

ANNUAL FINANCIAL REPORT for 2024

This document is an unofficial transcription of the official version of the Annual Financial Report of Colt CZ Group SE for the year 2024, which was prepared in the XHTML format in accordance with the European Single Electronic Format (ESEF) Regulation. The official version of the Annual Financial Report of Colt CZ Group SE for the year 2024 is available on <https://www.coltczgroup.com/en/investors-financial-results-and-presentations/>

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1. IN BRIEF

1.1 About the Company

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

After its stock exchange listing in 2020, the Group experienced significant expansion. In 2021, the Group added to its existing production in Česká zbrojovka a.s. („CZUB“ or „Česká zbrojovka“) in the Czech Republic also the US firearms manufacturer Colt’s Manufacturing Company LLC in the USA and its Canadian subsidiary Colt Canada Corporation (“Colt Canada”). In 2022, the Company completed an acquisition of the Swedish manufacturer of optical mounting solutions, Spuhr i Dalby AB (“Spuhr”). In 2023, it purchased swissAA Holding AG (“swissAA”), the Swiss producer of small caliber ammunition. In May 2024, it also closed the acquisition of Sellier & Bellot, a traditional Czech manufacturer of ammunition that is ranked among the oldest engineering companies in the Czech Republic and worldwide. The company’s production portfolio also includes a wide range of hunting and sporting ammunition.

As at 31 December 2024, Colt CZ had an average FTE headcount of 3,244 employees. Colt CZ Group has its registered office in the Czech Republic and manufacturing capacities in the Czech Republic, the United States, Canada, Sweden, Switzerland, and Hungary.

As of 31 December 2024, the majority shareholder was Česká zbrojovka Partners SE with a 51.8% stake, CBC Europe S.à r.l. („CBC“) held a 24.3% stake, and 23.8% was free float. Colt CZ’s shares are traded on the Prime Market of the Prague Stock Exchange.

1.2 Key financial indicators in 2024

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

(CZK '000)	For the year ended 31 December		Change in %
	2024	2023	
Revenues from the sale of own products, goods, and services	22,375,792	14,855,581	50.6%
Firearms and accessories segment¹	15,493,127	14,855,581	n/a
Ammunition segment¹	6,970,734	–	n/a
Operating profit	2,001,018	1,861,966	7.5%
EBITDA	3,479,842	2,663,687	30.6%
Adjusted EBITDA ²	4,598,864	3,048,379	50.9%
Profit before tax	1,379,838	2,509,562	(45.0%)
Profit for the period	1,044,575	2,042,538	(48.9%)
Adjusted profit for the period ³	1,933,205	2,049,742	(5.7%)
Net earnings per share (CZK per share)			
Basic	22	58	(61.9%)
Diluted	22	58	(61.9%)
Adjusted ³	40.6	58	(29.8%)

Consolidated statement of financial position (audited)

(CZK '000)	As at		Change in %
	31 December 2024	31 December 2023	
Total assets	46,032,198	25,976,756	77.2%
Total equity	20,028,429	9,274,846	115.9%
Total liabilities	26,003,769	16,701,910	55.7%
Total liabilities and equity	46,032,198	25,976,756	77.2%

¹ As of December 31, 2023, the Firearms and accessories segment represented the Group's only segment/activity. The Group's other activities were considered not relevant as of December 31, 2023, as none of the Group's other activities exceeded 10% of revenue to external customers. As a result, a year-on-year comparison of segment revenues is not relevant.

² In 2024, EBITDA was adjusted by one-off items related to unrealized M&A expenses and legacy costs related to acquisitions, payments related to the employee stock option plan, one-off expenses connected with the acquisition of Sellier & Bellot – inventory step up and commodity hedging and expenses related to wasted investments, which are unrelated to operational performance and value creation in the given period. Adjusted EBITDA in 2023 for extraordinary one-time costs associated with realized and unrealized acquisitions and share-based payments associated with the employee option plan that are generally unrelated to the current period's results of operation and value creation. These one-time items are described in Chapter 9 - Alternative Performance Measures.

³ In 2024, net profit was adjusted by one-off items related to unrealized M&A expenses and legacy costs related to acquisitions, payments related to the employee stock option plan, one-off expenses connected with the acquisition of Sellier & Bellot – inventory step up and commodity hedging, expenses related to wasted investments and bank fees related with acquisition loan and financing cost related to bond issue, which are unrelated to operational performance and value creation in the given period. In 2023, net income was adjusted for extraordinary one-time costs associated with realized and unrealized acquisitions, share-based payments associated with the employee option plan, bond issue costs, and negative goodwill related to the bargain purchase of swissAA, that are generally unrelated to the current period's results of operation and value creation. A description of these on-off items is provided in Chapter 9 Alternative Performance Measures.

1.3 Key events in 2024

FEBRUARY 2024

Česká zbrojovka, a subsidiary of Colt CZ, signed an Agreement of Intent with Ukrainian state-owned Ukroboronprom for the assembly of the CZ BREN 2 rifles in Ukraine.

APRIL 2024

The President of the Czech Republic, Petr Pavel, visited the Česká zbrojovka factory in Uherský Brod as part of his two-day visit to the Zlín region of the country.

MAY 2024

Colt CZ successfully closed on its acquisition of 100% interest in Sellier & Bellot.

Colt CZ increased its share capital by CZK 1,347,644 by issue of 13,476,440 new book-entry shares. The shares were offered for a subscription to a pre-selected buyer, CBC, in connection with the acquisition of a 100% stake in Sellier & Bellot.

The Company increased its existing bond issue COLTCZ VAR/30, ISIN CZ0003550295 by 357 notes in the amount of CZK 1,071,000,000, resulting in the total aggregate nominal amount of CZK 3,000,000,000.

The Supervisory Board appointed Mr. Daniel Benasayag Birmann as an alternate member of the Company's Supervisory Board. Mr. Daniel Benasayag Birmann was nominated for this position by CBC.

JUNE 2024

The General Meeting of the Company outside its meeting (decision per rollam) decided on the distribution of profits for the year 2023 and dividend payment of CZK 30 per share before tax. Shareholders had the choice of whether or not to receive a share of profit in the form of new shares in the Company.

Colt CZ increased its share capital by CZK 173,510 by issue of 1,735,100 new book-entry shares. The share capital was increased in connection with the performance of the Company's share option plan.

JULY 2024

As a part of the Czech Ukrainian intergovernmental consultations, two subsidiaries of Colt CZ Group SE signed contracts with the "Ukrainian Defense Industry" ("Ukroboronprom"): Sellier & Bellot and Ukroboronprom agreed to cooperate in the production of multiple types of small caliber ammunition in Ukraine.

Česká zbrojovka, following upon the Agreement of Intent with Ukroboronprom from February, signed a transfer of technology contract to produce CZ BREN 2 rifles in Ukraine

In the accelerated book-building ("ABB") process, certain employee shareholders of the Company sold 334,750 shares, representing approximately 0.6646% of the Company's current share capital, for CZK 650 per share.

AUGUST 2024

The Company announced the appointment of Mr. Radek Musil as member of the Board of Directors effective 1 August 2024.

The Company announced an increase of the Company's share capital by CZK 219,407.8 by issue of 2,194,078 new book-entry shares. The issue price of one new share was set at CZK 570. The capital increase and subscription of new shares was related to the dividend payout in the form of new shares in the Company based on the prior choice made by shareholders.

OCTOBER 2024

The Company successfully completed ABB of 3,900,000 new registered book-entry shares at the price of CZK 575 per share. The transaction volume of CZK 2.24 billion (approx. EUR 90 million) was the largest ABB on the Czech capital market since 2016.

NOVEMBER 2024

On the occasion of this year's Veterans Day, which is observed annually on 11 November, the Group's CEO, Jan Drahota, presented a symbolic check for CZK 430,000 to the Chief of the General Staff of the Czech Armed Forces, Lieutenant General Karel Řehka. The funds were allocated to the Military Solidarity Fund.

DECEMBER 2024

The Company announced the separation of the roles of Group CEO and Chairman of the Board of Directors. Jan Drahota will continue to serve as Chairman of the Board of Directors of Colt CZ. Radek Musil, the current CEO of Sellier & Bellot, will become the new CEO of Colt CZ.

1.4 Letter from the Chairman of the Board of Directors

Dear Shareholders,

2024 was a year of profound change - both in the world and within our industry. At a time when the global security environment is becoming increasingly unpredictable, when tensions are rising in Europe, the Middle East, and Asia, and when investments in defense and sovereignty are becoming more important, Colt CZ Group confirms its role as a stable and trusted partner for states, institutions, and individuals.

In this context, our historic decision to systematically increase the share of sales to military and law enforcement around the world is proving to be strategically crucial. We have long believed that sustainable growth cannot be built on the commercial market alone. Our current focus on the defense sector, diversification, and collaboration with government partners is one of the main pillars of our stability, relevance, and future development.



Foto: Michael Tomeš

In 2024, we pursued this strategy across the entire Group. We collaborate with military and law enforcement in Europe, including Ukraine, as well as in North America and Asia. We are part of the security system and take this role seriously.

At the same time, we have been able to grow, expand, integrate new acquisitions, and introduce innovations that take our brands and product portfolios a step further. The results we are proud to present to you today are proof that Colt CZ Group's strategy is working and delivering real value not only to our customers but also to our shareholders.

Financial performance of the Group

The Group's revenue reached CZK 22.38 billion, representing a y-o-y increase of 50.6%. This growth was driven both organically—mainly by higher sales of long firearms in the firearms segment—and by the acquisition of Sellier & Bellot, which was included in our consolidated results as of 16 May 2024.

Adjusted EBITDA net of extraordinary items rose by 50.9% to CZK 4.60 billion. On a pro forma basis, 2024 performance was in line with our medium-term ambition set in 2021 to achieve revenues of €1 billion and EBITDA of €200 million by the end of fiscal 2025.

However, y-o-y, we recorded a 5.7% decline in adjusted net profit, mainly due to higher interest expenses related to financing of the acquisition. Effective cost management and profitable growth remains one of our priorities for 2025 and beyond.

Capital policy with an emphasis on value

Based on the results achieved, we will propose the distribution of net profit in the form of a combination of a dividend and a share buyback program to the General Meeting. Approximately CZK 847 million will be paid as a dividend of CZK 15 per share, with an equal amount allocated to share buybacks.

This balanced approach reflects our long-term commitment to the creation of shareholder value - not only through regular dividend payments and share buybacks, but also through the growth of value for the company as a whole.

In 2024, Colt CZ Group's market capitalization on the Prague Stock Exchange increased by more than CZK 16 billion, confirming the market's confidence in our strategy, performance, and potential for further growth.

Sellier & Bellot: A strategic milestone

We consider completion of the acquisition of Sellier & Bellot to be one of the most important milestones in the Group's history. We have acquired a strong brand with a two-century tradition that brings a number of synergies in the area of production, research, and international trade.

The transaction was financed by a combination of equity and debt capital. In May, we issued 13.5 million new shares to cover part of the purchase price and acquired a major partner - CBC Europe S.à r.l.

This was followed in October by a successful accelerated subscription of 3.9 million shares for a volume of CZK 2.24 billion. It was the largest offering of this type of shares on the Prague Stock Exchange since 2016. At the same time, we increased our bond issue by CZK 1 billion to optimize our capital structure.

Innovation, localization, sustainability

In 2024, we launched the third generation CZ BREN rifle, new Colt revolvers, and new types of Sellier & Bellot ammunition, which included the IR-DIM Tracer for the armed forces and Exergy lead-free bullets for the commercial segment.

We have also significantly strengthened our production capacity and transfer of technology capability. Colt CZ Defence Solutions successfully transferred the production of hand grenades from Austria to the Czech Republic, Sellier & Bellot continued to automate their production processes, and Colt CZ Hungary started mass production of CZ P-10 C service pistols.

Spuhr mounts and 4M tactical equipment were part of deliveries to armed forces in Kosovo and Spain. The EG-CZ Academy, under the leadership of Eric Grauffel, served over 2,500 customers from all over the world and held more than 2,000 courses for professionals and individuals.

Defense support and cooperation with Ukraine

Our technologies and products support armed forces in more than 80 countries around the world, including Ukraine. In 2024, we began assembling CZ BREN 2 rifles directly on Ukrainian territory in cooperation with the local defense industry and Sellier & Bellot is making preparations to supply technology for domestic production of small-caliber ammunition.

We believe that security, resilience, and interoperability are not only key for our customers, but for the entire free world. And we are proud to be part of it.

New leadership, an ongoing vision

As of 1 January 2025, there has been a change in top management. Radek Musil, former CEO of Sellier & Bellot, became the new CEO of Colt CZ Group. Radek comes with a strong management background, the trust of the team, and a deep knowledge of the industry.

As Chairman of the Board, I will continue to focus on strategic development, opportunities for growth, and fulfilling the long-term vision of the entire Group.

An ambitious outlook, a shared future

Our ambitions for 2025 are clear: revenues of over CZK 25 billion and EBITDA growth of over CZK 5.5 billion. We want to further

increase efficiency, modernize production, and build strong international brands with long-term added value.

We could not have achieved these results without the extraordinary commitment of our people. My sincere thanks to all employees in the Czech Republic, the United States, Canada, Switzerland, Sweden, Hungary, and other countries.

And thank you, valued shareholders, for your trust. In 2024, you have not only affirmed this trust through your participation in our financing, but also through our growing market capitalization. We are committed to continuing to work hard to meet - and exceed - your expectations.

Respectfully,



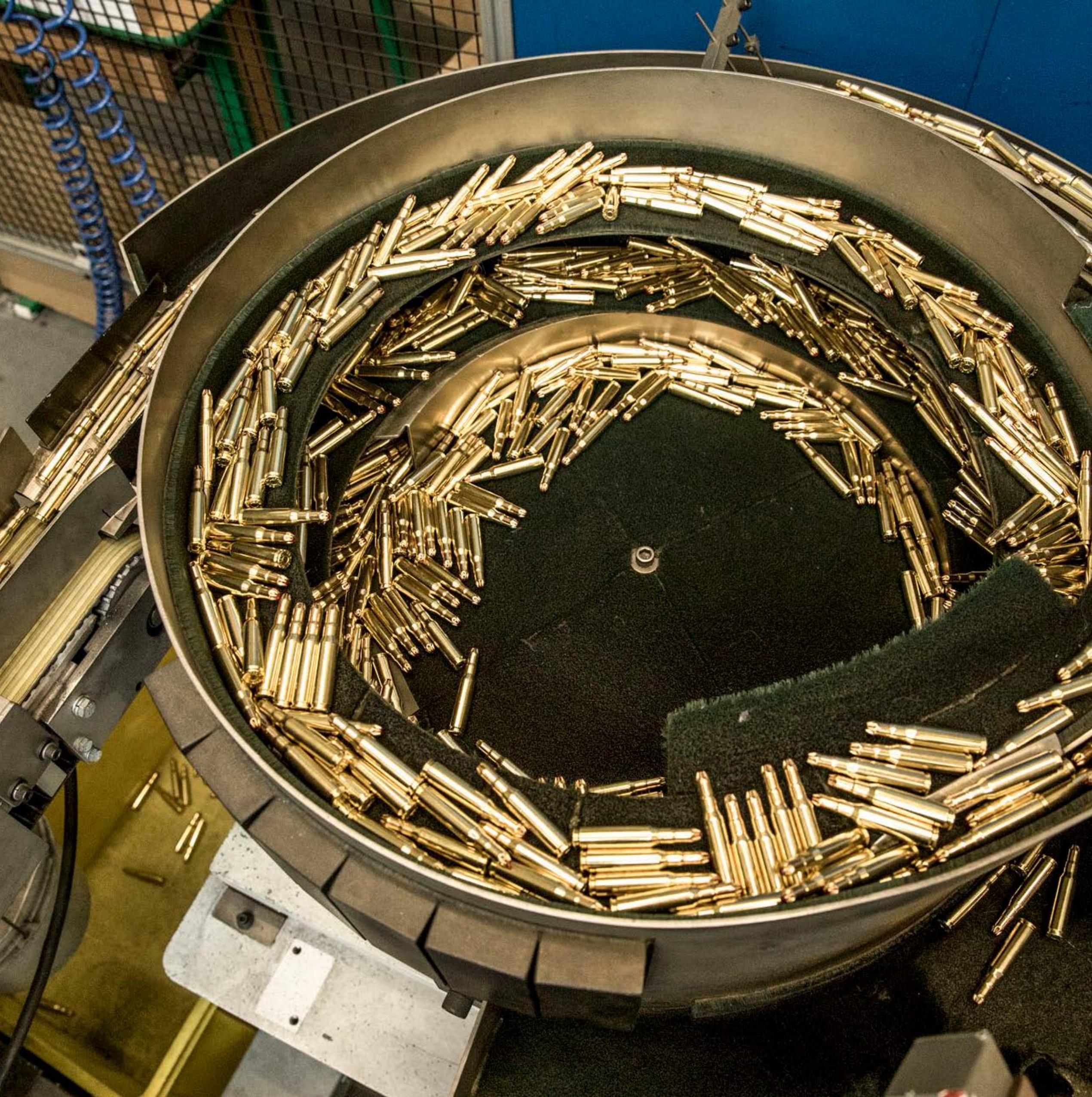
Jan Drahota

Chairman of the Board of Directors
of Colt CZ Group

Sellier & Bellot®

Sellier & Bellot, founded in **1825** and located in Vlašim, Czech Republic, is one of the oldest and largest small-caliber ammunition manufacturers in the world, celebrating its **200th anniversary** this year. S&B has been able to constantly adapt and innovate throughout its rich history, as demonstrated by its wide range of products for the Military & Law Enforcement segment, as well as the commercial market, with 90% of its production exported to dozens of countries on several continents. The company holds a leading position as a main supplier for MIL/LE customers in Europe, further solidifying its reputation for quality and reliability. S&B is also proud of its in-house capability to produce manufacturing machines and all ammunition components, except for gunpowder.

Its most recent innovations include exciting new products for both commercial and MIL/LE customers. The **Exergy** line offers premium options for hunters searching for lead-free bullets. **Exergy BLUE** is designed for high accuracy at longer distances, and the latest evolution, **Exergy EDGE**, features a unique mushrooming effect for optimal transfer of energy. **Exergy Defense** cartridges with lead-free bullets, originally developed for law enforcement, provide controlled expansion and maximum stopping power. Additionally, the patented **IR-DIM Tracer** revolutionizes tactical operations with a tracer round that is only visible through night vision goggles, ensuring complete stealth and operational advantage.



2. BUSINESS & STRATEGY

2.1 Firearms

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

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

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

Small arms

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

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

Long firearms

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

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

The following table sets forth a breakdown of firearm units by type that were sold in 2024 and 2023 by the Group:

Units	2024	2023	change in %
Long firearms	280,706	247,520	13.4%
Small firearms	353,033	373,690	(5.5%)
Total firearms	633,739	621,210	2.0%

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

In December 2022, the Group signed a joint venture agreement with the Hungarian state company N7 Holding Ltd. In May 2023, the JV was incorporated under the legal name Colt CZ Hungary Zrt. Colt CZ owns a 51% stake in the JV and the Hungarian government owns a 49% stake.

The company is structured as a „non full-function Joint Venture“, where all products are only sold to companies of both shareholders. Thus, the JV does not directly enter the end market. The JV is responsible for operation of the production facility. The technologies and production premises are leased for a period of ten years, with the possibility of extension. Management of the company is under the responsibility of the Group, with delivery of orders the responsibility of both shareholders. The long-term strategic goal of the joint venture is to boost the Group's sales by producing military long arms and service pistols, and fulfil Hungary's strategic interest of locating the production of small arms in Hungary.

The core of the production program is the production of CZ BREN 2 rifles and CZ P-09/P-07 and CZ P-10 service pistols. The production plant also serves as a supplier of semi-finished products for production in the Czech Republic, the USA and Sweden.

2.2 Ammunition

In May 2024, Colt CZ finalized the acquisition of the 100% interest in Sellier & Bellot.

Sellier & Bellot is a traditional Czech manufacturer of small caliber ammunition and ranks among the oldest engineering companies in the Czech Republic, as well as worldwide. The company's products have been manufactured under its trademark since 1825. The company's product portfolio includes a wide range of hunting and sporting ammunition, together with components for pistols, revolvers, rifles, and shotguns, as well as rimfire primers.

Sellier & Bellot is also a major supplier of small caliber ammunition to military and law enforcement customers worldwide. Most of the production is exported, with the largest markets being the United States and Europe. Modern technologies used in all stages of production guarantee products of the highest quality.

Sellier & Bellot's activities also include the development and production of ammunition machines and tools. For many years, the company has been engaged in the development of machines that precede their actual production. This activity is based on the experience gained over decades which the company acquired from internal orders in ammunition operations and also from orders for external customers from the ammunition and engineering sectors. The main direction of development has historically been focused on single-purpose production machines, which is followed by the development and production of modern special machines and lines.

swissAA

Since 2023, the Group has been able to offer ammunition through its subsidiary swissAA, specifically 5.56 mm, 7.62 mm, 9 mm, and 12.7 mm cartridges, as well as 40 mm grenade launcher ammunition, with all products designed primarily for M/LE customers. swissAA is a producer of ammunition and law enforcement technology. It is based in Switzerland and is a partner of the Swiss, Belgian, German, and other armed forces.

Mk 47 system

The Company owns IP rights for the Mk 47 40mm Advanced Lightweight Grenade Launcher system. The Mk 47 is a lightweight 40mm automatic grenade launcher with an integrated fire control system, capable of functioning as a standard automatic grenade launcher or as a programmable unit with airburst capability at a specified altitude. The Mk 47 can be mounted on a tripod, vehicle, aircraft, or watercraft. The Mk 47 can launch smart programmable 40mm air burst grenades through in-bore or radio frequency (RF) programming, in addition to various unguided point impact rounds. The Mk 47 fires all NATO standard high velocity 40mm rounds, providing firepower against soft and lightly armored targets.

Delivery of hand grenades to the Army of the Czech Republic

Since August 2024, the subsidiary Colt Defence Solutions has delivered one-hundred thousand hand grenades to the Army of the Czech Republic as part of the transfer of technologies for the production of hand grenades from Rheinmetall Waffe Munition ARGES GmbH to the Czech Republic. In the framework agreement concluded the previous year, Colt CZ Defence Solutions made the commitment to transfer part of the production and assembly directly to the Czech Republic, in agreement with the Austrian branch of Rheinmetall, Rheinmetall Waffe Munition ARGES GmbH. Colt CZ Defence Solutions has fulfilled all requirements for the transfer of production of hand grenades set out in the contract with the Ministry of Defence of the Czech Republic. The share of technology transfer reached 58% of the required 50%.

2.3 Markets and customers

The Group supplies its products to over 90 countries all over the world. The main markets, according to customer categories, are the military and law enforcement market and the commercial market.

2.3.1 Military and law enforcement market

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

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

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

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

- ▶ Military and law enforcement: Australia, Canada, the Czech Republic, Denmark, Hungary, Jordan, Malaysia, the Netherlands, New Zealand, Poland, Portugal, Austria, Romania, Slovakia, Sweden, Switzerland, Spain, Thailand, Ukraine, the United Kingdom, and the USA including NSPA⁴.
- ▶ Police and border services: Albania, Belgium, Brazil, Finland, France, Denmark, Canada, Chile, Colombia, the Czech Republic, Germany, Norway, Greece, Indonesia, Israel, Kenya, Malaysia, Mexico, Poland, Romania, Singapore, Slovakia, Sweden, Spain, Taiwan, Thailand, Vietnam, and the USA.
- ▶ Special units and forces: Canada, France, Indonesia, Italy, Portugal, the United Kingdom, and the USA.

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

PROJECTS RELATED TO HELP FOR UKRAINE

The current security situation and the Russian invasion of Ukraine have brought the Group new opportunities with M/LE customers.

In July 2024, two subsidiaries of Colt CZ Group SE signed contracts with the "Ukrainian Defense Industry" ("Ukroboronprom"): Sellier & Bellot and Ukroboronprom agreed to cooperate in the production of multiple types of small caliber ammunition in Ukraine. Česká zbrojovka, following upon the Agreement of Intent with Ukroboronprom from February, signed a transfer of technology contract to produce CZ BREN 2 rifles in Ukraine. Foundations of these projects were laid at the First International Defense Industry Forum (DFNC1), which took place in Kyiv in September 2023, being a collaborative effort by the Ukrainian Ministry of Strategic Industries, Ministry of Defense, and Ministry of Foreign Affairs, drawing participation from 252 companies across more than 30 countries.

⁴ NATO Support and Procurement Agency

2.3.2 Commercial market

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

Distribution

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

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

2.4 Acquisition strategy

The Group plans to continue its expansion in key segments for the development and production of traditional firearms, weapon systems, and ammunition via further acquisitions. Its goal is to extend the Groups' scope of business from a product and geographic point of view, especially in the area of deliveries to the M/LE segment, such as army and police forces. The Group continues to look for acquisition opportunities in related areas, especially those with a high degree of modern technologies, such as optics, optoelectronics, and other modern firearm accessories. An emerging trend the Group monitors is the introduction of autonomous weapon systems and remotely controlled weapon stations within M/LE units. In the commercial market segment, the Group continues to pursue acquisition opportunities that include non-lethal and less lethal weapons.

2.5 Overview of research and development activities

Technology and innovation are crucial to the Group's business success and drive everything we do. We carry out research and development (R&D) activities at each of our brands, with global coordination and with the aim of creating new products

and services for customers who demand innovative and reliable products for the most demanding missions. Advancement of our research and development activities – whether independently or in cooperation with partners – is one of our highest priorities.

The Group actively invests in R&D to expand its product portfolio, while continuously introducing new, innovative products, shortening the innovation cycle, and launching products with the most advanced technologies and functions in their respective categories. In 2024, the Group's research and development expenditures amounted to approximately CZK 332 million.

The core of our R&D activities is an experienced team of experts. In 2024, an average of 139 employees worked in research and development and other technical areas related to these activities. These are largely employees of the Group's firearm production subsidiaries (Uherský Brod, West Hartford, Kitchener). Other R&D teams focus on the development of innovative solutions in the field of ammunition (swissAA in Dulliken) and accessories (both Spuhr and Dalby in Löddeköpinge, Sweden). The Colt CZ Group is also a stakeholder in the research company CARDAM, which is co-owned by the Institute of Physics of the Academy of Sciences of the Czech Republic and provides the Group with access to the cutting-edge scientific knowledge, especially in the area of research and development of materials.

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

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

The core competencies of the Group's R&D include:

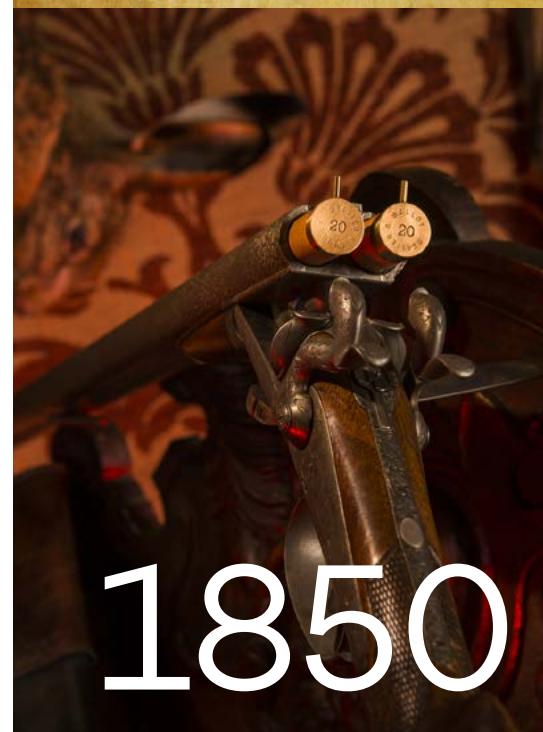
- ▶ Product development with an emphasis on added value for the customer. When developing products, we try to make maximum use of synergies in the form of platformization and a high degree of product modularity, enabling the rapid expansion of our product lines with new models.
- ▶ Development of procedures and algorithms for mathematical simulations with the aim of optimizing their properties and shortening the development process of new products, including the use of artificial intelligence (AI) resources in the research and development of new technologies and materials.
- ▶ Optimizing product design for new technological processes, such as additive manufacturing.
- ▶ Elements of the Industry 4.0 concept with a focus on the automatization of the production process. In this area, we share know-how between the Group's individual companies – for example, the Group's largest manufacturing companies take advantage of the unique experience of Spuhr for advanced automation projects.

200 YEARS OF SELLIER & BELLOT



ESTABLISHMENT OF SELLIER & BELLOT

Sellier & Bellot was founded on 5 August 1825 by two Frenchmen, Louis Sellier and Nicolas Bellot. At that time, Bellot was already a renowned expert in the production of percussion caps. Upon his arrival in Prague, he began producing percussion caps at a former vineyard estate at Parukářka in Prague, which had been purchased by the astute businessman Sellier.



1850

EXPANSION INTO RIMFIRE AND PINFIRE CARTRIDGES

In the mid-1850s, production expanded to include Flobert rimfire cartridges and Lefaucheux pinfire revolver cartridges. The French gunsmiths recognized that percussion priming paved the way for chamber-loaded cartridges, which combined the primer, propellant, and bullet into a single unit.



1923

CUSTOMIZED PRODUCTION FOR THE MILITARY AND POLICE

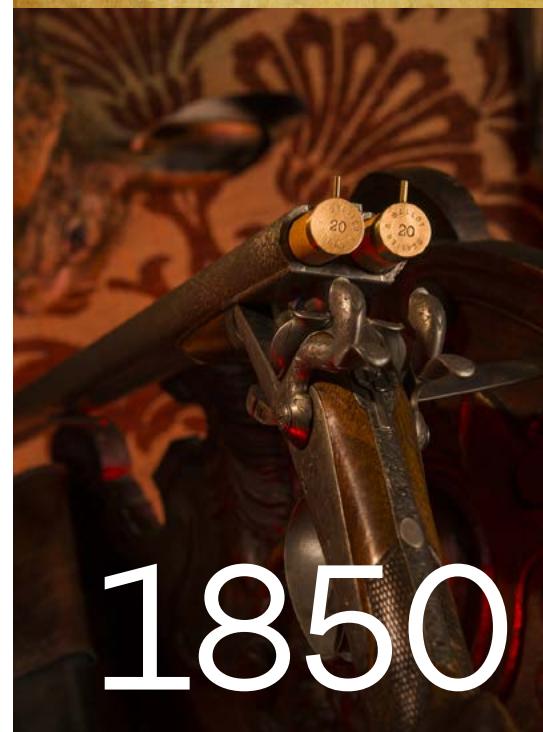
Sellier & Bellot, a trusted supplier for the armed forces, developed specialized military cartridges in close collaboration with the Czechoslovak military and police forces.



1835

INNOVATIONS IN MANUFACTURING AND THE HIGHEST DAILY CAP PRODUCTION IN EUROPE

Percussion caps have been a cornerstone of the company since its establishment. In the 1830s, Bellot invented a process to increase percussion cap production by simultaneously filling and pressing 100 caps at once. He also implemented a machine that cut roundel, drew a cap out of it, and cut it to the proper length in one operation. In 1835, the two Sellier & Bellot factories (located in Prague and Schönebeck) had the highest daily cap production capacity in Europe, if not the world.



1873

ESTABLISHMENT OF A JOINT STOCK COMPANY

On 10 March 1873, a notarial deed officially established the new joint-stock company, now named the Joint Stock Company for the Production of Primers, Ammunition, and Rings, formerly Sellier & Bellot.

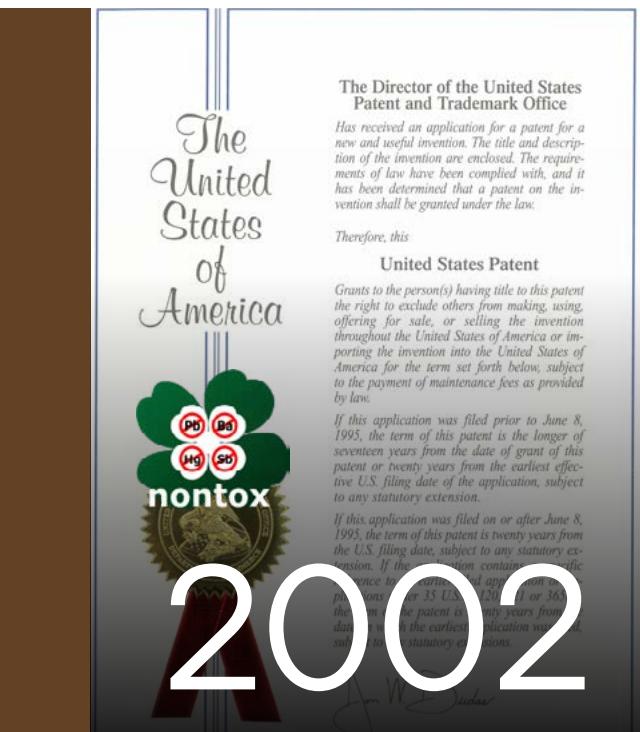
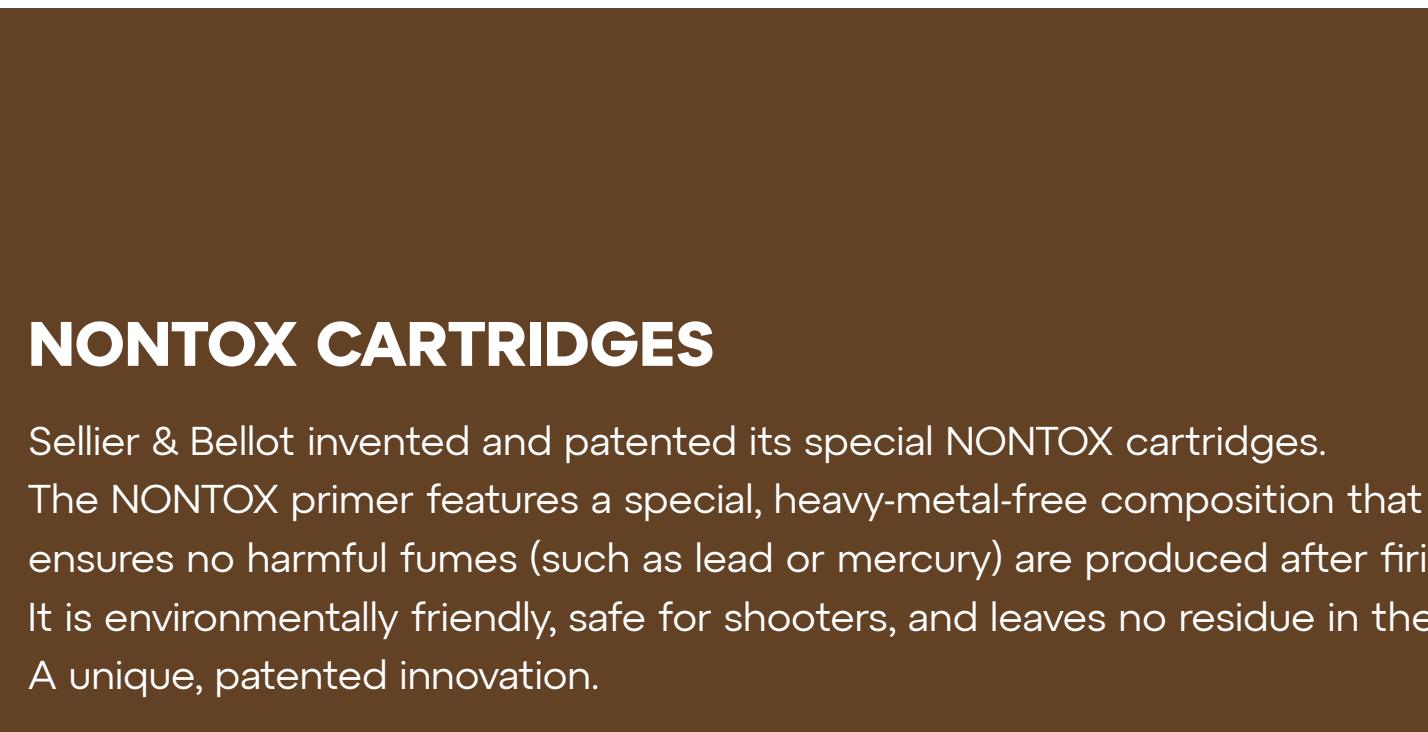


1936

RELOCATION OF FACTORY FROM PRAGUE TO VLAŠIM

As a result of the growing need to increase production capacity and the inability to further expand the manufacturing facilities at the Prague factory, Sellier & Bellot relocated to Vlašim in 1936.

200 YEARS OF SELLIER & BELLOT



MEETING NATO STANDARDS

Sellier & Bellot, a major manufacturer of military cartridges, successfully meets strict NATO standards. In 2005, the company was audited to ensure its quality system met AQAP (NATO standards) requirements and received certification for compliance with ČOS 051622 (AQAP 2010) and ISO 9001.



MEMBER OF CBC GROUP

In March 2009, Sellier & Bellot joined forces with CBC, a major global ammunition manufacturer from Brazil, marking a new chapter in its ownership.



ELITE SHOOTERS WIN WITH SELLIER & BELLOT SHOTGUN SHELLS

Elite shooters clinch top medals at prestigious world competitions, including the World Championships and the Olympics, using Sellier & Bellot shotgun shells.



EXPANDING PRODUCTION AND CONTINUOUS INNOVATIONS

Production continues to grow, with sales focused on the EU and USA. Its range of hunting and target ammunition is expanding with new calibers and lead-free bullets.



MEMBER OF COLT CZ GROUP

Sellier & Bellot became a member of Colt CZ Group SE, which, together with its subsidiaries, is one of the world's leading manufacturers of firearms and ammunition for the military and law enforcement, personal defense, hunting, sport shooting, and other commercial uses.

3. OVERVIEW OF FINANCIAL RESULTS

3.1 2024 Financial Review

Revenues

Compared to the results achieved in 2023, Group's revenues in 2024 increased by 50.6% to CZK 22.4 billion. The increase in sales was recorded especially in the military and law enforcement segment and also in the commercial segment in all key regions, including the US commercial market. Revenues were also positively affected by the consolidation of the acquisition of Sellier & Bellot from May 16, 2024.

Revenues generated in the Czech Republic in 2024 went up y-o-y by 68.9% to CZK 4.4 billion, driven by Mil/LE deliveries to the Czech Ministry of Defence, including hand grenades to the Czech Army and deliveries related to the aid for Ukraine, also and significantly by the consolidation of the acquisition of Sellier & Bellot. Revenues generated in the United States increased y-o-y by 41.1% to CZK 8.8 billion thanks to the consolidation of revenues of the acquisition of Sellier & Bellot from May 16., 2024, and higher sales of firearms conditions on the US commercial market, which however has not met the Company's expectations in terms of profitability. Revenues in Canada reached CZK 1.1 billion in 2024, down by 48.5% y-o-y due to a higher comparable base (one-off delivery to the Canadian government in connection with aid for Ukraine previous year) and seasonality of deliveries to the Canadian military and law enforcement customers. Revenues generated in Europe (excluding the Czech Republic) increased y-o-y by 219.7% to CZK 6.2 billion in 2024, thanks to the consolidation of revenues of acquisitions

in the ammunition segment, i.e., Sellier & Bellot from May 16, 2024, and swissAA in Switzerland acquired by the Group in 2023.

Revenues generated in Africa declined by 4.8% to CZK 177.0 million in 2024. Revenues generated in Asia declined y-o-y by 16.9% to CZK 940.3 million in 2024, as large sales to the military and law enforcement customers took place in the previous year. Colt CZ newly started reporting revenues for the Latin America region, where sales in 2024 amounted to CZK 573.9 million, which is 48.8% more y-o-y. Revenues from sales to other parts of the world reached CZK 77.5 million in 2024, down by 18.7% y-o-y.

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

(in CZK thousand)	FY 2024	FY 2023	Change in %	Share on total revenues 2024 in %
Czech Republic	4,425,720	2,621,059	68.9%	19.8%
USA	8,846,458	6,269,821	41.1%	39.5%
Canada	1,148,745	2,231,391	(48.5%)	5.1%
Europe (excl. the Czech Republic)	6,186,178	1,935,068	219.7%	27.6%
Africa	176,984	185,994	(4.8%)	0.8%
Asia	940,284	1,131,068	(16.9%)	4.2%
LATAM	573,949	385,842	48.8%	2.6%
Other	77,474	95,338	(18.7%)	0.3%
Total	22,375,792	14,855,581	50.6%	100.0 %

Overview of Financial Results

a. Firearms and accessories segment

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

In 2024, there was an increase of 2.0% y-o-y in the number of sold firearms, to 633,739 units. Higher sales of long firearms were recorded, which rose 13.4% y-o-y to 280,706 units, while sales of handguns recorded a slight decrease of 5.5% y-o-y. The Company is also registering some recovery in the US commercial market but not as strong as expected.

b. Ammunition segment

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

The ammunition segment includes revenues from its subsidiaries Sellier & Bellot (from May 16, 2024), swissAA, and the relevant part of revenues of Colt CZ Defence Solutions. In the newly reported ammunition segment, the Group achieved revenues of CZK 6.9 billion in 2024.

with the acquisition of Sellier & Bellot, i.e., inventory step-up and commodity hedging.

Profit (loss) before tax

Profit (loss) before tax of the Group decreased in 2024 by 45.0% y-o-y to CZK 1.4 billion, due to the impact of financial operations, cost associated to share based payment related to the employee stock option plan, the increase in depreciation and amortization related to the acquisition of Sellier & Bellot and the revaluation of inventory also related to this acquisition.

Overview of the firearm units sold by type:

In units	FY 2024	FY 2023	Change in %
Long firearms	280,706	247,520	13.4%
Handguns	353,033	373,690	(5.5%)
Total firearms	633,739	621,210	2.0%

Revenue from the firearms and accessories segment reached CZK 15.4 billion in 2024, primarily driven by higher sales of long guns and therefore, a favorable sales mix.

EBITDA and Adjusted EBITDA⁵

In 2024, EBITDA (including extraordinary items) increased by 30.6% to CZK 3.5 billion compared with the same period last year, primarily thanks to the organic sales growth, recovery of the US commercial market, a better sales mix of products with higher added value (higher share of orders from the military and law enforcement segment), as well as the consolidation of the acquisition of Sellier & Bellot from May 16, 2024.

The adjusted EBITDA amounted to CZK 4.6 billion in 2024, up 50.9% y-o-y. The most significant one-off items were expenses related to the employee stock option plan and one-off expenses connected

⁵ In 2024, EBITDA was adjusted by one-off items related to unrealized M&A expenses and legacy costs related to acquisitions, payments related to the employee stock option plan, one-off expenses connected with the acquisition of Sellier & Bellot – inventory step up and commodity hedging and expenses related to wasted investments, which are unrelated to operational performance and value creation in the given period. In 2023, EBITDA was adjusted by one-off items related to acquisitions and payments related to the employee stock option plan which are not related to operational performance and value creation in the given period.

Net profit / Adjusted Net profit⁶

In 2024, net profit decreased by 48.9% to CZK 1,044.6 million compared with the same period of last year, due to the impact of financial operations cost associated with share based payment related to the employee stock option plan, the increase in depreciation and amortization related to the acquisition of Sellier & Bellot and the revaluation of inventory also related to this acquisition.

In 2024, net profit adjusted for extraordinary items decreased by 5.7% to CZK 1.9 billion compared with the same period in 2023.

Investments

The Group's capital expenditures were CZK 921 million in 2024, down by 0.4% y-o-y. This represents a 4.1% share of the total revenues which is less than 2024 guidance, due to a shift of payments for some investments in Q1 2025. Approximately 63% of investments went to the Czech Republic, 24% to North America and the rest to subsidiaries in other countries, especially Switzerland.

Colt CZ – Option Share Program

In December 2021, the Company approved a draft of the Colt CZ Group SE Share Program (the „Share Program“), which was prepared in accordance with the Remuneration Policy approved by the General Meeting of the Company on 22 June 2021.

The basic parameters of the Share Program are as follows:

- The total number of share options to be allocated is 3,373,000
- According to the approved framework of the Company's Share Program, the candidates are proposed to the Supervisory Board for approval by the Colt CZ Board of Directors
- The Share Program provides for the issue of new shares
- Options may be vested upon the achievement of relevant targets, namely 15% of options in the period from June 2022 to June 2024, 35% of options as of June 2024 upon achievement of Target 1, and 50% of options upon achievement of Target 2

The targets of the Share Program are as follows:

Target 1 Reaching EBITDA of USD 275 million for the period from 2021 to 2023.

Target 2 Achievement of the following targets until 31 December 2025:

- ▶ Consolidated revenues of at least EUR 1 billion
- ▶ EBITDA of at least EUR 200 million
- ▶ Net leverage ratio less than 3.5x

A total 2,681,455 shares were allocated to 74 employees of the Group as of 31 December 2024. When allocating share options, each candidate is assigned to one of the allocation levels (i.e. tiers) according to the level of their managerial responsibility.

On July 3, 2024, tranches 1-4 regarding the 1,735,100 employee options were settled under the Share Program. The option holders exercised their right to purchase shares of the Company for a nominal value of CZK 0.1. These shares were issued by the Company on June 26, 2024.

As of December 31, 2024, the value of allocated and outstanding options is 946,355.

⁶ In 2024, net profit was adjusted by one-off items related to unrealized M&A expenses and legacy costs related to acquisitions, payments related to the employee stock option plan, one-off expenses connected with the acquisition of Sellier & Bellot – inventory step up and commodity hedging, expenses related to wasted investments and bank fees related with acquisition loan and financing cost related to bond issue, which are unrelated to operational performance and value creation in the given period. In 2023, net profit was adjusted by one-off items related to acquisitions and payments related to the employee stock option plan, cost of revaluation of equity earnout related to the Colt acquisition and by financing cost related to bond issue which are not related to operational performance and value creation in the given period and was also adjusted by the profit from the negative goodwill in connection with the swissAA acquisition.

3.2 Information about the anticipated development and outlook for 2025

With regards to the outlook for 2025, Colt CZ sees major global business opportunities in the military and law enforcement segment. Cooperation with NATO and EU member countries and the NATO Support and Procurement Agency (NSPA) remains a top priority, although the Group notices the growing importance of other markets, mainly in Asia. Winning tenders and executing signed contracts on time are other prerequisites for fulfilling the outlook.

Maintaining profitability in the firearms segment through more effective cost control is one of the Company's goals for 2025, especially in the US market. New CZ and Colt products, which are ready to be launched in the US market, will play a key role for future growth in the US market.

The main risks to achieving the 2025 outlook include: a. worsening of the situation on the commercial market in the USA in combination with the global economic outlook, b. delays in the execution of large orders in the military and law enforcement segment, c. delays in the launch of new products on the market, and d. development of FX that affect the conversion to CZK. On the other hand, other opportunities in the outlook are as follows: a. potential new large contracts, if they are successfully completed in 2025, and b. the impact of product reselling from other producers.

