversely affected by judicial decisions, including in cases brought by plaintiffs represented by gun control advocacy groups. For example, the Protection of Lawful Commerce in Arms Act, (the **PLCAA**), was enacted by the United States Congress in 2005 to protect firearms manufacturers and dealers from liability when their legally manufactured and sold products are used to later commit crimes. The PLCAA (or state law equivalents of the PLCAA) could be repealed or amended, and legislation has recently been introduced in Congress to repeal the law. The PLCAA (or state law equivalents) may also be affected by future judicial cases. In *Soto v. Bushmaster Firearms International, LLC*, a case arising from the mass shooting at Sandy Hook Elementary School in Newtown, Connecticut, the Connecticut Court of Appeals allowed plaintiffs to pursue state claims for unfair trade practices and other theories despite the immunity granted via the PLCAA. In November 2019, the U.S. Supreme Court declined to review the case. The U.S. Supreme Court's decision allows the family members of victims of gun violence to move forward with their suit against a gun manufacturer for damages and could ultimately erode the protections of the PLCAA. If the PLCAA (or state law equivalents) were repealed, amended, or re-interpreted/applied, firearms manufacturers could face substantially-increased litigation exposure, which could have a material adverse effect on the Group's business, operating results, and financial condition.

Further, the Group's products expose it to potential product liability, warranty liability, and personal injury claims, as well as litigation relating to the use or misuse of its products. These include allegations of manufacturing and design defects, failure to warn of dangers inherent in the products and activities associated with the products, and negligence and strict liability. In addition, as addressed above regarding the PLCAA, the Group could be subject to future litigation arising out of the criminal misuse of our firearms.

XVIII. DESCRIPTION OF SHARE CAPITAL AND SUMMARY OF ARTICLES OF ASSOCIATION AND APPLICABLE CZECH LEGISLATION

The following is a summary of the material terms of the Company's Shares, the Company's Articles of Association and certain provisions of the Czech Companies Act and other relevant laws. This description is only a summary. Investors are encouraged to read the Articles of Association which are available for inspection at the Company's registered office as well as on the Company's website https://www.coltczgroup.com/en/. See "*Investors—Corporate affairs*".

The current Articles of Association of the Company were adopted in accordance with the Czech Companies Act by the resolution of the General Meeting on 14 June 2023 September 2020 and resolutions of the Board of Directors on 3 August 2023 and 14 December 2023, respectively.

1 Share Capital

At incorporation on 10 January 2013, the registered share capital of the Company amounted to CZK 2,983,800 (EUR 120,000) and was divided into 20 ordinary bearer shares with a nominal value of CZK 149,190 (EUR 6,000) each (according to Article 4 of the Council Regulation (EC) No 2157/2001 on the Statute for a European Company (SE) the capital of European Companies shall be expressed in euro. Nevertheless, Section 66 of the Czech Act No. 627/2004 Coll., on the European Company, as amended, provides that until the Czech Republic enters the third phase of economic and monetary union, the registered share capital of European Companies incorporated in the Czech Republic must be expressed in CZK and may be simultaneously expressed in EUR).

Effective as of 5 September 2013, all ordinary bearer shares of the Company were split and transformed into 100 ordinary registered shares with a nominal value of CZK 29,838 (EUR 1,200) each.

Effective as of 2 October 2019, all ordinary registered shares of the Company were split and transformed into 29,838,000 ordinary registered book-entry shares with a nominal value of CZK 0.10 (EUR 0.00402) each.

On or around 21 September 2020, the General Meeting adopted a decision on the increase of the share capital of the Company. The decision authorized an increase of the share capital by up to CZK 691,163.80 (EUR 27,784.78476) by subscription for up to new registered book-entry shares with the nominal value of CZK 0.10.

Effective as of 6 October 2020, the registered share capital of the Company amounted to CZK 3,263,800 and was divided into 32,638,000 ordinary registered book-entry shares with a nominal value of CZK 0.10 (EUR 0.00402) each.

On or around 31 March 2021 the General Meeting adopted a decision on the increase of the share capital of the Company by up to CZK 109,862 by subscription for up to 1,098,620 new ordinary registered book-entry shares with the nominal value of CZK 0.10.

Effective as of 23 May 2021, the registered share capital of the Company amounted to CZK 3,373,662 and was divided into 33,736,620 ordinary registered book-entry shares with a nominal value of CZK 0.10 (EUR 0.00402) each.

On or around 22 June 2021 the General Meeting adopted a decision authorising the Board of Directors to increase the share capital of the Company by up to CZK 337,366 by subscription for up to 3,373,660 new ordinary registered book-entry shares with the nominal value of CZK 0.10. On or around 27 May 2022 the General Meeting adopted a decision authorising the Board of Directors to increase the share capital of the Company by up to CZK 109,862 by subscription for up to 1,098,620 new ordinary registered book-entry shares with the nominal value of CZK 0.10.

Effective as of 30 May 2022, the registered share capital of the Company amounted to CZK 3,410,191.10 and was divided into 34,101,911 ordinary registered book-entry shares with a nominal value of CZK 0.10 (EUR 0.00402) each.

On 4 May 2023 the Board of Directors adopted a decision on the increase of the registered share capital of the Company by up to CZK 36,529.10 by subscription for 365,291 new ordinary registered book-entry shares with the nominal value of CZK 0.10.

Effective as of 16 May 2023, the registered share capital of the Company amounted to CZK 3,446,720,20 and was divided into 34,467,202 ordinary registered book-entry shares with a nominal value of CZK 0.10 (EUR 0.00402) each.

On or around 14 June 2023 the General Meeting adopted a decision authorising the Board of Directors to increase the share capital of the Company by up to CZK 334,672 by subscription for up to 3,446,720 new ordinary registered book-entry shares with the nominal value of CZK 0.10. On 3 August 2023 the Board of Directors adopted a decision on the increase of the registered share capital of the Company by up to CZK 32,217 by subscription for 322,170 new ordinary registered book-entry shares with the nominal value of CZK 0.10.

Effective as of 20 September 2023, the registered share capital of the Company amounted to CZK 3,478,937,20 and was divided into 34,789,372 ordinary registered book-entry shares with a nominal value of CZK 0.10 (EUR 0.00402) each.

On 14 December 2023 the Board of Directors adopted a decision on the increase of the registered share capital of the Company by up to CZK 36,803.80 by subscription for 368,038 new ordinary registered book-entry shares with the nominal value of CZK 0.10.

Effective as of 15 December 2023, the registered share capital of the Company amounted to CZK 3,515,741 and was divided into 35,157,410 ordinary registered book-entry shares with a nominal value of CZK 0.10 (EUR 0.00402) each.

On February 2024 the General Meeting adopted a decision authorising the Board of Directors to increase the share capital of the Company by up to CZK 1,500,000 by subscription for up to 15,000,000 new ordinary registered book-entry shares with the nominal value of CZK 0.10. On 15 May 2024 the Board of Directors adopted a decision on the increase of the registered share capital of the Company by CZK 1,347,644 by subscription for 13,476,440 new ordinary registered book-entry shares with the nominal value of CZK 0.10.

Effective as of 16 May 2024, the registered share capital of the Company amounted to CZK 4,863,385 and was divided into 48,633,850 ordinary registered book-entry shares with a nominal value of CZK 0.10 (EUR 0.00402) each.

As of the date of the Prospectus, the registered share capital of the Company remains CZK 4,863,385 and is divided into the Existing Shares. The share capital of the Company has been fully paid up. The Existing Shares are denominated in CZK and reported both in CZK and EUR. The Existing Shares are issued under Czech law, in particular, under the Czech Companies Act. The Existing Shares are registered with the CSD under ISIN code CZ0009008942. The Existing Shares represent one class of shares; they rank *pari passu* with each other and no other class of shares exists. The Existing Shares are freely transferable.

The Company has not issued preferred shares, rights, convertible bonds or any other equity or equity-linked securities. All the Shares bear equal rights. The Company has no authorised but unissued capital. The Shares 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.