In view of the above, the Group presents the indicative outlook for 2025:

In billion CZK	Guidance	y-o-y change in %
Colt CZ Group		
Revenues	25 (+/- 7%)	+12%
Adjusted EBITDA	5.5 (+/- 7%)	+20%

Due to the seasonality of financial results, which is influenced by the scheduled deliveries of large orders for the military and law enforcement segment, the Company's management decided to present an indicative outlook for 2025 broken down by quarters:

In billion CZK	Q1	Q2	Q3	Q4	2025
Revenues	5.2	6.3	6	7.5	25
Adjusted EBITDA	1.0	1.5	1.3	1.7	5.5

The capital expenditures of the Group in 2024 could reach CZK 1.1 – 1.3 billion, which corresponds to a roughly 5% share of the 2025 expected revenues, which is in line with the medium-term target of the Company.

Proposed Dividend Payment

The Company will propose to the General Meeting a cash dividend of CZK 847 million (CZK 15 per share) for 2024. In addition, the Board of Directors also plans to allocate CZK 847 million for a share buyback program (equivalent to 1.15 million shares at the current market price). The proposed profit distribution will be divided equally - 50% in the form of a cash dividend and 50% through the share buy-back program. This approach reflects our commitment to create value for shareholders. The Company plans to keep the repurchased shares as treasury shares for its future transactions.

The proposed profit distribution is subject to approval by the General Meeting which will be held at the end of the first half of 2025. Further information concerning the timetable of the profit distribution will be published during 2025.



Colt is an iconic brand and one of the world's leading manufacturers of firearms. Since **1836**, it has supplied its products to military, law enforcement, and commercial customers around the world. Its legendary rifles are trusted by armies and police forces in dozens of countries.

For generations, Colt has set the standard for precision and reliability in the world of revolvers. In 2024, three legendary models returned to market—modernized yet remaining true to their roots. Whether you're a hunter, an outdoor adventurer, or a dedicated concealed carry fan, the **Colt Grizzly**, **Colt Kodiak**, and **Colt Viper** offer unmatched craftsmanship and performance. Built for power, durability, and versatility, these revolvers are ready to take on any challenge.

Building on its legacy of innovation, Colt also focused on expanding its military portfolio last year. Following the acquisition of intellectual property rights to the **Mk 47 automatic grenade launcher** from General Dynamics, Colt has focused on establishing production and refining the system, with the first Colt-made units set for delivery in 2025. Colt is also supporting existing customers of the system in the US, Australia, Israel, Italy, Oman, and the UAE.



Mk 47 automatic grenade launcher

4. CORPORATE GOVERNANCE REPORT

4.1 BASIC INFORMATION ABOUT THE COMPANY

Legal name:	Colt CZ Group SE
Legal form:	European Company (Societas Europaea - SE)
Address:	náměstí Republiky 2090/3a, 110 00 Prague 1
Registered at:	Prague Municipal Court, Section H, File 962
Comp. Id.:	291 51 961
VAT Id.:	CZ29151961
LEI:	3157000O990GR61YDGF96
Telephone:	+420 222 814 617
Email:	info@coltczgroup.com
Date of incorporation:	2013
Website:	www.coltczgroup.com

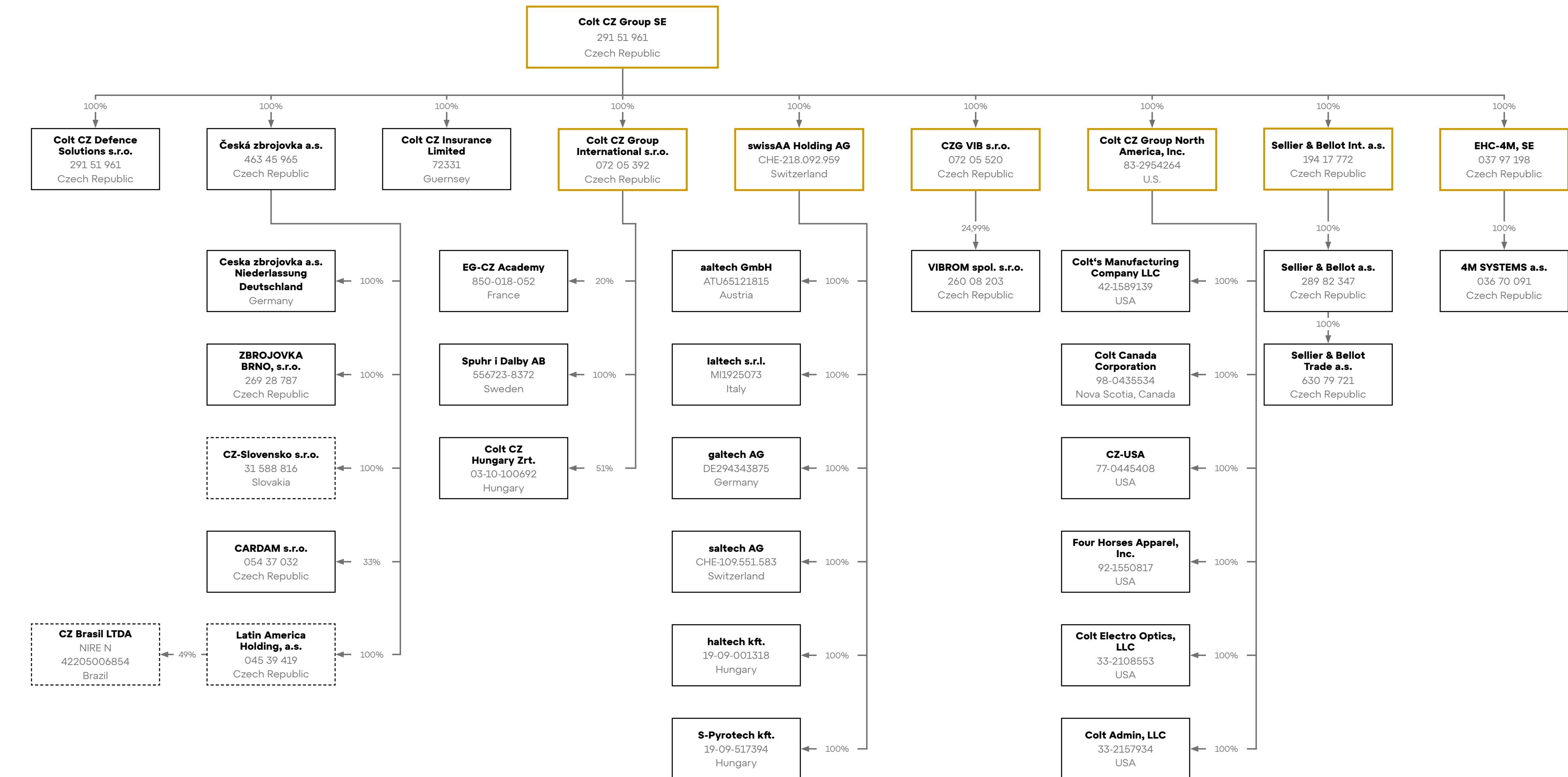
According to Article 2 of Colt CZ's Articles of Association, the scope of business of the Company includes: a) management of its own assets, b) manufacturing, trade, and services not listed in Annex 1 through 3 of the Act No. 455/1991 Coll., on trade licensing, as amended, within the scope of mediation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

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

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

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

**ORGANIZATIONAL
CHART OF THE GROUP
AS AT 31 DECEMBER 2024**



COLT CZDEFENCE SOLUTIONS

Colt CZ Defence Solutions, founded in **1993** in the Czech Republic, specializes in the international sale of military material and ammunition for military & law enforcement customers. It also provides training and support services throughout the life cycle of the supplied products and technologies. Its main customer is the Czech Army, to which Colt CZ Defence Solutions has delivered, for example, ammunition for Gripen fighter jets and Mk 82 bombs. Its main business activity has been the supply of 40 mm ammunition for grenade launchers, hand grenades, and pyrotechnics used by the infantry.

In 2024, Colt CZ Defence Solutions successfully transferred technology for production of **SplHGr 85 fragmentation hand grenades** from Austrian Rheinmetall ARGES to the Czech Republic. This process included the installation and launching of a new production line, as well as securing all components necessary for production. Colt CZ Defence Solutions delivered 100,000 units to the Czech Army in 2024. By 2027, it will deliver up to 500,000 hand grenades manufactured in the Czech Republic, with the involvement of domestic industry that is currently at 60%.



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

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

Since its listing, the Company has adhered to the Corporate Governance Code CR 2018 (henceforth referred to as the "CG Code")⁷ based on the "comply or explain" principle, which means that the Company either complies with the CG Code or explains why it does not comply with certain rules of the CG Code. In 2024, as at the date of this annual financial report, the Company complied with all provisions of the CG Code, with the exception of the following rules:

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

Colt CZ: The Articles of Association allow for per rollam voting at the General Meeting. The Company introduced this manner of voting as one of the measures taken in response to the outbreak of COVID-19. Even when shareholders make decisions outside the General Meeting, the Company will respect shareholders' rights

and guarantee full exercise of these rights to all shareholders. All General Meetings held in 2024 made decisions outside the meeting (per rollam).

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

Colt CZ: Mr. René Holeček, who is the vice-chairman of the Supervisory Board, serves as a member of elected bodies in more than four business corporations. The Company does not consider such positions to be a conflict of interest.

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

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

Other members of the governing body do not serve in more than four corporations outside of the Group.

⁷ For download: <https://www.mfcr.cz/cs/ministerstvo/kariera-a-vzdelavani/vzdelavani/odborne-studie-a-vyzkumy/2019/kodex-spravy-a-rizeni-spolcenosti-cr-201-34812>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has a dual management system consisting of the Board of Directors (the managing body) and the Supervisory Board (supervision body). The Board of Directors represents the Company in all matters and is charged with its day-to-day business management, while the Supervisory Board is responsible for the supervision of the Company's activities and of the Board of Directors and resolves matters defined in the Corporations Act and the Articles of Association, particularly matters with material impact on the value of the Company shares. Under the Corporations Act, the Supervisory Board may not manage the Company's business. A description of the decision-making procedures, and the composition of the Board of Directors is set out in the Company's Articles of Association, Section 13: Board of Directors and its powers.

A description of the decision-making procedures and the composition of the Supervisory Board is set out in the Company's Articles of Association, Section 19: The Supervisory Board and its powers. Information on the Supervisory Board Committees, including the Audit Committee, is set out in the Company's Articles of Association, Section 26: Meetings and decision-making of the Audit Committee. The current Articles of Association of the Company are available on the Company's website <https://www.coltczgroup.com/en/investors-corporate-affairs>.

Board of Directors

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

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

- a) Management of the company's business and ensuring the operational affairs of the Company
- b) Ensuring proper maintenance of accounts, books of accounts and other corporate documents required by law

- c) Submitting the annual, extraordinary, and consolidated financial statements to the General Meeting for approval, including interim financial statements if necessary, and a proposal to distribute profits and other resources of the Company or to cover losses
- d) Submitting the annual financial report to the General Meeting, including the Report on the Company's business and state of assets
- e) Convening the General Meeting and submitting to it matters falling within its powers for discussions and approval
- f) Decisions on the use of funds, where the use is for a purpose to be decided by the General Meeting
- g) Increasing the Company's share capital, in accordance with the Articles of Association
- h) Granting of proxy
- i) Informing the Supervisory Board about changes in the Company's organizational structure and in legal entities controlled by the Company
- j) Informing the Supervisory Board at least once every 3 months about the progress and expected development of the Company's business, strategy, economic performance, risks, and internal control system

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

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

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

A quorum of the Board of Directors shall be present if an absolute majority of its members are present at the meeting. A member of the Board of Directors who participates in a meeting by technical means shall be deemed to be present at the meeting. An absolute majority of all members of the Board of Directors, not just those present, shall be required to take a decision on all matters discussed at a meeting of the Board of Directors. Each member of the Board of Directors shall have one vote. In the event of a tie, the vote of the Chair of the Board shall always prevail.

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

Supervisory Board

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

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

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

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

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

The Supervisory Board shall meet as necessary, but at least twice a year. Ordinary meetings shall be convened by the Chairman by written invitation. The Supervisory Board shall take decisions at its meetings. Meetings of the Supervisory Board shall be chaired by its Chairman. A quorum of the Supervisory Board shall be present if an absolute majority of its members are present at the meeting. The affirmative vote of an absolute majority of all members of the Supervisory Board, not just those present, is required for the adoption of resolutions on all matters discussed by the Supervisory

Board. Each member of the Supervisory Board shall have one vote. In the event of a tie, the vote of the Chair of the Board shall always prevail. If all members of the Supervisory Board agree, the Supervisory Board may also adopt a decision in writing outside the Supervisory Board meeting (per rollam voting), based on a proposal by the Chair of the Supervisory Board.

Audit Committee and its powers

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

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



Česká zbrojovka (CZ) was founded in Uherský Brod in **1936** as part of a large-scale transfer of strategically important production capacities of then-Czechoslovakia as far away from the Nazi-threatened western borders as possible. A completely new armaments factory was built, one of the most modern and efficient in the world. Today, CZ is the largest and most important Czech small arms manufacturer and one of the world leaders in its field.

CZ launched several new products last year, including the third generation of the CZ BREN rifle – the **CZ BREN 3**. Its development was based on feedback from soldiers, police officers and special forces around the world equipped with the second generation, which was introduced in 2016 and has since been battle-proven in Ukraine, among other places. With the CZ BREN 3 rifle, CZ builds on its extensive experience in the development and manufacture of automatic weapons. The first product with an automatic firing mode (burst mode) was the vz. 30 aircraft machine gun produced from 1937-1941. It was then followed by the CZ 247 (1948-1949), vz. 23/25 and 24/26 (1949-1953), Skorpion vz. 61 (1962-2000), and **CZ SCORPION EVO 3** (2010-present) sub guns, as well as the Sa vz. 58 (1959-1984), CZ 805/807 BREN (2011-2020), **CZ BREN 2** (from 2016), and **CZ BREN 2 BR** (from 2020) rifles.



CZ BREN 3 rifle

COMPOSITION OF THE COMPANY'S MANAGING BODY:

BOARD OF DIRECTORS

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

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

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

JAN DRAHOTA

**Chairman of the Board of Directors of the Company
(President of the Company until 31 December 2024)**

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

Mr. Drahota has broad non-executive director experience and was acting, *inter alia*, as a representative of the Ministry of Finance on the Supervisory Board of ČEPS, a.s. (the sole Czech energy transmission grid owner and operator).

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

RADEK MUSIL

**Vice-Chairman of the Board of Directors
(CEO of the Company from 1 January 2025)**

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

JAN ZAJÍC

Member of the Board of Directors

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

DENNIS VEILLEUX

Member of the Board of Directors

Dennis Veilleux is a graduate of Vermont Technical College. With 35 years of experience in the arms industry, Mr. Veilleux has deep expertise in firearm design, engineering, and manufacturing. He started his career at GE Armament, where he participated in the development and manufacture of military weapon systems.

He also worked for Sturm, Ruger, and U. S. Repeating Arms Company. Dennis has been working for Colt Holding Company LLC since 2006, holding positions of Executive Director of Engineering, Vice President of Manufacturing, and Chief Operating Officer. As the holding's CEO since 2013, he played a crucial role in its restructuring and transformation, which culminated in it being acquired by Colt CZ Group.

JAN HOLEČEK

Member of the Board of Directors

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

4M TACTICAL

Prague-based 4M Systems, operating under the **4M Tactical** brand, was founded in **2014** by former members of the special forces and joined the Group in 2016. Specializing in high-performance tactical gear, it works together with military, law enforcement, and security forces. With firsthand operational expertise, 4M Tactical ensures top-tier safety, functionality, and comfort. Its integration into the Group strengthens its ability to provide large-scale rearmament and reinforces its position as a leading supplier of tactical equipment.

In 2024, 4M Tactical successfully manufactured over 150,000 custom-designed CZ-4M accessories. The company has developed new, innovative accessory solutions for CZ BREN 3 rifles and other CZ and Colt products. Moreover, 4M has recently added a new product to its portfolio – the unique **InfraHex poncho**, which can reduce NIR and thermo signatures of users to a neutral level according to the surrounding environment. It is ideal for the military and special operations, where reduced detectability and enhanced protection in demanding conditions are crucial.



InfraHex poncho by 4M Tactical

Changes in the Board of Directors in 2024

Effective 1 August 2024, Mr. Radek Musil became a member of the Board of Directors and subsequently Vice Chairman of the Board of Directors.

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

Jan Drahota

Past positions:

Česká exportní banka, a.s. – Member of the Supervisory Board (from June 2017 to June 2019)
CZ-AUTO SYSTEMS a.s. – Member of the Supervisory Board (from September 2019 to November 2019)
Zero Emissions Debt Finance, a.s. – Statutory Director (from September 2015 to January 2021)
Česká zbrojovka Partners SE – Member of the Board of Directors (from February 2018 to October 2021)
ČEPS, a.s. – Member of the Supervisory Board (from February 2015 to November 2022)

Current positions:

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

Josef Adam

Past positions:

České aerolinie a.s. – Member of the Board of Directors (from April 2014 to October 2018)
ellipse aero s.r.o. – Member of the Supervisory Board (from December 2020 to January 2022)
KOVACO Electric, a.s. – Member of the Supervisory Board B (from January 2020 to April 2021)

Current positions:

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

Radek Musil

None

Jan Zajíč

Past positions:

None

Current positions:

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

Dennis Veilleux

None

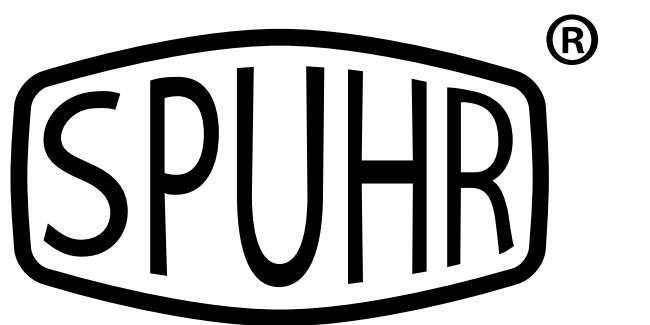
Jan Holeček

None

COMPOSITION OF THE COMPANY'S MANAGING BODY:

SUPERVISORY BOARD

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



Spuhr i Dalby, founded by Hakan Spuhr in **2007**, has been part of the Group since 2020. Located in Löddeköpinge, Sweden, it manufactures optical mounts, accessories, and upgrade kits for firearms. Its customers include the Swedish Armed Forces and other military and law enforcement units worldwide, including the Royal Dutch Marines, Royal Danish Army, German Police, and Portuguese Marines. Its products are also commercially available with a popular series of hunting products.

In 2024, Spuhr collaborated with its sister companies for the benefit of customers, as well as the Group. Its sights and mounting systems were part of a delivery of 7,000 Colt M5 rifles to the Kosovo Armed Forces, where the **QDM-4007 mount** was specifically designed and fielded for this project. Furthermore, CZ delivered 1,250 CZ SCORPION EVO 3 A1 sub guns with Spuhr mounts and 4M tactical accessories to the Spanish National Police. Spuhr also launched the **RDF-series of Red Dot Flip mounts** last year, which is a more compact and lighter solution for using a magnifier together with a red dot sight. Originally designed for the Dutch Army, the **RDF-20225K** has generated a great amount of interest from customers around the world.



SPUHR RDF-20225 optical mount

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

DAVID AGUILAR
Chairman of the Supervisory Board

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

Mr. Aguilar's leadership, professional integrity and commitment to excellence have earned him numerous awards, including the Presidential Rank Award in 2008, the President's Excellence Award in 2005, the Department of Homeland Security Distinguished Service Medal, the Washington Homeland Security Roundtable Lifetime Achievement Award, and the Institute for Defense and Government Advancement Lifetime Achievement Award. 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. Until 30 June 2023, Mr. Aguilar acted as an independent, non-executive member of the Board of Directors.

LUBOMÍR KOVÁŘÍK
Vice-Chairman of the Supervisory Board

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

RENÉ HOLEČEK
Vice-Chairman of the Supervisory Board

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

JANA RŮŽIČKOVÁ
Member of the Supervisory Board

Ms. Růžičková graduated from the University of Economics in Prague. Since 1997, she has been working for several companies belonging to the Group. She acts as the key economics expert and is responsible for 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. She was co-opted into the Company's Supervisory Board effective from 1 November 2021. Before that, she was Secretary and Vice-Chair of the Board of Directors of Colt CZ Group.

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 from 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, 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. During that same period, he was a member of Czech Parliament and Vice-Chairman of the 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. From 2014 to 2023, he served as 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 of 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, 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.

DANIEL BIRMAN

Member of the Supervisory Board

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

Changes in the Supervisory Board in 2024

In May 2024, the Supervisory Board of the Company appointed Mr. Daniel Benasayag Birmann as an alternate member of the Company's Supervisory Board. Mr. Daniel Birmann was appointed as a member of the Supervisory Board based on a Nomination Agreement made on May 16, 2024, between Colt CZ Group SE and CBC in connection with the acquisition of 27.7% shareholding in Colt CZ by CBC.

The General Meeting of the Company subsequently confirmed the nomination.

The General Meeting held in October 2024 re-elected Mr. Vladimír Dlouhý to the position of member of the Supervisory Board with effect from 18 January 2025.

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

David Aguilar

Past positions:

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

Current positions:

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

René Holeček

Past positions:

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

Current positions:

TRX, s.r.o. – Executive (from September 2015 to date)
Silesia Invests SE – Member of the Supervisory Board (from September 2016 to date)
Česká zbrojovka Partners SE – Member of the Supervisory Board (from February 2017 to date)
Česká zbrojovka Defence SE – Member of the Supervisory Board (from August 2017 to date)
BAZADO s.r.o. – Associate (from December 2020 to date)
European Holding Company, SE – Chair of the Supervisory Board (from November 2021 to date)
M&H Management a.s. – Member of the Supervisory Board (from October 2021 to date)
and sole shareholder (from September 2022 to date)
CELLINI spol. s r.o. – Associate (from September 2022 to date)
Nadace rodiny Holečkových – Founder (from December 2021 to date)
Kykulín Trade a.s. – Sole shareholder (from September 2022 to date)
OMNES Holding Foundation – Member of the Administrative Board ... (from May 2022 to date)
C-EDUCA Foundation – Founder (from November 2023 to date)

Lubomír Kovařík

Past positions:

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

Current positions:

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

Vladimír Dlouhý

Past positions:

Výzkumný ústav pro podnikání a inovace, z.ú. – Chairman of the Administrative Board (from July 2017 to November 2023)
Czech Chamber of Commerce – President (from June 2014 to October 2023)

Current positions:

BOHEMIAE Foundation, in liquidation – Vice-Chairman (from March 1999 to date)
Academia Medica Pragensis Foundation – Auditor (from July 2002 to date)
Tatra Aerospace, a.s., "in liquidation" – Member of the Board of Directors (from October 2003 to date)
Kooperativa pojišťovna, Vienna Insurance Group – Member of the Supervisory Board (from January 2019 to date)
Meridiam Infrastructure – currently a member of the Advisory Board . (to date)
Goldman Sachs – currently a member of the International Advisory Board (to date)

Daniel Birmann

none

Jana Růžičková

Past positions:

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

Current positions:

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



Colt Canada, originally founded as **Diemaco**, serves as Canadian Centre of Excellence for Small Arms. As the exclusive supplier for the Canadian military and federal security forces, it is also part of the Canadian government's Munitions Supply Program. In addition to its well-established relationship with the Canadian Armed Forces, Colt Canada is also a proud partner of many European customers, including the Dutch, Danish, and British Armies.

In 2024, Colt Canada developed the "**Safety Blank Firing Attachment**" (SBFA) to prevent injuries in the event of live ammunition being used during blank fire training. By integrating its patent-pending bullet trap with an existing blank firing attachment, Colt Canada designed and tested the SBFA in just four months. The SBFA safely captures three 5.56 × 45 mm NATO rounds and provides a clear visual indicator if a live round is fired.

Colt Canada recently expanded its world-class testing capabilities with the addition of a **Phantom TMX 6410 High-Speed Camera**. The Phantom TMX 6410 enables advanced research on suppressors, flash intensity, and projectile behavior, reinforcing Colt Canada's established leadership in small arms innovation.



A member of the Canadian special forces with a Colt Canada C8 carbine

AUDIT COMMITTEE

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

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

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

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

Name	Position	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
Jiří Nekovář	Chairman of the Audit Committee	1 July 2023	1 July 2028
Věslava Piezová	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 served as President of the Czech Tax Advisers Chamber from 1996 to 2011. He was elected vice-president of Confédération Fiscale Européenne in 2006, and served as its president from 2013 to 2014. Mr. Jiří Nekovář is a member of the Czech Finance Minister's Coordination Committee on Taxes. In December 2010, he was appointed a member of the Government's National Economic Council (NERV), and has been a member of the Government Legislative Council's Working Committee for regulation impact assessment (RIA) since 2011. He served as a member of the management board of the General Health Insurance Company from 2000 to 2006. He is a Chairman of the Board of Trustees of the University of Economics in Prague and a Vice-Chairman of the Board of Trustees of Brno University of Technology. He acts as an arbitrator of the Arbitration Court of the Economic Chamber of the Czech Republic. From August 2013 to May 2017, Jiří Nekovář served as President of the Public Audit Oversight Board. He was named Honorary Tax Advisor of AOTCA in November 2015. He is a founding member of the Global Tax Advisory Platform, and was elected Executive Board Director of CFE in September 2020.

VĚSLAVA PIEGZOVÁ

Member of the Audit Committee

In 1978, Ms. Piegzová graduated from VŠB, the 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. She later led the team responsible for the implementation of financial and controlling systems. In 1996, she was appointed Chief Financial Officer of Vesuvius CR, a producer of isostatic pressed refractory for the steel industry. During that period, she began an MBA program 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 a member of the Management Board. From 2005 to 2006, she served as the Managing Director of Barrandov Studios. From 2007 to 2010, Ms. Piegzová was the Chief Financial Officer and the Chair of the Board of Directors of České loděnice a.s., a ship-building company based in Děčín. In 2010, she became the Chief Financial Officer of Barkmet a.s. In 2013, Ms. Piegzová joined CZUB as its Chief Financial Officer and later became the Vice-Chair of its Board of Directors. From 2020 to 2021, Ms. Piegzová was a member of the Supervisory Board of Colt CZ Group.

DAVID ONDROUŠEK

Member of the Audit Committee

Mr. Ondroušek worked for more than ten years in Deloitte's Audit Department, followed by 10 months in the WOOD & Company Finance Department. He is currently working with Staněk, Tomíček & Partners tax offices. Mr. Ondroušek is a licensed auditor of the Chamber of Auditors of the Czech Republic and a member of the Association of Chartered Certified Accountants, an international professional organization. In addition to providing audit services, he focuses primarily on IFRS and consulting for transfer pricing.

REMUNERATION COMMITTEE

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

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

- (a) Executive service agreements for members of the Board of Directors
- (b) setting and evaluating the achievement of annual targets and key performance indicators (KPIs) for members of the Board of Directors;
- (c) extraordinary remuneration (salary) for members of the Board of Directors;
- (d) parameters and conditions of the Group's Share Program for members of statutory and supervisory bodies, or, if applicable, for key employees of the Group;
- (e) strategies for human resources management;
- (f) appointing members of the statutory and supervisory bodies in the Group.

The Committee makes recommendations to the Company's Supervisory Board on its decision-making in the above areas. The Supervisory Board decides on the composition of the Committee.

The Chairman of the Supervisory Board is a mandatory member of the Committee. The Chairman of the Supervisory Board is at the same time the Chairman of the Committee. The Chairman of the Board,

DAVID AGUILAR
Chairman of the Remuneration Committee

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

LUBOMÍR KOVÁŘÍK
Member of the Remuneration Committee

Mr. Kovářík's CV is provided earlier in this section.

RENÉ HOLEČEK
Member of the Remuneration Committee

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

and the member of the Board responsible for human resources management, are permanent guests of the Committee.

The Committee meets as needed on agreed-upon dates, usually once in a calendar quarter. Only Committee members are entitled to vote at meetings. Each member of the Committee has one vote. A decision of the Committee shall be deemed adopted if a majority of the members of the Committee present agree with it.

In all other cases, the decision is deemed not to have been taken. The Chairman of the Committee shall only submit to the Supervisory Board those decisions for discussion and, where appropriate, approval that have been recommended by the Committee to the Company's Supervisory Board.

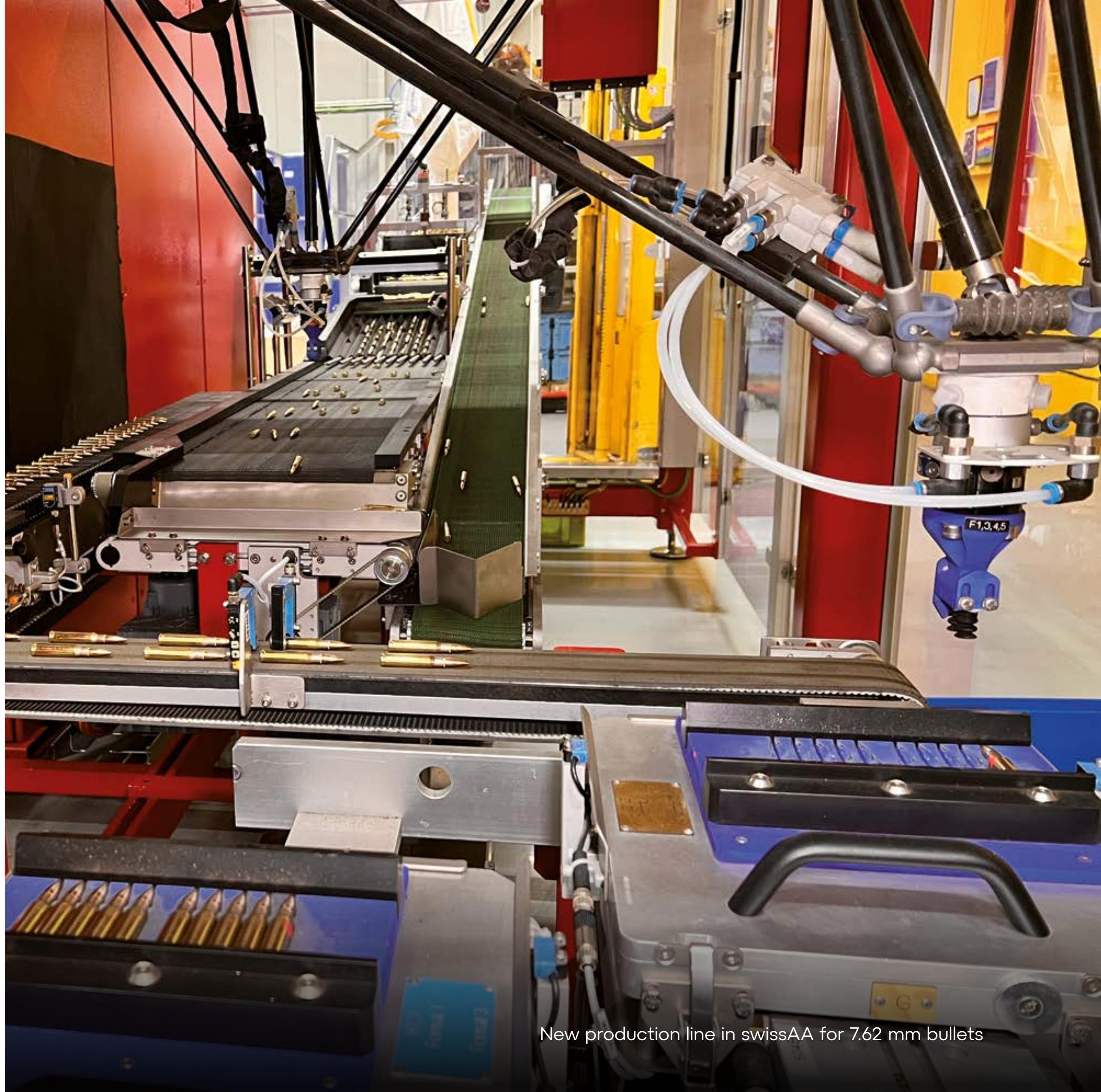
THE FOLLOWING TABLE SETS OUT THE NAME AND PRINCIPAL POSITION OF EACH MEMBER OF THE REMUNERATION COMMITTEE:

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



SwissAA, originally known as **saltech AG**, was founded in Switzerland in **2002** and acquired by Colt CZ Group in 2023. SwissAA is a manufacturer of top-quality small-caliber ammunition and pyrotechnical devices that meet the highest standards in development and production. It is a proud supplier for the Swiss, Belgian, German, and other European armed forces. SwissAA has a complete portfolio of 12.7×99 mm cartridges with Ball, Tracer, AP, API, and APEI versions. It also produces 7.62×51 mm Ball and Tracer cartridges, as well as FMJ for the commercial market. SwissAA products are manufactured and tested to NATO standards and offered in a variety of packaging configurations, in bulk or linked. In addition, swissAA produces a versatile range of pyrotechnic munitions and special purpose products - from 40 mm LV grenades, smoke and tear gas to flash bangs and hand grenades.

In 2024, thanks to the support of Colt CZ Group, swissAA took an important step to expand its production capacity, and further strengthen its status as a widely recognized high quality manufacturer, by installing **two new production lines for 7.62 mm bullets** in its Swiss production facility. SwissAA also focuses on 40 mm HV products to support the Group's Mk 47 automatic grenade launcher project.



STRATEGIC INVESTMENTS AND ACQUISITIONS COMMITTEE

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

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

(a) Acquiring or increasing interest in a business corporation or a company that is a member of the Group

(b) The Company's acquisition strategies and concepts of growth

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

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

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

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

COMPLIANCE AND ETHICS COMMITTEE

PETER STRAČÁR

Member of the Strategic Investments and Acquisitions Committee

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

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

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

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

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

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

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

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

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

General Casey (Ret.) has been a member of the Board of Directors of Colt CZ Group North America, a Colt CZ subsidiary, since 2021. He is a published author 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 Colt CZ, Gen. Casey served 41 years in the U.S. Army, including as the 36th Army Chief of Staff from 2007 to 2011. From 2004 to 2007 he commanded the Multi-National Force in 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 innovator of defense technology, 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.

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

Name	Position	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
David Aguilar	Chairman of the Compliance and Ethics Committee	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
Petr Kolář	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

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

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 LLC/Colt Defense. Prior to working for Colt, Ms. Kubish was the President of Orchid Advisors, an advisory company for strategic management focusing on transformations in audit and compliance in the defense industry.

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

PETR KOLÁŘ

Member of the Compliance and Ethics Committee

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

Other information concerning members of the Board of Directors, Supervisory Board, Audit Committee, and other senior managers of the Company

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

- ▶ have been convicted of criminal fraud
- ▶ have been officially publicly accused or penalized by a statutory or regulatory body (including designated professional bodies) and have not been legally disqualified from exercising an office of a member of an administrative, management or supervisory body of any issuer or a management position, or from carrying out the activity of any other issuer
- ▶ have been associated with bankruptcy, administration, or liquidation proceedings, or with companies that have been placed under receivership in the last five years, except for companies listed above in this chapter.

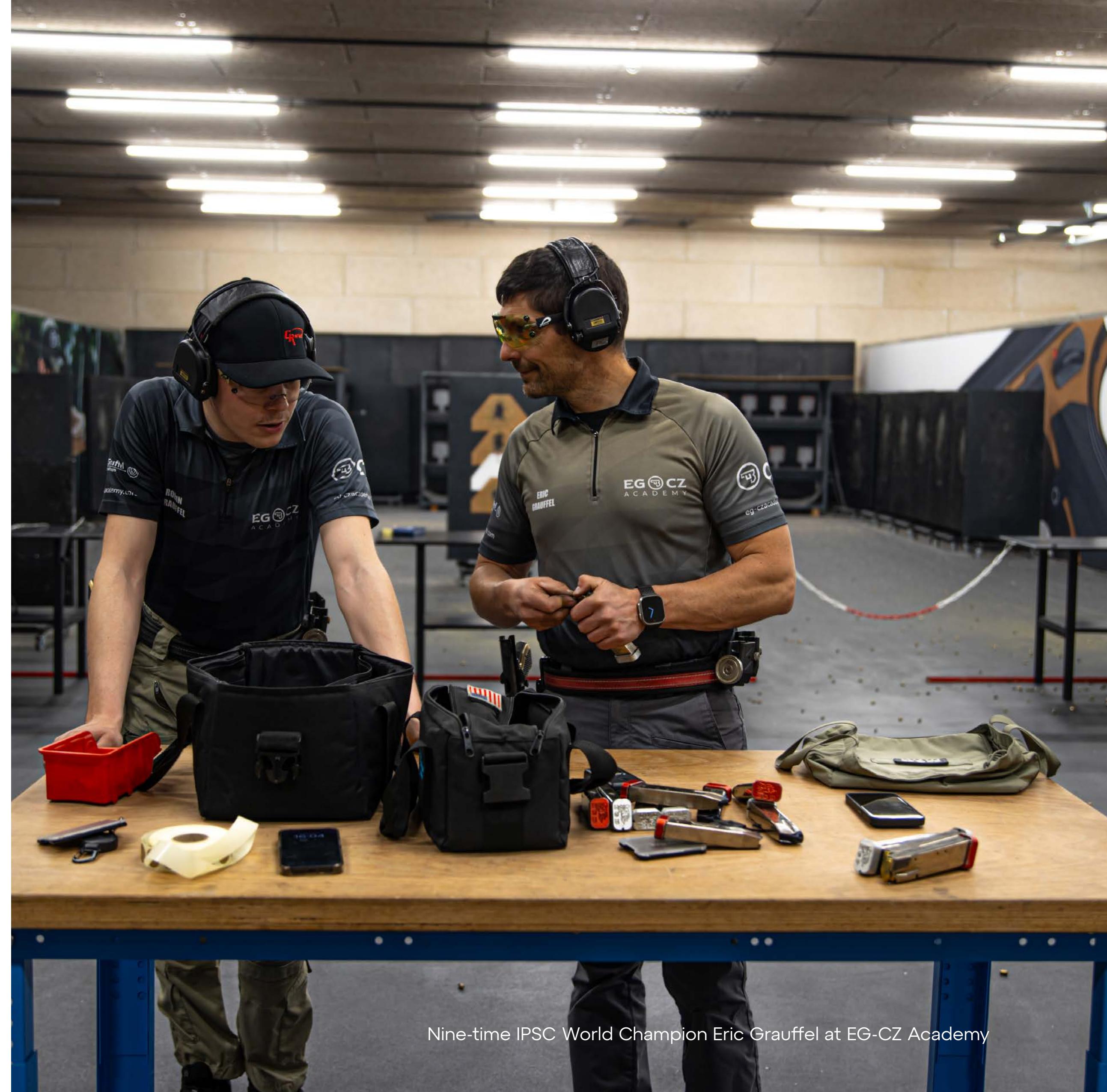
Conflicts of interest

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

EG CZ A C A D E M Y

The EG-CZ Academy is a modern indoor shooting range complex in Quimper, France, which opened for the public in September **2022**. CZ has teamed up with **Eric Grauffel**, nine-time world champion and IPSC (International Practical Shooting Confederation) legend, to promote shooting sports and raise awareness of gun safety. The Academy hosts various events, competitions, and delivers courses globally, including for military and law enforcement customers, bringing together the world's top shooters and high-end CZ products.

In 2024, EG-CZ Academy reached a significant milestone by **achieving its three-year goal in just two years** - surpassing 400 members, attracting more than 2,500 customers from around the globe, and providing over 2,000 training classes for the military and law enforcement customers, world athletes, and Academy members. Moreover, Eric Grauffel teamed up with UFC star Jiří "BJP" Procházka in CZ's new "**Respect the Power & Master the Skill**" campaign, which highlights the importance of a disciplined and responsible approach to firearm ownership by combining respect with practical skills, such as safe handling and regular training.



Nine-time IPSC World Champion Eric Grauffel at EG-CZ Academy

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

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

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

- a) Decisions to amend the Articles of Association, unless they are an amendment resulting from an increase of the share capital by a duly authorized Board of Directors or an amendment occurring on the basis of other legal facts
- b) Decisions to change the amount of share capital and to authorize the Board of Directors to increase the share capital
- c) Decisions to allow the possibility to set off a monetary receivable towards the company against a receivable from the payment of the issue price
- d) Decisions to increase the share capital by non-monetary contributions
- e) Decisions on the issue of convertible or preference bonds under Section 286 of the Corporations Act
- f) Decisions on the exclusion or limitation of the pre-emptive right to acquire convertible or preference bonds under Section 286 of the Corporations Act or on the exclusion or limitation of the shareholders' pre-emptive right to subscribe for new shares in the event of a share capital increase
- g) Decisions on a change in the type or form of shares, on a change in the rights attached to shares and on a split or merger of shares
- h) Decisions on the acquisition of treasury shares by the Company, if a decision of the General Meeting is required by law
- i) Appointment and removal of Supervisory Board members, decisions on their remuneration and on the provision of benefits to Supervisory Board members within the meaning of Section 61 of the Corporations Act; approval of contracts for the performance of the functions of Supervisory Board members
- j) Appointment and removal of Audit Committee members, decisions on their remuneration and on the provision of benefits to the Audit Committee members within the meaning of Section 61 of the Corporations Act; approval of contracts for the performance of the functions of Audit Committee members
- k) Approval of the annual, extraordinary, and consolidated financial statements and, in the cases provided for by law, the interim financial statements
- l) Decisions to distribute profit or the Company's other resources, or to cover the loss
- m) Decisions to file an application to have the Company's participating securities admitted for trading on a European regulated market or to exclude such securities from trading on a European regulated market
- n) Decisions to dissolve the Company with liquidation
- o) Appointment and removal of the liquidator (including the determination of their remuneration)
- p) Decisions on the approval of the final report on the course of the liquidation and on the approval of the proposal for the use of the liquidation balance
- q) Approval of the transfer, lease or pledge of the plant or such part of the assets as would involve a material change in the Company's actual business or activities
- r) Decisions on a merger, division, transfer of assets to shareholders, change of the Company's legal form, foreign relocation of the registered office or other transformation of the Company
- s) Approval of a silent partnership agreement, establishing the right to share in the profits or the Company's other resources, including its amendments and termination
- t) Approval of the rules of procedure of the General Meeting, the rules of voting at the General Meeting, and other organizational measures related to the General Meeting
- u) Approval of the rules of procedure of the Audit Committee
- v) Approval of the acquisition or disposal of assets, if required by law
- w) Establishment of reserve funds and/or other funds, as well as the manner in which such funds are to be created and supplemented (in particular for other capital funds), or their cancellation
- x) Discussion of measures proposed by the Board of Directors pursuant to the provisions of Section 403 of the Corporations Act
- y) Discussion of the results of the Supervisory Board's review activities pursuant to the provisions of Section 83(1) and Section 449 of the Corporations Act
- z) Appointment and removal of the Company's auditor
- aa) The issue of other resolutions entrusted to the General Meeting by the legislation. The General Meeting may not reserve the decision-making authority in matters that do not fall under its powers under legal regulations or the Articles of Association.

Convening the General Meeting

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

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

If a qualified shareholder requests the Board of Directors to convene the General Meeting, the General Meeting will be convened within 50 days after the delivery date of the request to convene the General Meeting to the Board of Directors. The announcement of the General Meeting shall be published no later than 21 days before the date of the General Meeting.

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

Meetings and decision-making of the General Meeting

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

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

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

4.6 Structure of equity and description of shares

As at 31 December 2024, Colt CZ's share capital was CZK 5,646,302.8 and was fully paid up. It was divided into 56,463,028 ordinary registered book-entry shares with a nominal value of CZK 0.10 each. The Company has not issued preferred shares, rights, convertible bonds, or any other equity or equity-linked securities. All shares bear equal rights. The Company has no authorized unissued shares⁸. The shares of the Company bear no redemption or conversion rights. No capital of any member of the Group is under option, nor is it agreed conditionally or unconditionally to be put under option. Each shareholder of the Company has equal rights, including equal voting rights (one vote per one share), subject to certain exceptions set out in the Corporations Act. According to the Articles of Association, each share of the Company is entitled to one vote at the General Meeting. The Company has not issued any other types of shares than ordinary shares.

Information on ownership of treasury shares or other equity interests

In 2024, the Company did not acquire any treasury shares or other equity interests.

Restrictions on transferability of securities

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

Significant direct and indirect shares in the issuer's rights

As at 31 December 2024, the majority shareholder of the Company was Česká zbrojovka Partners SE, incorporated as a European Company (Societas Europaea) in the Czech Republic, (henceforth referred to as the "Major Shareholder"), which owned 29,248,077 shares representing a 51.80% share in the Company's equity and voting rights. The other significant shareholder was CBC Europe S.à r.l. holding 13,761,332 shares representing a 24.37% stake. The remaining 23.83% of Colt CZ's shares are free float. The majority shareholder of the Major Shareholder is European Holding Company, SE (henceforth referred "EHC"), holding 87.5% of the share capital and voting rights, while the remaining 12.5% is held by the Holeček Family Foundation. 25% of EHC is owned by Mr. René Holeček; the remaining 75% in share capital is owned by OMNES holdingový nadační fond.

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

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

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

Information on voting rights restrictions

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

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

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

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

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

⁸ With the exception of the approved Share Program

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

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

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

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

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

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

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

In December 2021, the Company's Supervisory Board approved a draft of the Share Program of Colt CZ Group SE (henceforth referred to as the "Share Program"), which was prepared

in accordance with the Remuneration Policy approved by the General Meeting of the Company on 22 June 2021. The total number of share options to be allocated is 3,373,000. On the basis of the Share Program, associates will be allocated options – rights to purchase a predetermined number of Colt CZ Group SE registered book-entry shares with a nominal value of CZK 0.10 per share.

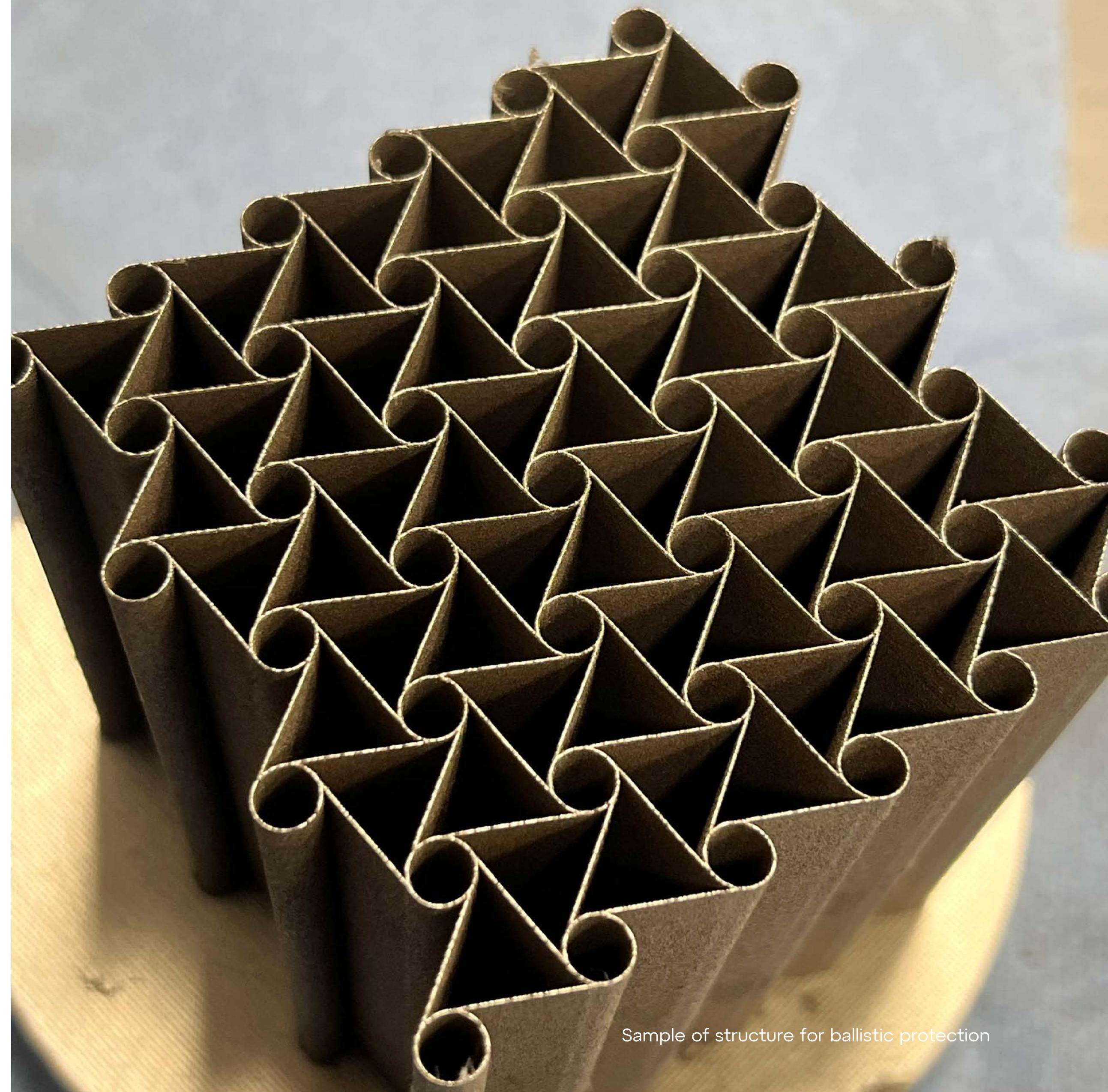
As at 31 December 2024, 1,735,100 options, 74 program participants, were settled, which was subjected to the conditions being met as at 2 July 2024.

The control mechanisms for the Share Program in 2024 were, firstly, the conclusion of contracts between the Company and each individual participant and, secondly, the approval of candidates by the Company's managing body. Participants in the Share Program are nominated by the Board of Directors and approved by the Supervisory Board.



CARDAM, founded in **2016** in Dolní Břežany, Czech Republic, is a joint venture between CZ, the Institute of Physics of the Czech Academy of Sciences, and the Beneš a Lát foundry. This unique research and development center specializes in advanced solutions using additive metal production, offering applied R&D, engineering solutions, and expertise in additive design and manufacturing.

In 2024, CARDAM achieved significant successes, including participation in European projects under the **European Defence Agency** and **HORIZON EUROPE** program, where it delivers advanced engineering solutions and provides expertise in design, mathematical computing, and digitalization. In the **LASER-PRO** project, focused on high-efficiency laser technologies, CARDAM develops conformal cooling solutions for maximum efficiency in laser cooling management. In the **AMALIA** project, it designs and mathematically verifies the behavior of structures for ballistic protection of armored personnel carriers (APCs), reinforcing its role in international collaborations. CARDAM also continues to strengthen its collaboration with CZ, Colt, and 4M Systems in the field of simulations.

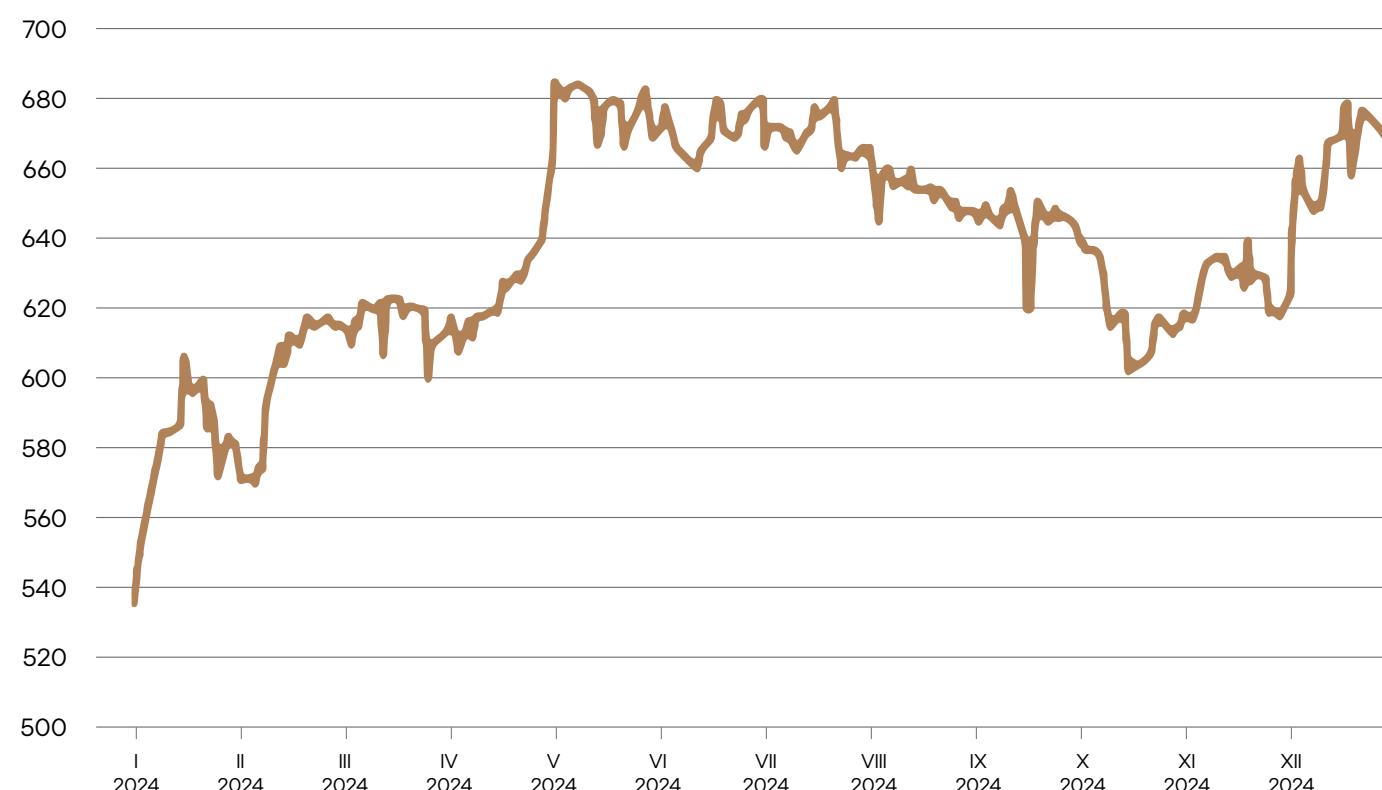


Sample of structure for ballistic protection

4.7 Shares and dividend policy

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

CHART – TRADING OF COLT CZ'S SHARES IN THE PSE IN 2024



Source: Bloomberg

INFORMATION ABOUT SHARES

Market	BCPP, Prime Market
No. of issued shares (pieces)	56,463,028
Market capitalization (as at 30 December 2024, price of CZK 669)	CZK 37.8 billion
Ticker	CZG
BIC	BAACZGCE
ISIN	CZ0009008942
Bloomberg ticker	CZG CP Equity
Reuters ticker	CZG.PR
Indices	PX, PX-GLOB, PX-TR, PX-TRnet, CECE (Vienna), MSCI Global Small Cap Indexes

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

Dividend policy

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

Dividend paid in 2024

The dividend payout for 2023 was CZK 30 per share before tax. The recorded date for exercising the right to a share in the profit was 4 July 2024.

For the second time, shareholders had the choice of whether or not to elect to receive a share of profit in the form of new shares in the Company. The Board of Directors, authorized by the General Meeting, decided upon the issue price of CZK 570 per share. If shareholders of the Company did not choose to receive the distribution in the form of new shares, they automatically received a cash dividend. The shareholders of the Company could only exercise the right to choose a share of profits in the form of shares in the Company in respect of a whole new share. The remaining portion of the share of profit attributable to 1 share of the Company, after deduction of applicable withholding taxes, was paid to the shareholder of the Company in cash.

Dividend for the year 2024

The Company will propose to the General Meeting a cash dividend of CZK 847 million (CZK 15 per share) for 2024. In addition, the Board of Directors also plans to allocate CZK 847 million for a share buyback program (equivalent to 1.15 million shares at the current market price). The proposed profit distribution will be divided equally - 50% in the form of a cash dividend and 50% through the share buy-back program. This approach reflects our commitment to create value for shareholders. The Company plans to keep the repurchased shares as treasury shares for its future transactions.

The proposed profit distribution is subject to approval by the General Meeting which will be held at the end of the first half of 2025. Further information concerning the timetable of the profit distribution will be published during 2025.

5. CONSOLIDATED SUSTAINABILITY STATEMENT

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

CONSOLIDATED SUSTAINABILITY STATEMENT

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2.7 Strategy, business model & value chain	80	3.4	E4 Biodiversity and ecosystems	114
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SUSTAINABILITY AT COLT CZ – INTRODUCTION

For the first time, Colt CZ is obliged to report under the Corporate Sustainability Reporting Directive (CSRD), which came into effect in 2023 and is based on 2024 numbers. It significantly expands the scope and rigor of the Group's sustainability reporting requirements.

In the course of 2023 and 2024, Colt CZ worked intensively on the preparation of upcoming legislative requirements. The preparation journey included a double materiality assessment and stakeholder engagement, climate risk assessment, data collection, CSRD gap analysis, action plan with roadmap to close identified gaps to become CSRD ready, and alignment with EU taxonomy.

The reporting identifies sustainability matters to consider and address and provides stakeholders with transparent, comparable, and reliable information on our environmental, social, and governance (ESG) performance.

Overview of material topics at Colt CZ Group

General	E	S	G
ESRS 1 General requirements	ESRS E1 Climate Change	ESRS S1 Own workforce	ESRS G1 Business Conduct
ESRS 2 General disclosures	ESRS E2 Pollution	ESRS S3 Affected communities	
	ESRS E3 Water and marine resources	ESRS S4 Consumers and end-users	
	ESRS E4 Biodiversity and ecosystems		
	ESRS E5 Resource use and circular economy		

1. ESRS DISCLOSURE INDEX

The following tables list the ESRS disclosure requirements in ESRS 2 and the topical standards which are material to Colt CZ, including disclosure requirements that are phased-in:

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BP-2	Disclosures in relation to specific circumstances	General disclosures	71-72	
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GOV-2	Information provided to and sustainability matters addressed by the Group's administrative, management and supervisory bodies	General disclosures	75	
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GOV-5	Risk management and internal controls over sustainability reporting	General disclosures	79	
SBM-1	Strategy, business model & value chain	General disclosures	80-81	
SBM-2	Interest and views of stakeholders and key stakeholders	General disclosures	82-84	
SBM-3	Double materiality assessment	General disclosures	85-88	
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	General disclosures	85-86	
IRO-2	Overview of disclosure requirements included in the consolidated sustainability Statement of Colt CZ	General disclosures	87-88	
MDR-P, BP_2	Overview of adopted policies	General disclosures	89-91	
SBM-3_09	Disclosure of anticipated financial effects of material risks and opportunities on financial position, financial performance and cash flows over short-, medium- and long-term	General disclosures		Phased-in/Delayed

ESRS disclosure index

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E1 Climate Change				
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E1-3	Actions and resources in relation to climate change policies	Environment	99	
E1-4	Targets related to climate change mitigation and adaptation	Environment	99	
E1-5	Energy consumption and mix	Environment	100-101	
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	Environment	101-106	
E1-9	Anticipated financial effects from material physical risk	Environment		Phased-in/Delayed
E2 Pollution				
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	Environment	107-108	
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E2-2	Actions and resources related to pollution	Environment	109	
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E2-4	Pollution of air, water and soil	Environment	109	
E2-5	Substances of concern and substances of very high concern	Environment	110	ESRS 1 Section 7.7 Classified and sensitive information and information on intellectual property, know-how or results of innovation
E2-6	Anticipated financial effects from material pollution-related risks and opportunities	Environment		Phased-in/Delayed

Topic	Description	Chapter	Page	Comments
E3 Water and marine resources				
ESRS 2				
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Environment	111	
IRO-1				
E3-1	Policies related to water and marine resources	Environment	111	
E3-2	Actions and resources related to water and marine resources	Environment	111	
E3-3	Targets related to water and marine resources	Environment	112	
E3-4	Water consumption	Environment	112-114	
E3-5	Anticipated financial effects of material risks and opportunities arising from water and marine resources-related impacts	Environment		Phased-in/Delayed
E4 Biodiversity and ecosystems				
ESRS 2				
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Environment	114-115	
IRO-1				
E4-2	Policies related to biodiversity and ecosystems	Environment	115	
E4-3	Actions and resources related to biodiversity and ecosystems	Environment	115	
E4-4	Targets related to biodiversity and ecosystems	Environment	115	
E4-5	Impact metrics related to biodiversity and ecosystems change	Environment	115	
E4-6	Anticipated financial effects of material risks and opportunities arising from biodiversity- and ecosystem-related impacts and dependencies	Environment		Phased-in/Delayed

Topic	Description	Chapter	Page	Comments
E5 Resource use and circular economy				
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E5-2	Actions and resources related to resource use and circular economy	Environment	117	
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E5-4	Resource inflows	Environment	117-118	ESRS 1 Section 7.7 Classified and sensitive information and information on intellectual property, know-how or results of innovation
E5-5	Resource outflows	Environment	117-118	ESRS 1 Section 7.7 Classified and sensitive information and information on intellectual property, know-how or results of innovation
E5-6	Anticipated financial effects of material risks and opportunities arising from resource use and circular economy-related impacts	-		Phased-in/Delayed
	EU taxonomy	Environment	120-126	

ESRS disclosure index

Topic	Description	Chapter	Page	Comments
S1 Own workforce				
ESRS 2				
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Social	129-130	
IRO-1				
S1				
SBM-3	Own workforce IRO	Social	129-130	
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S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Social	134	
S1-6	Characteristics of own workforce, tables, charts	Social	135-136	
S1-7	Characteristics of non-employees in the undertaking's own workforce	-	137-139	Phased-in/Delayed
S1-9	Diversity metrics	Social	139	
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S1-12	Persons with disabilities	-		Phased-in/Delayed
S1-13	Training and Skills Development metrics	-		Phased-in/Delayed
S1-14	Health and safety metrics	Social	139-140	
S1-14 (06-12)	Health and safety metrics - number of days lost	-		Phased-in/Delayed
S1-15	Work-life balance	-	141	Phased-in/Delayed
S1-16	Remuneration metrics	Social	139	ESRS 1 Section 7.7 Classified and sensitive information and information on intellectual property, know-how or results of innovation
S1-17	Incidents, complaints and severe human rights impacts	Social	141	

Topic	Description	Chapter	Page	Comments
S3 Affected communities				
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S3-2	Processes for engaging with affected communities	Social	145	
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S3-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Social	145	
S4 Consumers and end-users				
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	Social	147-148	
S4-1	Policies related to consumers and end-users	Social	149	
S4-2	Processes for engaging with consumers and end-users about impacts	Social	149	
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	Social	149-150	
S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	Social	150	
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Social	150	

Topic	Description	Chapter	Page	Comments
G1 Business conduct				
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	Governance	153-154	
G1-1	Business conduct policies and corporate culture	Governance	152-153	
G1-2	Management of relationships with suppliers	Governance	158	
G1-3	Prevention and detection of corruption and bribery	Governance	156-159	
G1-4	Incidents of corruption or bribery	Governance	156-158	
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2. GENERAL DISCLOSURES

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GOV-5 Risk management and internal controls over sustainability reporting	77-78
SBM-1 Strategy, business model & value chain	79
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IRO-2 Overview of disclosure requirements included in the Consolidated Sustainability Statement of Colt CZ	85-86
MDR-P Overview of adopted policies	87-88

2.1 Basis for preparation

General basis for preparation

The Consolidated Sustainability Statement (“Sustainability Statement”) presented in this Annual Financial Report forms an integrated part of Management’s Review addressing sustainability matters within environmental, social and governance areas material to the Colt CZ Group SE (“Colt CZ” or “the Company”) and subsidiaries (“the Group) the reporting year 2024.

There is no subsidiary which were exempted from sustainability reporting under Articles 19a(9) or 29a(8).

The Sustainability Statement has been prepared in accordance with the European Sustainability Reporting Standards (ESRS). In addition, the Greenhouse Gas Protocol has been applied supporting interpretations and disclosures made under the ESRS standards. Short-, medium- and long-term time horizons applied in this Sustainability Statement align with those suggested in section 6.4 of ESRS 1.

The Sustainability Statement addresses the material impacts, risks and opportunities (IROs) of both our own operations and our upstream and downstream value chain. For a detailed overview of our value chain, please refer to page 80 of this statement. The extent to which policies, actions, metrics, and targets extend beyond Colt CZ’s own operations depends on the nature of individual topics which are further described under the individual topics.

We have applied transitional provisions relating to some value chain information, which are further described under the individual topics.

Reporting scope and basis for measurement

The Consolidated Sustainability Statement for Colt CZ has been prepared on a consolidated basis applying the same consolidation group as in the financial statements of this Annual Financial Report. The Sustainability Statement includes the holding company Colt CZ Group SE, and subsidiaries controlled directly and indirectly by Colt CZ. The consolidation group has been determined in accordance with IFRS 10 and includes the ultimate parent company of the Group (Colt CZ Group SE) and its subsidiaries over which the Company has operational control. This also includes the Company holding more than 50 per cent of the voting rights of another entity and no other factors precluding control.

For a complete overview of the consolidation group, refer to the Group overview in the chapter 2.1 *Identification of the Group* of the Consolidated Financial Statements (page 250). Subsidiaries (i.e. Sellier & Bellott) acquired during the year 2024 are recognised in the Sustainability Statement from the date Colt CZ gained control of the subsidiary (the acquisition date).

The Sustainability Statement covers the main value chain of the Group, including the IROs identified in our upstream, downstream,

and own operations. Data for 2024 are reported as of 31 December 2024, unless indicated otherwise. The process that led to the development of the Sustainability Statement 2024 involved the management of subsidiaries and Group’s management. Sustainability matters addressed in this Sustainability Statement have been identified based on double materiality assessment performed during 2024 for the Group.

Disclosures in relation to specific circumstances

Key estimations and outcome uncertainty

In presenting the 2024 Sustainability Statement, no estimates and assumptions have been applied, except for selected monthly data collected from subsidiary Sellier & Bellot which was acquired by Colt CZ on 16 May 2024. In the case of Sellier & Bellot, data collected for the month of May 2024 were applied for the full month (including the first 16 days Sellier & Bellot was not part of the Group) as the approximation was not reasonable in this case.

Time horizons

The reasonably expected time horizons of the identified impacts differ according to their nature and severity.

General Disclosures

- Short-term (1 year):

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

- Medium term (2-5 years):

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

- Long-term (more than 5 years):

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

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

Datapoints validation

Unless otherwise stated for a specific data point, the measurement of the given indicator has not been validated by any external body other than the assurance service provider.

Effectiveness of policies and actions

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

a. the management and administration of the entire Colt CZ Group,

b. risk management system (identification, assessment, and control) including sustainability matters and

c. internal management and control system. The status of internal audit in conducting audits and extraordinary investigations is independent and objective at any level throughout Colt CZ Group.

Changes in preparation or presentation of sustainability information

For the first time in 2024, the sustainability disclosures in this report comply with the requirements of the CSRD and ESRS. As a result, no comparative datapoints for 2023 and/or the previous years are provided as the previous sustainability reporting by the Company is not applicable for comparison purposes.

Incorporation by reference

When presenting the Sustainability Statement, ESRS disclosure requirements incorporated by reference to other sections of the Annual Financial Report include:

- GOV-1: information related to the Board of Directors (20c, 21c and 22a) in the chapter *“Description of decision-making processes and the composition of the Group’s managing body and its committees”*, page 28.
- GOV-5: information related to risk management approach (34b) in the chapter *“4.3 Information on internal control policies and procedures and the issuer’s and its consolidating entity’s approach to risks, in relation to the financial reporting process”*, page 27.

Use of phase-in provisions

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

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

A full list of phased-in datapoints can be found in the ESRS disclosure index on pages 63-69.

2.2 The role of the administrative, management and supervisory bodies



Source: Colt CZ

General Disclosures

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

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

The diversity policy is part of the agenda of the Remuneration Committee, which was established as a permanent advisory body of the Company's Supervisory Board.

The diversity policy is part of the agenda of the Remuneration Committee, which was established as a permanent advisory body of the Company's Supervisory Board.

The additional advisory body to the Supervisory Board is the Compliance and Ethics Committee, which oversees matters in the following areas:

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

The composition of the administrative, management and supervisory bodies including committees, their roles and responsibilities and access to expertise and skills is described in chapter 4.4 *"Description of decision-making processes and the composition of the Group's managing body and its committees"* of this Annual Financial Report, page 28.

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

The Board of Directors, Supervisory Board and its relevant committees are regularly informed of and address sustainability matters. The reporting lines for information on material IROs are disclosed in the previous chapter *“The role of the administrative, management and supervisory bodies”*, page 73.

In 2022, the Company engaged professional advisors to get assistance with development of ESG strategy and material topics, advisory in connection with nonfinancial reporting and obtaining guidance on EU taxonomy requirements and its implementation. In the reporting period 2024, as a part of the project monitoring, various sustainability issues had been regularly presented at the level of the Group's Board of Directors, Supervisory Board including its relevant committees and at the management level of key Group's subsidiaries, when relevant.

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

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

Individual members of the Board of Directors are also informed through periodic reporting and requirements based on IROs. Thus, sustainability management is integrated into Group's regular risk management processes and controls.

Before 2023, the Company has addressed its ESG issues in the annual financial report prepared in accordance with the Czech legislation. Since 2023, the stand-alone Sustainability Statement according to the GRI standards has been issued by the Company and published on the website¹.

¹ Sustainability Statement 2023, Sustainability Statement 2022

2.4 Integration of sustainability-related performance in incentive schemes

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

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

The Supervisory Board usually approves key financial and non-financial indicators by the end of the first calendar quarter of the relevant year, which are a condition for the entitlement to annual bonus, remuneration in the form of shares, or extra bonus, and which

relate to the Board of Directors’ activities, its priorities in the relevant calendar year and, as the case may be, to annual goals of individual members of the Board of Directors.

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

There are currently no sustainability-related targets and (or) impacts used to assess the performance of members of administrative, management and supervisory bodies. The Company’s Remuneration Policy in 2024 does not contain variable remuneration dependent on sustainability-related targets and (or) impacts.

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

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

2.5 Statement on due diligence

Colt CZ regularly performs due diligence activities relating to sustainability matters. The Group continuously reviews its due diligence process to further advance the Group's policies and standards, and strengthen internal controls and competencies for ethical business conduct to support transparent customer relationships, supplier partnerships, and workplace integrity.

The table below outlines the specific processes and their location in the Sustainability Statement.

Key principles of sustainability of due diligence	Sustainability Statements Reference	
Embedding due diligence in governance, strategy and business model	GOV-1 GOV-2 GOV-3 SBM-3 SBM-1	The role of the administrative, management and supervisory bodies of the Group, page 73 Information provided to and sustainability matters addressed by the Group's administrative, management and supervisory bodies, page 75 Integration of sustainability-related performance in incentive schemes page 76 Material impacts, risks and opportunities and their interaction with strategy and business model, page 153 Strategy, business model & value chain, page 80
Engaging with affected stakeholders in all key steps of the due diligence	GOV-2 SBM-2 SBM-3 IRO-1	Information provided to and sustainability matters addressed by the Group's administrative, management and supervisory bodies, page 75 Interest and views of stakeholders and key stakeholders, page 82 Double materiality assessment, page 85 Description of the processes to identify and assess material impacts, risks and opportunities, page 85
Identifying and assessing adverse impacts	SBM-3 IRO-1	Double materiality assessment, page 85 Description of the processes to identify and assess material impacts, risks and opportunities, page 85

Key principles of sustainability of due diligence	Sustainability Statements Reference
Taking actions to address those adverse impacts	ESRS 2 MDR-A Actions and resources in relation to climate change mitigation and adaptation page 99 Actions and resources related to pollution page 109 Actions and resources related to water and marine resources page 112 Actions and resources related to biodiversity and ecosystems page 115 Actions and resources related to resource use and circular economy, page 117 Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions page 150 Action plans and resources to manage its material impacts, risks, and opportunities related to corruption and bribery page 156
Tracking the effectiveness of these efforts and communicating	GOV-4 Statement on sustainability due diligence, page 77

2.6 Risk management and internal controls over sustainability reporting

Following the partial implementation of various sustainability processes between 2022- 2024, Colt CZ has further expanded and developed internal control systems to potentially cover the full scope of sustainability reporting process. The sustainability reporting control systems follow an approach similar to the financial reporting control system (see Chapter 4.3 *Information on internal control policies and procedures and the issuer's and its consolidating entity's approach to risks, in relation to the financial reporting process of this report*, page 27) As the sustainability reporting scope has broadened in 2024, the Company established a wider range of internal controls deemed appropriate and adequate following an ongoing evaluation of the risks related to data accuracy and completeness. This has been done in close cooperation with internal data owners across the Group and external ESG advisors.

Risk assessments methodology

The risk assessment methodology for sustainability reporting identifies where material misstatements are likely to arise in the data collection process.

At Colt CZ, risks and controls over sustainability reporting are assessed and communicated on a case-by-case basis as the data collection happens at the level of individual subsidiaries. We assess risks associated with incomplete or inconsistent sustainability

reporting, including risks related to the accuracy of data and manual errors when consolidating data from different systems and subsidiaries. With regards to the double materiality assessment, we performed controls of the process for identifying material impacts, risks and opportunities and underlying documentation.

Group's lines of business, responsible data owners and the Group Finance team members assess the risks associated with sustainability data and implement appropriate controls. A headquarter function of the Group Finance team maintains an overall risk assessment of sustainability reporting and determines the level of internal controls required for each subsidiary, depending on the materiality of the risks.

Findings of risk assessment and internal controls as regards the sustainability reporting process have been integrated and addressed case-by-case through discussions with data owners, the business lines managers and the Boards of Directors of individual subsidiaries, depending on materiality of the findings.

The main risks identified relate to value chain data (downstream), as Colt CZ does not extract nor has operational control of them. To mitigate risks, the Group Finance team which is currently responsible for data collection and sustainability reporting works with internal and external subject-matter experts to gain knowledge

on operational procedures and establish processes of data collection, validation and control systems. For value chain information, Colt CZ and its subsidiaries would engage in dialogue with suppliers to ensure a common understanding of the data needs and data quality. The Group and its subsidiaries apply strict verification procedures to suppliers, as well as wholesale and retail customers. Suppliers are asked to accept and adhere to our Code of Conduct. Compliance with the Code of Conduct is regularly monitored and assessed, and non-compliance results in the severing of cooperation with the non-compliant supplier.

As supplier data availability is also related to procurement processes which primarily happen at the level of individual subsidiaries, the Group Finance team acts as a subject- matter expert to ensure improved availability and quality on material sustainability matters and information to be embedded in the party agreements and contracts.

2.7 Strategy, business model & value chain

The Group is one of the world's leading producers of firearms and ammunition. We serve a wide range of customers, from the military and law enforcement to customers that require commercial products for hunting, sport shooting and personal defense².

The Group includes several well-known brands with long histories, such as Colt, CZ, Colt Canada, Sellier & Bellot, Dan Wesson, swissAA, Spuhr i Dalby, Colt CZ Defence Solutions and 4M SYSTEMS (*chapter 2.1 Identification of the Group of the Consolidated Financial Statements*). The Group's revenues in 2024 reached CZK 22,375.8 million, which represents an increase of 50.6% y-o-y, and a result is a combination of both the organic growth of the firearms segment driven by long guns sales and the consolidation of Sellier & Bellot since the acquisition date of May 16, 2024. Geographically, the growth was recorded mainly in Europe, including the Czech Republic, and in the USA. The number of firearms sold in 2024 increased by 2.0% compared to the same period in 2023, reaching 633 thousand units sold. Full review of financial performance of the Group in 2024, refer to chapter 3 of the Annual Financial Report 2024.

Colt CZ is headquartered in Prague, Czech Republic and has production facilities in the Czech Republic, the United States, Canada, Hungary, Switzerland and Sweden. Their products are available in more than 100 markets. The Company is a joint stock company publicly listed on the Prague Stock Exchange since October 2020.

	No. of employees FTE	2024
By Region		
Czech Republic	2,406	
USA	533	
Canada	132	
Switzerland	82	
Hungary	35	
Sweden	19	
Other	8	
Group Total	3,215	

Our military and law enforcement customers (app. 51 % of Group's 2024 revenues) include members of army units and special forces, state and municipal police agencies, border guards, prison guards, and units that protect constitutional officials. The Group's commercial customers (app. 49 % of Group's 2024 revenues) include hunters, outdoor enthusiasts and hobby shooters, as well as competitive sport shooters who participate in various competitions and those who purchase weapons for self-defense.

The Group's simplified value chain includes:

(a) Purchasing of raw materials and other supplies

By the end of 2024, the Group had, via a combination of short-term and medium-term contracts, over 4,000 suppliers of materials, firearm component machining, MIM components for handguns and rifles, and complete products.

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

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

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

(b) Design, engineering, manufacturing, and testing

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

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

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

(c) Distribution and customers

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

Colt CZ Group's production program is not associated with any controversial weapons or nuclear deterrence, which are excluded from ESG labelling in most countries. Our products are generally regarded as conventional weapons (source: UN Register of Conventional Arms) as opposed to weapons of mass destruction,

which are often referred to as controversial weapons. A key point of focus regarding this class of weapon is the level of control on the impact of the weapon (in space, and in time) when used, and the risk of collateral damage. Controversial weapons include biological weapons, cluster munitions, antipersonnel landmines, nuclear weapons, incendiary weapons, blinding lasers, depleted uranium, and white phosphorus munitions.

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

Military and law enforcement market

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

Commercial market

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

2.8 Interest and views of stakeholders and key stakeholders

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

The table below described key stakeholders' group and the nature of the engagement and value creation.

Key stakeholders

	How we engage	Why we engage	Value created
Public Governmental Authorities and Regulators	<ul style="list-style-type: none"> ▶ Meetings with state institutions ▶ Round table discussions, conferences 	<ul style="list-style-type: none"> • Ensuring regulatory compliance • Understanding sustainability requirements • Addressing climate-related transition risks and opportunities, carbon reduction goals 	<ul style="list-style-type: none"> • Aligning business model and strategy • Value creation and compliance risk mitigation • Alignment of projects with best practice
Shareholders	<ul style="list-style-type: none"> ▶ General Shareholders' meetings ▶ Periodic reports, financial filings ▶ Earnings conference calls 	<ul style="list-style-type: none"> • Understanding expectations for sustainability • Attracting responsible shareholders • Enhancing transparency and credibility in dialogue with shareholders 	<ul style="list-style-type: none"> • Responses to shareholders' queries • Providing transparency in sustainability reporting
Financial community / Investors	<ul style="list-style-type: none"> ▶ Roadshows, investor calls and Conferences ▶ Digital channels, incl. social media (LinkedIn) ▶ Periodic reports, financial filing ▶ Surveys 	<ul style="list-style-type: none"> • Understanding expectations for sustainability • Attracting responsible investors • Enhancing transparency and credibility • Attracting sustainable investments and ESG-focused funding 	<ul style="list-style-type: none"> • Alignment with best practice • ESG rating plans • Responses to investor queries • Provide transparency in sustainability reporting
Media	<ul style="list-style-type: none"> ▶ Press releases ▶ Media days ▶ Email, phone, personal communication ▶ Digital channels, incl. website and social media 	<ul style="list-style-type: none"> • Building a public image of a sustainable market and industry leader • Enhancing transparency and credibility in communication 	<ul style="list-style-type: none"> • Alignment with best practice • Responses to media queries • Demonstrate sustainability efforts to the public
Suppliers	<ul style="list-style-type: none"> ▶ Surveys ▶ Audits ▶ Digital channels, incl. social media ▶ Face-to-face meetings, over the phone interactions 	<ul style="list-style-type: none"> • Compliance with our code of conduct • Promoting responsible sourcing, incl. of minerals and metals • Decarbonizing the supply chain 	<ul style="list-style-type: none"> • Streamlined supplier expectations • Supplier improvement plans • Informed selection of suppliers • Green procurement
R&D Partners	<ul style="list-style-type: none"> ▶ Surveys ▶ Digital channels, incl. social media ▶ Face-to-face meetings, over the phone interactions ▶ Project collaborations, industry research, sharing feedback and information 	<ul style="list-style-type: none"> • Providing sustainable solutions and innovation for defence technologies • Understanding expectations to sustainability 	<ul style="list-style-type: none"> • Product improvements • Innovation initiatives • Sustainable solutions

	How we engage	Why we engage	Value created
Customers	<ul style="list-style-type: none"> ▶ Satisfaction Surveys ▶ Digital channels, incl. social media ▶ Face-to-face meetings, over the phone interactions 	<ul style="list-style-type: none"> • Building trust • Providing sustainable solutions • Enabling customers to achieve their targets 	<ul style="list-style-type: none"> • Product improvements • Adaptation of marketing strategies
Local Communities and NGOs	<ul style="list-style-type: none"> ▶ Digital channels, incl. social media ▶ Face-to-face meetings ▶ Event partnerships 	<ul style="list-style-type: none"> • Addressing community concerns, questions, and feedback • Building trust and community support • Ensuring community benefits 	<ul style="list-style-type: none"> • Understanding community benefits • Support of local projects • Alignment of projects with best practice
Employees	<ul style="list-style-type: none"> ▶ Engagement Surveys ▶ Internal newsletter and quarterly magazine ▶ Digital channels, incl. social media ▶ Face-to-face meetings, regular CEO round table meetings 	<ul style="list-style-type: none"> • Including employees' perceptions and experiences • Contributing to a sustainable workplace and work/life balance 	<ul style="list-style-type: none"> • Internal policy updates • Improvements and action plans • Communications from management • Global initiatives and campaigns
Trade Unions	<ul style="list-style-type: none"> ▶ Meetings ▶ Surveys ▶ Digital channels, incl. social media 	<ul style="list-style-type: none"> • Contributing to a sustainable workplace, work/life balance and diversity • Understanding expectations for sustainability 	<ul style="list-style-type: none"> • Communications from management • Improvements and action plans • Responses to TU queries
Management	<ul style="list-style-type: none"> ▶ Survey ▶ Meetings 	<ul style="list-style-type: none"> • Contributing to a sustainable workplace and working life • Embedding a sustainable approach in management decisions 	<ul style="list-style-type: none"> • Adaptation of internal communication on sustainability practices • Aligning the business model and strategy • Promoting diversity

General Disclosures

When we engage with our stakeholders, we aim to:

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

2.9 Double materiality assessment (“DMA”)

Revision of 2022-2023 materiality assessment

The first materiality assessment at Colt CZ related to sustainability strategy was conducted in 2022-2023. In order to obtain input for our materiality analysis, we have explored trends in our industry, took into consideration applicable regulations and other mandatory requirements and industry best practice, conducted a peer analysis, ran media searches, and interacted with our key stakeholders (see “*Interest and views of stakeholders and key stakeholders*”). Topics were prioritized through extensive discussions with a diverse set of internal and external experts, including Group management. This assessment also laid out the foundation for the double materiality analysis within the Group.

Double materiality assessment process

In 2024, the Company revisited the materiality assessment process again to include new subsidiaries and to prepare for the upcoming requirements of CSRD. The Company conducted a double materiality assessment across the individual subsidiaries and the holding company with the assistance of external advisors in accordance with the requirements of ESRS 1 to determine material sustainability topics for the entire Group.

Colt CZ has adopted a bottom-up approach to DMA, conducting it at the level of operating companies/ subsidiaries to capture

the nuances of different business models. The assessment considered both the impacts of our business on society and the environment (*impact materiality*) and how sustainability topics affect the Group in the form of business risks and opportunities (*financial materiality*). Through DMA, Colt CZ has identified material matters across environmental, social, and governance aspects, encompassing its own operations as well as its upstream and downstream value chain.

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

Colt CZ subsidiaries applied objective criteria using appropriate quantitative and/or qualitative reasoning to assess the materiality of actual and potential impacts. The resulting material topics were then reviewed and approved by Colt CZ top management.

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

Steps taken during the DMA

We followed a five-step process to analyze double materiality:

STEP 1 Context analysis

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

To gain insight into the intricacies of Colt CZ’s business model and operating environment, consultations were held with key stakeholders from various business areas, in addition to analyzing relevant internal documentation. Main business activities were then identified and described based on Colt CZ’s value chain, laying the foundation for subsequent phases, particularly in mapping out impacts, risks and opportunities (IROs). During this process, significant stakeholders were also identified and described, ensuring that their perspectives and priorities were considered.

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

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

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

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

As the result of the contextual analysis performed in the previous step, together with those of Colt CZ's 2022-2023 materiality process, led to a preliminary list of topics and sub-topics that are potentially material for Colt CZ. Similarly, a set of impacts, risks, and opportunities linked to each of the identified topics and sub-topics were defined based on identified activities throughout the value chain. This comprehensive approach ensured that Colt CZ considered a wide range of factors in its sustainability strategy, including both internal and external perspectives.

Similarly, for risks and opportunities mapping, a database was established focusing on financial materiality, considering factors that

could affect Colt CZ's financial position, performance, cash flows, access to finance, or cost of capital. Risks and opportunities were evaluated based on their time horizon, size, and probability of occurrence, providing insights into potential financial impacts over different time frames.

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

STEP 3 Assessment of potential material IROs

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

The impacts, risks and opportunities identified in the previous step were assessed from both an impact and a financial perspective:

Stakeholder dialogue, which was a part of the DMA process involved mapping and validating material topics.

STEP 4 Determination of material issues

The evaluation of impacts, risks and opportunities is determined by assessing the estimated values. This evaluation process is crucial in determining their significance in Colt CZ's sustainability context. The final determination of materiality is then established

by comparing these evaluations with the materiality thresholds set for this purpose. Topics for which the IROs obtained a score above the relevant threshold are deemed to be material. It's worth noting that when evaluating potential negative impacts associated with human rights, severity was prioritized over likelihood. This approach ensures that Colt CZ's sustainability strategy prioritizes addressing the most significant risks and impacts, particularly those related to human rights, even if they have a lower likelihood of occurrence.

In 2024, the Company did not quantify or determine values of financial effects of material risks and opportunities on financial position, financial performance and cash flows. It has however, considered factors that could affect its financial position, cash flow, access to external financing or costs of capital.

STEP 5 Oversight and validation of materiality

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

The results were first validated by the management of each subsidiary, and subsequently validated by Colt CZ's top management, specifically the Board of Directors, to ensure a comprehensive overview and oversight. This validation process ensures that the materiality assessments accurately reflect Colt CZ's sustainability priorities and align with its strategic objectives.

Final List of Materiality Topics for Colt CZ Group

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

Except for E4 Biodiversity,
material topics **correspond**
with 2023's results.



General Disclosures

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

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

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

The identified material Environmental impacts, which are actual and negative, relate to Colt CZ's business model including the manufacturing, procurement and facility management processes: CO₂ emission from energy consumption and material processing, various pollutions and noise, water withdrawal and treatment, dependence on non-renewable materials and generation of waste, primarily metal and including hazardous waste materials.

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

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

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

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

2.10 Policies Overview

Colt CZ's sustainability is managed through established policy documents on both Group and subsidiaries level. Several of these policies stipulate applying a precautionary principle through risk management. If a negative impact still occurs, Colt CZ has processes in place for mitigation and remediation actions.

The Board of Directors authorizes and signs policies, some of the policies are approved and signed by the Group's CEO or by the local CEOs and Boards of individual subsidiaries. The Code of Conduct contains sections on the Company's values, business ethics, conflicts of interest, human rights and freedoms, compliance, reporting, enforcement, and more. The Code is available in Czech and English.

Group companies have certificates of conformance to ISO9001 for quality management and ISO 14000. Several units have been also certified according to ISO 27001. The rest of the subsidiaries are going through the certification process, which should be completed in 2025.

Policies Overview

Policy and Internal document	Key contents	Scope of application	Implemented by	Availability
Code of Conduct	<ul style="list-style-type: none"> ▶ Corporate and ethical values ▶ Compliance ▶ Anti-corruption ▶ Prevention of conflict of interest ▶ Human rights and freedoms, nondiscrimination ▶ Occupational Safety and Health and ▶ Environmental Protection ▶ Competition rules ▶ Whistleblowing 	Group	Group Legal	Company's website
Whistleblowing policy	<ul style="list-style-type: none"> ▶ Platform ▶ How to report ▶ Protection of whistleblowers 	Group	Group Legal	Internal - Teams
Anticorruption policy	<ul style="list-style-type: none"> ▶ Rules of prevention ▶ Areas to which the policy applies ▶ Reporting non-compliance ▶ Policy violations ▶ Role and responsibilities 	Group	Group Legal	Internal - Teams
Supplier Manual	<ul style="list-style-type: none"> ▶ Procedures for assuring timeliness of deliveries and quality of purchased products ▶ Supplier Audit ▶ Environmental requirements 	Subsidiaries	Subsidiaries	Company's website
Ethical marketing of firearms	<ul style="list-style-type: none"> ▶ Rules and procedures ▶ Guidelines for marketing to customers ▶ Roles and responsibilities 	Group	Group Legal	Internal - Teams

General Disclosures

Policy and Internal document	Key contents	Scope of application	Implemented by	Availability
Compliance management system (CMS) policy	<ul style="list-style-type: none"> ► Operations of CMS ► Prevention ► Due diligence of third parties ► Other preventive measures ► Reporting of an event of non-compliance ► Response to reports ► Roles and Responsibilities 	Group	Group Legal	Internal - Teams
Policy of Group Governance principles	<ul style="list-style-type: none"> ► Dotted line reporting in the Group ► Roles of Group executives ► Roles of subsidiaries CEOs 	Group	Group legal	Internal - Teams
Human Resources policy	<ul style="list-style-type: none"> ► Principles and requirements for HR ► Selection and recruitment ► Development, education, training ► Evaluation, Benefits ► Roles and duties 	Group, subsidiaries	Group HR	Internal - Teams
SHE (Safety, Health and Environment) Policy	<ul style="list-style-type: none"> ► Substances of concern ► Energy management ► Prevention, risk management to mitigate negative impacts ► Compliance with legislation ► Trainings ► Communication with employees 	Subsidiaries	Subsidiaries	Internal
Environmental Policies	<ul style="list-style-type: none"> ► Energy Policy in accordance with ISO 50001 	Subsidiaries	Subsidiaries	Internal

General Disclosures

Policy and Internal document	Key contents	Scope of application	Implemented by	Availability
Quality Management Policy	<ul style="list-style-type: none"> ► Quality management of all processes, products and services ► Sustainable operations ► Strong brand ► Linked to Code of Conduct and CMS 	Subsidiaries	Subsidiaries	Internal
Data Privacy Policy	<ul style="list-style-type: none"> ► Cyber Threats ► General information security ► Information classification ► Data protection 	Group	Group IT	Internal
Management of corrective actions	<ul style="list-style-type: none"> ► Risk management ► Role of internal audit ► Actions plans for corrective actions ► Evidence ► Implementation of corrective actions ► Reporting ► Responsibilities and duties 	Group	Group legal	Internal - Teams

3. ENVIRONMENT

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

E1 Climate Change		Page #
ESRS 2	Material impacts, risks and opportunities and their interaction with strategy and business model	95-98
SBM-3		
IRO-1		
E1-1	Transition plan for climate change mitigation	98
E1-2	Policies related to climate change mitigation and adaptation	98-99
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3.1 E1 Climate Change

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

3.1.1 Material impacts, risks and opportunities

In 2024, Colt CZ initiated a project which should lead to carbon footprint calculation in Scope 1, 2 & 3, Transition plan for climate change mitigation and Transition climate risks, including the assessment of financial and operational transition risk. Colt CZ has been able to use some of the outcomes from the transition risks analysis in this Consolidated Sustainability Statement, although the final approval of the transition plan at the Group level has not yet occurred.

Information Related to Resilience Analysis

Colt CZ carried out resilience analysis as part of its sustainability assessment together with the double materiality reporting 2024 and continuing in 2025.

The analysis was based on the number of climate-related policies already announced or implemented in each country. The applied

methodology used analyses from government sites, and databases such as the EU Climate Change Mitigation Policies and Measures, IEA Policy Database, WTO Environmental Database and Climate Watch.

As the sustainability assessment project is still in progress, the climate scenario analysis and stress testing have not yet been implemented and the results of the assessment has not been approved by Company's governing bodies.

The identification of physical climate risks was carried out based on two basic scenarios, namely RCP4.5-SSP24.5 and RCP8.5-SSP58.5, in three horizons: short-term, medium-term (2030) and long-term (2050). All assets owned by the Group were assessed. The granularity of the analysis was determined at the level of individual assets, i.e. for specific asset coordinates. The analysis was carried out through a computational tool that considers physical climate risks within the scope of TCFD definitions and interprets the results as the significance of the assets' exposure and their vulnerability to physical climate risks. Significant physical risks were identified as those risks whose severity reached a very high level of exposure and vulnerability.

The analysis is based on the Nationally Determined Contributions (NDCs) of each country. The NDCs are commitments that countries make to reduce their greenhouse gas emissions as part of climate

change mitigation. These commitments include the necessary policies and measures for achieving the global targets set out in the Paris Agreement. This methodology helps assess mid-term risk related to climate change mitigation, by providing a prospective risk assessment on political risk related to climate change mitigation.