Prior to the Admission, a total of 75.4 per cent Shares is owned by the Major Shareholder. Following the Admission, the Major Shareholder will continue to own and control a majority stake in the Company. See section *II Risk Factors*.

2 Authorization to Increase the Share Capital

In accordance with the Czech Companies Act, the General Meeting may authorize the Board of Director to increase the share capital of the Company by up to 50 per cent of the current share capital of the Company. If such share capital increase was to materialize, the Company intends to use the newly issued shares (or funds received in connection thereto) mainly to fund potential merger and acquisition opportunities.

3 Shareholder Rights

Each of the Company's shareholders may freely exercise the rights attached to the Shares, subject to the conditions described below and other conditions under Czech law. Each shareholder of the Company has the same rights and the Company and its management are obliged to treat all shareholders equally. Changing the rights of the shareholders requires an amendment to the Articles of Association which requires approval by at least a three-fourths majority of shareholders present at the General Meeting. These conditions are not more stringent than is required by law. The Articles of Association do not provide for any additional rights or other conditions beyond those granted by law, namely the Czech Companies Act.

Under the Czech Companies Act and the Articles of Association, each of the Company's shareholders primarily has the following rights:

3.1 Proprietary Rights

- The right to receive dividends, if any, when declared by the Company;
- the pre-emptive right to subscribe to a pro rata portion of new shares if the registered share capital of the Company is increased by cash contributions to the Company, unless such pre-emptive right is restricted or limited by a resolution of the General Meeting in accordance with the Czech Companies Act;
- the pre-emptive right to subscribe to a pro rata portion of any preferred or convertible bonds unless such pre-emptive right is restricted or limited by a resolution of the General Meeting in accordance with the Czech Companies Act;
- the right to participate in the Company's profit or liquidation balance after fulfilment of its obligations to creditors, proportionate to their shareholding, to the extent approved by the General Meeting; and
- the right of shareholders subject to certain conditions to have their shares bought out by the Company in case of resolution of the General Meeting on delisting, restrictions of transferability or change of the type of the Company's shares.

3.2 Voting and Supervisory Rights Available to All Shareholders

- the right to attend any General Meeting, submit proposals at General Meetings, take part in discussions and vote at any General Meeting;
- the right to request and receive explanation from the Company at the General Meeting relating to the Company and its subsidiaries if such information is necessary to assess items on the agenda of the General Meeting or to exercise shareholder rights at the General Meeting;
- the right to challenge the validity of resolutions of the General Meeting in court proceedings subject to conditions set out in the Czech Companies Act and the Czech Civil Code within three months following the date on which the Company's shareholders became aware of the resolution of the General Meeting or could have become aware of the resolution of the General Meeting; and
- the right to request the Board of Directors to provide the shareholder with a copy of the minutes of the General Meeting; and
- the right to make a proposal and a counterproposal to items on the agenda of the General Meeting, subject to conditions set out in the Czech Companies Act.

3.3 Rights available to a shareholder (or shareholders, acting in concert) holding Shares representing at least 5 per cent of Shares if the Company's registered share capital is CZK 100 million or less, or at least 3 per cent of Shares if the Company's registered share capital exceeds CZK 100 million, or at

least 1 per cent of Shares if the Company's registered share capital exceeds CZK 500 million (the Qualified Shareholders)

- the right to request the Board of Directors to convene a General Meeting provided that drafts of the resolutions which are proposed to be adopted or, as the case may be, the grounds for calling the General Meeting are included in the request;
- the right to request the Board of Directors to include any additional matter in the agenda of a General Meeting that has already been called, provided that draft of the resolutions which are proposed to be adopted, or the grounds for including the additional matter in the agenda of the General Meeting, are included in the request;
- the right to request that the Supervisory Board review the manner in which the Board of Directors exercises its powers and responsibilities;
- the right to file a claim on behalf of the Company against a person or an entity controlling the Company who uses its control to negatively affect the business management of the Company if the Company suffers any losses as a result;
- the right to file a claim on behalf of the Company against a member of the Board of Directors or the Supervisory Board for a breach of their duty of care, and a claim for damages;
- the right to file a claim on behalf of the Company against a shareholder to pay the subscription price for the Shares, if the subscription price is not paid when due; and
- the right to request the competent Czech court to appoint an independent expert to review Company's report on related party transactions which is annually prepared and published by the Board of Directors.

Under the Czech Civil Code and the Czech Companies Act, shareholders of the Company may not abuse their shareholders' rights to the detriment of the Company or of any other shareholders of the Company.

3.4 Pre-emptive Right to Subscribe for new shares

Each of the Company's shareholders has the pre-emptive right to subscribe for a pro rata portion of new shares if the registered share capital of the Company is increased by cash contributions. This pre-emptive right may be restricted or limited by a resolution of the General Meeting. Pursuant to the Articles of Association, the Company's shareholders do not have a pre-emptive right to subscribe for new shares of the Company that were not subscribed for by other shareholders. The increase in the Company's registered share capital becomes effective upon registration in the Czech commercial register.

The Board of Directors must publish information on the terms and conditions for the exercise of pre-emptive rights by the Company's shareholders on the Company's website and in the Commercial Bulletin. Following the General Meeting approving an increase in the registered share capital of the Company, the shareholder's pre-emptive right to subscribe for the new shares may be separated from the Shares and transferred by the shareholder to any third person.

The pre-emptive right to subscribe for the new shares expires in a period which will be prescribed by a resolution adopted at the General Meeting increasing the registered share capital of the Company. Such period must be at least two weeks.

3.5 Pre-emptive Right to Subscribe for Preferred or Convertible Bonds

Under the Czech Companies Act and the Articles of Association, the Company may issue: (i) preferred bonds which give the bondholder the pre-emptive right to subscribe for a *pro rata* portion of new shares of the Company; and (ii) convertible bonds which give the bondholder the right to exchange the bonds for existing or new shares of the Company. Pursuant to the Czech Companies Act, each of the Company's shareholders has the pre-emptive right to subscribe for a *pro rata* portion of any preferred or convertible bonds issued by the Company unless such pre-emptive rights are restricted or limited by a resolution of the General Meeting.

3.6 Rights to Participate in the Company's Liquidation Balance

Each of the Company's shareholders has the right to participate in the Company's liquidation balance to the extent approved by the General Meeting. Each of the Company's shareholders has the right to receive a *pro rata* portion of the liquidation balance distributed to all shareholders according to the aggregate paid up value of the Shares held by the shareholder.

The shareholders of the Company that are registered in the CSD as of the day on which the Shares are deregistered from the CSD are entitled to receive a portion of the Company's liquidation balance.

Following the commencement of liquidation, the shareholders' right to receive a portion of the Company's liquidation balance may be separated from the Shares and transferred by shareholders to any third person.

After the deregistration of the Company from the Czech Commercial Register, each shareholder will vouch towards the Company's creditors for an amount commensurate to the portion of the liquidation balance they receive from the Company.

3.7 Decrease in Registered Share Capital

The General Meeting may resolve to decrease the registered share capital of the Company primarily by:

- withdrawal of Shares;
- reduction of the par value of Shares;
- cancellation of own (treasury) Shares; or
- not issuing Shares to the shareholder who failed to pay the issue price.

See also section *XVIII.4.6 Quorum* for information on the required quorum of the General Meeting for the adoption of a resolution on the decrease in the Company's registered share capital.

4 Summary of the Articles of Association

4.1 General Provisions

The business name of the Company is Colt CZ Group SE. The Company is a European Company (*Societas Europaea*) incorporated in and operating under the laws of the Czech Republic and applicable EU laws, in particular Czech Act No. 627/2004 Coll., on the European company, as amended, the Czech Companies Act and Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE), as amended. The Company has a dualistic corporate structure. The Company's seat is the City of Prague in the Czech Republic. The Company is established for an indefinite period of time.

The principal corporate bodies of the Company are the General Meeting, the Board of Directors, the Supervisory Board and the Audit Committee. The Board of Directors is the executive body and consists of five members elected for a five-year term of office. The Supervisory Board is the supervisory body and consists of five members elected for a five-year term of office. The Audit Committee is the controlling body in the field of audit (both internal and external – including statutory) and accounting consisting of three members elected for a five-year term of office. See section *XIV.4 Audit Committee*.