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

Heatwaves and floods disrupt our own operations, supply chains, and infrastructure (e.g., local energy transmission, water treatment plants, waste facilities, and manufacturing sites). Droughts impact water availability for industrial processes. Extreme weather events may affect the availability of resources.

As part of the analysis of transition risks and opportunities, potentially significant climate-related risks and opportunities were identified and assessed based on political, legislative, market and social developments and expert estimates.

Identified climate related transition risks relevant for Colt CZ

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

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

The identified climate change IROs, which are actual and negative, relate to Colt CZ's business model refer to note 2.9:

► Climate change Adaptation

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

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

► Climate change mitigation / Climate change adaptation

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

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

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

► Climate change mitigation / Climate change adaptation / Energy

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

► Energy

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

Manufacturing processes at Colt CZ are energy-intensive due to the need for machinery to cut, shape, and assemble parts. Activities such as molding, casting, machining, and finishing use a significant amount of energy.

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

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

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

The material topics covered in this ESRS include

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

3.1.2 Transition plan for climate change mitigation

At the date of this Consolidated Sustainability Statement, Colt CZ does not have a transition plan for climate change mitigation, ensuring that Colt CZ's strategy and business model are compatible with the transition to a sustainable economy and limiting global warming to 1.5 degrees in line with the Paris Agreement with 2030 and 2050 milestones, 2050 being a milestone for a net zero. In 2025, we initiated a project based on the GHG disclosures which should lead to carbon footprint calculation in Scope 1, 2 & 3, Transition plan for climate change mitigation and Transition climate risks.

Colt CZ also aims to adopt leading practices for defining targets and metrics. Our approach for formulating and achieving emissions targets consists of (i) establishing emissions/intensity baseline, (ii) performing scenario analysis and setting decarbonization targets and (iii) developing decarbonization roadmap. With respect to transition climate risks, we are focusing on evaluating various parameters designed to provide a clear understanding of these elements, enabling businesses to navigate the complexities of transition climate risk effectively. These are primarily a. revenue impact, b. cost impact, c. impact on financial statements and valuation and the assessment of strategic implications.

3.1.3 Policies related to climate and other environmental topics

The Group's operations are subject to, and must comply with, a variety of national and international laws and regulations regarding the protection of the environment, health, and safety. These laws and regulations address, among other things, the identification, acceptance, treatment, storage, handling, transportation and disposal of hazardous materials and waste, as well as air and water emissions, soil and water contamination, noise, the prevention or minimization of climate change, and exposure of employees and others to hazardous materials and waste. The Group have no specific climate related policy in place as climate related matter are an integral part of general environmental policies and ISO certifications across the Group.

Production facilities in the Czech Republic are ISO 14000 certified (Environmental Management Systems), which is complemented by policies and systems in place above the legal requirements. Our aspiration is to obtain ISO 50001 certification to improve energy efficiency management. Our safety, health and the environment (SHE) policy includes commitments to continuously improve the integrated SHE system, maintain active leadership in the area of employees' environmental impact awareness, and act in a way that motivates everyone to remain attentive to the risks of environmental impacts. All operations and

departments are subject to environmental impact assessments every two years, or sooner, if a change is implemented. An environmental impact assessment is part of any purchase of machinery or equipment. By implementing the latest industrial methods of manufacturing and energy efficient technologies, together with improving equipment efficiency, we aim to reduce the environmental impact of our manufacturing. We have dedicated employees responsible for environmental management. In addition, our management has environmental responsibilities included in their job description and is incentivized to achieve certain environmental targets e.g. energy savings. The ultimate environmental responsibility sits with our CEO and the Board of Directors.

Our facilities in the US and Canada are not ISO 14000, 45000 and 50001 certified, but we are preparing a plan to implement environmental policies in the future. In the US, we have two dedicated full-time employees who are responsible for environmental management. We also contract with an outside firm to review, coach, and lead us towards responsible environmental improvements. We follow the Environmental Protection Agency's regulations and its effluent guidelines on discharge into the environment. In Canada, we follow the Canadian Environmental Protection Act (CEPA) and industry standards for environmental guidelines. Colt Canada has one employee who supports environmental activities to ensure we are compliant. We are working to align both internal and external resources that will better support Colt Canada to setup a comprehensive environmental management system. The ultimate environmental responsibility sits with the CEO of Colt USA and the CEO of Colt Canada, respectively.

In line with the legislative framework of the Czech Republic, we also have an energy audit for the production facilities in the Czech Republic, including a proposal for saving measures, such as insulation of buildings, more efficient lighting systems, exchange of transformers, and installation of new boilers. As part of our decarbonization strategy, we are also looking at options to increase renewable energy in our energy mix.

3.1.4 Actions and resources in relation to climate change mitigation and adaptation

Colt CZ implemented actions and resources and worked on mitigating impacts in relation to climate change already before implementing the CSRD reporting requirements. The Group has been working on minimizing the environmental impact of its operations by preventing pollution, reducing waste, energy, and water consumption. In addition, we are using innovative technologies to produce reliable, resilient, and durable products, fostering enduring relationships with our customers.

As a part of the on-going project related to Transition plan, we focus, among others, on identification of capital expenditures required to develop and grow low carbon technologies (e.g., in steel/cement manufacturing) and products as well as other fixed and variable costs (such as utilities costs, pass-through costs, costs of changing suppliers, etc.)

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

3.1.5 Targets related to climate change mitigation and adaptation

We have not adopted any specific targets to support climate change mitigation and adaptation policies. Colt CZ is currently setting up ESRS-aligned decarbonization plan and targets which should be finalized in 2025.

Our goal is to reduce energy consumption and emissions of climate-altering gases in all areas of the Company to combat climate change. To minimize impacts on climate change where possible, we are continually assessing options to lower our greenhouse gas emissions (GHG). The GHG emissions from our operations are due to energy consumption during production, as well as upstream and downstream supply chain activities.

3.1.6 Energy consumption and mix

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

Accounting Principles:

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

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

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

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

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

ESRS Ref.		Unit	Value
E1-5, 37. (a)	Stationary consumption of fuels from non-renewable sources	MWh	34,338
E1-5, 38. (a)	Fuel consumption of coal and coal products	MWh	–
E1-5, 38. (b)	Fuel consumption of crude oil and petroleum products	MWh	98
E1-5, 38. (c)	Fuel consumption of natural gas	MWh	34,240
E1-5, 38. (d)	Fuel consumption from other fossil sources (process, waste and other fuels used for energy purposes)	MWh	–
E1-5, 38. (e)	Consumption of purchased or obtained electricity, heat, steam and cooling from fossil sources	MWh	29,952
E1-5, 37. (a)	Mobile consumption of fuels from non-renewable sources	MWh	2,891
	Gasoline	l	43,970
	Diesel	l	214,919
	LPG	l	–
	CNG	kg	1,135
	Propan - Butan	kg	11,833
	Other fuels from non-renewable sources	l	16,277
E1-5, 37. (c), i	Mobile consumption of fuels from renewable sources	MWh	13
	Other biofuel	l	2,000

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

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

E1-5, 39. Total production of non-renewable energy

Total production of non-renewable energy consists of production of heat from burning gas.

E1-5, 39. Total production of renewable energy

Total production of renewable energy consists of production of electricity.

E1-5, 37(a) Stationary consumption of fuels from non-renewable sources

Total consumption of primary energy carriers for energy production burned in stationary technologies (e.g. cogeneration unit, diesel generator).

E1-5, 37.(a) Mobile consumption of fuels from non-renewable sources

Total consumption of own vehicles for operational purposes.

E1-5, 38 (e) Consumption of purchased or obtained electricity, heat, steam and cooling from fossil sources

Total consumption of purchased/acquired energy from external and internal suppliers

E1-5, 37. (c), i Mobile consumption of fuels from renewable sources

Total consumption of own vehicles for operational purposes.

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

In tonnes CO ₂		2024
Scope 1 GHG emissions by region		
E1-6_07	Gross Scope 1 GHG emissions (tCO ₂ eq) total	10,146
	Europe - Scope 1 GHG emissions (tCO ₂ eq)	8,855
	North America - Scope 1 GHG emissions (tCO ₂ eq)	1,291
Scope 2 GHG emissions		
E1-6_09	Gross location-based Scope 2 GHG emissions (tCO ₂ eq)	20,636
E1-6_10	Gross market-based Scope 2 GHG emissions (tCO ₂ eq)	34,898

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

In tonnes CO ₂		2024
Significant scope 3 GHG emissions		
E1-6_11	Total Gross indirect (Scope 3) GHG emissions (tCO ₂ eq)	209,859
1	1 Purchased goods and services	152,976
2	2 Capital goods	9,372
3	3 Fuel and energy-related Activities (not included in Scope1 or Scope 2)	7,183
4	4 Upstream transportation and distribution	6,009
5	5 Waste generated in operations	17,836
6	6 Business traveling	2,147
7	7 Employee commuting	2,999
9	9 Downstream transportation	7,761
12	12 End-of-life treatment of sold products	278
13	13 Downstream leased assets	2,383
15	15 Investments	914

Environment

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

In tonnes CO ₂		2024
Total GHG emissions		
E1-6_12	Total GHG emissions (location-based) (tCO ₂ eq)	240,641
E1-6_13	Total GHG emissions (market-based) (tCO ₂ eq)	254,904
GHG intensity per net revenue		
E1-6_30	Total GHG emissions (location-based) per net revenue (tCO ₂ eq/ m CZK)	9.63
E1-6_31	Total GHG emissions (market-based) per net revenue (tCO ₂ eq/ m CZK)	10.18

Direct GHG emissions of the Group within Scope 1 include the consumption of natural gas, fuel and the replenishment of coolants for machinery. Most of the carbon footprint in Scope 1 in 2024 (over 90%) was created by burning natural gas, primarily for technological processes and heating. Investments in modernization of the heating system are one of key mitigating factors to reduce Scope 1. The assessment was based on the Greenhouse Gas Protocol (GHG Protocol) methodology.

Scope 1

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

Most of the carbon footprint in Scope 1 derived from burning natural gas, primarily for technological processes and heating. Scope 1 emissions at Colt CZ tend to decrease in the long run as a result of a decreasing natural gas consumption, due to investments in modernization of the heating system in production. Natural gas is supplied from the public distribution network. There is none Scope 1 emissions covered by the EU emissions trading scheme.

Scope 2

At Colt CZ, Scope 2 emissions exclusively consist of electricity consumption. Group companies based in the Czech Republic

purchase electricity from the public energy network, which is a mix of conventional energy sources, such as fossil fuels and nuclear, that are supplemented by sources producing electricity from renewable sources. US companies purchase electricity from regional grid the Northeast Power Coordinating Council (NPCC) which has more favorable energy mix (a higher share of nuclear, hydro, wind, and biomass) than the US national fuel mix. In 2024, none of our energy is covered by the guarantees of origin.

Majority of savings are typically realized from the installation of more energy efficient machinery and new manufacturing equipment.

Significant Scope 3 GHG emissions

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

Accounting principles GHG emissions

E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions:

Colt CZ's carbon footprint provides a general overview of Group's greenhouse gas emissions converted into CO_2 equivalents (CO_2e). It is based on reported data from internal and external systems and calculated by external company. All data for Scope 3 emissions calculation was taken from internal sources.

- All 7 Kyoto GHGs protocol were taken into account in the calculation of the carbon footprint.
- GWP_s from the latest IPCC Assessment Report (AR6) were used to convert GHGs to CO_2 eq.
- The Group uses the combination of following resources to obtain the EF for the Scope 3 calculation: Environmentally extended input-output (EEIO), US Environmental Protection Agency (EPA), Department for Environment, Food & Rural Affairs (DEFRA), European Investment Bank (EIA), National Inventory Documents (NID), Common Reporting Tables (CRT), International Energy Agency (IEA), Association of Issuing Bodies (AIB), Carbon Database Initiative (CaDI), Product Carbon Footprint (PCF). All these factors were based on their most recent versions.

E1-6_09 & E1-6_10 Gross location- and marked-based Scope 2 GHG:

The volume of total Scope 2 GHG emissions from purchased energy using the grid emission factor and the volume of total Scope 2 GHG emissions from purchased energy using supplier-specific emission factors (including guarantees of origin).

E1-6_11 Gross Scope 3 GHG:

Scope 3 includes indirect emissions from Colt CZ's activities in the value chain. Most of the volume of Scope 3 comes from the category Purchased goods and services and results from the business model of the Company.

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

- S3.8 Upstream leased assets – the Group do not have any leased assets that are not in Group control
- S3.10 Processing of sold products – the Group place on market final product which do not require any further processing or transformation, no intermediate products
- S3.11. Use of sold products – At this moment, the category has not been included because, despite adequate efforts, it is not possible to quantify the real impacts caused by the use of sold products. This is further complicated by the unavailability of necessary information, which is contingent upon the specifics of the sector. Additionally, there is no supportive database that could provide these data.
- S3.14 Franchises – the Group does not operate any franchises therefore is the category not relevant

The total GHG emission (location-based) and (market based)

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

E1-6_30 Total GHG emissions per net revenue:

GHG emissions intensity is based on total GHG emissions (location-based and market-based) in tonnes CO₂e, proportionally adjusted in the case of company Sellier & Bellot to reflect the period during which the company was part of the group, divided by revenue from the consolidated financial statements refer to Note 5 in consolidated financial statement. Sellier & Bellot adjustment calculated by dividing the total GHG emissions by 12 months and then multiplying by 8 months.

3.2 E2 Pollution

3.2.1 Material impacts, risks and opportunities and their interaction with strategy and business model

The identified material pollution IROs relate to Colt CZ's business model and manufacturing processes refer to note 2.9.:

- ▶ Pollution of living organisms and food resources

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

- ▶ Microplastics

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

- ▶ Pollution of air

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

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

- ▶ Pollution of soil (and respective loads)

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

- ▶ Substances of concern and substances of very high concern

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

- ▶ Pollution of water

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

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

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

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

Indicator - (CAS number) and Pollutant	Unit	Value
Lead and compounds (as Pb)	kg	34,900

3.2.2 Policies related to pollution

Our environmental policies described in chapter 3, page 98 outline our commitment to mitigating pollution. The Group have no specific pollution related policy in place as pollution related matters are an integral part of general environmental policies and ISO certifications across the Group.

3.2.3 Actions and resources related to pollution

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

We have designated storage for chemicals. We are performing inspections of existing systems and their regular replacement/

renewal, including the transfer of the same requirements to suppliers.

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

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

3.2.4 Targets related to pollution

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

3.2.5 Pollution of water

In the Czech Republic, wastewater and rainwater are treated at the company's biological treatment plant and are then released in accordance with the relevant permit into a specified watercourse.

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

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

3.2.6 Substances of concern and substances of very high concern

In the industry we operate, the use of chemicals is a necessary part of the production process and therefore this topic is material for us. in 2024, we did not used any substances included among the substances of concern or substances of very high concern. However, lists of substances are updated annually and we continue to monitor the substances that appear on them.

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

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

Our products contain mixtures that include substances classified as Substances of Concern (SC) under the CLP and ECHA regulation, specifically nitrocellulose and Substances of Very High Concern (SVHC) under the REACH Regulation, specifically nitroglycerin.

Due to the known environmental and health risks associated with such substances, therefore Group implements strict risk management measures, including safety protocols, exposure monitoring, and full compliance with applicable legal requirements.

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

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

3.3 E3 Water and marine resources

3.3.1 Material impacts, risks and opportunities and their interaction with strategy and business model

This topic is only material from the impact perspective and related to facility management and procurement processes refer to note 2.9. The identified IROs relate to withdrawal of water from the water supply system for building operations which can place a strain on the resources in the area. Water is used heavily in processing of raw materials such as metals and washing the surfaces of product parts, leading to changes in water levels in those areas, and potentially impacting local aquatic ecosystems.

The impact affects both upstream and our own operation in mid-term horizon.

The identified material pollution IROs relate to Colt CZ's business model and manufacturing processes:

► Water

Water may be used heavily in the extraction and processing of raw materials such as metals, leading to changes in water levels in those areas, and potentially impacting local aquatic ecosystems.

► Marine Resources

Disruption of the ecosystem by the extensive use of shipping

		Value chain location			Time horizon		
		Upstream	Own operations	Downstream	Short-term	Mid-term	Long-term
Water	Actual negative impact	×				×	×
Marine Resources	Actual negative impact	×	×			×	

3.3.2 Policies related to water and marine resources

Our environmental policies described in chapter 3, page 98 outline our commitment to water management and reduction of water consumption. The Group have no specific policy related to water in place as water related matters are an integral part of general environmental policies and ISO certifications across the Group. With respect to marine resources impact, this occur in our value chain and the Group has not adopted any specific policy related to marine resources.

3.3.3 Actions and resources related to water and marine resources

Colt CZ is committed to reducing water consumption and preventing contamination in various industrial processes. Measures concerning the water treatment and water recycling at Colt CZ which ultimately lead to water savings are described in chapter Pollution of water in this Consolidated Sustainability Statement. There is no investment currently planned, and no financial resources were allocated for 2024.

3.3.4 Targets related to water and marine resources

We have not set any targets with regards to water and marine resources in 2024. Our established processes are anchored within the functions that have responsibility for ensuring adherence to our policies. Environmental topics are also addressed on a continuous basis through our ISO certifications.

into a specified watercourse. Wastewater from metallurgy operations passes through a preliminary neutralization treatment. In the US, water and waste results are closely monitored and evaluated each week by our environmental team and made publicly available.

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

3.3.5 Marine resources

In our double materiality assessment (DMA), this topic emerged as material due to the impact in our value chain, however - specifically the use of shipping and upstream. The topic does not occur in our own operation.

Although we select carriers who commit to meet our environmental requirements that are part of our contractual relationship and Suppliers manual, we currently have no specific policies in place for marine resources.

3.3.6 Water consumption

Most of our water consumption stems from manufacturing, specifically from washing the surfaces of parts. We use groundwater for our technological processes and follow strict guidelines, especially during discharge. In the Czech Republic, wastewater and rainwater are treated at the company's biological treatment plant and are then released in accordance with the relevant permit

ESRS Ref.	Indicator	Unit	2024
E3-4, 28. (a)	Total water consumption	m^3	-138,018
E3-4, 28. (c)	Total volume of reused and recycled water	m^3	-
E3-4, 28. (d)	Total water stored at the beginning of the reported period	m^3	37,170
E3-4, 28. (d)	Total water stored at the end of the reported period	m^3	37,170
E3-4, 28. (d)	Changes in water storage	m^3	-
E3-4, 29.	Water Consumption Intensity Ratio	$m^3 / m CZK$	-6,17e¹⁰
E3-4, AR 32.	Water withdrawals - Total	m^3	263,626
	Water withdrawals - from surface water	m^3	79,917
	Water withdrawals - from groundwater	m^3	68,125
	Water withdrawals - from seawater (water in a sea or in an ocean)	m^3	-
	Water withdrawals - from produced water (water that enters an organization's boundary as a result of organizational activities, ex. extraction)	m^3	-

ESRS Ref.	Indicator	Unit	2024
	Water withdrawals - from third-party water (refers to municipal water suppliers and municipal wastewater treatment plants, public or private utilities, and other organizations involved in water use and effluents)	m ³	115,584
E3-4, AR 32.	Water discharges - Total	m³	401,644
	Water discharges - to surface water (water that occurs naturally on the Earth's surface)	m ³	392,830
	Water discharges - to groundwater (water that is being held in, and that can be recovered from, an underground formation)	m ³	-
	Water discharges - to seawater (water in a sea or in an ocean)	m ³	-
	Water discharges - to third-party water (refers to municipal water suppliers and municipal wastewater treatment plants, public or private utilities, and other organizations involved in water use and effluents)	m ³	8,814
E3-4, 28. (b)	Total Water Consumption in the areas of water stress	m³	105,926
	Groundwater	m ³	513
	Surface water	m ³	-
	Drinking water	m ³	105,413

Only one of our production plants is located in a water stress area. Česká zbrojovka a.s. operates its primary manufacturing site in Uherský Brod, located in the South Moravian Region of the Czech Republic. According to the international water stress mapping tools (e.g. Aqueduct by WRI), this region is not classified as the high water stress area, but is considered moderate risk, especially during prolonged drought periods, which have become more frequent due to climate change.

As a result, and although CZUB is not situated in a high-water stress area, the company recognizes the importance of responsible water management as part of its broader environmental and sustainability strategy. The following actions have been implemented or are under development:

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

While the South Moravian Region does not currently face extreme water scarcity, CZUB maintains a proactive approach to water stewardship to minimize risks and ensure long-term resource sustainability. The company continues to monitor regional developments and adapts its water strategy accordingly.

Accounting Principles:

E3-4, 28. (a) Total water consumption:

Total water consumption in own operations in m³.

E3-4, AR 32. Water withdrawals – Total:

Total water withdrawals in own operations in m³.

E3-4, AR 32. Water discharges – Total:

Total water discharges in own operations in m³.

E3-4, 28. (b) Total water consumption in the areas of water stress:

The area of stress occurs only in location of one production subsidiary, CZUB in the Czech Republic.

3.4 E4 Biodiversity and ecosystems

3.4.1 Material impacts, risks and opportunities and their interaction with strategy and business model

This topic came out as material for some subsidiaries (Canada and Sweden), but as it is tied to specific locations, it is locally material refer to note 2.9. Manufacturing activities cause habitat alteration or destruction, pollution (including air, water, soil, noise, and light pollution), and significant water usage for industrial processes, which leads to biodiversity loss. Machinery and operations can cause significant noise and light pollution affecting nearby wildlife.

The actual positive impact is related to the ammunition production and the use of final products for hunting can have a positive effect on the regulation of the game population.

The impact affects both upstream and our own operation in mid- and long-term horizons.

The identified material pollution IROs relate to Colt CZ's business model and manufacturing processes:

- Direct impact drivers of biodiversity loss

The production, extraction and processing of raw materials required for the subsequent production of semi-finished products,

components and final products in supply chains has a negative impact on existing biodiversity (in particular open cast metal mining, soil, water and air pollution) including habitat disturbance

- Impact on the state of species

Mining activities of raw materials can lead to land degradation and habitat destruction, negatively impacting local biodiversity.

The use of final products for hunting can have a positive effect on the controlled shooting of game (e.g. sick game, overpopulated game), etc.

- Impact on the extent and condition of ecosystems

Machinery and operations can cause significant noise and light pollution affecting nearby wildlife.

	Value chain location			Time horizon		
	Upstream	Own operations	Downstream	Short-term	Mid-term	Long-term
Direct impact drivers of biodiversity loss	Actual negative impact		x		x	
Impact on the state of species	Actual negative impact	x			x	
Impact on the extent and condition of ecosystems	Actual negative impact		x	x	x	x
Impact on the state of species	Actual positive impact		x	x	x	x

3.4.2 Policies related to biodiversity and ecosystems

Our environmental policies are described in chapter 3, page 98. The Group have no specific biodiversity and ecosystem-related policy in place as biodiversity and ecosystem-related matters are an integral part of general environmental policies and ISO certifications across the Group.

3.4.3 Actions and resources related to biodiversity and ecosystems

We are taking measures to reduce the noise produced by our machinery. The Company also supports gamekeeping (protection of animals and their health).

Our companies in the US support the following wildlife conservation organizations by providing funding, products, public seminars and more: Costal Conservation Association; Pheasant Forever & Quail Forever; Missouri Conservation Federation; and the National Wild Turkey Federation.

The Group also supports various gamekeeping organization and also provides them with financial support to help with the purchasing of feed and day-to-day operations. Local gamekeeping organizations are among key stakeholders of selected subsidiaries in the Czech Republic.

Mining raw materials is not part of our activity. Nevertheless, we try to manage this risk by selecting our suppliers. As part of our value chain management, we require our suppliers to comply with

our environmental standards, a commitment formalized through contractual agreements. Currently, however, we do not have a formalized system in place to monitor or verify supplier compliance with biodiversity-related requirements.

3.4.4 Targets related to biodiversity and ecosystems

We have not identified any material targets relevant to disclose. Our established processes are anchored within the functions that have responsibility for ensuring adherence to our policies. Environmental topics are also addressed on a continuous basis through our ISO certifications.

3.4.5 Biodiversity and ecosystems near to our operations

The Group is aware of the presence of protected biodiversity and ecosystem areas near some of its operations. While this topic was identified as material in our DMA only for our sites in Canada and Sweden, we are committed to acting responsibly towards all neighboring biodiversity areas across our operations. In Canada, our facility is located near the Kitchener's Natural Heritage System, and in Sweden, near the Löddeåns Mynning bird habitat. Currently, there are no restrictions or reporting obligations to the authorities related to these locations.

The Group doesn't have any specific strategy and policies related to biodiversity and ecosystems in place, other than principles stipulated in general environmental policy.

3.5 E5 Resource use and circular economy

3.5.1 Material impacts, risks and opportunities and their interaction with strategy and business model

The Group is one of the world's leading producers of firearms and ammunition. An overview of Group's products is available in Section 2 Business & Strategy.

The identified material Resource use and circular economy IROs relate to Colt CZ's business model and manufacturing processes refer to note 2.9:

► Resource inflows, including resource use

Dependence on non-renewable materials such as: metals, polymers, coatings/adhesives, dyes and abrasives that are essential to the manufacturing process.

► Resource outflows, related to product and services

Scrap metal, waste from machining processes, used grinding wheels, discarded parts, packaging materials are the primary resource outflows related to manufacturing. Steel products can cause environmental pollution at the end of their life if not properly managed. For the management, more resources are used.

► Waste

Generating of considerable amount of waste, including scrap metal and dust, which can cause environmental problems if not properly managed. Waste from spent ammunition with environmental impact (in particular consumer waste).

The topic Resource use and circular economy is material from both the impact and financial perspectives and related to procurement and manufacturing processes in upstream and own operations.

		Value chain location			Time horizon		
		Upstream	Own operations	Downstream	Short-term	Mid-term	Long-term
Resource inflows, including resource use	Actual negative impact	✗	✗			✗	
Resource outflows, related to product and services	Actual negative impact		✗			✗	
Waste	Actual negative impact		✗			✗	

For some Group subsidiaries, the topic is material impact and financial perspectives, for others there is only impact materiality.

3.5.2 Policies related to resource use and circular economy

Our environmental policies are described in chapter 3, page 92. The Group has not adopted specific policy for resource use and circular economy as resource use and circular economy related matters are an integral part of general environmental policies and ISO certifications across the Group.

3.5.3 Actions and resources related to resource use and circular economy

We limit the impact of our operations on the environment through reduced consumption of raw materials and by lowering the production of waste, with a focus on producing waste that is less hazardous. We recycle materials where possible to minimize the amount of waste going to landfills. Colt CZ is in the process of setting concrete targets to reduce production of waste and hazardous waste. Actions and resources related to resource use and circular economy closely relate to actions and resources regarding pollution described in chapter "Actions and resources related to pollution" (E2).

3.5.4 Targets related to resource use and circular economy

We have not set any material targets relevant to disclose in 2024. Our established processes are anchored within the functions that have responsibility for ensuring adherence to our policies.

Environmental topics are also addressed on a continuous basis through our ISO certifications. Colt CZ is in the process of setting concrete targets to reduce production of waste and hazardous waste.

3.5.5 Resource inflows

By the end of 2024, the Group had, via a combination of short-term and medium-term contracts, over 4,000 suppliers of materials, firearm component machining, MIM components for handguns and rifles, and complete products. An environmental impact assessment is part of any purchase of machinery or equipment.

In the US, we incorporated responsible sourcing of minerals into policies for rifle component suppliers.

We have decided not to disclose more detail information regarding resource inflows, including details on materials, products (including packaging), water, and property, plant and equipment used in our own operations and upstream value chain, due to the sensitive nature of this data. These inputs represent strategic business information, and their disclosure could potentially compromise our competitive position. Therefore, we consider this information to be confidential.

3.5.6 Resource outflows

Information about the Group's products is provided in the annual financial report chapter 2.1 and 2.2.

We have decided not to disclose information regarding our products and their components, including expected durability and repairability, as well as the rates of recyclable packaging and product content, due to the commercially sensitive nature of this data. These aspects are considered strategic, and their disclosure could negatively affect our competitive advantage. Therefore, we treat this information as confidential.“

At Colt CZ, the waste that is produced goes through an extensive sorting process. The volume of scrap metal is proportionate to production volumes. In the Czech Republic, all of metal waste is forwarded to recycling, therefore contributing to the fulfillment of the principles of circular economy. Other types of waste, such as oils, paper and plastics, are also handled by our waste management program and are either sent to recycling or energy recovery. Most production waste does not fall in the category of hazardous waste, which facilitates its subsequent recycling, reprocessing or a further use. Biological waste is composted. Colt CZ has no radioactive waste.

Information on how we engage with affected communities and key stakeholders regarding resource outflows can be found in chapter Interest and views of stakeholders and key stakeholders.

ESRS Ref.	Indicator	Unit	2024
Resource inflows			
E5-4, 31. (a)	Overall total weight of products and technical and biological materials used during the reporting period	t	19,895,807
E5-4, 31. (c)	The absolute weight of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging)	t	16,841,757
E5-4, 31. (b)	Share of biological materials (and biofuels used for non-energy purposes) used to manufacture the undertaking's products and services (including packaging) that is sustainably sourced	%	-
E5-4, 31. (c)	Share of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging)	%	85

Accounting principles:

Reported data reflect the materials in their original state without any further manipulation or adjustments.

E5-4, 31. (a) Overall total weight of products and technical and biological materials used during the reporting period.

Includes primarily non-ferrous metals such copper, brass, bronze, aluminum, chemicals and metallurgical materials.

ESRS Ref.	Indicator	Unit	2024
E5-5, 37. (a)	Total amount of waste generated	t	10,971
	Total amount of waste generated transferred to authorized entities	t	10,971
E5-5, 37. (b) Hazardous waste diverted from disposal			
E5-5, 37. (b)	Hazardous waste diverted from disposal as a result of preparation for reuse	t	-
E5-5, 37. (b)	Hazardous waste diverted from disposal due to recycling	t	904
E5-5, 37. (b)	Hazardous waste diverted from disposal due to other recovery operations	t	1

E5-5, 37. (a) Total amount of waste generated.

The total amount of waste generated in the reporting period, for all Group operations combined, according to the legal reporting requirements. All waste generated in the Group in the reporting period was transferred to authorized entities for waste handling.

ESRS Ref.	Indicator	Unit	2024
E5-5, 37. (b)	Other waste diverted from disposal	t	7,497
E5-5, 37. (b)	Other waste diverted from disposal as a result of preparation for reuse	t	75
E5-5, 37. (b)	Other waste diverted from disposal due to recycling	t	7,281
E5-5, 37. (b)	Other waste diverted from disposal due to other recovery operations	t	141
E5-5, 37. (c)	Hazardous waste intended for waste treatment	t	1,768
E5-5, 37. (c)	Hazardous waste intended for incineration	t	440
E5-5, 37. (c)	Hazardous waste intended for landfill	t	421
E5-5, 37. (c)	Hazardous waste intended for treatment by other disposal operations	t	907
E5-5, 37. (c)	Other waste intended for waste processing	t	800
E5-5, 37. (c)	Other waste intended for incineration	t	2
E5-5, 37. (c)	Other waste intended for landfill	t	649
E5-5, 37. (c)	Other waste intended for treatment by other disposal operations	t	149
E5-5, 37. (d)	Non-recycled waste	t	2,785
E5-5, 37. (d)	Non-recycled waste	%	25
E5-5, 39.	Total amount of hazardous waste	t	2,673
	Total amount of non-hazardous waste	t	8,297
E5-5, 39.	Total amount of radioactive waste	t	-

3.6 EU taxonomy

Colt CZ Group Reporting Approach

The Taxonomy Regulation (EU) 2020/852 is part of the Action Plan on Financing Sustainable Growth and the European Union's Green Deal. It establishes a classification system to identify sustainable economic activities.

Group is committed to contribute to sustainable development however Group's core business within the defence sector is not fully covered by the EU Taxonomy, which affects the percentages of eligibility and alignment.

In compliance with the current regulatory framework and requirements, Colt CZ Group discloses the information for the fiscal year 2024, regarding the percentages of turnover, capital expenditures (Capex) and operating expenditures (Opex) relating to sustainable taxonomy eligible and non-eligible activities, as well as aligned and non-aligned activities including relevant contextual information..

The focus of the assessment has been determined based on the provisions of the Delegated Regulations, which develop and complement the Taxonomy Regulation 2020/852, and their corresponding annexes.

The Group's primary economic activity, which involves the production of firearms, ammunition and related equipment, is not currently included in the EU taxonomy. As expressed by the EU Commission, economic activities not included in the EU Taxonomy are not necessarily unsustainable, nor are all activities that can make a substantial contribution to the environmental objectives yet part of the EU Taxonomy, as activities will be added over time.

As in previous years, the Group has identified eligible taxonomy activities for 2024 exclusively related to ancillary economic activities in connection with Capex and Opex. Following a thorough review of all Delegated Acts, the Group did not identify any eligible activities that could be linked to revenue.

In cases where a taxonomy activity has been identified across multiple environmental objectives, the goal of climate change mitigation (CCM) is prioritized due to opportunities in reducing carbon footprint and increasing energy efficiency.

Group has identified, according to the Taxonomy, the following activities as taxonomy-eligible:

- **CCM 7.3 Installation, maintenance and repair of energy efficiency equipment: Activities carried by the Group in 2024:**
installation of new and more energy efficient heating/cooling systems and related Capex and Opex costs.
- **CCM 7.6 Installation, maintenance, and repair of renewable energy technologies: Activities carried by the Group out in 2024:**

This category is only applicable for the comparative period. We installed a solar power plant at one of our sites in 2023. In 2024, there was no such investment.

Assessment of Alignment

The compliance assessment was carried out for activities 7.3 and 7.6. At this stage, however, the Group does not meet the established criteria based on the analysis conducted at the Group level, which included compliance with the technical screening criteria for substantial contribution, the do no significant harm (DNSH) principle, and minimum safeguards.

Accounting Policies and Key elements of change during reporting period

The financial ratios were defined based on guidelines given in Annex I to the Delegated Act of July 6, 2021, for definition of the denominators of turnover, Capex and Opex, amended by Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 and Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023.

We have performed allocation of figures from accounting to identified eligible activities and based on our analysis and allocation performed we have identified that the proportion of the Capex that we were able to pair to the eligible activity is immaterial, therefore we have decided to report the CAPEX category as zero because the value of purchased CAPEX was close to zero on a percentage basis. For the OPEX KPI we have applied the exemption from reporting the OPEX since the operational expenditure is not material to our business model as described below.

Turnover and CAPEX information are shown below in accordance with the template of Annex V of Delegated Regulation (EU) 2023/2486.

There has been no change in the KPIs calculation methodology between reporting periods.

1. Turnover

In the absence of sustainable activities set out in the Climate delegated act and Environmental delegated act for the defense sector, no turnover/net sales were considered as eligible or/and aligned.

Turnover for the year amounted to MCZK 22,376 (2023 – MCZK 14,856) corresponding to a growth of 50.6%, of which organic growth was 17.6%. 100% (2023 - 100%) of Turnover was related to the defense sector and therefore Taxonomy-eligible and aligned activities represents 0% (2023 - 0%) of total. The total turnover defined as Revenues from the sale of own products, goods, and services can be found in the consolidated financial statements of the annual financial report for 2024, refer to Note 5 page 268.

2. CAPEX

The denominator is taken directly from the audited Group's IFRS consolidated financial statements (after the elimination of intra-group transactions). The scope covered corresponds to the entire scope of the consolidated financial statements, excluding associates and joint ventures accounted for using the equity method. Capital expenditure includes inflows of property, plant, and equipment, and intangible assets during the fiscal year under review, before depreciation, amortization, and revaluation, and inflows of property, plant, and equipment, and intangible assets from business combinations excluding goodwill.

The numerator includes the share of capital expenditure related to the identified eligible and/or aligned activities.

Total CAPEX MCZK 13,611 (2023 – MCZK 1,888) increase is primarily driven by acquisition of Sellier & Bellot a.s. and investments in production lines, mainly in capacity increase, innovation, modernization and automatization of manufacturing processes. The percentage of Taxonomy- eligible CAPEX activities represent almost 0% (2023 – almost 0%) refer to note 24 of consolidated financial statements.

During the analysis of eligible activities, we found that the CAPEX invested in these activities, which we were able to allocate to our operations for reporting periods (2024 and 2023), is immaterial due to acquisition, and for this reason, we have decided not to report it.

3. OPEX

The denominator is taken directly from the audited Group's IFRS consolidated financial statements (after the elimination of intra-group transactions). The scope covered corresponds to the entire scope of the consolidated financial statements, excluding associates and joint ventures accounted for using the equity method. The denominator covers direct non-capitalized costs that relate to research and development, building renovation, short-term leases, maintenance and repair, and any other direct expenditure relating to the day-to-day servicing of property, plant, and equipment that are necessary to ensure the continued and effective functioning of such assets. Total OPEX MCZK 696 (2023 – MCZK 464) increase is primarily driven by acquisition of Sellier & Bellot a.s. refer to note 8 for services costs and note 24.1. for R&D cost both in consolidated financial statements.

For the numerator are expenditures on building renovation, short-term leases, maintenance and repair, and any other direct expenditure relating to the day-to-day servicing of property, plant, and equipment that are necessary to ensure the continued and effective functioning of such assets.

Since none of our turnover is considered Taxonomy-eligible or aligned, we are unable to allocate OPEX to these activities. Given that the activities included in the numerator would be an immaterial part of total OPEX we have decided to apply the exemption based on Section 1.1.3.2 of Annex I in the EU Taxonomy Delegated Act.

„Non-financial undertakings are exempt from calculating the numerator of the OpEx KPI if the operational expenditure is not material to the business model of the undertaking.“ As a result, these values will not be reported.

Environment

Financial year 2024			Year		Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')															
			Code	Turnover	Proportion of Turnover, year 2024	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year 2023	Category enabling activity	Category transitional activity					
Economic Activities																										
Text			MCZK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T							
A. TAXONOMY-ELIGIBLE ACTIVITIES																										
A.1. Environmentally sustainable activities (Taxonomy-aligned)																										
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)			0	%	%	%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	%								
Of which enabling			0	0%	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	0%	E							
Of which transitional			0	0%	0%							N/A	N/A	N/A	N/A	N/A	N/A	0%		T						
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																										
			EL; N/EL						EL; N/EL						EL; N/EL											
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			0	0%	0%	0%	0%	0%	0%	0%	0%							0%								
A. Turnover of Taxonomy-eligible activities (A.1+A.2)			0	0%	0%	0%	0%	0%	0%	0%	0%							0%								
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																										
Turnover of Taxonomy-non-eligible activities			22,376		100%																					
TOTAL			22,376		100%																					

Environment

Financial year 2024			Year		Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic Activities			Code	CapEx	Proportion of CapEx, year 2024	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or-eligible (A.2.) CapEx, year 2023	Category enabling activity	Category transitional activity
Text		MCZK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T		
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			0	0%	%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	0%			
Of which enabling			0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%			
Of which transitional			0	0%	0%							N/A	N/A	N/A	N/A	N/A	N/A	0%			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
					EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL											
Installation, maintenance and repair of energy efficiency equipment"			7.3	0	0%	EL	EL	N/EL	N/EL	N/EL	N/EL								0%		
Installation, maintenance and repair of renewable energy technologies			7.6	0	0%	EL	EL	N/EL	N/EL	N/EL	N/EL								0%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)				0%	0%	0%	0%	0%	0%	0%								0%			
A. CapEx of Taxonomy-eligible activities (A.1+A.2)				0%	0%	0%	0%	0%	0%	0%								0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
CapEx of Taxonomy-non-eligible activities			13,611	100%																	
TOTAL			13,611	100%																	

Environment

Financial year 2024			Year		Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
			Code	OpEx	Proportion of OpEx, year 2024	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or-eligible (A.2.) OpEx, year 2023	Category enabling activity	Category transitional activity
Economic Activities																					
Text			MCZK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T		
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)					0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%		
Of which enabling					0	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	E	
Of which transitional					0	0%	0%					N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
					EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Installation, maintenance and repair of energy efficiency equipment			7.3	0	0	EL	EL	N/EL	N/EL	EL	N/EL								0%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)					0	0	0%	0%	0%	0%	0%								0%		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)					0	0	0%	0%	0%	0%	0%								0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
OpEx of Taxonomy-non-eligible activities					695.6	100%															
TOTAL					695.6	100%															

Template 1 Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

4. SOCIAL

“Our ambition is to attract and nurture talent in an inclusive environment, while ensuring the health and well-being of our people and strengthening the communities where we operate.”

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4.1 S1 Own workforce

4.1.1 Material impacts, risks and opportunities and their interaction with strategy and business model

Our employees are the core of our business. We are committed to their personal and professional growth and strive to create an inclusive culture where every individual feels valued and supported. We provide career opportunities for all team members, regardless of their gender, age, or location. We foster a culture that will help us achieve operational excellence to deliver upon our customers' expectations, adhering to the highest standards of quality and integrity, while protecting the health, safety and well-being of our employees.

As own workforce is a top priority for the Group, we have identified numerous topics related to it, refer to 2.9 Double materiality assessment ("DMA"). However, only Working conditions S1/ Health and Safety (Deficiencies in prevention and training of employees in the OSH system - low coverage of employees by the OSH system resulting in high number of non-fatal accidents and high levels of work-related ill health), in all directions and horizons was found material from both impact and financial perspective. Other topics are material only from either impact of financial perspective, yet highly relevant for our operations.

The identified material Own Workforce IROs relate to Colt CZ's business model and manufacturing processes refer to note 2.9:

- ▶ Adequate wages

Insufficiently monitored and optimized wage policy can lead to unfair or low wages.

- ▶ Health and Safety

Improper working conditions in own workforce can lead to equipment damage or damage to employee health - illness, work-related injury or death.

Deficiencies in prevention and training of employees in the OSH system - low coverage of employees by the OSH system can lead to:

- ▶ High number of non-fatal accidents
- ▶ High levels of work-related illness,
- ▶ Many lost working days
- ▶ High fatality rate, fatal accidents

- ▶ Secure employment/ Health and Safety

Challenging working conditions for a sustainable, healthy and long-term working life, e.g. very frequent carrying of heavy objects, stressful work, working in noisy/dusty environments and physical stress resulting from product testing.

- ▶ Work-life balance

Stable and fair working conditions for employees, including the provision of various benefits, health care and well-being programs to maintain good work ethic, job satisfaction, performance and long-term sustainability.

An inadequate employee protection system or process that prevents employees from taking family leave to which they are entitled: limited opportunity for family leave, limited opportunity for flexible working and limited access to childcare.

- ▶ Working time

Insufficient monitoring of excessive working hours - encouraging excessive working hours without adequate breaks can lead to employee burnout, more mistakes and a higher likelihood of workplace accidents.

- ▶ Equal treatment and opportunities

Occurrence of violence and harassment in the workplace: can lead to psychological disorders and other forms of harm and human rights violations. Absence of structured programs and initiatives aimed at enhancing the knowledge, competencies, and abilities of employees, enabling them to perform their roles effectively and to adapt to changing job requirements or career advancements can lead to low amount and unequal distribution of training

Social

and low percentage of employees with regular performance and development reviews.

Lack of an inclusive work environment that recognizes and values the skills and perspectives of people with disabilities; and absence of measures to improve accessibility for employees with disabilities. The low proportion of employees with disabilities leads to restrictions on the human rights of these populations. Low proportion of women in top management and in the workforce caused a significant gender pay gap.

► Other work-related rights/ privacy

Possible breach of employees' personal data: breach of trust, impact on the company's reputation, loss of workforce.

The material topics covered in this ESRS include:

	Value chain location	Time horizon				
		Upstream	Own operations	Downstream	Short-term	Mid-term
Working conditions S1 / Health and Safety	Actual negative impact	✗	✗	✗	✗	✗
Deficiencies in prevention and training of employees in the OSH system can lead to high number of non-fatal accidents, work related illnesses and lost working days						
Working conditions S1 / Health and Safety	Actual negative impact	✗	✗	✗	✗	✗
Improper working conditions in your own workforce can lead to equipment damage or damage to employee health - Damage to employee health: illness, work-related injury or death.						
Working conditions S1 / Working time	Actual negative impact	✗	✗	✗	✗	
Insufficient monitoring of excessive working hours - encouraging excessive working hours without adequate breaks can lead to employee burnout, more mistakes and a higher likelihood of workplace accidents.						
Working conditions S1/ Secure employment/ Health and Safety	Actual negative impact		✗		✗	
Working conditions S1 / Work-life balance	Actual negative impact	✗	✗	✗	✗	
Inadequate employee protection system or process that prevents employees from taking family leave to which they are entitled						
- Limited opportunity for family leave						
- Limited opportunity for flexible working						
- Limited access to childcare						

		Value chain location			Time horizon		
		Upstream	Own operations	Downstream	Short-term	Mid-term	Long-term
Working conditions S1 / Work-life balance	Stable and fair working conditions for employees, including the provision of various benefits, health care and well-being programs to maintain good work ethic, job satisfaction, performance and long-term sustainability	Actual positive impact	×	×	×	×	×
Working conditions S1 /Adequate wages		Negative potential impact		×		×	
Equal treatment and opportunities	Measures against violence and harassment in the workplace	Actual negative impact	×	×	×	×	×
Equal treatment and opportunities	Diversity	Negative potential impact	×	×	×	×	×
Equal treatment and opportunities	Training and skills development	Negative potential impact	×	×	×	×	×
Equal treatment and opportunities	Employment and inclusion of persons with disabilities	Negative potential impact	×	×	×	×	×
Other work-related rights S1	Privacy	Negative potential impact		×	×	×	

4.1.2 Policies related to own workforce

Our own workforce policies are described in chapter 2, Policies overview, page 89. The main policies regarding own workforce are Human Resource policy and SHE policy.

We have complex policies in place to reduce risks to the health and safety of our employees. In the Czech Republic, we have implemented policies, codes, procedures, and guidelines with respect to health and safety, the environment (SHE) and stakeholder relationships. All are in line with requirements set out in ISO 9001, 14001 and 45001.

In North America, we follow Occupational Safety and Health Administration (OSHA) standards and regulations for industrial companies. We have a set of policies in place and our sites are ISO 9001 certified.

4.1.3 Processes for engaging with own workforce and workers' representatives

Colt CZ respects its employees' rights to be members of unions, and we do not tolerate any retaliation or hostile action towards employees who choose to do so. We respect the core standards of the International Labour Organization (ILO), especially regarding freedom of association and the right to collective bargaining.

The involvement of employees of the Company is governed by relevant provisions of the Council regulation, the Council Directive, and the SE Act. Within the scope set out by law, the employees of the Company have a right to information and a right to consultation. They exercise this right through a representative body of employees or in another way as may have been set forth in an agreement within the meaning of Sec. 54 (2) of the SE Act stipulating the manner and scope of employee involvement at the Company.

The larger subsidiaries in the Czech Republic, CZUB and Sellier & Bellot are subject to collective bargaining agreement and workers representatives are present at companies' statutory bodies. The interests of Colt employees in the US are defended by the United Auto Workers³, a US union representing workers in the automotive, aerospace, and agricultural industries. Colt Canada is not subject to a collective bargaining agreement. There are no unions at the level of small-size subsidiaries or subsidiaries without manufacturing facilities.

At Colt CZ, we conduct regular employee satisfaction surveys every two years, looking closely at the results and acting on the feedback we receive. The results of the satisfaction survey are discussed at the management meetings and at the level of the local Board of Directors. The results of the employee satisfaction survey measure and assess the level of engagement, satisfaction and motivation among employees, with the overall goal of understanding our employees' perceptions, experiences and sentiments regarding their work, workplace environment, leadership and overall organizational culture.

To support internal communication, Colt CZ publishes newsletters on Group level as well as on the level of selected subsidiaries, informing employees about benefits, which include health and well-being, learning opportunities, events and other important information. We also run an internal group on social media. Some subsidiaries regularly have picnics with employees.

³ Overview of Groups products, markets and business is provided in chapter 2 of this report

Collective bargaining coverage and social dialogue

S1-8, 60.(a)	Collective Bargaining Coverage		Social dialogue
Coverage Rate	Employees – EEA (for countries with >50 empl. representing >10% total empl.)	Employees – Non-EEA (estimate for regions with >50 empl. representing >10% total empl)	Workplace representation (EEA only) (for countries with >50 empl. representing >10% total empl)
0 -19 %	Switzerland, Sweden and Hungary	–	All EEA countries
20 -39 %	–	North America	–
40 -59 %	–	–	–
60 -79 %	–	–	–
80 -100 %	Czech Republic	–	–

Accounting principles:**S1-8_01 Percentage of total employees covered by collective bargaining agreements:**

Employees that have a collective bargaining agreement divided by headcount per country. There is a total of 3 different collective bargaining agreement across Colt CZ. EEA means European economic area and covers Czech Republic, Sweden, Switzerland and Hungary. Non-EEA countries cover North America (USA and Canada).

S1-8_06 Employees covered by workers' representatives:

The total percentage of employees covered by workers' representatives split by country level due to different legislation in respective countries.

4.1.4 Processes to remediate negative impacts and channels for own workforce to raise concerns

Being aware of its obligation to monitor and promote compliance with laws and moral and ethical principles, Colt CZ has implemented a uniform system for reporting suspicions of unethical conduct, which may be used by anyone (employees, customers, partner, etc.) to report any such conduct. Colt CZ protects whistleblowers' identity and guarantees protection against retaliation. All reports are evaluated confidentially, impartially and the whistleblower is notified of the results of the investigation. Any violation of human rights can and should be reported through a publicly available Colt CZ Group whistleblowing hotline.

The Group implemented Whistlelink, a whistleblowing solution offering the most easy-to-implement platform for any organization wishing to be fully compliant with the EU Whistleblowing Directive 2019/ 1937. Whistlelink is available in all Group companies.

4.1.5 Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

The Group has complex policies in place to reduce risks to the health and safety of our employees. We conduct third party

bi-annual audits of our health and safety procedures, including inspections by representatives of labor unions, if applicable. We conduct regular educational campaigns using electronic media (intranet), as well as the physical distribution of leaflets and hanging posters at our sites. Every employee must undergo certification upon joining our organization and they are regularly re-certified on our health and safety procedures. As a government contractor, we are subject to specific checks carried out by representatives from the government. In addition, we have ergonomic teams, comprised of engineers, union representatives and members of our human resources department, who work together to prevent injuries and ensure ergonomic principles are followed at the workplace.

Employees working at a shooting range are obliged to undergo specialized training, including first aid and wound management. Close monitoring of work-related injuries and illnesses is in place, with results reviewed monthly. We invest in new technologies to prevent work-related injuries, especially those involving firearm testing or other repetitive tasks. Our goal is to carry out robust product safety controls above those required by law.

Our remuneration policy is designed to encourage employees to deliver on our purpose and strategy, as well as to create stakeholder value, and to motivate and retain them. We are committed to ensuring equal pay for equal work. In the Czech Republic, we are closely following the statistics and undertaking regular reviews, including benchmarking against external data, and implementing a corresponding grading system with limited leeway for deviations. If possible, we allow for part-time contracts.

In the Czech Republic, the remuneration policy is the subject of an agreement made within the framework of collective bargaining with unions and worker's council each year. Wages and benefits are negotiated each year. At Colt USA, the collective bargaining agreement is carried out every other year. In the US, we use internally developed benchmarks, while in Canada we conduct pay equity reviews and assess all positions based on standard criteria and set wage bands. All new hires are assessed using the same criteria and must be paid within the established bands.

4.1.6 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

We have not set any material targets relevant to disclose in 2024. Our established processes are anchored within the functions that have responsibility for ensuring adherence to our policies.

4.1.7 Characteristics of Colt CZ's employees (headcount)

Unit		2024	
S1-6 50. (a)	Headcount	No. of Employees Group Total	3,892
	FTE	Average no. of employees	3,215
Unit		2024	
S1-6 50. (a)	Headcount	Total	3,892
S1-6 50. (a)	Headcount	Male	2,592
S1-6 50. (a)	Headcount	Female	1,300
Gender distribution ratio	%	Male	67
		Female	33
Country distribution		2024	
S1-6 50. (a)	Headcount	Czech Republic	3,084
	Headcount	USA	536
	Headcount	Canada	131
	Headcount	Switzerland	80
	Headcount	Hungary	35
	Headcount	Sweden	18
	Headcount	Other	8

By Employment Contract		2024	
S1-6 50. (a)	Headcount	Permanent employees	3,691
	Headcount	Male	2,464
	Headcount	Female	1,227
	Headcount	Temporary employees	163
	Headcount	Male	99
	Headcount	Female	64
	Headcount	Non-guaranteed hours employees	38
	Headcount	Male	31
	Headcount	Female	7
Employee turnover		2024	
S1-6, 50. (c) + AR 59.	Headcount	Employees who have left undertaking	296
S1-6, 50. (c) + AR 59.	%	Employee turnover	7.6

Accounting principles:**S1-6 50. (a) Number of employees Group total:**

The headcount represents the number of employees with employment status 'active'. All figures are an average of headcounts during each month of the reporting period, with the figures determined at the end of each month.

S1-6 50. (a) Average no. of employees Full-time equivalent FTE:

Full-Time Equivalent (FTE) measures the total number of hours worked by employees in relation to a full-time work schedule.

S1-6 50. (a) Total gender distribution headcount and total gender distribution ratio:

Total headcounts are split into male, female, not reported and others in the organization, and also reported as respective ratios. Gender is specified by the employees themselves.

S1-6 50. (a) Country distribution Total headcount split into the main countries of operation, i.e. location of Group's subsidiaries.**S1-6 50. (a) Number of employees by employment contract**

Total headcount split by permanent, temporary and non-guaranteed hours employees. Definition of the categories is based on local jurisdiction in each country.

S1-6, 50. (c) + AR 59. Employees who have left undertaking:

Total leavers include both voluntary and involuntary leavers, leaves due to retirement or death in service. The share of leavers within the year is calculated by dividing the number by the average total headcount.

S1-6, 50. (c) + AR 59. Employee turnover (%):

The turnover rate is based on the total share of employees leaving within the year divided by the average total headcount during the financial year.

4.1.8 S1-9 Diversity metrics

Gender distribution in management and top management

Employees in Top Management by gender		Unit	2024
S1-9, 66. (a)	Headcount	Total	43
	Headcount	Male	38
	%	Male	88
	Headcount	Female	5
	%	Female	12
	Headcount	Other	-
	%	Other	-

Employees in Management by gender		Unit	2024
S1-9, 66. (a)	Headcount	Total	214
	Headcount	Male	170
	%	Male	79
	Headcount	Female	44
	%	Female	21
	Headcount	Other	-
	%	Other	-

Accounting principles:

S1-9, 66. (a) Number of employees in top management by gender:

The headcount represents the average number of employees in top management position, i.e. two levels below the Board of Directors of the Group.

S1-9, 66. (a) Number of employees in management by gender:

The headcount represents the average number of employees in management positions – managerial positions and team leaders other than top management positions.

We attach great importance to creating an environment of inclusion and belonging. We are a diverse team made up of some 3,879 individuals (Headcount 2024), all with different backgrounds, perspectives, and experiences. Because of the nature of our work, where the required skills are learned over many years, we are proud to report that more than 39% of our employees (2024) are over the age of 50. At the same time, we focus on the development of talents and young employees. In the Czech Republic, we have long-term cooperation with the local secondary technical school, offering graduates comprehensive learning and development opportunities. Our Czech subsidiaries are one of the most popular employers in the region and a top choice for graduates and students.

Employee age groups

	Unit		2024
S1-9, 66. (b)	Headcount	Under 30	502
S1-9, 66. (b)	Headcount	30-50	1,845
S1-9, 66. (b)	Headcount	Over 50	1,528

Accounting principles:

S1-9, 66. (b) Employee age groups (headcount):

The age groups are calculated at the end of the reporting period and include all headcounts in Colt CZ. The age groups are >30, 30-50 and 50+ years.

4.1.9 Description of diversity policy applied to the issuer's managing body

Colt CZ pursues a diversity policy that results in a balanced set of persons in the Company's managing bodies, with respect to a balance of male and female representatives, nationality, age, education, professional experience and expertise. The Group evaluates candidates for open positions, whether in the Board of Directors, Supervisory Board or in a broader management group, considering diversity principles in order to get the most benefits from the mixed background in respect to age, education, and gender for the Group.

As of 31 December 2024, women were not represented in the Company's Board of Directors. However, on the Supervisory Board, women made up 1/6 (approximately 16.67%) of the members, with a female-to-male ratio of 1:5.

The Company's managing body includes representatives of different nationalities and countries, reflecting the Group's global orientation. As at the date of the annual financial report, the youngest member on the Board of Directors was 31 and the oldest member was 58 years old. The members of the Board of Directors have had a variety of professional experience and expertise ranging from defense, industry, arms and accessories, and manufacturing, to finance, business, law, administration, and politics.

The diversity policy is part of the agenda of the Remuneration Committee. The activities of the Remuneration Committee include, inter alia, ensuring and regularly reviewing the structure and composition of the managing bodies in order to reflect professional experience, technical knowledge, managerial skills, and other requirements. The Company ensures that the CEO's of its largest subsidiaries are represented on the Group's Board of Directors.

The diversity policy is described in the Group's Ethics Code, which is subject to approval by the Company's management body. The Code of Ethics defines the corporate and ethical values of conduct in Colt CZ Group. By implementing this Code of Ethics, Colt CZ Group commits to respecting the defined values and principles that form the basic framework for its business and social actions, conduct and behavior.

Key ethical values of the diversity policy stipulated in the Code of Ethics include equal opportunities, equal treatment, non-discrimination, respect for personal dignity, privacy, and creating conditions for good interpersonal relationships. At Colt CZ, we do not tolerate unacceptable treatment of employees and strive to support a culture of interpersonal relationships based on respect.

4.1.10 Adequate wages

Our remuneration policy is designed to encourage employees to deliver on our purpose and strategy, as well as to create stakeholder value, and to motivate and retain them. All Group employees are paid an adequate wage in accordance with applicable benchmarks and legislation.

4.1.11 Gender pay gap

The gender pay gap reflects historical factors in the manufacturing industry for defence sector, where more men pursue technical education required for manufacturing and engineering professions. Therefore, men make up the majority of the talent pool, which is evident in our leadership levels and throughout the organization. Many of our diversity initiatives aim to balance gender representation in leadership and throughout the organization and achieve pay equity for equal qualifications and jobs. Although we practice equal pay for equal work, the overall figures are affected by the gender imbalance in the sector. Without these sector-specific impacts, our gender pay data reflects equality.

	Unit	2024	
S1-16, 97. (a)	%	Gender pay gap ratio	24.8
S1-16_02		Annual total remuneration ratio	n/r

Accounting principles:

S1-16, 97. (a) The gender pay ratio

is calculated on the basis of all Group employees' gross hourly pay levels including full-time and part-time employees. The average gross hourly pay level of male employees is subtracted by the average gross hourly pay level of female employees, which is divided by the average gross hourly pay level of male employees and ultimately multiplied by 100.

S1-16_02 Annual total remuneration ratio

Total annual compensation for the highest paid employee of the company to the median total annual compensation of all employees (excluding the highest paid employee). Colt CZ decided not to report this ratio at the Group level due to its sensitivity. In the consolidated financial statements, we disclose information about personnel expenses at the group level, and in the remuneration report, we address the compensation of the group's highest governing bodies. Other salary-related data is considered as sensitive.

4.1.12 Health and safety metrics

At Colt CZ, caring for the safety, health, and well-being of our employees are at the top of our priorities. We strive for a work environment that is free of injuries and illnesses.

We prevent accidents at work and occupational diseases to ensure the health and well-being of all employees. We implement innovative technologies and solutions to minimize harm to employees and promote awareness among the entire workforce of the importance of health and safety, including management of work-related stress. Our analysis shows that most of the accidents happen around lunch breaks and at the end of work shift. We are implementing a more robust prevention plan to improve concentration during work hours.

Operational health and safety guidelines are clearly communicated via internal mails, posters and signs that are accessible to all employees, with frequent trainings in place. Employees are continuously trained as frequently as needed for the following topics – prior to starting work as a new hire, to address newly identified hazards, after any injury or incident, and when new equipment or procedures are introduced. Employees working at a shooting range are obliged to undergo specialized training, including first aid and wound management. Close monitoring of work-related injuries and illnesses is in place, with KPIs reviewed monthly. We invest in new technologies to prevent work-related injuries, especially those involving firearm testing or other repetitive tasks.

	Unit	2024
S1-14, 88. (a)	%	Percentage of employees covered by health and safety management system
		98.3
S1-14, 88. (c)	Number	Number of work-related accidents
		87
S1-14, 88. (c)	Number	Rate of recordable work-related accidents
		16.1
S1-14, 88. (a)	Number	Number of cases of recordable work-related ill health
		-
S1-14, 88. (b)	Number	Number of days lost due to work-related injuries from work-related accidents
		-
S1-14, 88. (b)	Number	Number of fatalities as a result of work-related injuries/ill health
		-

Accounting principles:

S1-14, 88. (a) Percentage of employees covered by health and safety management system

is calculated as a percentage of average number of employees in own workforce who are covered by health and safety management system based on legal requirements and (or) recognised standards or guidelines.

S1-14, 88. (c) Number of work-related accidents

- The consolidated number of accidents occurred for all employees within the reporting period recorded in health and safety management systems of Group entities.

S1-14, 88. (c) Rate of recordable work-related accidents

- This rate represents the number of work-related accident cases per one million hours worked divided by the number registered cases in the reporting period by the aggregated working hours in Colt CZ Group and multiplied by one million.

S1-14, 88. (a) Number of days lost

- The number of days lost, from and including the first full day and last day of absence and including all calendar days of the period (e.g., incl. weekends and public holidays).

S1-14, 88. (b) Number of fatalities as a result of work-related injuries/ill health

- The number of fatalities registered across Colt CZ Group and other workers working on Group premises and sites resulting from work-related injuries or work-related ill health.

4.1.13 Work-life balance

We pride ourselves on being a family-oriented company. At Colt CZ, we support and celebrate our employees' important milestones. We offer paid leave on special occasions, such as for the birth of a child or a wedding, and make financial contributions for care of a newborn or a funeral when one of our employees passes away. We provide support for our employees above the minimal legal requirements. In the Czech Republic, we offer a range of benefits, including 25 days of annual leave and contributions towards medical treatments, meal vouchers and mobile phone bills. In the US, we pay above minimum wage, and benefits include 14 days of paid leave each year, fully-funded health insurance plans, HSA contributions, dental insurance, life insurance, AD&D, short- and long-term disability insurance, telemedicine services and an employee assistance program.

4.1.14 Incidents, complaints and severe human rights impacts

The Group confirms its commitment to all relevant international conventions and declarations. It respects, protects, and enforces all applicable regulations for the protection of human rights and children's rights as a fundamental and general requirement worldwide. The Company applies internal policies and procedures to prevent any violation of human rights. Colt CZ firmly rejects the use of child labor, forced or compulsory labor, and all forms of modern slavery and human trafficking. This policy applies not only to the Company's internal operations but also to the behavior of its business partners. For greater clarity, the Code of Conduct provides examples for employees on how to proceed against violations of the Code of Conduct. The Group's approach follows the UN Guiding Principles on Business and Human Rights that further refer to the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises, Business Ethics Policies and Corporate Culture. Any violation of human rights can and should be reported through a publicly available Colt CZ Group whistleblowing hotline (Whistlelink). Given the sensitive nature of these matters, we do not disclose details about the incidents. Each report or complaint is handled with the highest level of confidentiality. Colt CZ Group has not been accused of human rights violations and has not been convicted of human and labor rights violations during reported year 2024.

S1-17_02 Incidents of discrimination

	Unit	2024
S1-17 103.a)	Number	Incidents of discrimination, including harassment 1
S1-17 103.b)		Complaints filed 1
S1-17 103.c)	Thous. CZK	Fines, penalties and compensation – relating to discrimination 546
S1-17 104.a)		Number of severe human rights incidents –
S1-17 104.b)		Fines, penalties, and compensation – relating to severe human rights incidents –

Accounting principles:

S1-17 103.a) Number of incidents of discrimination.

Discrimination is a collective term for cases of discrimination, bullying, sexual harassment and other types of harassment that can occur at the workplace. Cases are reported to the HR department through leaders, union or employee representatives or through Colt CZ Group whistleblowing hotline. In the reporting period, there was only one incident reported and filed in the subsidiary in Canada.

S1-17 103.c) Fines, penalties and compensation – relating to discrimination

Includes the amount of material fines, penalties and compensation for damages due to violations of social and human rights factors imposed by state administrative and/or judicial authorities due to impacts on human and social rights of your employees, including discrimination and harassment.

4.2 S3 – Affected communities

“We aim to improve the lives of those who are less fortunate or in need of aid and supporting communities that we impact through employee volunteerism, charitable contributions, and sponsorships.”

S3 Affected communities	Page #
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model 143-144
S3-1	Policies related to affected communities 144-145
S3-2	Processes for engaging with affected communities 145
S3-3	Processes to remediate negative impacts and channels for affected communities to raise concerns 145
S3-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities 145

4.2.1 Material impacts, risks and opportunities and their interaction with strategy and business model

The topic Affected communities is material from both the impact and financial perspectives and related to all own activities refer to 2.9 Double materiality assessment ("DMA").

The material topics covered in this ESRS include:

- ▶ Communities' economic, social and cultural rights

Security-related impacts: Adverse impact on the health and safety of local communities as a result of the handling/production of hazardous substances (spill or accident)

- ▶ Communities' civil and political rights

Freedom of expression/ Freedom of assembly/ Impacts on human rights defenders: Restricting protests and freedom of assembly, preventing discussion with local communities

- ▶ General

Restrictions on the rights of indigenous peoples due to the opening of new operations (for extraction of raw materials and materials), relocation of indigenous peoples

Supporting active duty soldiers, veterans and their families to improve their socio-economic well-being. Providing retraining, internships, gifts, volunteering

Local communities: Restricting protests and freedom of assembly, preventing discussion with local communities

Impact on community safety through product sales to security forces and civilian users

	Value chain location			Time horizon		
	Upstream	Own operations	Downstream	Short-term	Mid-term	Long-term
Communities' economic, social and cultural rights Security-related impacts Adverse impact on the health and safety of local communities as a result of the handling/production of hazardous substances (spill or accident)	Potential negative impact	✗	✗		✗	
Communities' economic, social and cultural rights Local communities	Positive Actual impact	✗	✗		✗	✗
Communities' civil and political rights Freedom of expression/ Freedom of assembly / Impacts on human rights defenders	Potential negative impact		✗	✗		✗
General Restrictions on the rights of indigenous peoples due to the opening of new operations (for extraction of raw materials and materials), relocation of indigenous peoples	Actual negative impact			✗		✗
General Supporting active duty soldiers, veterans and their families to improve their socio-economic well-being. Providing retraining, internships, gifts, volunteering	Positive actual impact/	✗	✗	✗	✗	✗
General Local communities, Restricting protests and freedom of assembly, preventing discussion with local communities	Potential negative impact	✗	✗		✗	✗
General Impact on community safety through product sales to security forces and civilian users	Positive actual impact/	✗	✗		✗	✗

4.2.2 Policies related to Affected Communities

Our policies are described in chapter 2, Policies overview, page 89 outline our commitment to affected communities. The Group has not adopted specific policy for affected communities as affected communities related matters are an integral part of general environmental policies and ISO certifications across the Group and governance policies.

The Group's Compliance and Ethics Committee oversees the Group's CSR policy. The main policy regarding Affected communities on the Group level is the Code of Conduct and Corporate Philanthropy and Sponsoring Policy. Policies do not specifically cover provisions for preventing and addressing impacts on indigenous people.

The Group's approach follows the UN Guiding Principles on Business and Human Rights that further refer to the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises, Business Ethics Policies and Corporate Culture.

With respect to impacts on the health and safety of local communities as a result of the handling/production of hazardous substances (spill or accident), these are covered by our environmental and SHE policies described in E2 and S1.

We are not currently taking action on material impacts on affected communities, nor have we yet implemented specific approaches

or policies to managing material risks and pursuing material opportunities related to these communities. However, we are in the process of developing the necessary processes and policies that will enable us to address these areas effectively in the future, including evaluating the effectiveness of such actions once implemented.

Nevertheless, we do have other channels in place through which we seek to respond to potential impacts on affected communities, ensuring that their concerns are acknowledged and considered even as we work towards a more structured and comprehensive approach.

4.2.3 Processes for engaging with affected communities

We support active members of the armed forces and veterans, together with their families, to improve their mental and economic well-being. Colt CZ also engages with local governments and non-profit organizations to improve the standing of their communities and seek to employ local suppliers and sub-contractors.

We will actively engage with communities where we operate and provide support through volunteering, internships, and donations. We also lend a helping hand to beneficial charitable projects, non-profit organizations, foundations, interest groups, sport clubs, gamekeeping, members of the armed forces, the police and the fire brigade. There is no given frequency of engagement and communication with affected communities and the Group doesn't track effectiveness of its engagement with affected communities.

The Company is an active supporter of the school system, science and education including the promotion of the athletic and educational activities of pupils, students and young people in general.

Since Affected communities are among our key stakeholders, further information on how we engage with Affected communities can be found in chapter "Interest and views of stakeholders and key stakeholders".

Colt CZ does not have any vulnerable or marginalized communities among its key stakeholders or affected communities.

Human rights impacts are addressed in the chapter related to own workforce and is governed by the Group Code of Conduct. This policy applies not only to the Company's internal operations but also to the behavior of external parties.

4.2.4 Processes to remediate negative impacts and channels for affected communities to raise concerns

A further information on how to remediate negative impacts on the health and safety of local communities as a result of the handling/production of hazardous substances (spill or accident) are covered in chapter "Actions and resources related to pollution".

Processes and channels for affected communities are described in chapter "Interest and views of stakeholders and key stakeholders", page 82. With respect to local communities, we engage via digital

channels, partnership events and physical meetings that are common channels through which local communities can directly raise concerns. There are no dedicated channels exclusively for affected communities or specific processes for raising concerns in place. The language of communication accommodates needs of affected communities in each country of operation. The Group doesn't track the effectiveness of these channels and processes.

4.2.5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

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

4.3 S4 Consumers and end-users

S4 Consumers and end-users	Page #	
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model	147-148
S4-1	Policies related to consumers and end-users	149
S4-2	Processes for engaging with consumers and end-users about impacts	149
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	149-150
S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	150
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	150

4.3.1 Material impacts, risks and opportunities and their interaction with strategy and business model

The topic Consumers and end-users is material from the impact perspectives and related to use of products by consumers refer to 2.9 Double materiality assessment ("DMA"). Impacts represents mainly non-transparent promotion of products or services, misuse or abuse of consumers' personal data, and insufficient protection of individuals from physical or psychological harm and to ensure their well-being and integrity when working with products, services or systems.

The material topics covered in this ESRS S4 include:

► Personal safety of consumers and/or end-users

Health and safety/ Security of a person/ Protection of children: Misuse or abuse of consumers' personal data may lead to abusive or discriminatory practices based on information about their background, health or other personal characteristics. Insufficient protection of individuals from physical or psychological harm and to ensure their well-being and integrity when working with products, services or systems.

► Information-related impacts for consumers and/or end-users

Privacy/ Freedom of expression/ Access to (quality) information:

Preventing all individuals or communities to easily and affordably obtain and use goods, services or information without barriers

or discrimination. Insufficient protection of individuals from physical or psychological harm and to ensure their well-being and integrity when working with products, services or systems. Misuse or abuse of consumers' personal data may lead to abusive or discriminatory practices based on information about their background, health or other personal characteristics. Insufficient protection of individuals from physical or psychological harm and to ensure their well-being and integrity when working with products, services or systems.

► Social inclusion of consumers and/or end-users

Non-discrimination/ Access to products and services/ Responsible marketing practices: Non-transparent promotion of products or services, ensuring that the information presented is accurate, fair and not misleading and that it respects the rights, culture and welfare of the target audience.

Social

	Value chain location	Time horizon					
		Upstream	Own operations	Downstream	Short-term	Mid-term	Long-term
Personal safety of consumers and/or end-users Health and safety/ Security of a person / Protection of children	Potential negative impact	✗	✗	✗	✗	✗	✗
Information-related impacts for consumers and/or end-users Privacy/ Freedom of expression/ Access to (quality) information	Potential negative impact	✗	✗	✗		✗	
Information-related impacts for consumers and/or end-users Health and safety/ Security of a person / Protection of children	Potential negative impact	✗	✗		✗	✗	
Social inclusion of consumers and/or end-users Non-discrimination/ Access to products and services/ Responsible marketing practices	Potential negative impact	✗	✗	✗	✗	✗	✗

4.3.2 Policies related to consumers and end-users

Our policies are described in chapter 2, Policies overview of the Consolidated Sustainability Statement, page 89 outline our commitment to consumers and end-users. These are primarily the Code of Conduct, Anticorruption policy, Ethical marketing of firearms policy and Quality management policy.

The defense industry is subject to strict privacy, security, and safety regulations concerning a wide range of information.

Export of firearms to foreign countries is subject to regulations of the countries where the product is manufactured. In the Czech Republic, the Group spends a considerable amount of time and effort to obtain export licenses, especially in the case of military firearms. This includes obtaining a positive decision from the Czech Ministry of Defense, Czech Ministry of the Interior, Czech General Directorate of Customs and Excise, and the Czech Ministry of Foreign Affairs, as well as registration to the list maintained by the Czech Ministry of Industry and Trade. After an export license is granted, the Group has to maintain all conditions so that the license is not revoked. In the United States and Canada, obtaining export licenses is also required to export the Group's products and services. The issuance of an export license lies within the discretion of the issuing governmental authority.

In the United States, all of the Group's export licenses are processed and issued by the Directorate of Defense Trade Controls within the U.S. Department of State, in accordance with Executive Order 13637 and the International Traffic 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, DDTTC is required to notify the U.S. Congress before it issues an export license. As regulated by the Firearms Act (SC 1995, c. 39) in Canada, export licenses are processed and issued by the Foreign Affairs, Trade, and Development Canada (commonly referred to as Global Affairs Canada). However, imports from Canada into the USA require the importer to obtain an import license from the U.S. Bureau of Alcohol, Tobacco and Firearms (ATF). The Group is also subject to export control rules of Switzerland. The Swiss export control rules for the export of ammunition are primarily governed by the Swiss federal act of 13 December 1996 on war material, as amended, and the Swiss ordinance of 25 February 1998 on war material, as amended. Under these regulations, the export of ammunition requires an official export license issued by the Swiss State Secretariat for Economic Affairs. The assessment criteria for granting an export license include considerations of international law, human rights, internal and external security, and the country of final destination's commitment to non-proliferation of weapons of mass destruction. The Swiss legislation emphasizes Switzerland's neutrality and commitment to peace, thus imposing strict controls on the export of war material, including ammunition, to prevent its use in internal conflicts or by regimes violating human rights.

4.3.3 Processes for engaging with consumers and end-users about impacts

Our customers expect our products to adhere to the highest standards of quality. We are committed to ensuring product quality

and safety and have complex systems in place to make sure we deliver on our commitment.

We strengthen our customer relations through responsible and active engagement, listening and incorporating feedback, while protecting privacy. Our products are mainly sold through distributors to the commercial segment, with a significantly smaller portion executed via direct sales and online. Our commercial customers can interact with us through dedicated customer e-mail address or raise concerns and questions through third-party distributor. We participate directly in tenders for supplies to the armed forces and law enforcement. Our MLE customers can raise concerns and questions through dedicated sales representative based on the contractual terms and conditions. It is important for us to collect feedback from our customers and incorporate it in our products and processes. We carry out regular surveys, especially with our B2B customers, focusing on quality, price, technical parameters and other expectations, and track the customer satisfaction index to drive continuous improvement. Group do not engage with particularly vulnerable or marginalized consumer groups.

4.3.4 Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

All our facilities are ISO 9001 certified for quality management, demonstrating that we are taking due care in maintaining high standards, reducing the chance of product faults, recalls or service shortcomings, and ensuring our customers can trust our products.

We also hold industry specific certificates, such as Production Organization Approval to produce aviation units as per Part 21, Subpart G, Maintenance Organization Approval for the maintenance of aviation units as per Part 145, and Certificate of Quality Management System compliant with Czech Defense Standard ČOS 051672 (NATO standard AQAP 2110). We also subject our firearms to testing under the Permanent International Commission (C.I.P.) program for testing of firearms, and even those that are exported to countries outside C.I.P. Our customers and regulators conduct regular audits at our sites.

In order to protect the safety of our customers and demonstrate our commitment to the highest standards of quality, we immediately initiated a voluntary product recall when a safety issue was identified. When a recall action is launched, customers can check the serial number of their product on our website to see if the recall concerns their product and how to proceed. We are making every effort to fix the issue and quickly return the firearm to our customers.

With respect to product testing, we also invest in the latest testing technologies to protect our customers from harm. The more robust the testing process, the more likely it is that we will detect hidden defects and thus prevent the sale of a potentially defective product to the end user. We strive to adhere to the highest standards of safety of our products and go well beyond the minimum legal requirements. Our goal is to carry out robust product safety controls above those required by law.

4.3.5 Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions

We invest in the latest testing technologies to protect our employees and customers from harm. The more robust the testing process, the more likely it is that we will detect hidden defects and thus prevent the sale of a potentially defective product to the end user. We strive to adhere to the highest standards of safety of our products and we go well beyond the minimum legal requirements. Our goal is to carry out robust product safety controls above those required by law. Where finished products are concerned, we focused on digitization of the checks and testing results to improve our ability to quickly and more reliably analyze opportunities for improvements in both mass production and the development of new products.

We are making sure that IT systems are kept up to date. We carry out regular testing and engage external auditors in the process to ensure the robustness of our systems. We have a governance structure in place for cybersecurity management, including IT specialists.

Some Group companies adopted ISO27001:2022 standards and implemented them in their internal processes and functions. It involved several steps - to establish, implement, maintain, and continually improve the Information Security Management

System (ISMS). The commitment of senior management was secured in the early stages, ensuring allocation of the necessary resources and relevant support. During the implementation and rollout process, the organization successfully defined all necessary information. Security Policies fully aligned with the key objectives of the Company, established governing bodies within the organizational structure, conducted comprehensive risk assessment and treatment analyses, deployed relevant risk mitigation measures and treatment plans, created a Risk Management Framework, and employed mechanisms for continuous improvement in the area of ISMS. In parallel, recognizing the importance of the human factor in information security, the Company launched comprehensive training programs aimed to educate employees about their roles in maintaining information security, fostering a culture of vigilance and compliance. Going forward, the Group will continue to roll out ISO certification in other Group subsidiaries as well. In 2024 Group recognized no reported incidents of consumer harm or severe human rights issues.

4.3.6 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

We have not set any material targets relevant to disclose in 2024. Our established processes are anchored within the functions that have responsibility for ensuring adherence to our policies.

5. GOVERNANCE

"We are committed to always upholding our values in doing business correctly, responsibly and transparently, together with making investments to strengthen our practices and supporting systems. All with the goal of having our people, and those who work with us, adhere to the same high ethical standards. "

G1 Business conduct	Page #
ESRS 2 SBM-3 IRO-1	Material impacts, risks and opportunities and their interaction with strategy and business model 153-154
G1-1	Business conduct policies and corporate culture 152-153
G1-2	Management of relationships with suppliers 158
G1-3	Action plans and resources to manage its material impacts, risks, and opportunities related to corruption and bribery 156-159
G1-4	Incidents of corruption or bribery 156-158
G1-5	Political influence and lobbying activities 156
G1-6	Payment practices 158-159

As a defence sector company engaged in development, production and sales including exports of firearms and ammunition, responsible business conduct is fundamental for Colt CZ's business, its credibility, and its ability to succeed with its strategy.

5.1 Overview of key policies in the area of Governance

(for a full overview see page 89 of the Sustainability Statement)

Policy and Internal document	Key contents	Scope of application	Implemented by	Availability
Code of Conduct	Corporate and ethical values Compliance Anti-corruption Prevention of conflict of interest Human rights and freedoms, non-discrimination Occupational Safety and Health and Environmental Protection Competition rules Whistleblowing	Group	Group Legal	Company's website
Whistleblowing policy	Platform How to report Protection of whistleblowers	Group	Group Legal	Internal - Teams
Anticorruption policy	Rules of prevention Areas to which the policy applies Reporting non-compliance Policy violations Role and responsibilities	Group	Group Legal	Internal - Teams
Supplier Manual	Procedures for assuring timeliness of deliveries and quality of purchased products Supplier Audit Environmental requirements	Subsidiaries	Subsidiaries	Company's website

Policy and Internal document	Key contents	Scope of application	Implemented by	Availability
Ethical marketing of firearms	Rules and procedures Guidelines for marketing to customers Roles and responsibilities	Group	Group Legal	Internal - Teams
Compliance management system (CMS) policy	Operations of CMS Prevention Due diligence of third parties Other preventive measures Reporting of an event of non-compliance Response to reports Roles and Responsibilities	Group	Group Legal	Internal - Teams
Policy of Group Governance principles	Dotted line reporting in the Group Roles of Group executives Roles of subsidiaries CEOs	Group	Group legal	Internal - Teams
Data Privacy Policy	Cyber Threats General information security Information classification Data protection	Group	Group IT	Internal
Management of corrective actions	Risk management Role of internal audit Actions plans for corrective actions Evidence Implementation of corrective actions Reporting Responsibilities and duties	Group	Group legal	Internal - Teams

Our policies are described in chapter 2, page 89 outline our commitment to Governance and the summary of policies related to Governance can be found in the above table.

5.1.1 Material impacts, risks and opportunities

In the double materiality assessment, the only impact related to the management of supplier relations including payment practices and corruption or bribery were considered material, from both impact and financial perspective. IROs related to corporate culture, protection of whistle blowers, political engagement and lobbying activities were identified as material from impact perspective. The identified material Governance IROs relate to Colt CZ's business model and its relations with key stakeholders refer to 2.9 Double materiality assessment ("DMA"):

► Corporate culture

A company culture that tolerates or encourages unhealthy competition, discrimination or harassment can result in a toxic work environment: lower employee morale and higher turnover. Unethical decision-making - if the prevailing culture prioritizes profit over ethics, this can lead to decisions that harm customers, the environment or other stakeholders.

		Value chain location			Time horizon		
		Upstream	Own operations	Downstream	Short-term	Mid-term	Long-term
Business conduct Management of relationships with suppliers, including payment practices	Actual negative impact	✗	✗	✗	✗	✗	✗
Business conduct Corporate culture	Negative potential impact	✗	✗	✗	✗	✗	✗
Business conduct Corruption and bribery	Negative potential impact	✗	✗	✗	✗	✗	✗
Business conduct Political engagement and lobbying activities	Negative potential impact		✗	✗		✗	✗
Business conduct Protection of whistle-blowers	Negative potential impact	✗	✗	✗	✗	✗	✗

- ▶ Management of relationships with suppliers, including payment practices

Inadequate management of supplier relationships according to specific requirements for the arms industry can lead to interrupted supply of materials / downstream products, which can lead to destabilization of customers.

- ▶ Corruption and bribery

Unethical practices involving the offering, giving, receiving or soliciting of anything of value to influence the actions of a person in a management position.

- ▶ Political engagement and lobbying activities

Overly aggressive or unethical lobbying activities and initiatives by companies seeking to influence public policy, regulation and government decisions concerning their activities.

- ▶ Protection of whistle-blowers

Insufficient protection of whistle-blowers leading to unethical business conduct and retaliation against whistle-blowers.

5.1.2 Business Conduct and corporate culture

The Company's Code of Conduct is a versatile guideline for defining the elementary standards of conduct. It sets out the fundamental, ethical obligations for employees of the Group, which is the obligation to (i) act in line with applicable law, (ii) avoid any acts that may be related to bribery, (iii) avoid any conflicts of interest, and (iv) protect the good standing of Colt CZ. The rules set out in the Code of Conduct must be kept in mind as the starting point, especially when facing moral dilemmas.

Individual elements of the Code of Conduct are apparent in all subsequent instruments of the Compliance Program, such as specific policies (anti-corruption, protection of personal data, competition compliance), instructions and various communication.

To ensure implementation, Colt CZ has a comprehensive Compliance Management System, the aim of which is to respond to cases of non-compliance with legal regulations, requirements, rules, and organizational standards regulating the Group's business, with standards of good governance and generally accepted practices and values declared by the company, and to respond adequately to identified risks and cases of non-compliance with preventive measures.

Under its compliance management system, Colt CZ's Board of Directors appoints an employee of the Group as a Compliance Officer. The Compliance Officer is primarily obliged to oversee

the proper functioning of the compliance system, (ii) review internal guidelines, (iii) conduct assessments of significant risks, and (iv) deliver measures to prevent instances of non-compliance or acceleration of identified risks to the Board of Directors for approval. The Group Compliance Officer function is currently assumed by the Group Head of Legal.

Colt CZ systematically monitors all changes in statutory obligations and compliance therewith. Measures are adopted, and changes are implemented, in the modified compliance rules in consideration of the monitoring results and in accordance with best practices. Colt CZ regularly conducts risk assessment, reviews the rules for the individual areas of compliance, reduces associated risks and assesses the effectiveness of the existing Compliance Program.

Awareness of the relevant persons of the principles, and rules set for the individual areas of compliance, is one of the fundamentals of the Compliance Program. For this purpose, Colt CZ provides training to selective employees and relevant persons correspondingly in all the specific areas of compliance.

Competition laws promote, or are aimed at, protecting competition in the market by regulating behavior that distorts competition. The Competition Compliance Policy provides guidance for dealing with competitors, suppliers, distributors and customers, and preventing abuse of market position. The Competition Compliance Policy is an integral part of the Compliance Program, and it is part of the commitment of Colt CZ to ensure that its business activities

are carried out ethically and in compliance with all applicable laws and its own principles laid down in the Code of Conduct in all areas of Colt CZ's operations.

5.1.3 Protection of whistle-blowers

Being aware of its obligation to monitor and promote compliance with laws, as well as moral and ethical principles, Colt CZ has implemented a uniform system (**Whistleblowing**) for reporting suspicions of unethical conduct that may be used by anyone (employee, customer, partner, etc.) to report any such conduct. In 2023, the Group implemented [Whistlelink](#), a whistleblowing solution offering the most easy-to-implement platform for any organization wishing to be fully compliant with the EU Whistleblowing Directive 2019/ 1937. Whistlelink is available in all Group companies. Information about Whistleblowing are provided to our employees during compliance training.

Every employee shall report a suspected or actual Event of Non-Compliance. Employees may report any instance, occurrence, or practice that they, in good faith, believe is inconsistent with, or in violation of, the Code or other Company policies, including any suspected violations of the laws. This may include, but is not limited to, the following:

- (i) possible improprieties in matters of financial reporting;
- (ii) corruption, fraud, or bribery;

- (iii) financial mismanagement;
- (iv) facilitation of tax evasion;
- (v) criminal offenses;
- (vi) failure to comply with a legal or regulatory obligation;
- (vii) endangering the health and safety of an individual;
- (viii) unauthorized disclosure of confidential information;
- (ix) breach of public tendering laws and regulations;
- (x) damage to the environment;
- (xi) the existence of modern slavery practices in our supply chain;
- (xii) deliberate concealment of any of the above, or
- (xiii) any other Event of Non-Compliance.

All reports are evaluated confidentially, impartially and the whistleblower is notified of the results of the investigation.

Protection of the Whistleblower (described in full in the Policy for Reporting Violations and Complaints (Whistleblowing Policy))

Whistleblower may submit a report on a confidential or anonymous basis. The company will not discharge, demote, suspend, threaten, harass, or in any other manner discriminate or retaliate against any Whistleblower in the terms and conditions of the Whistleblower's employment. Retaliation in any form against any Whistleblower acting in good faith will not be tolerated. The company guarantees protection to the Whistleblower in order to ensure an objective and impartial investigation of the matter. At the request of the Whistleblower, the identity of the Whistleblower shall be kept confidential. The confidentiality of the identity of the Whistleblower

must be ensured throughout the investigation of the Report as well as after its completion and may only be disclosed if legally required.

5.1.4 Political engagement and lobbying activities

As the Group is one of the leading firearms and ammunition manufacturer, the Company considers as indispensable the need to establish and maintain transparent relationships with all stakeholders, including political entities, government bodies and public institutions. Colt CZ places great emphasis on an open dialogue with government and public institutions. The Group also strongly cherishes its strictly apolitical stance. The Company does not participate in any political discussions and does not provide any contributions to any political parties. The Company expresses its acceptance of its responsibility through its membership in a range of industry associations and unions. In any activities related to political and public events, the Company acts strictly in accordance with the applicable legislation and internal regulations governing ethics Compliance.

In compliance with the Anti-corruption Policy and other procedures in place, the Group does not finance, and is in no way involved with any sponsorship that results in obtaining any unlawful privileges or advantages regarding its business activities. All sponsorship and charity-related financial activities of the Group are reflected in a detailed and trustworthy manner in the accounting records; thanks to its charitable contribution monitoring procedures, the Group

is able to prove with a reasonable degree of certainty that any contributions made are not concealed bribes. The Group does not finance, or in any other manner support, political parties or their members, including candidates for political posts, election campaigns or political events, or any political organization or movements.

In 2024, the Company did not appoint any members of administrative, management and supervisory bodies who held comparable position in public administration in the two years preceding such appointment.

In 2024, the Group and its subsidiaries did not engage in lobbying activities, did not make financial or in-kind political contributions and are not registered in the EU Transparency Register or in an equivalent transparency register in an EU Member State.

5.1.5 Action plans and resources to manage its material impacts, risks, and opportunities related to corruption and bribery

The Anti-Corruption Policy provides guidance and restrictions in dealing with the public and private sectors in regard to hospitality, corporate events, gifts and charity. Colt CZ's Anti-Corruption Policy is motivated by the following purpose:

- To describe the Group's anti-bribery and anti-corruption rules in all business operations.

- ▶ To prevent any corruption on behalf of, as well as in, connection with the Group and its relevant persons; to ensure compliance with the requirements of applicable anti-corruption laws whenever the Company is involved in business activities.
- ▶ To enhance the Group's commitment to do business globally in accordance with the strictest requirements for honesty and integrity.
- ▶ To improve and develop the Group's corporate culture, apply best practices and standards of responsible business conduct, including compliance with the Anti-Corruption Policy.

The Anti-corruption policy defines roles and responsibilities of employees, compliance officer and governing body with respect to anti-corruption system of the Group. Their roles are not separated from executive and managerial roles within the Group. The established the Compliance and Ethics Committee as a permanent advisory body of the Company's Supervisory Board for matters for matters relating to, among others, corruption and bribery. The roles and responsibilities of the Compliance and Ethics Committee are described in chapter 4.4 "Description of decision-making processes and composition of the Group's managing body and its committee" of the Annual Financial Report refer to page 28.

The on-line compliance training is mandatory for all new admin hires in the Czech Republic. In addition, employees across the Group attend on-line course for Trace Anti-corruption. Apart from the general compliance training, the Group offers Export/ Import compliance training and Military & law enforcement Export/ Import compliance training to selected employees depending on their functions.

	Unit	prevention and detection of corruption and bribery	2024
	%	Percentage of functions-at-risk covered by training programs	
G1-3, 21. b) -3	%	Percentage of functions-at-risk covered by training programs	100

Accounting principles:

G1 -3 A Percentage of risk functions covered by training programs.

Risk functions are functions that are considered at risk of corruption and bribery due to their tasks and responsibilities (e.g. communication with business partners, purchasing, decision-making). We primarily identify employees in the sales departments and members of the governing bodies of the Group's companies as high-risk positions.

Colt CZ emphasizes that all employees need to be clearly familiar with the contents of the rules, procedures and processes that make up the Compliance Management System (CMS). The Compliance Officer, in collaboration with the Head of Human Resources, is required to ensure that all employees and members of Colt CZ governing bodies:

- ▶ Are kept informed of changes and updates to the internal guidelines
- ▶ Have received training related to the CMS and its individual components at least once every two years, either in person or electronically (e.g., e-learning or video training) or as part of other training. New employees must be familiarized with the CMS as part of their initial training. According to a systematic risk assessment, training can be differentiated in content by individual positions. The training may include a test to verify their knowledge.

	Unit	Incidents of corruption or bribery	2024
G1-4, 25. (a)	Number	Number of convictions for violation of anti-corruption and anti- bribery laws	-
G1-4, 24. (a)	Number	Amount of fines for violation of anti-corruption and anti- bribery laws	-

Accounting Principles:

G1-4 Incidents of corruption or bribery

Information on confirmed cases of corruption or bribery during the reporting period. Confirmation is understood as a situation where a complaint has been assessed as justified (i.e., an investigation has been closed by the Compliance Department or the Legal Department at the Company's level) and the case has been reported to the relevant law enforcement authorities, or where these authorities have themselves communicated the allegations (the case has not been investigated internally).

5.1.6 Management of relationships with suppliers, including payment practices

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

In addition, we have public procurement and competition policies in place and supplier development directives. We carry out supplier audits before the start of the cooperation and then every two years for key suppliers, according to our audit plan. Our focus is on transparency, supplier stability, quality, financial situation, and available references. Information resources are available on the website (US) for our supplier to help them comply with our conditions.

For specific contracts, we require AQAP 2110 –NATO quality requirements providing assurance of the organization's ability to deliver a product that meets the requirements as agreed in the contract with our customer. For military contracts, additional checks and supplier audits are carried out. In the US, the sourcing of minerals responsible is a government requirement and is part of our internal supplier policy for our rifle component suppliers.