4.2 Business Objectives

The Company is a Czech business company, the general objective of which is to be engaged in profit making activities. A full list of the Company's business objects is set out in Article 2 of the Articles of Association. The Company's principal registered business activities are (i) management of own assets, (ii) the production, business and services not stated in attachments 1 to 3 of the Czech Trade Licensing Act, namely the areas of activity of (a) intermediation of trade and services, (b) wholesale and retail, and (c) advisory and consultation services, expert analyses and report and (iii) accounting consulting, bookkeeping and tax accounting, and the primary activity of the Company is to be a holding company for the Group.

4.3 General Meeting

The general meeting is the highest corporate body of the Company.

The exclusive powers of the General Meeting under the Czech Companies Act and the Articles of Association include in particular:

- decisions on amendments to the Articles of Association;
- resolving on the increase or decrease of the registered share capital (or the authorisation of the Board of Directors to increase registered share capital);
- resolving on the possibility to set off a monetary receivable against issue price for shares;
- decisions on the increase of the registered share capital by means of non-monetary deposits;
- decisions on the issuance of preferred and convertible bonds;
- decisions on the acquisition of the Company's own shares in such cases as set out in the applicable law;
- resolving on the winding-up of the Company and liquidation, including the appointment and removal of the liquidator and approval of the liquidation balance distribution;
- decisions on the exclusion or restriction of the pre-emptive right to an acquisition of preferred or convertible bonds or on exclusion or limitation of the pre-emptive right to a subscription of new shares;
- decisions on changing the class or type of shares and on changes to the rights vested in specific share classes, and decisions on the combination or split off of shares;
- election and recall of members of the Supervisory Board;
- election and recall of members of the Audit Committee;
- decisions on the Company's transformation;
- approval of a silent partnership agreement and other agreements establishing the right to a share in the Company´s profits or other equity funds, including the approval of its amendments and termination;
- approval of the listing or delisting of the Company's shares;
- approval of the service contracts for members of the Supervisory Board, and decisions on any other payments;
- approval of the service contracts for members of the Audit Committee, and decisions on any other payments;
- approval of the rules of procedure for the Audit Committee;
- appointment of the auditor who is to audit the Company's financial statements and other documents if required by law;
- granting of prior approval to provide financial assistance;
- approval of annual, extraordinary or consolidated financial statements and, in cases stipulated by the law, interim financial statements, as well as decisions on the distribution of profit or coverage of loss, and the determination of the profit share for the members of the Company's bodies; and

- approval of a transfer of or creation of security over an enterprise of the Company or its part which would lead to significant change in structure of the enterprise, or business objectives or activities of the Company; and

- approval of the rules of procedure and the voting rules of the General Meeting as well as other organizational measures linked to dealings at the General Meeting;

- granting of consent to the acquisition or disposal of assets where required by generally binding regulation;

- creation of a reserve fund and/or other funds, including the manner in which they are created or supplemented (in particular, other capital reserves), or their cancellation;

- discussing measures proposed by the Board of Directors;

- discussing the result of the supervisory work performed by the Supervisory Board.

4.4 Calling the General Meeting

The General Meeting takes place at least once each accounting period and must be called by the Board of Directors so that it convenes within six months after the end of the Company's previous accounting period (on or before 30 June).

The Board of Directors may call the General Meeting whenever it deems it necessary. The Board of Directors must call the General Meeting if:

- the Board of Directors receives a request from the Supervisory Board in accordance with the Czech Companies Act or a request from the Qualified Shareholders, see section *XVIII.3 Shareholder Rights*;

- the accumulated losses of the Company based on its financial statements, after having been reduced by expending all of the Company's disposable resources, equal or exceed (or may reasonably be expected to equal or exceed) 50 per cent of the Company's registered share capital; or

- there is another material reason.

If the Board of Directors fails to convene the General Meeting without undue delay even though the law prescribes it to be convened or if the Board of Directors lacks the ability to pass resolutions for an extended period of time, the General Meeting shall be convened by a member of the Board of Directors.

The General Meeting may be called by the Supervisory Board if required by the Company's interests or if the Company has no Board of Directors or if the elected Board of Directors has neglected its obligations for a long period and the General Meeting has not been called. In doing so, the Supervisory Board shall also propose the necessary measures. If the Supervisory Board does not convene the General Meeting, any member of the Supervisory Board may convene the General Meeting.

4.5 Notice and course of General Meetings

The invitation to the General Meeting must be published at the Company's website and in the Commercial Bulletin at least 30 days prior to the General Meeting. The provisions of the Czech Companies Act governing the formal requirements for the convening of the General Meeting may be waived if so agreed by all shareholders of the Company.

If Qualified Shareholders request that the General Meeting be called, the invitation to the General Meeting must be given at least 21 days before the date of the General Meeting. If a substitute General Meeting is called, the invitation to the General Meeting must be given by the fifteenth calendar day from the previously scheduled date of the General Meeting at the latest; the General Meeting shall in such a case be held within six weeks from the same date. The invitation shall contain all information required by law and the Articles of Association. If the agenda of the General Meeting calls for a change of the Articles of Association, the Company shall permit each shareholder to review the proposed change in the period prescribed by the invitation, free of charge, at the Company´s registered seat.

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 Czech Companies 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.

All notices of General Meetings must be published on the Company's website www.czg.cz and in the Commercial Bulletin.

4.6 Quorum

Under the Articles of Association, resolution may be adopted at the General Meeting only if shareholders are present (either in person or by proxy) whose shares have a total nominal value amounting to more than 50 per cent of the share capital of the company as of the respective Record Date (as defined below). However, a substitute General Meeting may adopt resolutions irrespective of the number of the Company's shareholders present.

Resolutions of the General Meeting generally require the approval of a majority of the votes of the Company's shareholders present at the General Meeting.

The following decisions of the General Meeting require a majority of at least two thirds of the votes of the Company's shareholders present at the General Meeting:

- an amendment to the Articles of Association or resolutions that indirectly amend the Articles of Association (for example, a resolution on an increase or decrease in the Company's registered share capital);
- authorization of the Board of Directors to decide on an increase of the Company's registered share capital;
- winding-up of the Company and distributing the Company's liquidation balance;
- approving a transfer of or creation of security over an enterprise of the Company or its part which would lead to significant change in structure of the enterprise, or business objectives or activities of the Company;
- resolving on the possibility to set off a monetary receivable against issue price for shares; and
- decisions on the issuance of preferred or convertible bonds by the Company.

The decision of the General Meeting approving an agreement for the settlement of loss incurred by the Company as a result of a breach of the duty of due care by a member of the Company's corporate body requires a majority of at least two thirds of the votes of all shareholders.

The following decisions of the General Meeting require a majority of at least three quarters of the votes of the Company's shareholders present at the General Meeting:

- restriction or limitation of the shareholders' preferred right to subscribe for a pro rata portion of new shares or for preferred or convertible bonds of the Company;
- increase of the Company's registered share capital by in-kind contributions; and
- distribution of the Company's profit to a person who is not a shareholder of the Company.

Resolutions passed at the General Meeting with a majority of at least three quarters of the votes of the Company's shareholders present at the General Meeting by shareholders holding the class of the Shares affected by such resolutions are required for (i) a change of a class of the Shares; (ii) a change of rights attached to the Shares; (iii) a conversion of registered Shares to bearer Shares and vice versa; (iv) a delisting of the Shares; and (v) approving restrictions or limitations of the Shares' transferability.

A merger or demerger of the Company must be approved by a resolution passed at the General Meeting with a majority of at least three quarters of the votes of the Company's shareholders present at the General Meeting by shareholders holding each class of Shares. A transfer of all of the Company's assets to its shareholder must be approved by a resolution passed at the General Meeting with a majority of at least ninety per cent of the votes of all shareholders of the Company.