Responsibility for the safety, health and well-being of individuals is embraced at all stages of the Group's operations, including supply chains. The objective of sustainable supply chain management at Colt CZ is to ensure the alignment of our supplier's social, ethical, environmental and safety and health responsibilities with our own sustainability commitments. We plan to proactively manage our supply chain to reduce carbon emissions, mitigate risk and safeguard valuable resources.

Payment terms are not standardized by a common Group or individual companies' policy but are defined by contractual agreements with individual business partners. Companies in the Group subsequently evaluate the maturity of their receivables and payables on a regular basis.

	Unit	Payment practices	2024
G1-6, 33. (a)	Number of days	Average number of days to pay invoice	36.96
G1-6, 33. (b)	%	Percentage of payments aligned with standard payment term	88
G1-6, 33. (c)	Number	Number of outstanding legal proceedings for late payments	-

Accounting principles:

G1-6, 33. (a) Average number of days to pay invoice

- The average time needed to pay the invoice from the day the contractual or legal due date begins to be calculated (= average due date of Company's own liabilities in days).

G1-6, 33. (c) Number of outstanding legal proceedings for late payments

- Number of legal proceedings currently included in the backlog due to late payments

6. LIST OF DATAPoints IN CROSS-CUTTING AND TOPICAL STANDARDS THAT DERIVE FROM OTHER EU LEGISLATION (APPENDIX)

The table below outlines the data points derived from other EU legislation as listed in ESRS 2 Appendix B, where these data points can be found in the Annual Financial Report and identifies those data points that are assessed as “Not material” or “Not relevant”.

Disclosure Requirement	Data point	SFDR	Pillar 3	Benchmark Regulation reference	EU Climate Law reference	Relevant Y/N	Section/Page
ESRS 2 GOV-1 Board's gender diversity	21 (d)	x		x		y	Sustainability Statement, Social
ESRS 2 GOV-1 Percentage of board members who are independent	21 (e)			x		y	Corporate Governance Report
ESRS 2 GOV-4 Statement on due diligence	30	x				y	Sustainability Statement, General Disclosures
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities	40 (d) i	x	x	x		n	
ESRS 2 SBM-1 Involvement in activities related to chemical production	40 (d) ii	x		x		n	
ESRS 2 SBM-1 Involvement in activities related to controversial weapons	40 (d) iii	x		x		n	
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco	40 (d) iv			x		n	

Disclosure Requirement	Data point	SFDR	Pillar 3	Benchmark Regulation reference	EU Climate Law reference	Relevant Y/N	Section/Page
ESRS E1-1 Transition plan to reach climate neutrality by 2050	14				x	Y	Sustainability Statement, Environment
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks	16 (g)		x	x		N	
ESRS E1-4 GHG emission reduction targets	34	x	x	x		Y	Sustainability Statement, Environment
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	38	x				Y	Sustainability Statement, Environment
ESRS E1-5 Energy consumption and mix	37	x				Y	Sustainability Statement, Environment
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors	40 to 43	x				Y	Sustainability Statement, Environment
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions	44	x	x	x		Y	Sustainability Statement, Environment
ESRS E1-6 Gross GHG emissions intensity	53 to 55	x	x	x		Y	Sustainability Statement, Environment
ESRS E1-7 GHG removals and carbon credits	56				x	N	
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks	66			x		Phased/ delayed	
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk	66 (a), 66 (c)		x			Phased/ delayed	
ESRS E1-9 Location of significant assets at material physical risk							
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes	67 (c)		x			Phased/ delayed	

Disclosure Requirement	Data point	SFDR	Pillar 3	Benchmark Regulation reference	EU Climate Law reference	Relevant Y/N	Section/Page
ESRS E1-9 Degree of exposure of the portfolio to climate- related opportunities	69			x		Phased/ delayed	
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil	28	x				Y	Sustainability Statement, Environment
ESRS E3-1 Water and marine resources	9	x				Y	Sustainability Statement, Environment
ESRS E3-1 Dedicated policy	13	x				Phased/ delayed	
ESRS E3-1 Sustainable oceans and seas	14	x				N	
ESRS E3-4 Total water recycled and reused	28 (c)	x				Y	Sustainability Statement, Environment
ESRS E3-4 Total water consumption in m ³ per net revenue on own operations	29	x				Y	Sustainability Statement, Environment
ESRS 2- SBM 3 - E4	16 (a) i	x				Y	Sustainability Statement, Environment
ESRS 2- SBM 3 - E4	16 (b)	x				Y	Sustainability Statement, Environment
ESRS 2- SBM 3 - E4	16 (c)	x				Y	Sustainability Statement, Environment
ESRS E4-2 Sustainable land / agriculture practices or policies	24 (b)	x				N	
ESRS E4-2 Sustainable oceans / seas practices or policies	24 (c)	x				N	
ESRS E4-2 Policies to address deforestation	24 (d)	x				N	
ESRS E5-5 Non-recycled waste	37 (d)	x				Y	Sustainability Statement, Environment

Disclosure Requirement	Data point	SFDR	Pillar 3	Benchmark Regulation reference	EU Climate Law reference	Relevant Y/N	Section/Page
ESRS E5-5 Hazardous waste and radioactive waste	39	x				Y	Sustainability Statement, Environment
ESRS 2- SBM3 - S1 Risk of incidents of forced labour	14 (f)	x				Y	Sustainability Statement, Social
ESRS 2- SBM3 - S1 Risk of incidents of child labour	14 (g)	x				Y	Sustainability Statement, Social
ESRS S1-1 Human rights policy commitments	20	x				Y	Sustainability Statement, Social
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8,	21			x		Y	Sustainability Statement, Social
ESRS S1-1 processes and measures for preventing trafficking in human beings	22	x				Y	Sustainability Statement, Social
ESRS S1-1 workplace accident prevention policy or management system	23	x				Y	Sustainability Statement, Social
ESRS S1-3 grievance/complaints handling mechanisms	32 (c)	x				Y	Sustainability Statement, Social
ESRS S1-14 Number of fatalities and number and rate of work-related accidents	88 (b) and (c)	x		x		Y	Sustainability Statement, Social
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness	88 (e)	x				Y	Sustainability Statement, Social
ESRS S1-16 Unadjusted gender pay gap	97 (a)	x		x		Y	Sustainability Statement, Social
ESRS S1-16 Excessive CEO pay ratio	97 (b)	x				Y	Sustainability Statement, Social
ESRS S1-17 Incidents of discrimination	103 (a)	x				Y	Sustainability Statement, Social
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD Guidelines	104 (a)	x		x		Y	Sustainability Statement, Social
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain	11 (b)	x				N	

Disclosure Requirement	Data point	SFDR	Pillar 3	Benchmark Regulation reference	EU Climate Law reference	Relevant Y/N	Section/Page
ESRS S2-1 Human rights policy commitments paragraph	17	x				N	
ESRS S2-1 Policies related to value chain workers	18					N	
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	19	x		x		N	
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	19			x		N	
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain	36	x				N	
ESRS S3-1 Human rights policy commitments	16	x				Y	Sustainability Statement, Social
ESRS S3-1 non-respect of UNGPs on Business and Human Rights, ILO principles or OECD guidelines	17	x		x		Y	Sustainability Statement, Social
ESRS S3-4 Human rights issues and incidents	36	x				N	
ESRS S4-1 Policies related to consumers and end-users	16	x				Y	Sustainability Statement, Social
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines	17	x		x		Y	Sustainability Statement, Social
ESRS S4-4 Human rights issues and incidents	35	x				N	
ESRS G1-1 United Nations Convention against Corruption	10 (b)	x				N	
ESRS G1-1 Protection of whistle- blowers	10 (d)	x				N	
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws	24 (a)	x		x		Y	Sustainability Statement, Governance
ESRS G1-4 Standards of anti- corruption and anti- bribery	24 (b)	x				Y	Sustainability Statement, Governance

„THE REPORT BELOW REPRESENTS THE AUDITOR'S
REPORT THAT RELATES SOLELY AND EXCLUSIVELY
TO THE OFFICIAL ANNUAL FINANCIAL REPORT
PREPARED IN THE XHTML FORMAT.“

INDEPENDENT LIMITED ASSURANCE REPORT

To the Shareholders of
Colt CZ Group SE

Having its registered office at: náměstí Republiky 2090/3a, Nové Město, 110 00 Praha 1

We have conducted a limited assurance engagement on the Consolidated Sustainability Statement of Colt CZ Group SE (hereafter the “Company”) and its subsidiaries (hereafter the “Group”) included in section 5. Consolidated Sustainability Statement of the Annual Financial Report including the information incorporated in the Consolidated Sustainability Statement by reference, as disclosed in note 2.1 Basis for preparation (the “Consolidated Sustainability Statement”) as at 31 December 2024 and for the year then ended.

Identification of Applicable Criteria

The Consolidated Sustainability Statement was prepared by the Board of Directors of the Company in order to satisfy the requirements of § 32k of the Czech Accounting Act implementing Article 29(a) of the Directive 2013/34/EU of the European Parliament and of the Council, including:

- Compliance with the European Sustainability Reporting Standards introduced by Commission Delegated Regulation (EU) of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council (“ESRS”), including that the process carried out by the Company to identify the information reported in the Consolidated Sustainability Statement (the “Process”) is in accordance with the description set out in note 2.9 Double materiality assessment (“DMA”); and
- Compliance of the disclosures in note 3.6 EU taxonomy within subsection 3. Environment of the Consolidated Sustainability Statement with Article 8 of EU Regulation 2020/852 (the “Taxonomy Regulation”).

Inherent Limitations in Preparing the Consolidated Sustainability Statement

The criteria, nature of the Consolidated Sustainability Statement, and absence of long-standing established authoritative guidance, standard applications and reporting practices allow for different, but acceptable, measurement methodologies to be adopted which may result in variances between entities. The adopted measurement methodologies may also impact the comparability of sustainability matters reported by different organizations and from year to year within an organization as methodologies evolve.

In reporting forward looking information in accordance with ESRS, management of the Group is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcome is likely to be different since anticipated events frequently do not occur as expected.

In determining the disclosures in the Consolidated Sustainability Statement, management of the Group interprets undefined legal and other terms. Undefined legal and other terms may be interpreted differently, including the legal conformity of their interpretation and, accordingly, are subject to uncertainties.

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Responsibility of the Company's Board of Directors, Supervisory Board and the Audit Committee for the Consolidated Sustainability Statement

The Board of Directors is responsible for designing and implementing a process to identify the information reported in the Consolidated Sustainability Statement in accordance with the ESRS and for disclosing this process in note 2.9 Double materiality assessment ("DMA") of the Consolidated Sustainability Statement. This responsibility includes:

- understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- the identification of the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the entity's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- the assessment of the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- making assumptions that are reasonable in the circumstances.

The Board of Directors is further responsible for the preparation of the Consolidated Sustainability Statement, in accordance with §32k of the Czech Accounting Act implementing Article 29(a) of the Directive 2013/34/EU of European Parliament and of the Council, including:

- compliance with the ESRS;
- preparing the disclosures in note 3.6 EU taxonomy within subsection 3. Environment of the Consolidated Sustainability Statement, in compliance with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation");
- designing, implementing and maintaining such internal controls that management determines are necessary to enable the preparation of the Consolidated Sustainability Statement that is free from material misstatement, whether due to fraud or error; and
- the selection and application of appropriate sustainability reporting methods and making assumptions and estimates about individual sustainability disclosures that are reasonable in the circumstances.

The Supervisory Board and the Audit Committee are responsible for overseeing the Group's sustainability reporting process.

Our Responsibility

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the Consolidated Sustainability Statement is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Consolidated Sustainability Statement as a whole.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised) we exercise professional judgment and maintain professional skepticism throughout the engagement.

Our responsibilities in respect of the Consolidated Sustainability Statement, in relation to the Process, include:

- Obtaining an understanding of the Process but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process;
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in note 2.9 Double materiality assessment ("DMA").

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Our other responsibilities in respect of the Consolidated Sustainability Statement include:

- Obtaining an understanding of the entity's control environment, processes and information systems relevant to the preparation of the Consolidated Sustainability Statement but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- Identifying disclosures where material misstatements are likely to arise, whether due to fraud or error.
- Designing and performing procedures responsive to disclosures in the Consolidated Sustainability Statement where material misstatements are likely to arise. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our Independence and Quality Management

We complied with the applicable independence and other ethical requirements of the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic (the "Code"). The Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We applied International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of Work Performed

A limited assurance engagement involves performing procedures to obtain evidence about the Consolidated Sustainability Statement.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Consolidated Sustainability Statement.

In conducting our limited assurance engagement, with respect to the Process, we:

- Obtained an understanding of the Process by:
 - performing inquiries to understand the sources of the information used by management; and
 - reviewing the Group's internal documentation of its Process;
- Evaluated whether the evidence obtained from our procedures about the Process implemented by the Group was consistent with the description of the Process set out in note 2.9 Double materiality assessment ("DMA").

In conducting our limited assurance engagement, with respect to the Consolidated Sustainability Statement, we:

- Obtained an understanding of the Group's reporting processes relevant to the preparation of its Consolidated Sustainability Statement by performing inquiries to understand the Group's control environment, processes and information systems relevant to the preparation of the Consolidated Sustainability Statement;
- Evaluated whether material information identified by the Process to identify the information reported in the Consolidated Sustainability Statement is included in the Consolidated Sustainability Statement;
- Evaluated whether the structure and the presentation of the Consolidated Sustainability Statement is in accordance with the ESRs;
- Performed inquiries of relevant personnel and analytical procedures on selected disclosures in the Consolidated Sustainability Statement;
- Performed substantive assurance procedures based on a sample basis on selected disclosures in the Consolidated Sustainability Statement;
- Obtained evidence on the methods for developing material estimates and forward-looking information and on how these methods were applied;
- Obtained an understanding of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Consolidated Sustainability Statement;
- Conducted site visits at selected locations to test the application of the Company's reporting procedures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Consolidated Sustainability Statement is not prepared, in all material respects, in accordance with §32k of the Czech Accounting Act implementing Article 29(a) of the Directive 2013/34/EU of European Parliament and of the Council, including:

- Compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Group to identify the information reported in the Consolidated Sustainability Statement is in accordance with the description set out in note 2.9 Double materiality assessment ("DMA"); and
- Compliance of the disclosures in note 3.6 EU taxonomy within subsection 3. Environment of the Consolidated Sustainability Statement with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation").

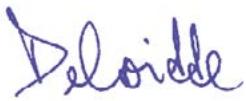
Other Matter

Our assurance engagement does not extend to information in respect of earlier periods presented in the Consolidated Sustainability Statement.

In Prague on 29 April 2025

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

Martin Tesař
registration no. 2030



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COLT CZ HUNGARY

Colt CZ Hungary is a joint venture between Colt CZ Group and the Hungarian state-owned company N7 Holding Ltd. Their common goal is to rearm the Hungarian armed forces with modern small arms manufactured in Hungary, thus creating a domestic Hungarian production capability. The joint venture started operations in early **2024**, following the transfer of technology agreement signed in 2018 between Česká zbrojovka and the Hungarian state. The agreement resulted in the successful production of **CZ P-07** and **CZ P-09** service pistols, as well as **CZ SCORPION EVO 3** sub guns and **CZ BREN 2** rifles. All of these products have become standard service firearms of the Hungarian Armed Forces.

In 2024, Colt CZ Hungary achieved another success when it started serial production of the **CZ P-10 C** service pistol. In 2025, new CZ service pistol models will be added to its portfolio. The production plant, located in Kiskunfélegyháza, has modern automated operations that include forging, deep drilling, honing, heat and surface treatments of metals, and testing and measurements in test tunnels. It has become a recognized local employer and forms part of CZ's supply chain.



“Made in Hungary” CZ P-10 pistol series

6. SUBSEQUENT EVENTS

An overview of subsequent events is set out in the consolidated financial statements in the note 46.

7. REPORT ON RELATIONS BETWEEN THE CONTROLLING ENTITY AND THE CONTROLLED ENTITY, AND BETWEEN THE CONTROLLED ENTITY AND OTHER ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY FOR 2024

Colt CZ Group SE, with its registered office at náměstí Republiky 2090/3a, 110 00 Prague 1, company ID: 291 51 961, registered in the Commercial Register of the Municipal Court in Prague under File No. H 962 (the “**Controlled Entity**” or “**Colt CZ**”), is obligated to prepare a report of the Board of Directors for the 2024 reporting period (i.e., from 1 January until 31 December 2024, the “**Reporting Period**”), on relations between the Controlling Entity and the Controlled Entity, and between the Controlled Entity and entities controlled by the same Controlling Entity (the “**Report on Relations**”) in compliance with Section 82 et seq. of Act No. 90/2021 Coll., on Business Corporations and Cooperatives (the “**Business Corporations Act**”).

Controlling Entity

The entity directly controlling the Controlled Entity is Česká zbrojovka Partners SE, with its registered office at Opletalova 1284/37, Nové Město, 110 00 Prague 1, company ID: 058 51 777, registered in the Commercial Register of the Municipal Court in Prague under File No. H 1879 (the “**Controlling Entity**”).

Česká zbrojovka Partners SE owns 51.8 % of shares in the Controlled Entity.

Česká zbrojovka Partners SE controls the Controlled Entity by exercising voting rights at the Controlled Entity’s General Meeting.

The direct controlling entity of Česká zbrojovka Partners SE is European Holding Company, SE, with its registered office at Opletalova 1284/37, Nové Město, 110 00 Prague 1, company ID: 241 96 975, registered in the Commercial Register of the Municipal Court in Prague under File No. H 499. The ultimate beneficial owner of European Holding Company, SE is Ing. René Holeček.

Role of the Controlled Entity within the Business Group

The Controlled Entity is part of a business group focused on the production and sale of firearms and tactical accessories for military and law enforcement units, personal defense, hunting, sport shooting, and other commercial uses. The group is one of the major global manufacturers in this segment.

The role of the Controlled Entity is primarily comprised of overseeing the activities of subsidiaries within the group. Control over the subsidiaries is exercised through voting at the companies’ General Meeting.

Manners and Means of Control

As a majority shareholder, Česká zbrojovka Partners SE exercises its control of the Controlled Entity through voting at the General Meeting and electing members of the Supervisory Board, who then elect members of the Board of Directors.

Control is exercised through decisions of the Supervisory Board and General Meeting as stated in the Articles of Association of the Controlled Entity.

Overview of Actions Pursuant to Section 82 (2)(d) of the Business Corporations Act

In the 2024 Reporting Period, no actions were performed by the Controlled Entity in the interest, or at the initiative, of the Controlling Entity, or the entities controlled by the Controlling Entity involving assets exceeding 10% of the Controlled Entity’s equity, as determined based on the most recent set of financial statements.

Report on relations between the controlling entity and the controlled entity, and between the controlled entity and other entities controlled by the same controlling entity for 2024

Overview of Mutual Contractual Relationships

In the 2024 Reporting Period, the following agreements existed, or were concluded between, the Controlled Entity and the Controlling Entity or entities controlled by the same Controlling Entity:

Entity	Mutual Relationship	Concluded on	Effective date
Česká zbrojovka a.s.	Intercompany Service agreement - Consulting	15. 12. 2022	01. 01. 2021 – 01. 01. 2026
Česká zbrojovka a.s.	Personal Data Processing agreement	18. 05. 2022	From 18. 05. 2022
Česká zbrojovka a.s.	Long-term Loan agreement	26. 01. 2022	26. 01. 2022 – 22.01.2029
Česká zbrojovka a.s.	Agreement for the Provision of IT Services - Consulting	26. 08. 2021	From 26. 08. 2021
Česká zbrojovka a.s.	Loan agreement	03. 04. 2023	03. 04. 2023 – 31. 12. 2024
Česká zbrojovka a.s.	Agreement for the Provision of Services	18. 04. 2023	01. 01. 2023 – 31. 12. 2025
Česká zbrojovka a.s.	Car Sublease agreement	02. 01. 2023	02. 01. 2023 – 31. 05. 2026
Česká zbrojovka a.s.	Intercompany Trademark License agreement	19. 03. 2024	From 01. 09. 2022
Česká zbrojovka a.s.	Intercompany Sales Service agreement	01. 09. 2023	From 01. 09. 2023
Colt CZ Defence Solutions s.r.o.	Intercompany Service agreement - Consulting	15. 12. 2022	01. 01. 2021 – 01. 01. 2026
Colt CZ Defence Solutions s.r.o.	Intercompany Trademark License agreement	05. 04. 2023	05. 04. 2023 – 31. 10. 2027

Entity	Mutual Relationship	Concluded on	Effective date
Colt CZ Defence Solutions s.r.o.	Agreement for the Provision of Services	01. 01. 2023	01. 01. 2023 – 31. 12. 2025
Colt CZ Defence Solutions s.r.o.	Accession agreement to the Vodafone OneNet Framework for the sale of goods and provision of services	02. 12. 2022	From 02. 12. 2022
Colt CZ Defence Solutions s.r.o.	Loan agreement	29. 10. 2024	From 29. 10. 2024
EHC-4M, SE	Agreement for the Provision of Services - Bookkeeping	31. 01. 2020	From 01. 02. 2020
EHC-4M, SE	Loan agreement	29. 07. 2020	29. 07. 2020 – 31. 12. 2025
EHC-4M, SE	Loan agreement	31. 08. 2020	31. 08. 2020 – 31. 12. 2025
EHC-4M, SE	Loan agreement	14. 09. 2020	14. 09. 2020 – 31. 12. 2025
EHC-4M, SE	Loan agreement	19. 10. 2020	19. 10. 2020 – 31. 12. 2025
CZG VIB s.r.o.	Agreement for the Provision of Services - Accounting	31. 01. 2020	From 31. 01. 2020
Colt CZ Group International s.r.o.	Contract for the Provision of Services - Accounting	31. 01. 2020	From 01. 02. 2020

Report on relations between the controlling entity and the controlled entity, and between the controlled entity and other entities controlled by the same controlling entity for 2024

Entity	Mutual Relationship	Concluded on	Effective date
Colt CZ Group International s.r.o.	Loan agreement	31. 12. 2020	31. 12. 2020 – 31. 12. 2025
Colt CZ Group International s.r.o.	Loan agreement	30. 09. 2024	From 30. 09. 2024
Colt CZ Group International s.r.o.	Loan agreement EUR	27. 09. 2023	27. 09. 2023 – 31. 10. 2024
Colt CZ Group International s.r.o.	Loan agreement CZK	27. 09. 2023	27. 09. 2023 – 31. 10. 2024
Colt CZ Group International s.r.o.	Loan agreement	03. 01. 2024	From 03. 01. 2024
Colt CZ Group North America	Consolidation Loan made pursuant to the Amendment Agreement relating to loans dated 9 March 2021 and two loans dated 21 May 2021	01. 06. 2021	09. 03. 2021 – 31. 12. 2026
4M SYSTEMS a.s.	Intercompany Service agreement - Accounting	15. 12. 2022	01. 01. 2021 – 01. 01. 2026
4M SYSTEMS a.s.	Contract for the Provision of Services - Accounting	31. 01. 2020	From 01. 02. 2020
4M SYSTEMS a.s.	Agreement for the Provision of Services	01. 01. 2023	01. 01. 2023 – 31. 12. 2025

Entity	Mutual Relationship	Concluded on	Effective date
Zbrojovka Brno, s.r.o.	Intercompany Service agreement - Accounting	15. 12. 2022	01. 01. 2021 – 01. 01. 2025
Four Horses Apparel, Inc.	Loan agreement	05. 06. 2023	From 05. 06. 2023
Four Horses Apparel, Inc	Loan agreement	24. 10. 2024	From 24. 10. 2024
Four Horses Apparel, Inc	Loan agreement	24. 04. 2024	From 24. 04. 2024
Four Horses Apparel, Inc	Loan agreement	01. 07. 2024	From 01. 07. 2024
CZ-USA	Intercompany Service agreement - Consulting	15. 12. 2022	01. 01. 2021 – 01. 01. 2026
Colt Canada Corporation	Intercompany Service agreement - Consulting	15. 12. 2022	01. 01. 2021 – 01. 01. 2026
Colt's Manufacturing Company LLC	Intercompany Service agreement - Consulting	15. 12. 2022	01. 01. 2021 – 01. 01. 2026
Colt's Manufacturing Company LLC	Loan agreement	28. 12. 2023	28. 12. 2023 – 02. 01. 2024
Colt's Manufacturing Company LLC	Loan agreement	9. 12. 2024	9. 12. 2024 – 31. 03. 2025
Colt CZ Hungary Zrt.	Trademark License agreement	21. 08. 2023	From 21. 08. 2023
Colt CZ Hungary Zrt.	Loan agreement	29. 01. 2024	29. 01. 2024 – 31. 12. 2025

Report on relations between the controlling entity and the controlled entity, and between the controlled entity and other entities controlled by the same controlling entity for 2024

Entity	Mutual Relationship	Concluded on	Effective date
Colt CZ Hungary Zrt.	Mutual Confidentiality agreement	19. 02. 2024	From 16. 02. 2024
saltech AG	Framework Loan agreement	11. 10. 2023	11. 10. 2023 – 30. 06. 2024
saltech AG	Intercompany Service agreement - Consulting	01. 07. 2023	01. 07. 2023 – 31. 12. 2024
saltech AG	Pledge agreement	01. 03. 2024	From 01. 03. 2024
Spuhr and Dalby AB	Intercompany Service agreement - Consulting	15. 12. 2022	12. 10. 2022 – 31. 12. 2025
Vocatus Investment a.s.	Loan agreement	18. 12. 2023	From 18. 12. 2023
Vocatus Investment a.s.	Loan agreement	29. 12. 2023	From 29. 12. 2023
Vocatus Investment a.s.	Loan agreement USD	19. 06. 2024	From 19. 06. 2024
Vocatus Investment a.s.	Loan agreement EUR	19. 06. 2024	From 19. 06. 2024
Vocatus Investment a.s.	Loan agreement	01. 02. 2024	From 01. 02. 2024
Vocatus Investment a.s.	Loan agreement	31. 01. 2024	From 31. 01. 2024
Vocatus Investment a.s.	Intercompany Service agreement – Accounting services	27. 06. 2024	From 01. 01. 2024
Vocatus Investment a.s.	Forward agreement - USD	16. 05. 2024	16. 05. 2024 – 30. 06. 2025

Entity	Mutual Relationship	Concluded on	Effective date
Vocatus Investment a.s.	Forward agreement - EUR	16. 05. 2024	16. 05. 2024 – 30. 06. 2025
Vocatus Investment a.s.	Capitalization	06. 12. 2024	From 06. 12. 2024
Sellier & Bellot a.s.	Intercompany Service agreement - Consulting	16. 05. 2024	16. 05. 2024 – 31. 12. 2025
CZG VIB s.r.o.	Intercompany Service agreement	31. 01. 2020	From 01. 02. 2020

TRANSFER OF TECHNOLOGY CAPABILITY

Colt CZ Group has a well-established expertise in the transfer of technology in cooperation with the local defense industry, as exemplified by **Colt CZ Hungary**, a joint venture with the Hungarian government.

In 2024, as a part of Czech-Ukrainian intergovernmental consultations, two subsidiaries of Colt CZ Group SE signed contracts with the “Ukrainian Defense Industry” (“Ukroboronprom”). Sellier & Bellot and Ukroboronprom agreed to cooperate in the production of multiple types of small-caliber ammunition in Ukraine, with Sellier & Bellot supplying **machines for the production of ammunition**. Česká zbrojovka also signed a transfer of technology contract for the assembly of its **CZ BREN 2** rifles in Ukraine. Following the training of Ukrainian personnel at CZ, assembly of the CZ BREN 2 SICH was successfully launched in Ukraine at the end of 2024.

CZ, in cooperation with the local defense industry, also initiated the **Assembled in Romania** project in 2024 for its CZ BREN 2 rifle, CZ SCORPION EVO 3 A1 sub gun, and CZ P-10 and CZ P-07 pistols.



CZ BREN 2 SICH rifle „Assembled in Ukraine“

From the point of view of the Controlled Entity, performances under the above agreements corresponded to the arm's length principle, i.e., corresponding to normal commercial relations for performances provided on the market to third parties, or by third parties. No other acts or performances pursuant to Section 82 (2)(e) of the Business Corporations Act occurred during the Reporting Period.

Assessment of whether the Controlled Entity Incurred Damage and Assessment of its Compensation under Sections 71 and 72 of the Business Corporations Act

Upon evaluation, the Board of Directors of the Controlled Entity states that:

- (a)** No acts described in this Report on Relations resulted in a loss to the Controlled Entity during the Reporting Period
- (b)** It is not aware of any other measures, acts, or other performances during the Reporting Period that would result in a loss to the Controlled Entity.

Advantages and disadvantages of the Relationships within the Business Group

The Board of Directors of the Controlled Entity evaluated the acts realized between the Controlled Entity, controlling entities, and entities controlled by them during the Reporting Period and states that they were concluded under conditions corresponding with the arm's length principle and no advantages or disadvantages related to the control arose. The Controlled Entity did not incur any harm to be settled in accordance with Sections 71 and 72 of the Business Corporations Act.

The relationships between the Controlled Entity, the controlling entities, and the entities controlled by them do not present any risks in the future.

Conclusion

This Report on Relations has been discussed and approved at the regular meeting of the Board of Directors of the Controlled Entity. The Board of Directors of the Controlled Entity declares that it expended all due effort when collecting and verifying the information included in this Report on Relations, and that its conclusions were formulated following thorough consideration, and that all data in this Report on Relations is considered correct and complete.

This Report on Relations will be submitted to the Supervisory Board of the Controlled Entity for review pursuant to Section 83 (1) of the Business Corporations Act and submitted to the auditor performing the audit of the financial statements of the Controlled Entity pursuant to a special act. As the Controlled Entity prepares an annual financial report, this Report on Relations will be appended to it within the meaning of Section 84 of the Business Corporations Act and will be filed in the Collection of Instruments of the Commercial Register held by the Municipal Court in Prague as an inherent part of the annual financial report.

In Prague, on 26 March 2025



Jan Drahota
Chairman of the Board of Directors



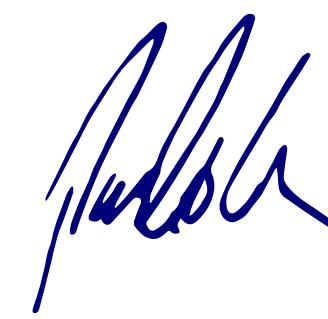
Josef Adam
Vice-Chairman of the Board of Directors

8. DECLARATION OF AUTHORIZED PERSONS

To the best of our knowledge, these consolidated financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of assets, liabilities, financial position, and profit of the Group and entities included in the consolidated group, and the consolidated annual financial report under the Accounting Act provides a true overview of the development and results of Colt CZ Group SE and the position of Colt CZ Group SE and entities included in the consolidated group, together with a description of major risks and uncertainties it is facing. The consolidated sustainability statement is prepared in accordance with the sustainability reporting standards adopted by the European Commission and the requirements set out under Article 8(4) of the Taxonomy Regulation.

In Prague, on 29 April 2025

Signed on behalf of the Board of Directors:



Jan Drahota
Chairman of the Board of Directors



Josef Adam
Vice-Chairman of the Board of Directors

9. ALTERNATIVE PERFORMANCE MEASURES

This Report contains certain financial measures that are not defined or recognized under IFRS, and which are considered to be “alternative performance measures,” as defined in the “ESMA Guidelines on Alternative Performance Measures,” issued by the European Securities and Markets Authority on 5 October 2015 (the “Alternative Performance Measures”). This report includes the following alternative Performance Measures: EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted net income margin, adjusted earnings per share, net financial debt, and net leverage ratio. The Company has included the Alternative Performance Measures because they represent key measures used by management to evaluate the Group’s operating performance. Further, management believes that the presentation of the Alternative Performance Measures is helpful to prospective investors, because these and other similar measures and related ratios are widely used by certain investors, securities analysts, and other interested parties, as supplemental measures of performance and liquidity to evaluate the efficiency of a company’s operations and its ability to employ its earnings toward repayment of debt, capital expenditures, and working capital requirements. Management also believes that the presentation of Alternative Performance Measures facilitates operating performance comparisons on a period-to-period basis, to exclude the impact of non-recurring items, which management does not consider being indicative of the Group’s core operating performance.

The Alternative Performance Measures are not sourced directly from the Audited Financial Statements but are derived from the financial information contained therein. These measures have not been audited or reviewed by an independent auditor.

The Alternative Performance Measures are not defined in the IFRS and should neither be treated as metrics of financial performance or operating cash flows, nor deemed an alternative to profit data. Those performance measures should only be read as additional information to, and not as a substitute for or superior to, the financial information prepared in accordance with the IFRS, as adopted by the EU. The Alternative Performance Measures should not be given more prominence than measures sourced directly from the Audited Financial Statements. The Alternative Performance Measures should be read in conjunction with the Audited Financial Statements. There are no generally accepted principles governing the calculation of the Alternative Performance Measures and the criteria upon which the Alternative Performance Measures are based can vary from company to company, limiting the usefulness of such measures as comparative measures. Even though the Alternative Performance Measures are used by management to assess the Group’s financial results, and these types of measures are commonly used by investors, they have important limitations as analytical tools and, by themselves, do not provide a sufficient basis to compare the Company’s performance with that of other companies and should not be considered in isolation, or as a substitute to, the revenue, profit before tax, or cash flows from operations calculated in accordance with IFRS for analysis of the Group’s position or performance.

The Alternative Performance Measures have limitations as analytical tools, such as:

- They do not reflect the Group’s cash expenditures or future requirements for capital expenditures or contractual commitments.

- They do not reflect changes in, or cash requirements for, the Group’s working capital needs.
- They do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on the Group’s debt.
- Although depreciation and amortization are non-monetary charges, the assets being depreciated and amortized will often need to be replaced in the future and the Alternative Performance Measures do not reflect any cash requirements that would be required for such replacements.
- Some of the exceptional items the Company eliminates in calculating the Alternative Performance Measures reflect cash payments that were made, or will be made in the future; and
- The fact that other companies in the Group’s industry may calculate the Alternative Performance Measures differently than the Company does, limits their usefulness as comparative measures.
- The terms used for alternative measures may not have the same or similar meaning as other terms that may be defined in other documentation for other financial liabilities of the Group.
- Alternative measures presented in this annual financial report may differ from alternative measures in annual financial reports of prior periods. To assess the Group’s financial performance, the Company uses such Alternative Performance Measures that it deems relevant and indicative of its financial position in a given year.

Alternative Performance Measures

THE FOLLOWING TABLE GIVES A DESCRIPTION OF THE RESPECTIVE ALTERNATIVE MEASURES IN RELATION TO THE COMPANY'S FINANCIAL STATEMENTS

(in thousands of CZK, unless stated otherwise)	For the year ended 31 December	
	2024	2023
EBITDA ⁽¹⁾	3,479,842	2,663,687
EBITDA margin ⁽²⁾	15.6%	17.9%
Adjusted EBITDA ⁽³⁾	4,598,864	3,048,379
Adjusted EBITDA margin ⁽⁴⁾	20.6%	20.5%
Net income margin ⁽⁵⁾	4.7%	13.7%
Adjusted income ⁽⁶⁾	1,933,205	2,049,742
Adjusted net income margin ⁽⁷⁾	8.6%	13.8%
Adjusted earnings per share ⁽⁸⁾	41	58
Net financial debt at the end of the period ⁽⁹⁾	11,974,558	7,464,691
Net leverage ratio (x) ⁽¹⁰⁾	2.26x	2.80x

⁽¹⁾ The Group's management considers EBITDA a crucial performance measure in assessing the Group's business. As described above, EBITDA is not a measure described or acknowledged under IFRS. The Group calculates EBITDA based on the figures included in the Audited Financial Statements. EBITDA is calculated as profit after tax for the period, plus income tax, less other financial income, plus other financial expenses, less interest income, plus interest expense, less share of profit of associates and profit from investments in associated companies, adjusted by gains or losses from derivatives operations, plus depreciation and amortization minus gain on investments in associated companies, and profit from the bargain purchase of swissAA. All items of the EBITDA calculation come from the consolidated statement of profit or loss and statement of other comprehensive income of the Audited Financial Statements.

⁽²⁾ EBITDA margin is defined as a percentage of EBITDA and revenues from the sale of the Company's own products, goods, and services. EBITDA margin allows for a comparison of one company's performance relative to others in its industry. All items of the EBITDA margin calculation come from the consolidated statement of profit or loss and statement of other comprehensive income of the Audited Financial Statements.

⁽³⁾ In 2024, EBITDA was adjusted by one-off items related to unrealized M&A expenses and legacy costs related to acquisitions, payments related to the employee stock option plan, one-off expenses connected with the acquisition of Sellier & Bellot – inventory step up and commodity hedging, expenses related to wasted investments and bank fees related with acquisition loan and financing cost related to bond issue, which are unrelated to operational performance and value creation in the given period. In 2023, net profit was adjusted by one-off items related to 2023 unrealized acquisitions and payments related to the employee stock option plan, financing cost related to bond issue, and by the profit from the bargain purchase of swissAA, which are not related to operational performance and value creation during the given period. The cost of the bond issue are presented under Other financial expenses in the consolidated statement of profit or loss and other comprehensive income of the Audited Financial Statements. Negative goodwill is presented as profit from the bargain purchase in the consolidated statement of profit or loss and other comprehensive income of the Audited Financial Statements.

⁽⁴⁾ Adjusted net income margin is defined as a percentage of profit for the period and revenues from the sale of the Group's own products, goods, and services. Both items of the percentage are taken over from the consolidated statement of profit or loss and statement of other comprehensive income of the Audited Financial Statements.

⁽⁵⁾ The Company calculates adjusted net earnings per share as adjusted net income for the period divided by the average number of shares issued by the Company. All items of the adjusted net earnings per share calculation come from the consolidated statement of profit or loss and statement of other comprehensive income of the Audited Financial Statements.

⁽⁶⁾ The Group defines net financial debt as long-term and short-term bonds, bank loans, borrowings, and lease payables (non-current and current), less cash and cash equivalents as reported in the consolidated statement of financial position in the Audited Financial Statements. Net financial debt is used by the Group to assess its indebtedness to financial institutions, which includes banks, leasing companies, and bond investors.

⁽⁷⁾ Net leverage ratio is defined as the ratio of net financial debt at the end of the period to adjusted EBITDA for the period.

⁽⁸⁾ Net income margin is defined as a percentage of profit for the period and revenues from the sale of the Group's own products, goods, and services. Both items of the percentage are taken over from the consolidated statement of profit or loss and statement of other comprehensive income of the Audited Financial Statements. Net income margin is used in ratio analysis to determine the proportional profitability of a business.

Alternative Performance Measures

THE FOLLOWING TABLE SETS FORTH THE GROUP'S NET FINANCIAL DEBT FOR THE PERIODS INDICATED.

(CZK '000)	For the year ended 31 December		(CZK '000)	For the year ended 31 December
	2024	2023		
Bonds, bank loans and borrowings (long-term and short-term)	17,811,137	11,614,284		
Lease payables (current and non-current)	81,189	87,671		
Less: Cash and cash equivalents and other financial assets	5,917,768	4,237,264		
Net financial debt at the end of the period	11,974,558	7,464,691		

THE FOLLOWING TABLE PROVIDES A COMPARISON OF PROFIT OR LOSS AFTER TAX AND EBITDA FOR THE PERIODS.

	2024	2023
Profit for the period	1,044,575	2,042,538
Income tax	335,263	467,024
Interest income	784,854	756,541
Interest expense	1,307,949	894,604
Depreciation and amortization	1,478,824	801,721
Other financial income	113,159	251,596
Other financial expenses	202,902	72,120
Losses from derivative transactions	–	221,019
Gains from derivative transactions	8,872	–
Share in the profit of associates	530	682
Gain on investments in associated companies (step acquisition)	0	384,482
EBITDA	3,479,842	2,663,687

THE FOLLOWING TABLE PROVIDES A COMPARISON OF PROFIT OR LOSS AFTER TAX AND EBITDA FOR THE PERIODS.

(CZK '000)	For the year ended 31 December	
	2024	2023
Share-based payments associated with the employee option plan	418,730	313,455
Costs of unrealized acquisition-related services	14,960	71,237
Wasted investment Colt	69,624	–
Wasted investment Foundry	21,642	–
Legacy cost related to acquisitions	24,136	–
One-off expenses connected with the acquisition of Sellier & Bellot – inventory step up	513,596	–
One-off expenses connected with the acquisition of Sellier & Bellot – commodity hedging	56,334	–
Adjusted EBITDA	4,598,864	3,048,379

Alternative Performance Measures

THE FOLLOWING TABLE PROVIDES THE CALCULATION OF ADJUSTED NET INCOME AND ADJUSTER NET EARNINGS PER SHARE.

(CZK '000)	For the year ended 31 December	
	2024	2023
Profit before tax	1,379,838	2,042,538
Share-based payments relating to employee option plan	418,730	313,455
Wasted investment Colt	69,624	0
Wasted investment Foundry	21,642	0
Costs of unrealized acquisition-related services	14,960	71,237
Legacy cost related to acquisitions	24,136	0
One-off expenses connected with the acquisition of Sellier & Bellot – inventory step up	513,596	0
One-time financial expenses associated with the bond issue	10,289	8,641
Bank fee - acquisition loan S&B	100,864	0
Profit from the bargain purchase – negative goodwill	0	-384,482
Effective tax rate	24.3%	18.6%
Tax effect on the adjustment	-285,211	-1,647
Numerator		
Adjusted net income	1,933,205	2,049,742
Denominator		
Average number of shares	47,619	35,458
Adjusted net earnings per share (CZK/share)	41	58

10. GLOSSARY

CARDAM s.r.o.

CARDAM is a partially owned subsidiary of CZUB based in Dolní Břežany, Czech Republic, with CZUB owning 33% of CARDAM's share capital. The shareholding grants the Group access to research conducted at the Institute of Physics of the Czech Academy of Sciences, as well as its in-house research and development platform. CARDAM serves as the Group's center of research and development for additive manufacturing and advanced surface treatment technologies.

CBC Europe S.à r.l.

CBC Europe S.à r.l. is a holding company based in Luxembourg that holds shares in international companies active in the ammunition sector. In May 2024, it became the company's second largest shareholder.

Colt Canada Corporation

Colt Canada Corporation is Colt's manufacturing plant in Canada. Colt Canada manufactures and supplies firearms, including sub guns, select fire rifles, sniper rifles, carbines, and grenade launchers to the Canadian government and European defense corps. Colt Canada Corporation is a member of the Canadian Munitions Supply Program and has a Strategic Source Agreement with the Canadian government as a key supplier of small arms, spare parts, and accessories to the Canadian government.

Colt CZ Group SE

Colt CZ Group SE is a holding and parent company of all Group subsidiaries, with a registered address at náměstí Republiky 2090/3a, 110 01 Prague 1, Czech Republic.

Colt's Manufacturing Company LLC

Colt's Manufacturing Company LLC is the operating company of Colt in the United States. Colt Manufacturing Company LLC manufactures and supplies firearms to the US commercial market, the US government, international military forces, and global defense corps and security agencies. Colt offers a wide range of quality firearms, including rifles, carbines, pistols, and other small arms to US and international military and law enforcement customers. Colt also offers a wide range of rifles, pistols, and revolvers for sport shooting and self-defense, as well as for collectors, to customers in the US and international commercial markets.

Colt CZ Group North America, Inc.

Colt CZ Group North America is a fully-owned subsidiary of the Group based in Kansas City, Kansas, United States. It is a holding company that does not conduct any business operations of its own and has no employees. The main asset of the company is its direct shareholdings in companies in the USA and Canada.

CZ-USA, Inc.

CZ-USA is a fully-owned subsidiary of Colt CZ Group North America and is based in Kansas City, Kansas, United States. CZ-USA's principal activity is the import of products from the Group's manufacturing facility in the Czech Republic.

Colt CZ Defence Solutions s.r.o.

Colt CZ Defence Solutions is a fully-owned subsidiary of the Company and is based in the Czech Republic. It specializes in the international sale of military equipment and material. It also provides financing, training, and support throughout the entire lifecycle of delivered products and technologies.

Colt CZ Group International

Colt CZ Group International is a fully-owned subsidiary of the Company and is based in Prague, Czech Republic. Colt CZ Group International does not conduct any business operations of its own and has no employees. The main asset of the company is its direct 20% shareholding in EG-CZ Academy, a 100% stake in Spurh I Dalby, and since 2023, a 51% stake in Colt CZ Hungary Zrt.

Colt CZ Hungary Zrt.

Colt CZ Hungary Zrt. is a joint-venture between Colt CZ Group (51%) and the Hungarian state-owned company N7 Holding Ltd (49%). Its main purpose is to create reliable production capacities that meet the needs of both shareholders. Its production facility is located in Kiskunfélegyháza, Hungary.

CZG VIB s.r.o.

CZG VIB is a fully-owned subsidiary of the Company and is based in Prague, Czech Republic. The company does not conduct any business operations of its own and has no employees. The main asset of CZG VIB is its approximately 24.99% direct shareholding in VIBROM spol. s r.o.

Česká zbrojovka a.s.

CZUB is the main operating company of the Group. It is based in Uherský Brod, Czech Republic. The Group owns 100% of CZUB's share capital.

Česká zbrojovka Partners SE

Česká zbrojovka Partners SE is the majority shareholder of the Company. An 87.5% stake is held and controlled by EHC. The remaining 12.5% stake is held by the Holeček Family Foundation.

EG-CZ Academy

EG-CZ Academy is a partially-owned subsidiary of Colt CZ Group International s.r.o. and is based in Quimper, France. The Group owns a 20% stake in EG-CZ Academy.

EHC-4M, SE

EHC-4M is a fully-owned subsidiary of the Company and is based in Prague, Czech Republic. The company does not conduct any business operations of its own and has no employees. The main asset of the company is its 100% shareholding in 4M SYSTEMS a.s.

European Holding Company, SE

European Holding Company, SE is the majority shareholder of Česká zbrojovka Partners SE. It holds 87.5% of the share capital and has voting rights in Česká zbrojovka Partners SE. 25% of EHC is owned by Mr. René Holeček, with the remaining 75% in share capital owned by OMNES holdingový nadační fond.

Four Horses Apparel Ltd.

Four Horses Apparel Ltd. is a company that was founded in the USA and is dedicated to selling luxury fashion apparel and accessories that build on Colt's rich history, as well as American and military motifs.

Sellier & Bellot, a.s.

Sellier & Bellot, founded in 1825, is a traditional Czech manufacturer of small caliber ammunition, which it supplies to Czech and international military and law enforcement customers, as well as to the commercial market. Its product portfolio includes a wide range of hunting and sport ammunition, together with ammunition for the military and law enforcement customers. The company has approximately 1,600 employees and operates a production facility in Vlašim, Czech Republic. It was been part of the group since May 2024.

Spuhr i Dalby AB

SPUHR is a renowned Swedish manufacturer of class leading optical mounting solutions for firearms and is wholly-owned by the Group.

swissAA Holding AG

swissAA Holding AG is a 100% owned subsidiary based in Switzerland. It manufactures ammunition and technologies for the M/LE segment, specializing in small caliber ammunition. It consists of several fully-owned subsidiaries based in Switzerland and Hungary.

VIBROM spol. s r.o.

VIBROM is a strategic equity investment of the Group and is based in Třebechovice pod Orebem, Czech Republic. It specializes in powder injection molding (PIM), which is a modern technology that combines plastics and conventional powder methods, allowing for cost-effective series production of durable precision MIM (metal) and ceramic powder injection molding (CIM) components.

Vocatus Investment a.s.

Vocatus Investment a.s. is a fully-owned subsidiary based in the Czech Republic and was founded in June 2023. The Company is a special purpose vehicle and has no employees.

ZBROJOVKA BRNO, s.r.o.

Zbrojovka Brno is a fully-owned subsidiary of CZUB and is based in Brno, Czech Republic. Zbrojovka Brno was formerly an independent firearm producer, with a long and well-regarded production history. It was acquired by the Group in 2004.

4M SYSTEMS a.s.

4M SYSTEMS is a fully-owned subsidiary of EHC-4M, SE and is based in Prague, Czech Republic. The activities of 4M SYSTEMS include the development, production, and sale of tactical equipment for the armed forces, such as the military, police, customs, prison service, border security, etc.

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of terms within this Report in connection with the Group and the Group's business activities. The terms and their meaning may not correspond to the meanings or usage of these terms elsewhere.

Striker-fired

One of the most common pistol firing mechanisms that eliminates the use of a hammer. Striker-fired pistols use a spring that provides kinetic energy to the firing pin that strikes the cartridge primer.

Long guns

All firearms, except pistols and revolvers.

Small arms

Pistols and revolvers.

MIM

Metal injection molding is a metalworking process, in which finely powdered metal is mixed with a binder to form a „feedstock“, which is then shaped and solidified using injection molding. The molding process allows a large number of complex parts to be produced in a single step.

Bolt-action

A type of firearm action where the handling of cartridges into and out of the barrel chamber is performed by manually manipulating the bolt via a handle.

Rimfire rifle

A rifle in which the firing pin strikes the rim of the cartridge case head to ignite the primer.

Break-action

A type of firearm action in which the barrel is hinged and rotates perpendicular to the bore axis to expose the chamber, allowing for the loading and unloading of cartridges.

Centerfire rifle

A rifle that has a primer located in the center of the cartridge case head.

Sub gun

A self-loading automatic or semi-automatic firearm with a detachable magazine that is commonly chambered in pistol cartridges. It's primarily designed for military and law enforcement use. Depending on region-specific legislation, semi-automatic versions are available for commercial use.

Tactical accessories

Firearm accessories, tactical and ballistic equipment, and apparel.

Select fire rifle

A self-loading automatic rifle with a detachable magazine chambered in intermediate cartridges. Exclusively designed for military or armed forces use.

Semi-Automatic Rifle

A self-loading, semi-automatic rifle with a detachable magazine chambered in intermediate cartridges. Designed for commercial use.

Locked breech

A wide-spread firearm mechanism design that confines high pressure gas to the barrel and slows down the opening of the breech to ensure flawless operation.

Magazine-fed

A design feature of a firearm in which ammunition is directly drawn from a magazine.

GLOSSARY OF OTHER TERMS

ESG

Environmental, Social and Corporate Governance, which refers to environmental, social and governance issues. It concerns responsible behavior of companies in relation to the environment, society/people, and corporate governance.

IDPA

The International Defensive Pistol Association (IDPA), based in Texas, USA.

IFRS

International Financial Reporting Standards are accounting standards that are issued by the IFRS Foundation and the International Accounting Standards Board.

IPSC

The International Practical Shooting Confederation is the world's largest shooting sports association. It is the biggest and oldest for practical shooting.

ESMA

The European Securities and Markets Authority (ESMA) is an independent EU organization whose mission is to help ensure the stability of EU financial systems by strengthening protection of investors and promoting the stable and orderly functioning of financial markets.

Prime Market

The Prime Market is a market intended for trading shares of the largest and most profitable (blue chip) Czech and international companies that have been accepted for trading on the Prague Stock Exchange.

PSE

The Prague Stock Exchange (PSE) is the main operator of the securities market in the Czech Republic.

USPSA

The United States Practical Shooting Association (USPSA) is the national governing body of practical shooting in the United States under the International Practical Shooting Confederation (IPSC).

SEPARATE FINANCIAL STATEMENTS

for the Year Ended 31 December 2024
prepared in accordance with IFRS Accounting Standards
as adopted by the European Union

**SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 DECEMBER 2024**

		2024	2023
	Note	CZK '000	CZK '000
Revenues from the sale of own services	5	155,890	161,246
Other operating income	6	66	679
Share in profit of subsidiaries	7	1,174,800	700,200
Raw materials and consumables used	8	-1,398	-1,769
Personnel expenses	9	-313,449	-193,211
Depreciation and amortisation	12	-12,093	-11,911
Services	11	-75,630	-153,107
Other operating expenses	13	-22,996	-11,100
Change in allowances		-	212
Operating profit or loss		905,190	491,239
Interest income	15	1,206,337	1,026,436
Other financial income	15	610,688	210,077
Interest expense	15	-996,611	-887,176
Other financial expenses	15	-76,725	-10,841
Gains or losses from derivative transactions	16	-625,276	-114,989
Profit before tax		1,023,603	714,746
Income tax	17, 18	-32,849	-60,090
Profit for the period		990,754	654,656
Items that may be subsequently reclassified to the statement of profit or loss			
Cash flow hedges – remeasurement of effective portion of hedging instruments	19	-157,212	-370,413
Other comprehensive income		-157,212	-370,413
Total comprehensive income for the period		833,542	284,243

These notes are an integral part of these financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

		31 December 2024	31 December 2023
	Note	CZK '000	CZK '000
Assets			
Non-current assets			
Intangible assets	20	53,989	55,057
Property, plant and equipment	20	29,513	38,051
Investments in subsidiaries	21	8,165,506	5,616,892
Provided loans	22	15,715,001	6,487,035
Financial derivatives	36	163,578	521,740
Deferred tax assets	18	1,320	–
Total non-current assets		24,128,907	12,718,775
Current assets			
Trade and other receivables	25	678,051	93,842
Provided loans	22	2,425,090	1,332,516
Other financial assets	24	–	908,580
Financial derivatives	36	6,066	21,123
Other receivables	26	3,755	4,610
Tax receivables	17	9,928	–
Cash and cash equivalents	27	3,004,319	1,211,901
Total current assets		6,127,209	3,572,517
Total assets		30,256,116	16,291,292
EQUITY AND LIABILITIES			
Capital and reserves			
Registered capital	28	5,646	3,516
Share premium	28	13,477,795	1,942,818
Capital funds	29	1,712,111	1,712,111
Cash flow hedge reserve	29	48,696	205,908
Accumulated profits		2,762,006	2,893,010
Total equity		18,006,254	6,757,363
Non-current liabilities			
Bonds, bank loans and borrowings	30	10,547,387	8,892,625
Financial derivatives	36	456,152	219,106
Lease liabilities	33	11,667	15,814
Provisions	14	35,308	15,186
Deferred tax liabilities	18	–	45,389
Total non-current liabilities		11,050,514	9,188,120
Current liabilities			
Bonds, bank loans and borrowings	30	627,810	215,660
Financial derivatives	36	477,419	8,481
Lease liabilities	33	4,819	5,003
Trade and other payables	31	59,539	38,777
Other payables	32	29,761	29,447
Tax liabilities	17	–	48,441
Total current liabilities		1,199,348	345,809
Total liabilities		12,249,862	9,533,929
Total equity and liabilities		30,256,116	16,291,292

These notes are an integral part of these financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 24

	Registered capital (Note 28)	Share premium (Note 28)	Other capital funds (Note 29)	Cash flow hedge reserve (Note 29)	Accumulated profits	Total equity
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
Balance at 31 Dec 2022	3,410	1,366,386	1,712,111	576,320	2,979,306	6,637,533
Profit for the period	–	–	–	–	654,656	654,656
Other comprehensive income	–	–	–	-370,413	–	-370,413
Total comprehensive income for the period	–	–	–	-370,413	654,656	284,243
Issue of shares	106	576,432	–	–	–	576,537
Dividends	–	–	–	–	-1,034,016	-1,034,016
Share-based payments	–	–	–	–	293,068	293,065
Rounding	–	–	–	1	-4	1
Balance at 31 Dec 2023	3,516	1,942,818	1,712,111	205,908	2,893,010	6,757,363
Profit for the period	–	–	–	–	990,754	990,754
Other comprehensive income	–	–	–	-157,212	–	-157,212
Total comprehensive income for the period	–	–	–	-157,212	990,754	833,542
Issue of shares	2,130	11,534,977	–	–	–	11,537,107
Dividends	–	–	–	–	-1,511,069	-1,511,069
Share-based payments	–	–	–	–	389,310	389,310
Rounding	–	–	–	–	–	1
Balance at 31 Dec 2024	5,646	13,477,795	1,712,111	48,696	2,762,005	18,006,254

These notes are an integral part of these financial statements.

SEPARATE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024	2023
		CZK '000	CZK '000
Cash flows from principal economic activity (operating activity)			
Profit from ordinary activity before tax			
		1,023,603	714,746
Adjustments for non-cash transactions			
Depreciation/amortisation of non-current assets	12, 20	12,093	11,911
Change in allowances and provisions	14	20,122	9,583
Revenues from profit shares	7	-1,174,800	-700,220
Interest expense and interest income	15	-209,726	-139,260
Effect of unrealised foreign exchange gains and losses	15	-812,159	14,924
Partial settlement of contingent consideration	28	-	406,915
Remeasurement of other financial assets	24	-113,402	-160,692
Cash flow hedges – remeasurement of effective portion of hedging instruments	36	-157,212	-370,413
Share-based payments	10	223,578	108,828
Adjustments for other non-cash transactions		16 377	9,268
Net operating cash flows before changes in working capital		-1,171,526	-94,410
Change in working capital			
Change in receivables and deferrals	25, 26	301,396	205,567
Change in liabilities and accruals	31, 32	675,632	145,684
Net cash flow from operating activities		-194,498	256,841
Paid interest	15	-1,043,853	-874,001
Interest received	15	1,069,912	961,271
Income tax paid for ordinary activity	17	-96,137	-47,718
Dividends received	7	599,800	700,220
Net cash flow from operating activities		335,223	996,613
Cash flows from investing activities			
Acquisition of non-current assets	20	-3,649	-63,642
Acquisition of investments in subsidiaries	21	-	-742,316
Income from the sale of Other financial assets	24	1,021,982	-
Provided loans	22	-11,575,092	-2,238,971
Repayment of loans provided to other parties	22	1,158,774	659,468
Net cash flow from investing activities		-9,397,985	-2,385,461
Cash flows from financing activities			
Proceeds from issue of bonds	30	588,000	1,917,756
Proceeds from issue of shares	28	10,286,483	-
Proceeds from drawing on loans	30	3,383,828	2,584
Dividends paid to owners	28	-260,445	-864,393
Repayment of loans	30	-2,385,683	-
Repayment of leases	33	-5,309	-5,674
Net cash flow from financing activities		11,606,874	1,050,273
Net change in cash and cash equivalents		2,544,112	-338,575
Opening balance of cash and cash equivalents	27	1,211,901	1,550,408
Effect of exchange rate on cash and cash equivalents		7,442	68
Closing balance of cash and cash equivalents	27	3,763,456	1,211,901

These notes are an integral part of these financial statements.

COLT CZ GROUP SE

Separate Financial Statements
for the Year Ended 31 December 2024 prepared
in accordance with IFRS Accounting Standards
as adopted by the European Union

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1. GENERAL INFORMATION ABOUT THE COMPANY

Colt CZ Group SE (the “Company”) is a societas Europaea recorded in the Register of Companies held by the Municipal Court in Prague on 10 January 2013, having its registered office at náměstí Republiky 2090/3a, Nové Město, 110 00 Prague 1, Czech Republic, corporate ID No. 291 51 961. The principal activities are the manufacture, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act. The Company is a holding company established to hold interests in subsidiaries and to provide management services to related parties.

The following table shows individuals and legal entities with an equity interest greater than 10 percent:

Shareholder	Ownership percentage as at	
	31 December 2024	31 December 2023
Česká zbrojovka Partners SE	51.80%	75.40%
CBC Europe S.à r.l.	24.37%	-

Since 2017, the majority owner of the Company has been Česká zbrojovka Partners, SE, based at Opletalova 1284/37, Nové Město, 110 00 Prague 1 Czech Republic.

The Company is part of a larger consolidation group of the ultimate parent company European Holding Company, SE, based at Opletalova 1284/37, Nové Město, 110 00 Prague 1 Czech Republic. Ultimate majority owner of the Company is Mr René Holeček.

Members of the Board of Directors and Supervisory Board as of the balance sheet date:

Board of Directors	
Chair:	Jan Drahota
Vice-chair:	Josef Adam
Vice-chair:	Radek Musil (since 1 August 2024)
Member:	Jan Holeček
Member:	Dennis Veilleux
Member:	Jan Zajíč
Supervisory Board	
Chair:	David Aguilar
Vice-chair:	René Holeček
Vice-chair:	Lubomír Kovařík
Member:	Jana Růžičková
Member:	Daniel Birmann (since 27 May 2024)
Member:	Vladimír Dlouhý

Mr Radek Musil was elected a member of the Company’s Board of Directors with effect from 1 August 2024.

Mr Daniel Birmann was appointed to the Supervisory Board on 27 May 2024. He was nominated to the position of member of the Supervisory Board by CBC Europe S.à r.l. based on a nomination agreement in connection with the acquisition of a share in the Company by CBC Europe S.à r.l.

All amounts in these financial statements and the related notes are reported in thousands of Czech crowns, which are also the functional currency.

2. MATERIAL EVENTS IN THE CURRENT PERIOD

During the first quarter of 2024, the Company sold Other financial assets representing the Company's short-term investment in listed shares. It generated a profit of CZK 113,402 thousand from these sales.

On 18 April 2024, the Company's Board of Directors approved an increase in the volume of the existing issue of the COLTCZ VAR/30 bonds of CZK 1,071,000 thousand. The increase in the issue volume complies with the prospectus issued on 18 May 2023, which allows for an increase in the issue volume up to a maximum of CZK 3,000,000 thousand. On 17 May 2024, the Company exercised the option to increase the volume of the existing bond issue and issued bonds with a nominal value of CZK 588,000 thousand prior to 31 December 2024.

In connection with the acquisition of 100% of the shares in Sellier & Bellot a.s., Colt CZ Group SE (the „Group“) entered into a loan agreement on 7 May 2024, under which it may draw down a loan of up to EUR 485 million. On 16 May 2024, the Company drew down a loan of EUR 138 million (CZK 3,416,880 thousand).

On 16 May 2024, the acquisition of Sellier & Bellot a.s. was finally settled and the Group became a 100% owner of this company. The Group paid the remaining part of the purchase price of USD 230 million including share-based payments of USD 353 million, representing 13,476,440 shares. These shares were issued on 16 May 2024, increasing the Company's registered capital by CZK 1,348 thousand. The issue rate was set at CZK 596.9 per share.

In connection with this issue, the share of majority owner Česká zbrojovka Partners SE in the Company changed to 54.5%. CBC Europe S.à r.l. holds a 27.7% share; the remaining 17.8% is made up of publicly traded shares.

On 26 June 2024, the Company's registered capital was increased by CZK 173,510 through the issue of 1,735,100 shares in book-entry form. The registered capital was increased in connection with the exercise of the first part of the Company's Stock Option Plan. The issue rate was set at CZK 0.1 per share.

In connection with this issue, the share of majority owner Česká zbrojovka Partners SE in the Company changed to 52.8%. CBC Europe S.à r.l. holds a 26.8% share; the remaining 20.4% is made up of publicly traded shares.

On 3 July 2024, 1,735,100 employee options were settled under the Company's Stock Option Plan. The option holders exercised their right to purchase the Company's shares at a nominal value of CZK 0.1. These shares were issued by the Company on 26 June 2024.

On 23 August 2024, the Company's registered capital was increased by CZK 219,408 through the issue of 2,194,078 shares in book-entry form. The issue rate of one subscribed share was CZK 570. The increase of the registered capital was approved by the Company's Board of Directors on 22 August 2024 based on the authorisation by a general meeting. The capital increase and subscription of new shares was made in connection with the payment of a dividend in form of new shares of the Company based on a previous shareholders' decision. The remainder of the dividend was paid to shareholders on 21 August 2024.

In connection with this issue, the share of majority owner Česká zbrojovka Partners SE in the Company changed to 53.27%. CBC Europe S.à r.l. holds a 26.33% share; the remaining 20.4% is made up of publicly traded shares.

On 18 October 2024, the Company's registered capital was increased by CZK 390,000 through the issue of 3,900,000 shares in book-entry form. The issue rate of one subscribed share was CZK 575. The increase of the registered capital was approved by the Company's Board of Directors based on the authorisation by a general meeting.

In connection with this issue, the share of majority owner Česká zbrojovka Partners SE in the Company changed to 51.80%. CBC Europe S.à r.l. holds a 24.37% share; the remaining 23.83% is made up of publicly traded shares.

On 6 December 2024, the Company repaid the portion of the loan of EUR 94,835 thousand (CZK 2,385,100 thousand) drawn on 16 May 2024.

3. NEWLY ADOPTED STANDARDS AND INTERPRETATIONS

In the current year, the Company applied the below existing amendments to IFRS Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in the EU for accounting periods beginning on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Standard	Title
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-Current – Deferral of Effective Date
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

New standards and amendments to the existing standards issued by the IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following revised IFRS Accounting Standards that have been issued by IASB and adopted by EU but are not yet effective:

Standard	Title	Effective date
Amendments to IAS 21	Lack of Exchangeability	01 January 2025

Amendments to the existing standards issued by the IASB but not yet adopted by the EU

At present, IFRS accounting standards as adopted by the EU do not significantly differ from IFRS accounting standards adopted by the International Accounting Standards Board (IASB) except for the following amendments to the existing standards, which were not adopted by the EU:

Standard	Title	EU adoption status
IFRS 18	Presentation and Disclosure in Financial Statements (IASB effective date: 1 January 2027)	Not yet adopted in the EU
IFRS 19	Subsidiaries without Public Accountability: Disclosures (IASB effective date: 1 January 2027) Voluntary use for eligible subsidiaries	Not yet adopted in the EU
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	Annual Improvements to IFRS Accounting Standards (Volume 11) (IASB effective date: 1 January 2026)	Not yet adopted in the EU
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments (IASB effective date: 1 January 2026)	Not yet adopted in the EU
Amendments to IFRS 9 and IFRS 7	Nature-Dependent Electricity Contracts (IASB effective date: 1 January 2026)	Not yet adopted in the EU
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Other Amendments (the effective date deferred indefinitely by the IASB but earlier application is possible).	Approval for use in the EU deferred until the project on the equity method is completed.

The Company is evaluating the impact of the implementation of IFRS 18 on its financial statements. The Company does not expect that the adoption of other standards and amendments will have a material impact on the Company's financial statements in future periods.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. Statement of compliance

These financial statements have been prepared under the International Financial Reporting Standards as adopted by the European Union ("IFRS").

4.2. Basis of preparation

a) Basis of measurement

The separate financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

b) Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants took those characteristics into account in pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- ▶ **Level 1** – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- ▶ **Level 2** – inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- ▶ **Level 3** – inputs are unobservable inputs for the asset or liability.

The Company applies Level 2 to financial instruments – derivatives.

c) Going concern

The Company has, at the time of approving the financial statements, a reasonable expectation that Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

d) Functional and presentation currency

The functional currency of the Company is the Czech crown (CZK).

The presentation currency of the Company is the Czech crown (CZK). All financial information presented in these financial statements has been rounded to the nearest thousand ("CZK '000") unless stated otherwise.

4.3. Provision of services

Services primarily include accounting and other advisory services provided to related parties. Services are provided based on contracts or confirmed orders. For provided services, performance obligations are agreed in contracts.

For the supply of services, the performance obligation is fulfilled when the customer acquires control of the service. This point in time is usually specified in the contract. The costs of obtaining a contract are directly expensed if they are insignificant or if the depreciation period of the asset consisting of the costs of obtaining the contract is less than one year.

4.4. Dividends and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is recognised over the relevant period for each financial asset. Interest income is calculated by applying the effective interest rate, the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the gross carrying amount of the financial asset.

4.5. Leases

The Company as a lessee

For short-term and low-value asset leases (office technology and equipment), costs are accounted for on a straight-line basis over the lease term.

For other leases, the Company recognises right-of-use assets and lease liabilities as of the lease commencement date.

As of the lease commencement date, the lease liability is measured at the present value of outstanding lease payments, discounted using the interest rate implicit in the lease (or the incremental borrowing rate in case the interest rate implicit in the lease is not readily available). Lease payments may include both fixed and variable payments. As of the lease commencement, the variable element of rent depending on the development of a price index or rate is determined according to the index or rate value as of the lease commencement date. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payment made. If any changes (resulting mainly from the change in the lease term or in future lease payments) occur after the lease commencement date, the Company remeasures the lease liability with the corresponding adjustment to the right to use asset.

The short-term and long-term portions of the lease liability are presented on separate lines of the separate statement of financial position.

As of the lease commencement date, the right-of-use asset is measured at cost. The cost is comprised of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day less any lease incentives received and any initial direct cost incurred. Subsequently, the right-of-use asset is measured at cost less accumulated depreciation or impairment losses, if any. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets in the separate statement of financial position are presented in the line Property, plant and equipment.

The Company applies IAS 36 to determine whether the right-of-use asset has been impaired, and any impairment losses identified are recognised in accordance with the policy described in Note 4.12.

If there is a change in the expected payments included in the lease liability valuation, the Company adjusts the lease liability value to reflect the newly expected payments and adjusts the value of the right-of-use asset at the same time.

4.6. Foreign currencies

During the course of the reporting period, assets and liabilities denominated in foreign currencies are translated by the Company using the exchange rate promulgated by the Czech National Bank on the previous business day; as of the end of the reporting period, the exchange rate promulgated by the Czech National Bank as of 31 December is used.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange rate differences on monetary items are recognised in the profit or loss for the period in which they occurred, except for exchange rate differences on transactions designated to hedge certain monetary risks (see Note 4.19).

4.7. Share-based payments

The fair value of agreements on equity-settled share-based payments granted to an entity's own employees is usually recognised as an expense as at the grant date with a corresponding increase in equity over the vesting period.

The amount recognised as an expense is adjusted to correspond with the number of cases which are expected to meet the relevant condition of employment term/function term and the non-market performance condition so that the amount finally recognised is based on the number of cases meeting the condition of the employment term/function term and the non-market performance condition on the vesting date.

The fair value of agreements on equity-settled share-based payments granted to other employees of the Colt CZ Group SE group is usually recognised as an increase in investments in subsidiaries as at the grant date with a corresponding increase in equity over the vesting period. The amount recognised as an expense is adjusted to correspond with the number of cases which are expected to meet the relevant condition of employment term/function term and the non-market performance condition so that the amount finally recognised is based on the number of cases meeting the condition of the employment term/function term and the non-market performance condition on the vesting date.

As for remuneration in the form of share-based payments with non-vesting conditions, the grant date fair value of share-based payments is determined considering those conditions and no adjustments are made to reflect differences between the expected and actual result.

4.8. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

4.8.1. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the separate statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

4.8.2. Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4.8.3. Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

4.9. Property, plant and equipment – tangible non-current assets

Property, plant and equipment is recognised at acquisition cost net of accumulated depreciation and accumulated impairment losses.

Purchased property, plant and equipment is carried at cost upon acquisition. The cost includes the direct costs of acquisition, transportation costs, customs duty and other costs related to acquisition.

Subsequent costs incurred on a replacement part for property, plant and equipment or major inspections or overhauls are recognized in the carrying amount of the affected item of property plant and equipment. Costs of day-to-day servicing, repair or maintenance are expensed when incurred.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is calculated based on the acquisition cost and estimated useful life of the respective assets. Estimated useful lives are estimated as follows:

	Number of years (from – to)
Machinery, devices and equipment	2–5
Office equipment	2–3
Right of use	3–4
Furniture and fixtures	2–4

Right of use assets are depreciated from the lease commencement date to the earlier of the end of the useful life of the right to use asset and the end of the lease term, unless the lease transfers the ownership of the underlying asset to the Company term. If this is the case, the right to use asset is depreciated from the lease commencement date to the end of the useful life of the underlying asset.

An item of property plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.10. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Depreciation is calculated based on the acquisition cost and estimated useful life of the respective assets. Estimated useful lives are estimated as follows:

	Number of years (from – to)
Software	3–5
Other intellectual property rights	4–8
Trademarks	8–15

4.11. Investments in subsidiaries

Subsidiaries are entities in which the Company exercises control.

Control is established if the Company:

- ▶ has power over the investee,
- ▶ is exposed to, or has the right to, variable returns by virtue of its involvement with the investee,
- ▶ has the ability to use its power over the investee to influence the level of their returns.

The Company is deemed to control subsidiaries by meeting the requirements under IFRS 10 – Consolidated Financial Statements. This also includes the Company holding more than 50 per cent of the voting rights of another entity and no other factors precluding control.

Investments in new subsidiaries are measured at cost less any impairment.

If there is an objective indication of impairment, any impairment loss on an investment in a subsidiary is calculated by comparing the recoverable amount with the carrying amount. In assessing the existence of such an indication, the Company primarily considers the subsidiary's current and potential financial difficulties, breaches of contracts, default, possible bankruptcy, decline in market value, failure to implement the plan, and dividends paid. The recoverable amount is determined as the higher of the value in use and the fair value of the asset less costs to sell. The value in use is determined based on estimated future cash flows discounted to their present value.

4.12. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.13. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term highly liquid investments readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. The Company considers as short-term investments with an initial maturity of three months or less.

4.14. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Company primarily establishes provisions for share-based payments.

4.15. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instruments.

All ordinary purchases and sales of financial assets are recognised or derecognised based on the transaction date. Ordinary purchases and sales refer to purchases or sales of financial assets, which require the assets to be delivered in a timeframe determined by a regulation or market convention.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4.16. Financial assets

Under IFRS 9, financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), financial assets 'at fair value through other comprehensive income' (FVTOCI), and financial assets 'at amortised cost'. Equity instrument except for shares in subsidiaries and associates are subsequently measured at fair value. The Company does not use the option to measure selected equity instruments through other comprehensive income; all equity instruments are measured at fair value through profit or loss (FVTPL).

The Company is involved in a cash pooling system within the Group, the goal of which is to optimise cash flow management. This system enables the efficient use of the Group's available funds and the reduction of external financing costs. Receivables due from subsidiaries in respect of cash pooling are recognised in current assets under Provided loans. The liability to subsidiaries is shown in current liabilities under Bonds, bank loans and borrowings. The Company monitors and reports cash pool receivables and payables separately by currency and balances in different currencies are not offset against each other. For the purposes of the Cash Flow Statement, receivables and payables from cash pooling are classified as Cash and cash equivalents.

Shares in subsidiaries and associates are measured at cost less any impairment losses.

The classification and subsequent measurement of debt financial assets depends on the business model and cash flow characteristics of the respective asset. Debt financial assets held to collect contractual cash flows representing solely the payment of interest and principal are measured at amortised cost. Debt financial assets held to collect contractual cash flows representing the payment of interest and principal with the possible objective of selling them (the so-called mixed business model) are measured at fair value through other comprehensive income.

4.16.1. Impairment of financial assets

For trade receivables, the Company determines an impairment loss by means of the simplified model. Therefore, the impairment loss for short-term receivables is determined in an amount corresponding to expected losses for the entire duration of the receivable. To determine the impairment loss, the Company divides short-term receivables into groups with a similar expected loss; impairment losses are then determined as a percentage of the value of receivables. The amount of expected losses for each class of receivables is based on historical experience and information about the future that is available without unreasonable cost or effort. The amount of the expected losses for each class of receivables is assessed annually by the Company's management.

For long-term receivables, the impairment loss is determined as the amount of the twelve-month loss, unless there is a significant deterioration in the credit risk of the receivable. In that case, the losses are determined in the amount of the expected losses for the entire remaining period to maturity. Indicators of increased credit risk are mainly breaches of contractual conditions.

Financial assets write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.

4.16.2. Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised using the effective interest method for financial assets other than those financial assets classified as at FVTPL.

4.17. Financial liabilities and equity instruments

4.17.1. Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

4.17.2. Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

4.17.2.1. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or is designated as at FVTPL.

A financial liability is classified as held for trading if:

- ▶ It has been incurred principally for the purpose of repurchasing it in the near term;
- ▶ Upon initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking;
- ▶ It is a derivative that is not designated as an effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- ▶ Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- ▶ It forms part of a group of financial assets or financial liabilities or both which are managed and their performance is assessed in line with the entity's documented risk strategy or investment strategy based on fair value and information on this group is disclosed internally on that basis; or
- ▶ It forms part of a contract containing one or more embedded derivatives, and IFRS 9 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other financial income/expenses' line item in the separate statement of other comprehensive income/ statement of profit or loss.

4.17.2.2. Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

4.17.3. Bonds

The Company issued book-entry bearer bonds. The bonds are listed on the regulated market of the Prague Stock Exchange. Issued bonds are recognised at fair value. Unpaid interest on bonds is recognized in the Current bonds, bank loans and borrowings position. Transaction costs are accrued and recognised in Long-term or Short-term bonds, bank loans and borrowings.

4.17.4. Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are extinguished, i.e. they are discharged, cancelled or have expired. If the existing obligation is modified substantially, it is accounted for as an extinguishment of the original liability and recognition of a new liability. The modification is deemed to be substantial if the cash flows under the new liability is at least 10% different from the net present value of the remaining cash flows of the existing liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.18. Financial derivatives

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks by means of interest rate swaps and currency swaps. The Company arranges hedging derivatives to hedge cash flows.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of hedging derivatives are also recognised under financial expenses, or financial income, along with the respective change in the fair value of the hedged asset or liability relating to the hedged risk. The portion of the gain or loss on the derivatives determined to be an effective cash flow hedges is recognised through other comprehensive income. Any remaining gain or loss is recognised in the statement of profit or loss and other comprehensive income and presented as Gains/losses from derivative transactions.

4.19. Hedge accounting

The Company used the option to continue applying January IAS 39 to assess and maintain hedge accounting after 1 January 2018.

The Company designates certain hedging instruments containing derivatives in respect of foreign currency and credit risk as either fair value hedges or cash flow hedges.

For a derivative to be classified as hedging, changes in the fair value or in cash flows arising from derivative instruments must compensate, entirely or in part, changes in the fair value of the hedged item or changes in cash flows arising from the hedged item and the Company must document and demonstrate the existence of a hedge relationship as well as high effectiveness of the hedge.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The Company uses financial derivative instruments to hedge currency and interest rate risks which it is exposed to as a result of its operations.

Hedging derivatives meet the following hedge accounting criteria:

- (a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.;
- (b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.;
- (c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss; and
- (d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;
- (e) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated. Effectiveness is assessed, at a minimum, at the time the Company prepares its financial statements.

The Company classified the transaction as a cash flow hedge. Hedging derivative instruments are measured at fair value as at the end of the reporting period and the fair value is reported under Cash flow hedge reserve in the Company's equity.

4.19.1. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income under Cash Flow Hedges – remeasure of effective portion of hedging instruments, the cumulative balance is recognised in the Consolidated statement of financial position in Capital funds. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the Gains or losses from derivative transactions.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

4.20. Use of estimates

The presentation of financial statements in line with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and presentation of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates on the basis of all the relevant information available to it. Nevertheless, the actual results and outcomes in the future may differ from these estimates. Key sources of uncertainty in making estimates at the end of the reporting period include:

- ▶ Impairment and useful lives of non-current assets, including the right of use based on the expected useful life of these assets and their ability to generate cash inflows in the future (Notes 4.12. and 20);

- Expected credit losses on receivables portfolio are based on historical experience and expected credit losses (Notes 4.16. and 22);
- The valuation of investments in subsidiaries is based on market parameters existing as at 31 December 2024 (Note 4.11., Note 21);
- The valuation of derivative instruments is based on market parameters (interest rates, foreign exchange rates) existing as at 31 December 2024 (Notes 4.18, 4.19, 29, 34, and 35);
- The use of estimates is also applied to the creation of provisions (Note 14) and the recognition of share-based payments (Note 10).

4.21. Sources of uncertainty and risk factors

The Company's business may be negatively affected in the future by the following factors beyond the Company's control:

- Bad acquisition failing to meet expected performance.
- Loss of key employees.
- Political risks: Political developments may lead to a reduction in the subsidiaries' ability to supply weapons to selected areas. Such developments could adversely affect the financial performance of the Company's subsidiaries and thus the Company's business.
- Exchange rate and interest rate movements, including a change in the risk-free reference rate: The Company is active in different markets and its financial performance may be affected by unexpected changes in exchange rates; The Company is partially funded by variable interest-bearing bonds and bank loans; interest expenses may be impacted by unexpected changes in reference rates, including changes in the method of benchmark market rate determination.

The Company continuously analyses and assesses factors that may influence the Company's financial results and adopts measures (such as using hedging financial instruments) to reduce the impact of possible negative development in the above-described areas on the Company.

5. REVENUES FROM THE SALE OF OWN SERVICES

The table below shows a breakdown of the Company's revenues by type (in CZK '000):

	2024	2023
Revenues from provision of services	155,890	161,246
Total	155,890	161,246

Revenues from provision of services primarily include accounting and advisory services. All revenues generated in 2024 and 2023 were within the scope of IFRS 15 Revenue from Contracts with Customers. All contractual obligations were satisfied and revenues were thus recognized at a certain point in time. Invoicing was also performed at the same point in time. It was not customary for the Company to require payment in advance for its services. The Company did not provide any discounts either. Revenues were not sub-categorised as they were all generated by one type of revenue.

No revenue was recognised in 2024 or 2023 related to a contractual obligation that was satisfied or partially satisfied in prior periods. The Company has not recognized any contractual asset or contractual liability; trade receivables arising from contracts with customers are recognised in Trade and other receivables. The Company has not incurred any costs to obtain or perform the contract, therefore no asset has been recognized in respect of the contract.

The Company used the option not to recognise information on revenues arising from the existing contracts agreed for less than a year.

6. OTHER OPERATING INCOME

The table below shows a breakdown of the Company's other operating income in individual years (CZK '000):

	2024	2023
Profit/loss from the sale of non-current assets	–	568
Other operating income	66	111
Total	66	679

7. SHARE IN PROFIT OF SUBSIDIARIES

The table below shows a share in profit of subsidiaries in individual years (CZK '000):

	2024	2023
Česká zbrojovka, a.s.	500,000	600,000
Colt CZ Defence Solutions, s.r.o.	70,000	40,000
EHC-4M, SE	29,800	40,200
Colt CZ Group International s.r.o.	75,000	20,000
Sellier & Bellot Int. a.s. (earlier Vocatus Investment a.s.)	500,000	-
Total	1,174,800	700,200

The share in profit of subsidiaries for 2024 includes a dividend received from Česká zbrojovka, a.s. of CZK 500,000 thousand (2023 – CZK 600,000 thousand), a dividend received from Colt CZ Defence Solutions, s.r.o. of CZK 70,000 thousand (2023 – CZK 40,000 thousand), a dividend received from Colt CZ Group International, s.r.o. of CZK 75,000 thousand (2023 – CZK 20,000 thousand), a dividend received from EHC-4M, SE of CZK 70,000 thousand reduced by an advance dividend of CZK 40,200 thousand received in 2023, and an advance dividend received from Sellier & Bellot Int. a.s. (earlier Vocatus Investment a.s.) of CZK 500,000 thousand (2023 – CZK 0).

8. RAW MATERIALS AND CONSUMABLES USED

The table below shows the breakdown of consumption in individual years (CZK '000):

	2024	2023
Consumed material	569	1,076
Costs of energy and other supplies	829	693
Total	1,398	1,769

9. PERSONNEL EXPENSES

Breakdown of employee personnel expenses excluding executives (CZK '000):

	2024	2023
Average FTE number of employees	22	22
Wages and salaries	30,200	27,322
Social security and health insurance	9,935	9,255
Other personnel expenses	1,195	1,348
Employee bonuses	9,719	13,285
Share-based payments	6,119	7,196
Total	57,168	58,406

*In 2024, the structure of the above table was adjusted, and for the sake of comparability the Company also adjusted the information for 2023.

Breakdown of executive personnel expenses (CZK '000):

	2024	2023
Average FTE number of executives	10	10
Wages and salaries	19,770	15,281
Social security and health insurance	4,536	4,298
Other personnel expenses	356	345
Management bonuses	14,160	13,249
Share-based payments	217,459	101,632
Total	256,281	134,805

*In 2024, the structure of the above table was adjusted, and for the sake of comparability the Company also adjusted the information for 2023.

In 2024 and 2023, the key management personnel included all Board of Directors and Supervisory Board members. The Company did not provide any additional benefits to its key management personnel in 2024 and 2023 that are not included in the table above (e.g., post-employment or termination benefits).

10. SHARE-BASED PAYMENT ARRANGEMENTS

10.1. Description of share-based payment arrangements – stock option plans (equity-settled)

On 27 December 2021, the Company's Supervisory Board approved an employee stock option plan (the "Stock Option Plan").

The Stock Option Plan entitles the Company's key executives and employees (option holders) to purchase the Company's shares. The plan is currently only available to executives and senior employees.

The basic principles of the Stock Option Plan are as follows:

- to the extent, at the times and subject to the conditions of the Stock Option Plan, the participant will acquire the following options by way of vesting by the Company.
 - a) 15% of the allocated stock options in the period from June 2022 to June 2024
 - b) 35% of the allocated stock options in July 2024 if Target 1 is met
 - c) 50% of the allocated share options in July 2026 if Target 2 is met
- Target 1 – achieving consolidated EBITDA for the 2021 to 2023 period of USD 275,000,000
- Target 2 – achieving the following performance parameters at the consolidated level as at 31 December 2025:
 - i) a turnover of EUR 1,000,000,000
 - ii) EBITDA of EUR 200,000,000, and
 - iii) net liabilities to EBITDA ratio below 3.5, in compliance with the Group's strategy.

Shares designated for the Stock Option Plan will be newly issued. The maximum number of shares issued will be 3,373 thousand.

The Stock Option Plan comprises five tranches:

- Tranche 1–3: conditional only on employment term/function term
- Tranche 4: employment term/function term condition and a non-vesting condition (EBITDA related Target 1)
- Tranche 5: employment term/function term condition and vesting non-market performance condition (EBITDA related Target 2).

The participants in share-based payment arrangements must not sell or transfer the options.

Employees terminating their employment are divided into two groups:

- Leaving on good terms (over the entire term of 10 years): the provided options are not forfeited.
- Leaving on bad terms (over the entire term of 10 years): the provided options are forfeited.

Grant date / entitlement date	Number of instruments	Vesting conditions	Contractual maturity of the option
Granted options			
Tranche 1			
May 2022	44,500	employment term/function term from the grant date to 1 June 2022	The option may be exercised until 30 September 2029.
December 2022	4,350	ditto	ditto
July 2024 (exercised)	-48,850	ditto	ditto
Tranche 2			
May 2022	44,500	employment term/function term from the grant date to 1 June 2023	The option may be exercised until 30 June 2029.
December 2022	4,350	ditto	ditto
July 2023	1,300	ditto	ditto
July 2024 (exercised)	-50 150	ditto	ditto
Tranche 3			
May 2022	44,500	employment term/function term from the grant date to 1 June 2023	The option may be exercised until 30 June 2029.
December 2022	4,350	ditto	ditto
July 2023	650	ditto	ditto
July 2024 (exercised)	-49,500	ditto	ditto
Tranche 4			
May 2022	674,000	employment term/function term from the grant date to 1 July 2024 and non-vesting condition (EBITDA-related Target 1)	The option may be exercised until 30 June 2029.
December 2022	30,450	ditto	ditto
July 2023	4,550	ditto	ditto
July 2024 (exercised)	-709,000	ditto	ditto
Tranche 5			
May 2022	82,500	employment term/function term from the grant date to 1 July 2026 and vesting non-market performance condition (EBITDA-related Target 2)	The option may be exercised until 30 June 2031.
December 2022	43,500	ditto	ditto
July 2023	6,500	ditto	ditto
Total stock options	132,500		

On 3 July 2024, 857,500 employee options from tranches 1 to 4 were settled under the Stock Option Plan. The cumulative expense in the years 2022 to 2024 related to these settled options amounts to CZK 367,701 thousand and it is recognised in Accumulated profits. The option holders exercised their right to purchase the Company's shares at a nominal value of CZK 0.1 and thus all options were exercised in July 2024.

10.2. Fair value measurement

To determine the fair values of equity-settled share-based payments (share option plans settled with equity instruments) as at the grant date, the following input information was used:

2024		Stock option plan (equity-settled)				
Key executives		Tranche 1**	Tranche 2**	Tranche 3**	Tranche 4**	Tranche 5
Fair value at the grant date (in CZK) (average)		512.79	512.08	512.43	411.29	464.68
Share price at the grant date (in CZK) (average)		581.67	581.67	581.67	581.67	581.67
Exercise price of the option (in CZK)		0.10	0.10	0.10	0.10	0.10
Expected volatility (weighted average)		21.17%	21.17%	21.17%	21.17%	21.17%
Expected maturity of the option (weighted average) in years		2.0	2.0	2.0	2.0	4.0
Dividend income		4.00%	4.00%	4.00%	4.00%	4.00%
Risk-free interest rate (based on the CZK IRS* rate)		4.61%	4.61%	4.61%	4.61%	4.31%

* Interest rate swaps in CZK with corresponding maturity

** All stock options in these tranches were exercised in 2024

2023		Stock option plan (equity-settled)				
Key executives		Tranche 1**	Tranche 2**	Tranche 3**	Tranche 4**	Tranche 5
Fair value at the grant date (in CZK) (average)		494.24	494.24	494.24	395.39	456.19
Share price at the grant date (in CZK) (average)		581.67	581.67	581.67	581.67	581.67
Exercise price of the option (in CZK)		0.10	0.10	0.10	0.10	0.10
Expected volatility (weighted average)		22.33%	22.33%	22.33%	22.33%	22.33%
Expected maturity of the option (weighted average) in years		3.0	3.0	3.0	3.0	5.0
Dividend income		4.00%	4.00%	4.00%	4.00%	4.00%
Risk-free interest rate (based on the CZK IRS* rate)		4.61%	4.61%	4.61%	4.61%	4.31%

* Interest rate swaps in CZK with corresponding maturity

The expected volatility was based on an assessment of the historical volatility of the Company's share price for the historical period corresponding to the expected maturity.

10.3. Reconciliation of stock options

The following table shows the number and weighted average exercise price of stock options in the Stock Option Plan.

Total options	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Not settled at 1 January	990,000	0.10	977,000	0.10
Exercised during the period	-857,500	0.10	13,000	0.10
Not settled at 31 December	132,500	-	990,000	-

10.4. Expenses recorded in the statement of profit or loss

For more details on Stock Option Plan expenses see Notes 9 and 14.

10.5. Items recorded in the statement of financial position

As at 31 December 2024, the total fair value of 946,355 stock options (2023 – 2,870,755 stock options) from share-based payments was CZK 135,804 thousand (2023 – CZK 491,428 thousand).

As at 31 December 2024, the fair value of 132,500 stock options (2023 – 990,000 stock options) allocated to the Company's employees was CZK 20,984 thousand (2023 – CZK 188,590 thousand) and is reported in Accumulated profits with a corresponding double entry in profit and loss account (see Note 9).

As at 31 December 2024, the fair value of 813,855 stock options (2023 – 1,880,755 stock options) allocated to other employees of Colt CZ Group SE was CZK 114,821 thousand (2023 – CZK 302,838 thousand) and is reported in Accumulated profits with a corresponding double entry in investments in subsidiaries (see Note 21).

As at 31 December 2024, the related social security and health insurance liabilities amounted to CZK 35,308 thousand (2023 – CZK 15,186 thousand) and were reported in long-term provisions with a corresponding double entry in profit and loss account (see Note 14).

The Company also recorded deferred tax relating to these liabilities, totalling CZK 7,415 thousand (2023 – CZK 3,189 thousand) (see Note 18).

11. SERVICES

The breakdown of the Company's services in individual years is as follows (CZK '000):

	2024	2023
Advisory services and other external expenses	49,449	125,793
Transportation and travel	4,583	7,457
IT costs, connectivity, SW license	5,121	5,755
Marketing costs	8,531	8,602
Variable lease costs	1,291	263
Costs relating to low-value assets	55	33
Other services	6,600	5,204
Total	75,630	153,107

12. DEPRECIATION AND AMORTISATION

The table shows the composition of the Company's expenses in individual years (CZK '000):

	2024	2023
Depreciation of non-current intangible assets (Note 20)	1,684	1,337
Depreciation of non-current tangible assets (Note 20)	5,474	5,042
Depreciation of right of use (Note 20)	4,935	5,532
Total	12,093	11,911

13. OTHER OPERATING EXPENSES

The table shows the composition of the Company's other operating expenses in individual years (CZK '000):

	2024	2023
Taxes and levies	869	405
Insurance premiums	485	546
Gifts	1,520	142
Write-off of financial assets	–	212
Additions to, utilisation and release of provisions – share-based payments	20,122	9,795
Total	22,996	11,100

14. PROVISIONS

The table below shows changes in non-current provisions (CZK '000):

Provisions	Balance at 31/12/2022	Additions to provisions	Balance at 31/12/2023	Additions to provisions	Utilisation of provisions	Balance at 31/12/2024
Provisions for share-based payments – non-current	5,391	9,795	15,186	20,122	–	35,308
Total	5,391	9,795	15,186	20,122	–	35,308

15. INTEREST AND OTHER FINANCIAL INCOME AND EXPENSES

Financial income in individual years (CZK '000):

	2024	2023
Interest income	1,206,337	1,026,436
Total interest income	1,206,337	1,026,436
FX gains	1,061,025	257,557
FX losses	-563,739	-208,172
Other financial income	113,402	160,692
Total other financial income	610,688	210,077

Financial expenses in individual years (CZK '000):

	2024	2023
Interest expense	996,611	887,176
Total interest expense	996,611	887,176
Other financial expenses	767,25	10,841
Total other financial expenses	767,25	10,841

Other financial income of CZK 113,402 thousand represents the revaluation of Other financial assets to fair value at the date of sale. As at 31 December 2023, Other financial income of CZK 160,692 thousand represented the revaluation of Other financial assets.