In certain cases set out in the Czech Companies Act, the resolution of the General Meeting must take the form of a notarial deed.

4.7 Participation at the General Meeting and voting rights

At the General Meeting, each shareholder of the Company has equal rights, including equal voting rights, subject to certain exceptions set out in the Czech Companies Act. According to the Articles of Association, each share of the Company entitles to one vote at the General Meeting.

Only shareholders registered in the CSD as a shareholder of the Company on the seventh calendar day before the General Meeting (**Record Date**) may attend the General Meeting. The Board of Directors shall obtain the shareholder's ledger extract as of the Record Date.

Under the Czech Companies Act, a shareholder of the Company may not exercise voting rights at the General Meeting if, *inter alia*:

- The shareholder has not paid the subscription price for the shareholder's Shares when due;
- The General Meeting is voting whether the Company's registered share capital will be increased by this shareholder's in-kind contribution; and
- The general meeting is to decide on whether the shareholder or a person acting in concert with the shareholder should be relieved of the fulfilment of an obligation, and/or whether the shareholder should be recalled from office as a member of a company body for violating an obligation in the performance of his or her office.

Under the Czech Act No. 37/2021 Coll., the Ultimate Beneficial Owner Act, as amended, a shareholder of the Company may, *inter alia,* not exercise voting rights at the General Meeting if such shareholder is deemed the ultimate beneficial owner of the Company and has not been registered in the Czech UBO Register.

At the General Meeting, each of the Company's shareholders may be represented by: (i) a proxy on the basis of power of attorney; or (ii) a trustee/custodian engaged by a shareholder and registered in the CSD as a person authorized to execute the shareholder's rights. A power of attorney for the proxy must be in writing with official verified signatures and must specify the number of shares to which it relates and the aggregate nominal value of such shares and whether it is granted for representation at one particular general meeting or at several general meetings. A form of the power of attorney will be published by the Company prior to each General Meeting on its website www.coltczgroup.com and will be available at the registered office of the Company.

Shareholders and their authorized representatives must identify themselves at the General Meeting with an official identification card/passport. Members of the statutory body of a legal entity who is a shareholder of the Company shall also present a current (not older than 3 months) extract from the relevant public register or other document showing that they are entitled to act on behalf of such legal entity.

4.8 Per rollam decision-making

Voting at the General Meeting shall take place by means of electronic device, ballot cards or by other suitable manner as decided by the person who called the General Meeting. Also, the Articles of Association allow for *per rollam* voting which entails exercise of voting and other shareholder rights in writing without the personal participation of shareholders at the General Meeting. *Per rollam* decision-making consists of three steps: (i) distribution of the proposed decisions together with the relevant supporting documents to the shareholders; (ii) delivery of the shareholders' opinion, subject to time limit of at least 20 days. If the shareholder fails to deliver his consent on the proposed decisions, he is deemed to have not agreed with the proposed decisions; and (iii) announcement of the voting results and the date of adoption of the relevant shareholders' decisions.

In the case that the shareholders or their representatives participate and vote on the General Meeting via technical means, the shareholders are required to provide the Company with the electronic copies of the abovementioned identification documents, together with a copy of the ID or passport of such shareholder or representative.

The Articles of Association also allow to participate and vote on the General Meeting via direct two-way remote transmission enabling audio-video two-way communication between the General Meeting and the shareholders not physically present at the General Meeting in real time, subject to certain limitations arising out of technical aspects of such manner of holding the meeting (e.g. impossibility to verify the General Meeting's decision by a notary if required by law). Shareholders or their authorized representatives who intend to participate in the General Meeting through technical means are required to notify the Company either in writing to the Company's address or electronically via e-mail sent to the Company's email address specified in the invitation to the General Meeting no later than six days prior to the date of the General Meeting. This does not deprive the shareholder of his right to attend the General Meeting in person.

4.9 Form, Ownership and Transfer of the Shares

(a) <u>Form of the Shares</u>

The Shares take the form of book-entry shares. Book-entry shares are defined as shares having the form of a record in the central register of book-entry securities maintained by the CSD or its participants authorized to maintain the follow-on registers.

(b) <u>Limitations on the Ownership of the Shares</u>

There are neither provisions in the Articles of Association that would have an effect of delaying, deferring or preventing a transfer of Shares or change of control over the Company nor are there provisions restricting ownership of Shares. No restrictions exist in relation to the holding or exercising by foreigners or non-residents of voting rights in respect of the Shares.

(c) <u>Transfer of the Shares</u>

The transfer of ownership of book-entry shares is effected by means of registration of the change of ownership of shares with the CSD, whether directly through the CSD or through a participant of the CSD; if the shares are registered in the customers' account, then the transfer is effected upon the record in the customers' account (with mandatory follow-up record in the owner's account), whereas if the shares are registered in the owners' account, the transfer is effected upon the record in the owners' account.

Moreover, if certain statutory conditions are met, a direct or indirect acquisition of control in the Company may also require to prior merger clearance by the Czech Office for Protection of Competition, or the European Commission, as applicable.

(d) <u>Acquisition of own Shares</u>

Czech law restricts the ability of the Company to acquire its own Shares. The Company may acquire its own Shares if and to the extent that (i) the issue price of the Shares was paid in full; (ii) the General Meeting approved the acquisition of the Shares; (iii) the acquisition of the Shares by the Company will not result the Company's equity falling below the sum of the Company's registered share capital and funds which may not be distributed to shareholders; (iv) the Company has the funds available to create a reserve on its balance sheet in the amount of the book value of the acquired Shares; and (v) the acquisition of the Shares will not lead to the insolvency of the Company.

Notwithstanding the above, the Company may acquire its own Shares without approval by the General Meeting if, among other things: (i) the Shares are acquired for the purposes of an employee share option plan; (ii) the

Shares are acquired in order to prevent significant losses of the Company; or (iii) the Shares are acquired in order to effect a reduction of the Company's registered share capital.

Shares held by the Company carry neither voting rights at the General Meeting nor rights to participate in the Company's profit (the respective portion of the Company's profit will be booked to the credit of the account against which it was originally booked, and if this is no longer possible, it will be transferred to the account of retained earnings from previous years).

(e) *Duties of a controlling shareholder*

If any shareholder controlling the Company becomes aware (or should have become aware) of the Company's pending insolvency, it is required to take all reasonable steps to avert the Company's insolvency. If the controlling shareholder does not comply with this duty (in a breach of the duty of a diligent manager (only if law prescribes such duty for such shareholder)), the insolvency court may decide that such controlling shareholder must guarantee the Company's obligations, if the Company is declared insolvent by the insolvency court.

In addition, if the interests of a Company's minority shareholder are substantially harmed by the actions of any shareholder controlling the Company to such an extent that it may no longer be reasonably required of the minority shareholder to remain a shareholder of the Company, then such minority shareholder may under the Czech Companies Act request the shareholder controlling the Company to buy its Shares for fair consideration. The consideration must be determined by the opinion of a court-appointed expert. If the shareholder deems the offered or paid consideration unfair, they have the right to claim the difference between such consideration and fair consideration before a court (the court decision ordering payment of such difference is binding with respect to all relevant shareholders). Should the shareholder controlling the Company fail to buy the Shares, the minority shareholder has the right to claim damages or request the court to order the conclusion of a share purchase contract with the shareholder controlling the Company.

(f) *Ownership of Shares by non-Czech persons*

There is no limitation under Czech law or the Articles of Association on the right of non-Czech residents or nationals to own Shares or to exercise voting or other rights attached to the Shares.

XIX. ADMISSION

The Prospectus has been prepared solely for the purpose of the Admission. There will be no public offer of the Shares in any jurisdiction based on the Prospectus.

There will be no cash proceeds received by the Company as a result of the Admission.

The fees and expenses to be borne by the Company in connection with the preparation of the Prospectus and the Admission including but not limited to the CNB's fees, fees related to the Admission, advisors' fees and expenses and the costs of printing and distribution of documents and other transaction costs are estimated to amount to approximately CZK 3 million (including VAT). There will be no expenses charged by the Company to any person in connection with the Admission.

Pursuant to the resolution of the General Meeting of the Company held on 27 February 2024 and the decision of the Board of Directors adopted on 27 February 2024, all resolutions, authorisations and approvals necessary for the Admission have been granted.

XX. PLAN OF DISTRIBUTION

The terms "purchase" and "subscription" or similar expressions are used interchangeably in this section *XX Plan of Distribution* and refer to purchase with respect to the New Shares.

Offering

There will be no public offering the New Shares in any jurisdiction based on this Prospectus.

On 16 May 2016 the Company issued 13,476,440 New Shares with a nominal value of CZK 0.10 per share and CBC Investor subscribed all the New Shares at a price of EUR 24.1066 per share. The amount by which the price exceeds the nominal value constitutes a share premium.

In the interest of the Company, the pre-emptive right of the existing shareholders to subscribe for new shares was excluded in relation to the New Shares and neither any of the current shareholders, nor any of the members of the Board of Directors, the other members of the management or the members of the Supervisory Board intended to purchase any New Shares. The New Shares form a part of the settlement of the acquisition of Sellier & Bellot under the Sellier & Bellot SPA, which contributes to the further strategic development of the business of the Group. The acquisition expands the Company's product portfolio in the area of ammunition, production capacities and development capabilities, which will also benefit the rest of the Group focused on the production of firearms.

Registration and settlement

All Shares are registered with the CSD. The ISIN number of the Shares (including the New Shares) is CZ0009008942. All Shares (including the New Shares) will be in book entry form and, therefore, shareholders may only hold them through their respective securities accounts or omnibus accounts opened with and maintained by brokers or custodians which are CSD participants.

Dilution

Existing shareholders of the Company suffered a dilution of their proportionate participation in the share capital of the Company and their voting rights of approximately 27.7 per cent as a result of the issue of the New Shares.

According to the Company's audited consolidated financial statements as of 31 December 2023, the Company's total equity (defined as the net asset value (total assets *less* total non-current liabilities and total current liabilities)) amounted to CZK 9,274,846 thousand as of 31 December 2023, and would amount to CZK 263.81 per share of the Company based on 35,157,410 Existing Shares immediately prior to the Admission.

The dilutive effect of the issue of the New Shares is illustrated in the table below, demonstrating the amount by which the price per New Share exceeds the net book value (total value of assets) per share after completion of the issue of the New Shares, assuming the issue of the New Shares and the Admission had been completed on 31 December 2023. In this respect, the net book value as of 31 December 2023 is adjusted for the effects of the completion of the Admission, assuming an increase in the net book value of approximately CZK 8,041 million based on the issuance of 13,476,440 New Shares at a price of EUR 24.1066 per share (CZK 596.8794 per New Share at the exchange rate set by the CNB as of 15 May 2024) and not taking into account any tax effects. The adjusted net book value attributable to shareholders is expressed as a per share figure, assuming 48,633,850 Shares outstanding following completion of the Admission (this per share figure being referred to as the "**Post-Admission Equity**")

	As of 31 December 2023 (Unaudited)
Net asset value per Share (*In CZK*)(1)	264
Gross proceeds from the issue of the New Shares attributable to the Company (*In CZK million*)(2)(3)..	8,044
Estimated total costs of the Admission to be borne by the Company (*In CZK million*)(2)(4)	3

Total net proceeds from the issue of the New Shares attributable to the Company (*In CZK million*)[(2)]	8,041
Post-Admission equity per Share (*In CZK*) [(4)]	356
Amount by which the price per New Share exceeds the Post-Admission Equity per Share (Immediate dilution of new shareholders of the Company) (*In CZK*)......................	241
Percentage by which the price per New Share exceeds the net book value per Share (in %)..	126%
Amount by which the Post-Admission equity per Share exceeds the net book value per Share immediately prior to the issue of the New Shares (immediate accretion to the existing shareholders of the Company) (*in CZK*)..	92
Percentage by which the Post-Admission Equity per Share exceeds the net book value per share immediately prior to the issue of the New Shares (in %)..................................	35%

(1) Based on (divided by) 35,157,410 Existing Shares immediately prior to the issue of the New Shares and total equity of the Company in the amount of CZK 9,274,846 thousand as of 31 December 2023.

(2) Issuance of 13,476,440 New Shares at a price of EUR 24.1066 per New Share (CZK 596.8794 per New Share at the exchange rate set by the CNB as of 15 May 2024).

(3) The proceeds from the issue of the New Shares have been used for repayment of the acquisition financing of Sellier and Bellot.

(4) Based on 48,633,850 (divided by) Shares following completion of the issue of the New Shares.

XXI. TAXATION

The following summary is of general nature and does not purport to address all tax consequences of the Admission, the acquisition, holding and disposal of the Shares and does not take into account the specific circumstances of any particular investor. This summary is based on the tax laws, regulations and regulatory practices of the Czech Republic as in effect on the date thereof, which may be subject to change (or subject to changes in interpretation), possibly with retroactive effect.

Current and prospective shareholders are advised to consult their own tax advisers in light of their particular circumstances as to Czech tax laws, regulations and regulatory practices that could be relevant for them in connection with the Admission, the acquiring, holding and disposal of the Shares and the consequences thereof under the tax laws, regulations and regulatory practices of the Czech Republic.

This summary does not specifically comment on or take into account the impact of the U.S. Foreign Account Tax Compliance Act (FATCA) or any of its aspects.

1 General Czech tax considerations

Except where expressly stated otherwise, the paragraphs below are intended to apply only to:

(a) Shareholders, who:

  (i) are, for the whole calendar or financial year, residents in the Czech Republic under Czech tax law and the relevant tax treaty;

  (ii) do not have a permanent establishment outside the Czech Republic with which the Shares are effectively connected or to which any income in respect of the Shares is attributable; and

  (iii) are the beneficial owners of their Shares and any income received in respect of them; (**Czech tax resident shareholders**); and

(b) Shareholders, who:

  (i) are for the whole calendar or financial year, not resident in the Czech Republic under Czech tax law;

  (ii) do not have a permanent establishment outside of their country of their tax residence, with which the Shares are effectively connected or to which any income in respect of the Shares is attributable; and

  (iii) are the beneficial owners of their Shares and any income received in respect of them, (**non-Czech tax resident shareholders**).

In addition, the tax position of certain categories of shareholders who are subject to specific rules have not been considered, including but not limited to: persons acquiring (or deemed to acquire) the Shares in connection with an employment, traders, brokers, dealers in securities, insurance companies, banks, financial institutions, investment companies, collective investment schemes, pension schemes, partnerships, tax-exempt or tax-transparent organizations or schemes, persons related to the Company or the Group, and persons holding the Shares as part of hedging or conversion transactions.

The material set out in the paragraphs below does not constitute tax advice. Any person who is in any doubt as to their tax position or who is subject (or could be deemed to be subject) to tax in any jurisdiction should consult an appropriate professional adviser.

2 Income taxation of dividends, decreases of registered share capital and distributions of share premium

2.1 Czech tax resident shareholders

Income from dividends distributed by the Company is subject to Czech withholding tax at 15% if that income is realized by a Czech tax resident shareholder. The tax base equals the dividend income distributed by the Company. A tax exemption can apply under the Czech participation exemption rules (see section *XXI.2.3 Czech participation exemption—dividend and decrease of registered share capital previously increased from profit*).

If the Company distributes share premium to a Czech tax resident shareholder, that income is subject to Czech withholding tax at 15%. The tax base can be decreased by the tax basis of the Shares if the shareholder can prove that tax basis to the Company. If the Company's registered share capital is decreased and distributed to the shareholder (except insofar as the Company's previous profit / retained earnings have increased that registered share capital), the income less the tax basis in the Shares should be included in the tax base of the shareholder in his/her/its Czech tax return (generally subject to progressive rate of 15% and 23% for individuals depending on the individual’s applicable bracket (the threshold for the higher bracket is 36 times the average wage, amounting to CZK 1,582,812 in 2024) and 21% tax for tax payers other than individuals). If registered share capital is decreased (to the extent that the Company's previous profit / retained earnings have previously increased that registered share capital) and distributed to a Czech tax resident shareholder, that income is subject to withholding tax at 15%, unless a tax exemption applies under the Czech participation exemption rules (see section *XXI.2.3 Czech participation exemption—dividend and decrease of registered share capital previously increased from profit* described below).

Where a withholding tax applies, the Company is responsible for withholding Czech tax at source from distributions that it makes. The tax withheld at source is final. The shareholders can be required to provide certain documents to evidence that they are Czech tax resident shareholders.

2.2 Non-Czech tax resident shareholders

Income from dividends distributed by the Company is subject to Czech withholding tax at 15% or 35% (see the rules for the application of the 35% rate below) if such income is realized by a non-Czech tax resident shareholder. The tax base equals the dividend income distributed by the Company. A tax exemption can apply under the Czech participation exemption rules (see section *XXI.2.3 Czech participation exemption—dividend and decrease of registered share capital previously increased from profit* described below).

If the Company distributes share premium to a non-Czech tax resident shareholder, that income is subject to Czech withholding tax at 15% or 35%. The tax base can be decreased by the tax basis of the Shares if the shareholder can prove that tax basis to the Company.

If the Company's registered share capital is decreased and distributed to the shareholder (except insofar as the Company's previous profit / retained earnings have increased that registered share capital), the income less the tax basis in the Shares should be included in the tax base of the shareholder in his/her/its Czech tax return (generally subject to progressive rate of 15% and 23% for individuals depending on the individual’s applicable bracket (the threshold for the higher bracket is 36 times the average wage, amounting to CZK 1,582,812 in 2024) and 21% tax for tax payers other than individuals) which in that case such a shareholder is generally obliged to file. Moreover, such income distributed by the Company to a shareholder, who is not a tax resident in the EU/EEA, is generally subject to 10% securing tax to be withheld by the Company from the gross income. The securing tax, if applicable, would be credited against the tax liability declared in a tax return with any overpayment being refunded (see also section *XXI.3.4 Securing tax* below). If registered share capital is decreased (to the extent that the Company's previous profit / retained earnings have previously increased that registered share capital) and distributed to a non-Czech tax resident shareholder, that income is subject to Czech withholding tax at 15% or 35%, unless a tax exemption applies under the Czech participation exemption rules (see section *XXI.2.3 Czech participation exemption—dividend and decrease of registered share capital previously increased from profit* described below).

The 35% withholding tax rate referred to in this section applies to income distributed to taxpayers that are neither:

(a) residents for tax purposes in an EU Member State or another state that forms the EEA; nor

(b) tax residents of a third country or jurisdiction that has concluded with the Czech Republic a valid and effective treaty concerning taxation and the avoidance of double taxation or a valid and effective agreement on exchange of information on tax matters; nor

(c) tax residents of a third country or jurisdiction that is a contracting party of a multilateral agreement that includes a provision on exchange of information on income tax matters that is valid and effective both for that third country or jurisdiction and for the Czech Republic.

Under official guidance, the 35% withholding tax rate also applies in case that the tax residency of the recipient cannot be ascertained.

A mitigation or elimination of Czech withholding tax under a tax treaty or a participation exemption under the Czech tax law (see section *XXI.2.3 Czech participation exemption—dividend and decrease of registered share capital previously increased from profit* described below) can apply. The final tax liability on the distributions by the Company may depend upon the individual circumstances of the shareholder.

Where a withholding tax applies, the Company is responsible for withholding Czech tax at source from any distributions that it makes. The tax withheld at source (at a 15% or 35% rate, or at a rate determined under a tax treaty) is final. Shareholders can be required to provide certain documents to evidence their tax status (for example, certificate of tax residency or declaration of beneficial ownership).

2.3 Czech participation exemption—dividend and decrease of registered share capital previously increased from profit

The Czech participation exemption rules implement Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States, as amended (the **Parent-Subsidiary Directive**) into Czech tax law.

Dividends from current or retained earnings or income from a decrease of the Company's registered share capital (to the extent that the registered share capital was sourced from the Company's profit / retained earnings) which is distributed by the Company to its shareholders is exempt from Czech taxation if a parent company shareholder holds at least 10% of the registered capital of the subsidiary (the Company) for at least 12 months without interruption. The 12-month holding period requirement can be met following the distribution.

An entity qualifies as a parent company if it is:

(a) a Czech tax resident entity having the legal form listed in the Annex to the Parent-Subsidiary Directive, a cooperative (in Czech: *družstvo*), a trust fund (in Czech: *svěřenský fond*), a family foundation (in Czech: *rodinná fundace*), a municipality (in Czech: *obec*) or an association of municipalities (in Czech: *svazek obcí*); or

(b) an EU Member State tax resident entity that: (i) has a legal form listed in the Annex to the Parent-Subsidiary Directive, (ii) is considered to be a tax resident of an EU Member State and is not considered to be a tax resident outside the EU Member States based on the tax treaty concluded with a third state (*i.e.* a non-EU Member State), and (iii) is subject to tax as listed in the Annex to the Parent-Subsidiary Directive without being exempt or having an option for exemption.

Dividends from current or retained earnings distributed by the Company to its shareholders are also exempt from Czech taxation if a shareholder is tax resident in Switzerland, Norway, Iceland or Liechtenstein under equivalent conditions to those described above for a parent company being a tax resident in an EU Member State.

The Czech participation exemption does not apply on dividends if either the parent company or the Company is exempt from corporate income tax or from similar tax, or is eligible to elect to be exempt from such tax, or is subject to such tax at a rate of 0%. The Czech participation exemption does not apply if a dividend were distributed by the Company in liquidation to a parent company that is a Czech tax resident or a tax resident in Switzerland, Norway, Iceland or Liechtenstein.

The Czech participation exemption does not affect taxation of distributions of share premium as described above.

3 Income taxation of disposals

3.1 Czech resident shareholders - individuals

Income from the sale of the Shares realized by a Czech tax resident individual is, unless exempt from tax, subject to Czech personal income tax at a progressive rate of 15% and 23% depending on the individual's applicable bracket (the threshold for the higher bracket is 36 times the average wage, amounting to CZK 1,582,812 in 2024). However, in the specific case of a Czech tax resident individual who holds the Shares as part of his/her business property (in Czech: *obchodní majetek*) the respective income is also subject to social security and health insurance levies. A shareholder is obliged to declare income realized from a sale of Shares in his/her Czech personal income tax return (subject to specific exceptions).

Under certain circumstances, a shareholder that holds the Shares as part of his/her business property and keeps accounting books in line with Czech accounting laws may be obliged to re-measure the Shares to fair value for accounting purposes, whereby the unrealized gains or losses would be accounted for as revenues or expenses, respectively. Such revenues are generally taxable and the corresponding expenses are generally tax effective.

Taxable income can generally be decreased by the tax basis of the Shares. Capital losses incurred by individuals are generally tax non-deductible. If an individual holds Shares as part of his/her business property and keeps accounting books in line with Czech accounting laws, a capital loss incurred upon the sale of the Shares can, under certain conditions, be tax deductible. A capital loss incurred on the sale of the Shares not held as part of his/her business property can be offset against gains on sales of other securities not held as business property realized in the same calendar year as long as the income from the sale of neither the Shares nor the securities is exempt from tax.

Income from the sale of the Shares realized by an individual is exempt from Czech personal income tax if the individual's aggregate gross income realized from the sale of securities does not exceed CZK 100,000 in that calendar year, provided that the Shares have never been held as part of his/her business property, or if so, the Shares are sold more than three years following the termination of his/her entrepreneurial (business) activities.

Income from the sale of the Shares realized by an individual is also exempt from Czech personal income tax if the period between the acquisition and the sale of the Shares exceeds three years, provided that the Shares have never been held as part of his/her business property, or if so, the Shares are sold more than three years following the termination of his/her entrepreneurial (business) activities (the **3-Year Exemption**).

Current and prospective shareholders should note that, effective as of 1 January 2025, income from the sale of the Shares realised by an individual and covered by the 3-Year Exemption will be exempt from Czech personal income tax only up to CZK 40,000,000 in a taxable year, whereas such financial limit will also include any (exempt) income from the transfer for consideration of a share in a business corporation (not represented by a security) in the relevant period.

Individuals that receive income exempt from Czech personal income taxation exceeding CZK 5.0 million are obliged to notify the Czech tax authorities of the amount of tax-exempt income (and relevant details) within the deadline for Czech personal income tax filing.

3.2 Czech resident shareholders—taxpayers other than individuals

Income from a sale of Shares realized by taxpayers other than individuals who are Czech tax residents is subject to Czech corporate income tax at 21%. A shareholder is obliged to declare income realized from the sale of the Shares in its Czech corporate income tax return. A participation exemption can apply under the Czech participation exemption rules (see section *XXI.3.5 Czech participation exemption—disposal* described below).

Czech resident shareholders who are subject to Czech accounting standards for entrepreneurs (i.e. most companies other than financial or insurance institutions) or to Czech accounting standards for financial institutions (including, in particular, banks) and who hold the Shares for the purposes of trading may be, under certain conditions, required to re-measure the Shares to fair value for accounting purposes, whereby the unrealized gains or losses would be accounted for as revenues or expenses, respectively. Such revenues are generally taxable and the corresponding expenses are generally tax deductible.

Capital loss realized by Czech resident shareholder who re-measures the Shares to fair value for accounting purposes (whether through profit and loss or balance sheet) is generally tax deductible. On the contrary, capital loss realized by Czech resident shareholder who does not re-measure the Shares to fair value for accounting purposes is generally tax non-deductible.

Notwithstanding the above, any loss realized by a Czech resident shareholder (including unrealized loss recognized in profit and loss) who qualifies for Czech participation exemption is tax non-deductible.

3.3 Non-Czech resident shareholders

The rules for taxation and tax exemption of income from the sale of the Shares realized by a Czech tax resident individual or a taxpayer other than individual generally apply in the same way to Non-Czech tax residents shareholder. In addition, a tax treaty may prevent taxation of such income in the Czech Republic.

3.4 Securing tax

In general, a Czech tax resident or a Czech tax non-resident acting through a Czech permanent establishment purchasing the Shares from a seller who is a resident for tax purposes outside the EU/EEA, is required, under his/her/its own responsibility, to withhold and to remit to the Czech tax authorities a securing tax at the rate of 1% from the (gross) purchase price. Such obligation can be eliminated under a tax treaty concluded between the Czech Republic and the country in which the seller is a tax resident or can be waived based on a decision of Czech tax authorities.

In general, the securing tax is creditable against the tax liability declared by a Czech tax non-resident in his/her/its annual Czech tax return.

3.5 Czech participation exemption—disposal

Income from a sale of Shares is exempt from Czech taxation if a parent company shareholder holds 10% or more of the registered share capital of the subsidiary (the Company) for at least 12 months without interruption. The 12-month holding period requirement can be met following the disposal. The definition of a parent company is provided in section *XXI.2.3 Czech participation exemption—dividend and decrease of registered share capital previously increased from profit* described above, and applies in the same way to income from a sale of Shares.

Income from a sale of Shares realized by a shareholder that is tax resident in Norway, Iceland or Liechtenstein is exempt from Czech taxation under equivalent conditions as described above for a parent company being an EU Member State tax resident.

The Czech participation exemption does not apply if either the parent company or the Company is exempt from corporate income tax or from similar tax, or is eligible to elect to be exempt from such tax, or is subject to such tax at a rate of 0%. The Czech participation exemption on income from a sale of Shares does not apply if the Company were in liquidation.

3.6 Czech gift and inheritance tax

Income from gift or inheritance is generally subject to Czech income tax (neither inheritance tax nor gift tax is levied by the Czech Republic). Nevertheless, income from inheritance is always exempt from tax. Unless exempt (e.g. gifts between direct relatives), free-of-charge transfers of the Shares are treated as taxable in-kind income of the transferees and are taxed as such. Accordingly, depending on whether the beneficiary is an individual or a taxpayer other than an individual, Czech personal income tax at the progressive rate of 15% and 23% depending on the individual's applicable bracket (the threshold for the higher bracket is 36 times the average wage, amounting to CZK 1,582,812 in 2024) or Czech corporate income tax at the rate of 21% applies.

Withholding tax generally applies if the Shares are transferred on a free-of-charge basis by a transferor who is a Czech tax resident or a Czech tax non-resident acting through a Czech permanent establishment (to which the Shares are attributable) to a Czech tax non-resident not acting through a Czech permanent establishment (the tax rate is 15% or 35% based on the same principles explained above). The securing tax at the rate of 10% applies in case of a transferee who is a resident for tax purposes outside the EU/EEA and who is acting through a Czech permanent establishment. The relevant tax treaty (if any) may modify this tax treatment.

3.7 Other Czech taxes

No Czech transfer tax, VAT, stamp duty or any other similar tax or duty is payable in the Czech Republic in respect of or in connection with the acquisition, holding and disposal of the Shares.

3.8 Certain United States Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders and Non-U.S. Holders (each as defined below) acquiring, holding and disposing of the Shares. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the **Code**), final, temporary and proposed U.S. Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, as well as on the income tax treaty between the United States and the Czech Republic (the **Treaty**), all of which are subject to change, possibly with retroactive effect.

This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation):

(a) financial institutions;

(b) insurance companies;

(c) traders or dealers in stocks, securities, currencies or notional principal contracts;

(d) regulated investment companies;

(e) real estate investment trusts;

(f) tax-exempt organisations;

(g) entities or arrangements that are treated as partnerships or pass-through entities for U.S. federal income tax purposes or persons that hold Shares through such entities or arrangements;

(h) holders that own (directly, indirectly or constructively) 10 per cent or more of the stock by vote or value of the Company;

(i) investors that hold Shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes;

(j) U.S. Holders that have a functional currency other than the U.S. dollar; and

(k) U.S. expatriates and former long-term residents of the United States,

all of whom may be subject to tax rules that differ significantly from those summarised below.

This summary also does not address tax consequences applicable to holders of equity interests in a holder of the Shares, U.S. federal estate, gift, Medicare contribution or alternative minimum tax considerations or non-U.S., state or local tax considerations. This summary only addresses investors that will acquire Shares in the Admission, and it assumes that investors will hold their Shares as capital assets (generally, property held for investment).

For the purposes of this summary, a **U.S. Holder** is a beneficial owner of Shares that is for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation created in, or organised under the laws of, the United States or any state thereof, including the District of Columbia; (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or (iv) a trust subject to the control of one or more U.S. persons and under the primary supervision of a U.S. court or that has validly elected to be treated as a domestic trust for U.S. federal income tax purposes. A **Non-U.S. Holder** is a beneficial owner of Shares that is neither a U.S. Holder nor a partnership.

If a partnership (including an entity or arrangement treated as a partnership or pass-through entity for U.S. federal income tax purposes) holds Shares, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Any such partner or partnership should consult their tax advisers as to the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of Shares.

3.9 Distributions

Subject to the passive foreign investment company (**PFIC**) rules discussed below, a distribution made by the Company (including the amount withheld in respect of Czech withholding taxes) on the Shares generally will be treated as a dividend includible in the gross income of a U.S. Holder as ordinary income to the extent of the Company's current and accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent the amount of such distribution exceeds the Company's current and accumulated earnings and profits as so computed, the distribution will be treated first as a non-taxable return of capital to the extent of such U.S. Holder's adjusted tax basis in the Shares and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as gain from the sale of such shares. The Company does not expect to maintain calculations of earnings and profits for U.S. federal income tax purposes. Therefore, a U.S. Holder should expect that such distribution will generally be reported as a dividend. In addition, such dividends will not be eligible for the dividends received deduction allowed to U.S. corporations with respect to dividends received from other U.S. corporations.

Dividends received by individuals and certain other non-corporate U.S. Holders should be taxed at the preferential rate applicable to qualified dividend income if (i) the Company qualifies for the benefits of the Treaty, (ii) the Company is not classified as a PFIC (as discussed below) in the year of distribution or the preceding year, and (iii) the holder has held the Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. Although it cannot provide assurances to this effect, and its circumstances could change, the Company currently expects to be eligible for the benefits of the Treaty provided that there is substantial and regular trading of the Shares on the PSE for purposes of the Treaty.

Dividends on the Shares generally will constitute income from sources outside the United States and will generally constitute "passive category income" for foreign tax credit limitation purposes. The amount of any distribution of property other than cash will be the fair market value of the property on the date of the distribution. A U.S. Holder generally will be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or to a deduction, if elected, in computing its U.S. federal taxable income, for non-refundable Czech income taxes withheld from dividends not exceeding the applicable rate under the Treaty. The rules relating to the determination of the U.S. foreign tax credit are complex, and U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit in their particular circumstances and the possibility of claiming a deduction (in lieu of the foreign tax credit) for any foreign taxes paid or withheld. An election to deduct foreign taxes instead of claiming foreign tax credits must apply to all foreign taxes paid or accrued in the taxable year.

The U.S. dollar value of any distribution made by the Company in non-U.S. currency must be calculated by reference to the exchange rate in effect on the date of receipt of such distribution by the U.S. Holder, regardless of whether the non-U.S. currency is in fact converted into U.S. dollars. If the non-U.S. currency so received is converted into U.S. dollars on the date of receipt, such U.S. Holder generally will not recognise foreign currency gain or loss on such conversion. If the non-U.S. currency so received is not converted into U.S. dollars on the date of receipt, such U.S. Holder will have a basis in the non-U.S. currency equal to its U.S. dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the non-U.S. currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

3.10 Sale or other Disposition

Subject to the PFIC rules discussed below, a U.S. Holder generally will recognise gain or loss for U.S. federal income tax purposes upon a sale or other disposition of its Shares in an amount equal to the difference between the amount realised from such sale or disposition (including the amount of Czech tax withheld, if any) and the U.S. Holder's adjusted tax basis in such Shares, in each case as determined in U.S. dollars. Such gain or loss generally will be capital gain or loss and will be long-term capital gain (taxable at a reduced rate for non-corporate U.S. Holders, such as individuals) or loss if, on the date of sale or disposition, such Shares were held by such U.S. Holder for more than one year. The deductibility of capital loss is subject to significant limitations. Such gain or loss realised generally will be treated as derived from U.S. sources.

A U.S. Holder that receives non-U.S. currency from a sale or disposition of Shares generally will realise an amount equal to the U.S. dollar value of the non-U.S. currency on the date of sale or disposition or, if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the Shares are treated as being traded on an "established securities market" for this purpose, the settlement date. If the Shares are so treated and the non-U.S. currency received is converted into U.S. dollars on the settlement date, a cash basis or electing accrual basis U.S. Holder will not recognise foreign currency gain or loss on the conversion. A non-electing accrual basis U.S. Holder may be required to recognise foreign currency gain or loss on the conversion attributable to changes in the relevant exchange rate between the date of sale or disposition and the settlement date. If the non-U.S. currency received is not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in the non-U.S. currency equal to the U.S. dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the non-U.S. currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. In the case of a sale or other disposition of Shares that is subject to Czech tax, because the Treaty provides for a zero rate on capital gains a U.S. Holder will not be able to claim a foreign tax credit (and will not be able take a deduction) for that Czech tax. U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit in their particular circumstances.

3.11 Passive Foreign Investment Company Rules

In general, a corporation organised or incorporated outside the United States is a PFIC in any taxable year in which either: (a) at least 75 per cent of its gross income is classified as "passive income"; or (b) at least 50 per cent of the average value (generally determined on a quarterly basis) attributable to its assets produce or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions. For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25 per cent by value of the stock of another corporation is treated as if it held its proportionate share of the assets of such other corporation and received directly its proportionate share of the income of such other corporation.

Based on the present nature of its activities, including the Admission, and the present composition of its assets and sources of income, the Company believes that it was not a PFIC for the year ended on 31 December 2019 and does not expect to become a PFIC for the current year or for any future taxable year. There can be no assurances, however, that the Company will not be considered a PFIC for any particular year because PFIC status is factual in nature, generally cannot be determined until the close of the taxable year in question, and will depend on, among other things, the ownership and the composition of the income and assets, as well as the market value of the assets, of the Company and its subsidiaries from time to time. If the Company is classified as a PFIC in any year that a U.S. Holder is a shareholder, the Company generally will continue to be treated as a PFIC for that U.S. Holder in all succeeding years, regardless of whether the Company continues to meet the income or asset test described above. If the Company were a PFIC in any taxable year, U.S. Holders could be subject to materially negative U.S. tax consequences, including but not limited to special tax rules relating to dividends and certain distributions and gains on sale as well as additional tax reporting obligations. U.S. Holders should consult their own tax adviser about the application of the PFIC rules.

3.12 Non-U.S. Holders

Subject to the backup withholding rules described below, a Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any distributions made on the Shares or gain from the sale, redemption or other disposition of the Shares unless:

(a) that distribution and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States; or

(b) in the case of any gain realised on the sale or exchange of Shares by an individual Non-U.S. Holder, that Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

3.13 U.S. Information Reporting and Backup Withholding Tax

Payments in respect of the Shares may be subject to information reporting unless the U.S. Holder establishes that payments to it are exempt from these rules. Payments that are subject to information reporting may be subject to backup withholding if a U.S. Holder does not provide its taxpayer identification number and otherwise comply with the backup withholding rules. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a U.S. Holder's U.S. federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is timely provided to the U.S. Internal Revenue Service.

Certain U.S. Holders that own "specified foreign financial assets" that meet certain U.S. dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Shares generally will constitute specified foreign financial assets subject to these reporting requirements unless the Shares are held in an account at certain financial institutions. Penalties can apply if U.S. Holders fail to satisfy such reporting requirements. U.S. Holders are urged to consult their tax advisors regarding the application of these or other disclosure requirements to their ownership of the Shares.

XXII. INDEX

XXIII. GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this Prospectus in connection with the Group and the Group's business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

Assault rifle	any type of the self-loading automatic or semi-automatic rifles with detachable magazine chambered in intermediate cartridge. Primarily designed for military or commercial use depending on the region-specific legislation (in Czech: *útočná puška*).
Bolt-action	type of firearm action where the handling of cartridges into and out of the barrel chamber is operated by manually manipulating the bolt directly via a handle.
Break-action	type of firearm action in which the barrel is hinged and rotate perpendicularly to the bore axis to expose the breech and allow loading and unloading of cartridges.
Centrefire rifle	a rifle loaded with cartridges which have a primer located in the centre of the cartridge case head.
Handguns	pistols and revolvers.
Locked breech	one of the wide-spread designs of firearm mechanisms used to slow down the opening of the breech to ensure flawless function.
Long guns	all firearms except pistols and revolvers.
Magazine-fed	a firearms' design in which ammunition is drawn from a magazine.
MIM	Metal injection moulding is a metalworking process in which finely-powdered metal is mixed with binder material to create a "feedstock" that is then shaped and solidified using injection moulding. The moulding process allows high volume, complex parts to be shaped in a single step.
Rimfire rifle	a rifle in which the firing pin strikes the rim of the cartridge case to ignite the primer.
Small arms/guns	pistols or revolvers.
Striker-fired	one of the most common pistol fire-action systems that eliminated the use of the hammer. Striker-fired pistols use a spring that provides energy to the firing pin that initiates the cartridge primer.
Submachine gun	self-loading automatic or semi-automatic firearm with detachable magazine commonly chambered in pistol cartridges. Primarily designed for military and law enforcement use. Depending on region-specific legislation available for commercia use in semi-auto variants.
Tactical accessories	firearms accessories, tactical and ballistic equipment and apparel.
Type 1911	One of the most wide-spread hammer fired pistol mechanisms based on a Colt 1911 pistol.

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