Other financial expenses of CZK 76,725 thousand (2023 – CZK 10,841 thousand) mainly include the fee for the issue of shares and bonds of CZK 66,560 thousand (2023 – CZK 8,791 thousand).

16. GAINS/LOSSES FROM DERIVATIVE TRANSACTIONS

Income and expenses from derivative transactions in individual years (CZK '000):

	2024	2023
Income from derivative transactions	62,023	57,152
Expenses for derivative transactions	-687,299	-172,141
Total	-625,276	-114,989

17. INCOME TAX

Income tax in individual years was as follows (CZK '000):

	2024	2023
Current income tax	37,768	62,580
Deferred tax	-4,919	-2,490
Total (expense + / income -)	32,849	60,090

The difference between the actual tax for 2023 and the tax stated in the financial statements for the year ended 31 December 2023 recognised in 2024 amounted to CZK 1,392 thousand. The difference between the actual tax for 2022 and the tax stated in the financial statements for the year ended 31 December 2022 recognised in 2023 amounted to CZK 530 thousand.

Tax receivables of CZK 9,928 thousand as at 31 December 2024 comprise income tax prepayments paid in 2024 of CZK 46,304 thousand and the tax liability for 2024 of CZK 36,376 thousand (31 December 2023 – current income tax liability of CZK 48,441 thousand comprising the income tax prepayments paid of CZK 14,669 thousand and the tax liability for 2023 of CZK 62,580 thousand).

Reconciliation of effective tax rate

The table below shows the reconciliation of the profit before tax with current tax in individual years (CZK '000):

	2024	%	2023	%
Profit before tax	1,023,603	–	714,746	–
Income tax calculated using the Company's tax rate (21%)	214,957	21.00%	135,802	19.00%
Change in opening balance of deferred tax resulting from change of tax rate	–	–	-890	-0.12%
Tax non-deductible expenses (permanent)	65,528	6.40%	63,248	8.85%
Share in profit of subsidiaries	-248,390	-24.27%	-135,827	-19.00%
Other	-638	-0.06%	-1,713	-0.24%
Changes in estimates relating to prior years	1,392	0.14%	-530	-0.07%
Income tax (expense +/- income) / effective tax rate	32,849	3.21%	60,090	8.41%

18. DEFERRED TAX

In accordance with the accounting policies described in Note 4.8., the applicable tax rate in the Czech Republic of 21% was used to calculate deferred tax.

The Company has quantified the deferred tax and its year-on-year change for 2024 as follows (CZK '000):

2024	Balance at 1 Jan 2024	Change in 2024	Balance at 31 Dec 2024	
Deferred tax components	Deferred tax asset (+) / liability (-)	Recognized in profit or loss	Recognized in equity	Deferred tax asset (+) / liability (-)
Difference between carrying and tax value of non-current assets	1,047	518	–	1,565
Other temporary differences:				
Provisions	3,189	4,226	–	7,415
Other payables – current	5,110	175	–	5,285
Derivative instruments (impact on equity)	-54,735	–	41,790	-12,945
Total	-45,389	4,919	41,790	1,320
Deferred tax asset (+) / liability (-)	-45,389			1,320

The Company has quantified the deferred tax and its year-on-year change for 2023 as follows (CZK '000):

2023	Balance at 1 Jan 2023	Change in 2023	Balance at 31 Dec 2023	
Deferred tax components	Deferred tax asset (+) / liability (-)	Recognized in profit or loss	Recognized in equity	Deferred tax asset (+) / liability (-)
Difference between carrying and tax value of non-current assets	31	1,016	–	1,047
Other temporary differences:				
Provisions	1,024	2,165	–	3,189
Other payables – current	5,801	-691	–	5,110
Derivative instruments (impact on equity)	-135,186	–	80,451	-54,735
Total	-128,330	2,490	80,451	-45,389
Deferred tax asset (+) / liability (-)	-128,330			-45,389

19. OTHER COMPREHENSIVE INCOME

	2024	2023
Change in fair value of hedging instruments before tax	-199,002	-450,864
Change in fair value of hedging instruments – deferred tax	41,790	80,451
Change in fair value of hedging instruments after tax	-157,212	-370,413
Total other comprehensive income	-157,212	-370,413

20. NON-CURRENT ASSETS

20.1. INTANGIBLE ASSETS

COST

Year ended 31 Dec 2024 with opening balances as at 31 Dec 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Additions	Disposals	Transfers	Closing balance
Software	5,321	616	–	1,498	7,435
Intangible assets under construction or being acquired	1,498	–	–	-1,498	–
Trademarks and logos	40,785	–	–	–	40,785
Other intellectual property rights	9,184	–	–	–	9,184
Total	56,788	616	–	–	57,404

Year ended 31 Dec 2023 with opening balances as at 31 Dec 2022. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Additions	Disposals	Transfers	Closing balance
Software	5,321	–	–	–	5,321
Intangible assets under construction or being acquired	–	1,498	–	–	1,498
Trademarks and logos	–	40,785	–	–	40,785
Other intellectual property rights	9,184	–	–	–	9,184
Total	14,505	42,283	–	–	56,788

ACCUMULATED DEPRECIATION AND ALLOWANCES

Year ended 31 Dec 2024 with opening balances as at 31 Dec 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Depreciation	Disposals, sale, liquidation	Closing balance	Carrying amount
Software	-1,402	-1,435	–	-2,837	4,598
Intangible assets under construction or being acquired	–	–	–	–	–
Trademarks and logos	–	–	–	–	40,785
Other intellectual property rights	-329	-249	–	-578	8,606
Total	-1,731	-1,684	–	-3,415	53,989

Year ended 31 Dec 2023 with opening balances as at 31 Dec 2022. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Amortisation	Disposals, sale, liquidation	Closing balance	Carrying amount
Software	-292	-1,110	-	-1,402	3,919
Intangible assets under construction or being acquired	-	-	-	-	1,498
Trademarks and logos	-	-	-	-	40,785
Other intellectual property rights	-102	-227	-	-329	8,855
Total	-394	-1,337	-	-1,731	55,057

20.2. PROPERTY, PLANT AND EQUIPMENT

COST

Year ended 31 Dec 2024 with opening balances as at 31 Dec 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Additions	Disposals	Transfers	Closing balance
Buildings	6,482	-	-	-	6,482
Machinery, devices and equipment	16,244	2,064	-83	-	18,225
Tangible assets under construction	-	-	-	-	-
Total	22,726	2,064	-83	-	24,707

Year ended 31 Dec 2023 with opening balances as at 31 Dec 2022. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Additions	Disposals	Transfers	Closing balance
Buildings	-	6,482	-	-	6,482
Machinery, devices and equipment	8,350	8,736	-976	134	16,244
Tangible assets under construction	134	-	-	-134	-
Total	8,484	15,218	-976	-	22,726

ACCUMULATED DEPRECIATION AND ALLOWANCES

Year ended 31 Dec 2024 with opening balances as at 31 Dec 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Depreciation	Disposals, sale, liquidation	Closing balance	Carrying amount
Buildings	-1,667	-932	-	-2,599	3,883
Machinery, devices and equipment	-3,635	-4,542	57	-8,120	10,105
Tangible assets under construction	-	-	-	-	-
Total	-5,302	-5,474	57	-10,719	13,988

Year ended 31 Dec 2023 with opening balances as at 31 Dec 2022. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Depreciation	Disposals, sale, liquidation	Closing balance	Carrying amount
Buildings	-	-1,667	-	-1,667	4,815
Machinery, devices and equipment	-416	-3,375	155	-3,635	12,609
Tangible assets under construction	-	-	-	-	-
Total	-416	-5,042	155	-5,302	17,424

20.3. RIGHT OF USE

COST

Year ended 31 Dec 2024 with opening balances as at 31 Dec 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Additions	Disposals	Transfers	Closing balance
Right of use of buildings	18,799	–	–	–	18,799
Right of use of machinery, devices and equipment	7,308	–	-3,267	–	4,041
Total	26,107	–	-3,267	–	22,840

Right-of-use assets primarily comprise leases relating to office space and cars.

Year ended 31 Dec 2023 with opening balances as at 31 Dec 2022. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Additions	Disposals	Transfers	Closing balance
Right of use of buildings	10,485	11,539	-3,225	–	18,799
Right of use of machinery, devices and equipment	4,932	2,376	–	–	7,308
Total	15,417	13,915	-3,225	–	26,107

ACCUMULATED DEPRECIATION AND ALLOWANCES

Year ended 31 Dec 2024 with opening balances as at 31 Dec 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Depreciation	Disposals, sale, liquidation	Closing balance	Carrying amount
Right of use of buildings	-1,139	-3,418	–	-4,557	14,242
Right of use of machinery, devices and equipment	-4,341	-1,517	3,100	-2,758	1,283
Total	-5,480	-4,935	3,100	-7,315	15,525

Year ended 31 Dec 2023 with opening balances as at 31 Dec 2022. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Depreciation	Disposals, sale, liquidation	Closing balance	Carrying amount
Right of use of buildings	-806	-3,558	3,225	-1,139	17,660
Right of use of machinery, devices and equipment	-2,367	-1,974	–	-4,341	2,967
Total	-3,173	-5,532	3,225	-5,480	20,627

21. INVESTMENTS IN SUBSIDIARIES

Investments owned by the Company during the accounting period ended 31 Dec 2024. Amounts in the table are presented in CZK '000.

ENTITY	Country	Principal activity	Equity investment in %	Cost of investment in subsidiary	Accumulated impairment loss	Carrying amount
			31 Dec 2024	31 Dec 2024	31 Dec 2024	31 Dec 2024
Česká zbrojovka a.s.	Czech Republic	Production, purchase and sale of firearms and ammunition	100	2,623,698	–	2,623,698
EHC-4M, SE	Czech Republic	Holding company	100	2,700	–	2,700
Colt CZ Group North America, Inc.	USA	Holding company	100	1,929,519	–	1,929,519
Colt CZ Defence Solutions s.r.o.	Czech Republic	Purchase and sale of firearms and ammunition	100	192,918	–	192,918
Colt CZ Group International s.r.o.	Czech Republic	Holding company	100	269,935	–	269,935
CZG VIB s.r.o.	Czech Republic	Holding company	100	21,538	–	21,538
swissAA Holding AG	Switzerland	Holding company	100	728,687	–	728,687
Sellier & Bellot Int. a.s. (earlier Vocatus Investment a.s.)	Czech Republic	Holding company	100	2,390,448	–	2,390,448
Colt CZ Insurance Limited	Guernsey	Captive reinsurance company	100	6,063	–	6,063
Total				8,165,506	–	8,165,506

Investments owned by the Company during the accounting period ended 31 Dec 2023. Amounts in the table are presented in CZK '000.

ENTITY	Country	Principal activity	Equity investment in %	Cost of investment in subsidiary	Accumulated impairment loss	Carrying amount
			31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023
Česká zbrojovka a.s.	Czech Republic	Production, purchase and sale of firearms and ammunition	100	2,535,060	–	2,535,060
EHC-4M, SE	Czech Republic	Holding company	100	2,700	–	2,700
Colt CZ Group North America, Inc.	USA	Holding company	100	1,854,838	–	1,854,838
Colt CZ Defence Solutions s.r.o.	Czech Republic	Purchase and sale of firearms and ammunition	100	190,505	–	190,505
Colt CZ Group International s.r.o.	Czech Republic	Holding company	100	269,935	–	269,935
CZG VIB s.r.o.	Czech Republic	Holding company	100	21,538	–	21,538
swissAA Holding AG	Switzerland	Holding company	100	728,687	–	728,687
Sellier & Bellot Int. a.s. (earlier Vocatus Investment a.s.)	Czech Republic	Holding company	100	7,566	–	7,566
Colt CZ Insurance Limited	Guernsey	Captive reinsurance company	100	6,063	–	6,063
Total				5,616,892	–	5,616,892

The development of investments in subsidiaries in 2024 and 2023 was as follows:

	2024	2023
Opening balance as at 1 January	5,616,892	4,281,021
Investment acquisition	–	742,316
Additional capital contribution	2,385,100	409,313
Employee bonuses – share-based payment arrangements	165,732	184,240
Other	-2,218	2
Closing balance as at 31 Dec	8,165,506	5,616,892

In 2024, the Company made an additional contribution in equity outside the registered capital of Sellier & Bellot Int. a.s. (earlier Vocatus Investment a.s.) of CZK 2,385,100 thousand. The additional contribution in equity outside the registered capital represents the capitalisation of the previously granted loan.

In 2023, investment acquisition totalling CZK 742,316 thousand comprised the acquisition of swissAA Holding AG for CZK 728,687 thousand, the acquisition of Sellier & Bellot Int. a.s. (earlier Vocatus Investment, a.s.) for CZK 7,566 thousand, and the acquisition of Colt CZ Group Insurance limited for CZK 6,063 thousand.

In 2023, the Company made an additional contribution in equity outside the registered capital of Colt CZ Group North America, Inc., totalling CZK 409,313 thousand. The additional contribution in equity outside the registered capital represents the capitalisation of the previously granted loan.

Aggregate financial information as at 31 Dec 2024 is presented in CZK '000.

	Česká zbrojovka a.s.	EHC-4M, SE	Colt CZ Group North America, Inc.	Colt CZ Defence Solutions, s.r.o.	Colt CZ Insurance Ltd.	Colt CZ Group International s.r.o.	CZG VIB s.r.o.	Sellier & Bellot Int. a.s. (earlier Vocatus Investment a.s.).	swissAA Holding AG
	31 Dec 2024	31 Dec 2024	31 Dec 2024	31 Dec 2024	31 Dec 2024	31 Dec 2024	31 Dec 2024	31 Dec 2024	31 Dec 2024
	1)	2)	2)	1)	2)	2)	2)	1)	1)
Aggregate statement of financial position									
Non-current assets	2,492,194	31,527	5,656,212	9,906	–	418,656	15,000	18,572,321	1,223,163
Current assets incl. cash	4,027,326	740	4,591,627	1,051,407	66,300	112,086	1,869	1,033,770	841,962
Non-current liabilities	-1,932,201	–	-4,440,317	-9,369	–	-20,017	–	-13,377,103	-317,388
Current liabilities	-1,454,603	-5	-2,325,055	-940,420	-41,785	-78,263	-7	-3,761,325	-718,320
Total net assets / (liabilities)	3,132,716	32,262	3,482,467	111,524	24,515	432,462	16,862	2,467,663	1,029,417
Aggregate statement of comprehensive income									
Revenues	6,002,376	–	10,399,482	1,274,334	21,926	–	–	–	870,105
Profit / (loss) before tax	1,305,129	29,929	504,657	124,166	18,833	106,719	922	-86,988	-127,906
Income tax	-272,258	-74	61,060	-26,290	-93	-2,628	–	–	4,906
Profit / (loss) for the period	1,032,871	29,855	565,717	97,876	18,740	104,091	922	-86,988	-123,000

1) financial information based on audited separate financial statements as at 31 Dec 2024

2) financial information based on unaudited financial statements as at 31 Dec 2024

Aggregate financial information as at 31 Dec 2023 is presented in CZK '000.

	Česká zbrojovka a.s.	EHC-4M, SE	Colt CZ Group North America, Inc.	Colt CZ Defence Solutions, s.r.o.	Colt CZ Insurance Ltd.	Colt CZ Group International s.r.o.	CZG VIB s.r.o.	Sellier & Bellot Int. a.s. (dříve Vocabus Investment a.s.)	swissAA Holding AG
	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023
	1)	2)	2)	1)	2)	2)	2)	2)	2)
Aggregate statement of financial position									
Non-current assets	2,787,781	31,527	5,419,701	7,805	–	341,949	15,000	2,685,120	1,208,139
Current assets incl. cash	3,458,563	685	5,324,817	292,782	30,051	80,567	946	2,074	1,044,755
Non-current liabilities	-1,867,913	–	-4,948,251	-7,451	–	-44,483	–	-451,286	-302,135
Current liabilities	-1,498,065	-5	-2,958,823	-209,488	-25,486	-3,014	-6	-2,259,223	-787,778
Total net assets / (liabilities)	2,880,366	32,207	2,837,444	83,648	4,565	375,019	15,940	-23,315	1,162,981
Aggregate statement of comprehensive income									
Revenues	5,850,101	–	9,287,445	421,371	–	–	–	–	430,022
Profit / (loss) before tax	1,167,261	70,390	669,344	85,112	-467	76,731	406	-20,395	-39,155
Income tax	-254,341	–	-72,382	-16,117	–	–	–	–	-2,363
Profit / (loss) for the period	912,920	70,390	596,962	68,995	-467	76,731	406	-20,395	-41,518

1) financial information based on audited separate financial statements as at 31 Dec 2023

2) financial information based on unaudited financial statements as at 31 Dec 2023

The Company reviews the carrying amounts at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Impairment losses are recognised in the statement of profit or loss.

22. PROVIDED LOANS

The structure of other provided loans in individual years was as follows (CZK '000):

			31 Dec 2024	31 Dec 2023
	Due date	Interest rate p. a.	CZK '000	CZK '000
Provided loans				
Česká zbrojovka a.s.	22 Jan 2029	2.5%	1,561,966	1,516,065
Česká zbrojovka a.s.	31 Dec 2024	8.08%	–	520,850
Colt CZ Group International s.r.o.	31 Oct 2024	8.08%	–	45,329
saltech AG	31 Dec 2025	4.4 % – 8.3%	417,321	351,130
Sellier & Bellot Int. a.s. (earlier Vocatus Investment a.s.)	indefinite	5.45% – 8.5%	10,228,913	452,727
Four Horses Apparel, Inc.	indefinite	5.5%	22,347	14,545
Colt's Manufacturing Company LLC	02 Jan 2024	8.08%	–	155,673
Colt CZ Group North America, Inc.	31 Dec 2026	4.5%	4,668,016	4,763,177
Colt Electro Optics, LLC	31 Dec 2025	5.5%	2,423	–
Receivables from cash pooling				
Colt CZ Group International s.r.o. – CZK		O/N PRIBOR +2%	2,223	–
Sellier & Bellot Int. a.s. (earlier Vocatus Investment a.s.) – USD		SOFR +2.5%	14	–
Česká zbrojovka a.s. – CZK		O/N PRIBOR +2%	324,660	–
Colt CZ Defence Solutions, s.r.o. – EUR		€STR +2.25%	912,208	–
Total			18,140,091	7,819,496
Non-current			15,715,001	6,487,035
Current			2,425,090	1,332,516
Total			18,140,091	7,819,496

The table below shows the reconciliation of movements in the balance of other provided loans (CZK '000) in individual years:

	2024	2023
Opening balance as at 1 January	7,819,496	6,568,472
Loan provision	12,814,197	2,238,971
Loan repayment	-1,244,884	-659,468
Unpaid interest income	277,943	86,110
Loan capitalisation	-2,385,100	-409,313
Impact of FX rate differences	858,439	-5,276
Closing balance as at 31 Dec	18,140,091	7,819,496

In 2024, provided loans of CZK 12,814,197 thousand mainly include loans to subsidiary Sellier & Bellot Int. a.s. (earlier Vocatus Investment a.s.) amounting to CZK 11,526,552 thousand, which were used for the acquisition of Sellier & Bellot a.s. Part of the loan of CZK 2,385,100 thousand was capitalised in 2024.

The Company also provided CZK 42,095 thousand to subsidiary saltech AG for operating business financing, CZK 6,387 thousand to subsidiary Four Horses Apparel, Inc. for operating business financing, and CZK 2,372 thousand to subsidiary Colt Electro Optics, LLC for operating business financing. The remaining part of the loans granted of CZK 1,236,791 thousand consists of receivables from cash pooling.

The loans provided in 2023 of CZK 2,238,971 thousand represented mainly loans to subsidiary Česká zbrojovka, a.s. totalling CZK 800,000 thousand used for operational financing of its business. Part of the loan of CZK 300,000 thousand was repaid in 2023. The remaining part of the loan of CZK 500,000 thousand was repaid in 2024.

In addition, the Company provided subsidiary Colt CZ Group International s.r.o. with CZK 43,460 thousand for operational financing of its business activities, subsidiary saltech AG with CZK 362,541 thousand for operational financing of its business activities, subsidiary Vocatus Investments, a.s. with CZK 453,566 thousand for the purposes of a planned acquisition, subsidiary Colt's Manufacturing Company LLC with CZK 155,673 thousand to acquire fixed assets, and subsidiary Four Horses Apparel, Inc. with CZK 14,418 thousand for operational financing of its business activities.

Subsidiary Colt CZ Group North America, Inc. was also granted a loan of CZK 409,313 thousand for partial settlement of the acquisition of Colt. This loan was capitalised in 2023.

The credit quality of other provided loans is discussed in Note 35.

23. RECEIVABLES AND LIABILITIES FROM FINANCIAL DERIVATIVES

	31 Dec 2024	31 Dec 2023
Non-current receivables from derivative financial instruments		
Non-current receivables from hedging derivatives	135,256	419,483
Non-current receivables from trading derivatives	28,322	102,257
Total non-current receivables from derivative financial instruments	163,578	521,740
Current receivables from derivative financial instruments		
Current receivables from hedging derivatives	-	-
Current receivables from trading derivatives	6,066	21,123
Total current receivables from derivative financial instruments	6,066	21,123
	31 Dec 2024	31 Dec 2023
Non-current liabilities from derivative financial instruments		
Non-current liabilities from hedging derivatives	-288,000	106,927
Non-current liabilities from trading derivatives	-168,152	112,179
Total non-current liabilities from derivative financial instruments	456,152	219,106
Current liabilities from derivative financial instruments		
Current liabilities from hedging derivatives	-	-
Current liabilities from trading derivatives	-477,419	8,481
Total current liabilities from derivative financial instruments	-477,419	8,481

24. OTHER FINANCIAL ASSETS

	31 Dec 2024	31 Dec 2023
Other financial assets at fair value through profit or loss	-	908,580
Total	-	908,580

During the first quarter of 2024, the Company sold Other financial assets representing the Company's short-term investment in listed shares. It generated a profit of CZK 113,402 thousand from these sales (Note 15).

25. TRADE AND OTHER RECEIVABLES

The structure of trade and other receivables in individual years was as follows (CZK '000):

	31 Dec 2024	31 Dec 2023
Trade receivables	92,041	89,470
Estimated receivables	8,714	1,250
Other receivables	575,000	854
Accrued income	2,296	2,268
Total	678,051	93,842
Non-current	–	–
Current	678,051	93,842
Total	678,051	93,842

Overdue current trade receivables as at 31 December 2024 amounted to CZK 91,071 thousand (31 December 2023 – CZK 66,543 thousand). As at 31 December 2024 and 31 December 2023, the Company did not create any allowance for trade receivables and other receivables. The credit quality of these receivables is discussed in Note 35.

Other receivables of CZK 575,000 thousand (31 December 2023 – CZK 854 thousand) represent unpaid profit shares of subsidiaries Sellier & Bellot Int. a.s. (earlier Vocatus Investment a.s.), totalling CZK 500,000 thousand (31 December 2023 – CZK 0 thousand), and Colt CZ Group International, s.r.o., totalling CZK 75,000 thousand (31 December 2023 – CZK 0 thousand).

26. OTHER RECEIVABLES

The structure of other receivables in individual years was as follows (CZK '000):

	31 Dec 2024	31 Dec 2023
Prepayments made	2,653	2,079
Deferred expenses	655	2,404
Value added tax	236	–
Other taxes	211	127
Total	3,755	4,610
Non-current	–	–
Current	3,755	4,610
Total	3,755	4,610

27. CASH AND CASH EQUIVALENTS

The structure of cash and cash equivalents is as follows (CZK '000):

	31 Dec 2024	31 Dec 2023
Cash at bank	3,004,319	1,211,901
Cash and cash equivalents in the statement of financial position	3,004,319	1,211,901
Receivables from cash pooling (Note 22)	1,239,105	-
Liabilities from cash pooling (Note 30)	-479,968	-
Cash and cash equivalents in the statement of cash flows	3,763,456	1,211,901

Cash and cash equivalents in the statement of financial position represent cash at bank. In the statement of cash flows, cash and cash equivalents include cash at bank and cash pooling receivables and payables from/to subsidiaries.

The credit quality is discussed in Note 35.

28. REGISTERED CAPITAL AND SHARE PREMIUM

On 16 May 2024, the acquisition of Sellier & Bellot a.s. was finally settled and the Group became a 100% owner of this company. The Group paid the remaining part of the purchase price of USD 230 million including share-based payments of USD 353 million, representing 13,476,440 shares. These shares were issued on 16 May 2024, increasing the Company's registered capital by CZK 1,348 thousand. The issue rate was set at CZK 596.9 per share. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 8,042,462 thousand was recorded as a share premium.

On 3 July 2024, 1,735,100 employee options were settled under the Company's Stock Option Plan. The option holders exercised their right to purchase the Company's shares at a nominal value of CZK 0.1. These shares were issued on 26 June 2024, increasing the Company's registered capital by CZK 174 thousand.

On 23 August 2024, the Company's registered capital was increased by CZK 219 thousand through the issue of 2,194,078 new shares in book-entry form. The issue rate of one subscribed share was CZK 570. The increase of the registered capital was approved by the Company's Board of Directors on 22 August 2024 based on the authorisation by a general meeting. The capital increase and subscription of new shares was made in connection with the payment of a dividend in form of new shares of the Company based on a previous shareholders' decision. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 1,250,405 thousand was recorded as a share premium.

On 18 October 2024, the Company's registered capital was increased by CZK 390 thousand through the issue of 3,900,000 new shares in book-entry form. The issue rate of one subscribed share was CZK 575. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 2,242,110 thousand was recorded as a share premium.

As at 31 December 2024, the Company's registered capital comprised 56,463 thousand ordinary registered shares totalling CZK 5,646 thousand.

On 16 May 2023, the registered capital was increased through the issue of 365,291 shares in book-entry form with a nominal value of CZK 0.1 per share. The newly issued shares were subscribed by Colt CZ Group North America, Inc. at a price of CZK 585 per share, solely in connection with the provision of consideration as part of the partial settlement of the acquisition of Colt in 2021. On 1 June 2023, a total of 365,291 shares of the Company were handed over to the original owners of Colt. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 213,659 thousand was recorded as a share premium.

On 20 September 2023, the registered capital was increased through the issue of 322,170 shares in book-entry form with a nominal value of CZK 0.1 per share. The newly issued shares were subscribed by Colt CZ Group SE at a price of CZK 526.5 per share in connection with the payment of a dividend. On 2 October 2023, a total of 322,170 shares of the Company were handed over to the subscribing shareholders. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 169,590 thousand was recorded as a share premium.

On 15 December 2023, the registered capital was increased through the issue of 368,038 shares in book-entry form with a nominal value of CZK 0.1 per share. The newly issued shares were subscribed by Colt CZ Group North America, Inc. at a price of CZK 525 per share, solely in connection with the provision of consideration as part of the partial settlement of the acquisition of Colt in 2021.

On 28 December 2023, a total of 368,038 shares of the Company were handed over to the original owners of Colt. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 193,183 thousand was recorded as a share premium.

As at 31 December 2023, the Company's registered capital comprised 35,157 thousand ordinary registered shares totalling CZK 3,516 thousand.

29. OTHER COMPONENTS OF EQUITY

The structure of other equity components in individual years is as follows (CZK '000):

	31 Dec 2024	31 Dec 2023
Capital funds	1,712,111	1,712,111
Cash flow hedge reserve	48,696	205,908
Total	1,760,807	1,918,019

Capital funds represent additional capital contributions relating to the acquisition of a 50% share in Česká zbrojovka a.s. in 2013 of CZK 1,528,735 thousand (31 December 2023 – CZK 1,528,735 thousand), the effect of spin-off associated with acquisition of own shares of CZK 175,043 thousand and other valuable rights at the net book value of CZK 8,334 thousand from Česká zbrojovka, a.s. (31 December 2023 – CZK 183,377 thousand).

30. BONDS, BANK LOANS AND BORROWINGS

30.1. Bonds

As at 31 December 2024, the Company used the following external financing in the form of issued bonds (CZK '000):

	Due date	Interest rate p. a.	31 Dec 2024	31 Dec 2023
Issued bonds	23 March 2027	6M PRIBOR + margin % p. a.	5,000,000	5,000,000
Issued bonds – outstanding interest			79,144	120,811
Issued bonds – costs of issue			-11,633	-16,882
Issued bonds	27 Jan 2029	6M PRIBOR + margin % p. a.	1,998,000	1,998,000
Issued bonds – outstanding interest			50,948	74,361
Issued bonds – costs of issue			-7,860	-9,795
Issued bonds	18 May 2030	6M PRIBOR + margin % p. a.	2,517,000	1,929,000
Issued bonds – outstanding interest			17,580	20,488
Issued bonds – costs of issue			-8,632	-10,242
Total			9,634,547	9,105,741
Repayments in the following year			147,672	215,660
Repayments in future years			9,486,875	8,890,081

In 2024, the Company exercised the option to increase the volume of the existing bond issue and issued bonds with a nominal value of CZK 588,000 thousand. In 2023, the Company issued bonds totalling CZK 1,929,000 thousand and maturing in 2030. The Company does not expect to call the bonds in 2025.

As at 31 December 2024, interest expense amounted to CZK 667,811 thousand (31 December 2023 – CZK 738,434 thousand), of which unsettled interest expense was CZK 147,672 thousand (31 December 2023 – CZK 215,660 thousand).

Costs related to the issue of bonds in 2023 of CZK 11,244 thousand are accounted for on an accrual basis over the maturity of the bonds. The remaining part of these costs as at 31 December 2024 is CZK 8,632 thousand (31 December 2023 – CZK 10,242 thousand).

Costs related to the issue of bonds in 2022 of CZK 13,508 thousand are accounted for on an accrual basis over the maturity of the bonds. The remaining part of these costs as at 31 December 2024 is CZK 7,860 thousand (31 December 2023 – CZK 9,795 thousand).

Costs related to the issue of bonds in 2021 of CZK 31,412 thousand are accounted for on an accrual basis over the maturity of the bonds. The remaining part of these costs as at 31 December 2024 is CZK 11,633 thousand (31 December 2023 – CZK 16,882 thousand).

The issued bonds bear variable interest and their fair value did not differ significantly from their carrying amount as at 31 December 2024 and 31 December 2023.

30.2. Bank loans

As at 31 December 2024 and 31 December 2023, the Company had the following bank loans and borrowings (CZK '000):

Bank	Due date	Interest rate p. a.	31 Dec 2024 CZK '000	31 Dec 2023 CZK '000
Bank loans and borrowings				
Syndicated loan	7 May 2029	3M Euribor + margin % p. a.	1,087,111	–
Syndicated loan – outstanding interest			170	–
Syndicated loan – drawing costs			-30,054	–
ŠkoFin s.r.o.	30 June 2028	5.59 – 6.44%	3,455	2,544
Liabilities from cash pooling				
Sellier & Bellot Trade a.s. – CZK		O/N PRIBOR -0.6%	8,830	–
4M SYSTEMS a.s. – CZK		O/N PRIBOR -0.6%	3,769	–
4M SYSTEMS a.s. – USD		SOFR -0.5%	5,053	–
EHC-4M, SE – CZK		O/N PRIBOR -0.6%	739	–
Colt CZ Group International s.r.o. – EUR		€STR -0.4%	787	–
CZG VIB s.r.o. – CZK		O/N PRIBOR -0.6%	1,868	–
Sellier & Bellot Int. a.s. (earlier Vocatus Investment a.s.) – CZK		O/N PRIBOR -0.6%	1,374	–
Sellier & Bellot Int. a.s. (earlier Vocatus Investment a.s.) – EUR		€STR -0.4 %	52,303	–
ZBROJOVKA BRNO, s.r.o. – CZK		O/N PRIBOR -0.6%	10,745	–
ZBROJOVKA BRNO, s.r.o – EUR.		€STR -0.4%	72	–
Sellier & Bellot a.s. – CZK		O/N PRIBOR -0.6	116,801	–
Sellier & Bellot a.s. – EUR		€STR -0.4%	27,207	–
Sellier & Bellot a.s. – USD		USD SOFR -0.5%	1,883	–
Česká zbrojovka a.s. – USD		USD SOFR -0.5%	30,385	–
Česká zbrojovka a.s. – EUR		€STR -0.4%	131,264	–
Colt CZ Defence Solutions s.r.o. – CZK		O/N PRIBOR -0.6%	77,832	–
Colt CZ Defence Solutions s.r.o. – USD		SOFR -0.5%	639	–
Colt CZ Group North America, Inc. – CZK		O/N PRIBOR -0.6%	8,396	–
Colt CZ Group North America, Inc. – USD		SOFR -0.5%	21	–
Total			1,540,650	2,544
Repayments in the following year			480,138	–
Repayments in future years			1,060,512	2,544

The Company drew down a bank loan of CZK 1,087,111 thousand (31 December 2023 – CZK 0 thousand) in connection with the acquisition of Sellier & Bellot a.s.

The remaining part represents loans for the purchase of new vehicles of CZK 3,454 thousand (31 December 2023 – CZK 2,544 thousand) and liabilities from cash pooling of CZK 479,968 thousand (31 December 2023 – CZK 0 thousand).

Loans payable are secured by a pledge over the receivables.

31. TRADE AND OTHER PAYABLES

The structure of trade and other payables in individual years was as follows (CZK '000):

	31 Dec 2024	31 Dec 2023
Trade and other payables	16,835	14,881
Accrued expenses	281	330
Estimated payables	42,080	18,502
Other payables	343	5,064
Total	59,539	38,777
Non-current	–	–
Current	59,539	38,777
Total	59,539	38,777

Overdue current trade payables as at 31 December 2024 amounted to CZK 1,197 thousand (31 December 2023 – CZK 3,392 thousand). As at 31 December 2024 and 31 December 2023, the Company recorded neither liabilities with maturities greater than five years nor pledged liabilities.

32. OTHER PAYABLES

Struktura ostatních krátkodobých závazků byla v jednotlivých letech následující (v tis. Kč):

	31 Dec 2024	31 Dec 2023
Employee liabilities – current	2,842	3,018
Untaken holiday – current	1,668	1,216
Social security and health insurance	1,102	1,115
Value added tax	–	322
Other taxes	649	656
Liabilities arising from employee bonuses	23,500	23,120
Total	29,761	29,447

33. LEASE LIABILITIES

The Company as a lessee

In line with its common practice, the Company holds office space and cars under leases.

Interest expense arising from lease contracts, depreciation of rights-of-use assets and expenses related to short-term contracts and contracts for low-value assets are disclosed in Notes 11., 12., and 15. Total cash outflows arising from lease contracts amounted to CZK 5,677 thousand in 2024 (2023 – CZK 5,970 thousand). The Company does not lease any leased property to other persons.

The table below shows liabilities arising from lease contracts (CZK '000):

	31 Dec 2024	31 Dec 2023
Lease liabilities – non-current	11,667	15,814
Lease liabilities – current	4,819	5,003
Total	16,486	20,817

The table below shows terms and due dates of lease liabilities (CZK '000):

				31 Dec 2024		31 Dec 2023
	Currency	Nominal interest rate	Nominal value	Carrying amount	Nominal value	Carrying amount
Liabilities from building leases	CZK	2% p. a.	15,631	15,181	18,524	17,827
Liabilities from car leases	CZK	2% p. a.	1,316	1,305	3,041	2,990
Total			16,947	16,486	21,565	20,817

Reconciliation of movements of lease liabilities with cash flows:

		2024	2023
Opening balance of lease liability as at 1 January		20,817	12,291
Lease payments		-5,309	-5,674
Total cash flows		-5,309	-5,674
Interest expense		368	297
Lease additions and modifications		610	13,903
Closing balance as at 31 Dec		16,486	20,817

As at 31 December 2024, the Company recorded the following in the statement of profit or loss in connection with leases:

		2024	2023
Depreciation of right-of-use assets		4,935	5,532
Interest expense relating to lease liability (included in financial expenses)		368	297
Costs of short-term leases (included in service costs)		-	-
Costs relating to low-value assets not included in the short-term leases above (included in service costs)		55	33
Costs relating to variable lease payments not included in lease liabilities (included in service costs)		1,291	263
Total		6,649	6,125

The table below shows the ageing structure of lease liabilities (CZK '000):

		2024	2023
Within 3 months		1,205	1,251
3 months to 1 year		3,614	3,752
1 to 2 years		3,639	4,662
2 to 3 years		3,684	3,479
3 to 4 years		3,758	3,521
4 to 5 years		586	3,592
5 years and more		-	560
Total		16,486	20,817

34. FINANCIAL ASSETS AND LIABILITIES

The table below provides an overview of financial assets and liabilities in the accounting records (CZK '000):

Financial assets	31 Dec 2024	31 Dec 2023
Current		
Trade and other receivables	678,051	93,842
Provided loans	2,425,090	1,332,516
Other financial assets	–	908,580
Financial derivatives	6,066	21,123
Cash and cash equivalents	3,004,319	1,211,901
Total	6,113,526	3,567,907
Non-current		
Provided loans	15,715,001	6,487,035
Financial derivatives	163,578	521,740
Total	15,878,579	7,008,775
Financial liabilities	31 Dec 2024	31 Dec 2023
Current		
Trade and other payables	59,539	38,777
Lease liabilities	4,819	5,003
Financial derivatives	477,419	8,481
Bonds, bank loans and borrowings	627,810	215,660
Total	1,169,587	267,921
Non-current		
Lease liabilities	11,667	15,814
Financial derivatives	456,152	219,106
Bonds, bank loans and borrowings	10,547,387	8,892,625
Total	11,015,206	9,127,545

34.1. Fair value

The table below shows carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if their carrying amount approximates their fair value.

2024	Note	Carrying amount			Fair value			
		Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Total	Level 1	Level 2	Total	
Financial assets measured at fair value								
Financial derivatives held for trading								
Currency swaps held for trading	36	–	14,708	14,708	–	14,708	14,708	
Currency forwards held for trading	36	–	19,680	19,680	–	19,680	19,680	
Financial derivatives used for hedge accounting								
Cross currency interest rate swaps for hedging	36	98,331	–	98,331	–	98,331	98,331	
Interest rate swaps used for hedging	36	36,925	–	36,925	–	36,925	36,925	
Total		135,256	34,388	169,644	–	169,644	169,644	

2024	Note	Carrying amount			Fair value			
		Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Total	Level 1	Level 2	Total	
Financial liabilities measured at fair value								
Financial derivatives held for trading								
Currency swaps held for trading	36	–	633	633	–	633	633	
Currency forwards held for trading	36	–	476,786	476,786	–	476,786	476,786	
Cross currency interest rate swaps held for trading	36	–	155,990	155,990	–	155,990	155,990	
Interest rate swaps held for trading	36	–	12,162	12,162	–	12,162	12,162	
Financial derivatives used for hedge accounting								
Cross currency interest rate swaps for hedging	36	187,825	–	187,825	–	187,825	187,825	
Interest rate swaps used for hedging	36	100,175	–	100,175	–	100,175	100,175	
Total		288,000	645,571	933,571	–	933,571	933,571	

2023	Note	Carrying amount			Fair value			
		Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Total	Level 1	Level 2	Total	
Financial assets measured at fair value								
Financial derivatives held for trading								
Currency forwards held for trading	36	–	120,981	120,981	–	120,981	120,981	
Currency swaps held for trading	36	–	2,399	2,399	–	2,399	2,399	
Financial derivatives used for hedge accounting								
Cross currency interest rate swaps for hedging	36	361,465	–	361,465	–	361,465	361,465	
Interest rate swaps used for hedging	36	58,018	–	58,018	–	58,018	58,018	
Other financial assets								
Other financial assets	24	–	908,580	908,580	908,580	–	908,580	
Total		419,483	1,031,960	1,451,443	908,580	542,863	1,451,443	

2023	Note	Carrying amount			Fair value			
		Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Total	Level 1	Level 2	Total	
Financial liabilities measured at fair value								
Financial derivatives held for trading								
Currency swaps held for trading	36	–	8,481	8,481	–	8,481	8,481	
Cross currency interest rate swaps held for trading	36	–	112,179	112,179	–	112,179	112,179	
Financial derivatives used for hedge accounting								
Interest rate swaps used for hedging	36	106,927	–	106,927	–	106,927	106,927	
Total		106,927	120,660	227,587	–	227,587	227,587	

In 2024 a 2023, the Company did not record any financial assets or financial liabilities measured at fair value for which their carrying amount did not approximate their fair value.

There were no transfers between levels during the period.

34.2. Fair value measurement

The table below shows the valuation techniques used for fair value measurement at Level 1 a 2 for financial instruments in the statement of financial position as well as significant unobservable inputs used.

Type of instrument	Valuation techniques	Significant unobservable inputs
Cross currency interest rate swaps	Fair value is determined as the present value of future cash flows. The estimate of future variable cash flows is based on quoted swap rates and interbank deposit rates. The estimated future cash flows are discounted using a yield curve constructed from the above sources.	None
Interest rate swaps	The fair value of interest rate swaps is determined based on the present value of future cash flows based on market data such as yield curves of referential interest rate swaps, spot foreign exchange rates and forward points.	None
Currency forwards and swaps	The fair value of currency forwards and swaps is determined based on the present value of future cash flows based on market data such as yield curves of referential interest rate swaps, spot foreign exchange rates and forward points.	None
Share-based payment arrangements	The fair value of employee stock options is determined using the Black-Scholes measurement model. The options are subject to the employment term/function term and non-market performance condition which were not considered in fair value determination.	None
Other financial assets	The fair value is determined based on the quoted bid price in an active market.	None

35. RISK MANAGEMENT PROCEDURES

This section details the financial risks the Company is exposed to and how these risks are managed. Risk management is a fundamental part of the Company's management. The main emphasis is on identifying the risks the Company is exposed to in the market (risk of changes in exchange rates and interest rates). The risk management strategy focuses on the minimisation of potential negative impact on the Company's financial performance.

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign currency risk. Details are provided in Note 36.

35.1. Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty in a transaction fails to meet its contractual obligations, such as payment, acceptance of a service at the agreed price, or failure to deliver an agreed service.

The overall credit risk of the business portfolio is continuously monitored. The Company primarily conducts transaction with companies in the consolidated group. As the subsidiaries are fully controlled and financed by the parent company, the Company has full control over credit risk management and therefore has not identified any significant credit risk for these companies.

No concentration of credit risk occurs.

Impairment losses on financial assets recognised in the statement of profit or loss were as follows (CZK '000):

	2024	2023
Impairment losses on trade receivables	-	-212

Credit risk by territory (counterparty seat)

31 Dec 2024 CZK '000	Czech Republic	USA	Canada	Sweden	Switzerland	Hungary	Total
Provided loans	13,029,984	4,692,786	–	–	417,321	–	18,140,091
Trade and other receivables	655,111	16,094	378	121	–	6,347	678,051
Financial derivatives	169,644	–	–	–	–	–	169,644
Cash and cash equivalents	3,004,319	–	–	–	–	–	3,004,319
Total	16,859,058	4,708,880	378	121	417,321	6,347	21,992,105

31 Dec 2023 CZK '000	Czech Republic	USA	Canada	Sweden	Switzerland	Hungary	Total
Provided loans	2,534,972	4,933,394	–	–	351,130	–	7,819,496
Trade and other receivables	16,953	70,832	1,171	150	–	4,736	93,842
Other financial assets	–	908,580	–	–	–	–	908,580
Financial derivatives	542,863	–	–	–	–	–	542,863
Cash and cash equivalents	1,211,901	–	–	–	–	–	1,211,901
Total	4,306,688	5,912,806	1,171	150	351,130	4,736	10,576,682

Provided loans, trade and other receivables

The Company records provided loans and trade and other receivables only due from subsidiaries or related parties. Based on the above, the Company has not identified any significant credit risk that would result in expected credit losses and should be covered by an allowance.

The table below shows information on credit risk exposure and the expected credit loss rate for provided loans and trade and other receivables.

31 Dec 2024 CZK '000	External credit rating equivalent	Expected credit loss rate	Gross carrying amount	Allowances for credit losses	Net carrying amount	Credit-impaired
Grade 1–6: Low risk	BBB- to AAA	–	18,818,142	–	18,818,142	No
Grade 7–9: Reasonable risk	BB- to BB+	–	–	–	–	No
Grade 10: Non-standard	B- to CCC-	–	–	–	–	No
Grade 11: Doubtful	C to CC	–	–	–	–	No
Grade 12: Loss-making	D	–	–	–	–	Yes
Total			18,818,142	–	18,818,142	

31 Dec 2024 CZK '000	Expected credit loss rate	Gross carrying amount	Allowances for credit losses	Net carrying amount	Credit-impaired
Within due date	–	18,723,812	–	18,723,812	No
1–90 days overdue	–	35,893	–	35,893	No
90–180 days overdue	–	51,980	–	51,980	No
180–360 days overdue	–	6,457	–	6,457	No
More than 360 days overdue	–	–	–	–	Yes
Total		18,818,142	–	18,818,142	

31 Dec 2023 CZK '000	External credit rating equivalent	Expected credit loss rate	Gross carrying amount	Allowances for credit losses	Net carrying amount	Credit-impaired
Grade 1–6: Low risk	BBB- to AAA	–	8,821,918	–	8,821,918	No
Grade 7–9: Reasonable risk	BB- to BB+	–	–	–	–	No
Grade 10: Non-standard	B- to CCC-	–	–	–	–	No
Grade 11: Doubtful	C to CC	–	–	–	–	No
Grade 12: Loss-making	D	–	–	–	–	Yes
Total			8,821,918	–	8,821,918	

31 Dec 2023 CZK '000	Míra očekávané úvěrové ztráty	Brutto účetní hodnota	Opravná položka k úvěrové ztrátě	Netto účetní hodnota	Úvěrově znevýhodněný
Within due date	–	8,755,375	–	8,755,375	No
1–90 days overdue	–	66,543	–	66,543	No
90–180 days overdue	–	–	–	–	No
180–360 days overdue	–	–	–	–	No
More than 360 days overdue	–	–	–	–	Yes
Total		8,821,918	–	8,821,918	

Cash and cash equivalents

As at 31 December 2024, the Company received cash and cash equivalents of CZK 3,004,319 thousand (31 December 2023 – CZK 1,211,901 thousand).

The impairment of cash and cash equivalents was measured based on a 12-month expected loss and reflects the short maturity of the exposures. The Company believes that its cash and cash equivalents have low credit risk based on the external credit ratings of counterparties. The potential impact of IFRS 9 is insignificant.

35.2. Liquidity risk management

The Company manages liquidity risk by retaining banking sources and loan instruments, ongoing monitoring of anticipated and actual cash flows and adapting the maturity of financial assets and financial liabilities.

35.2.1. Liquidity risk

Liquidity risk is the possibility that the Company will not have sufficient available resources to meet its payables arising from financial contracts.

The Company continuously monitors the risk of shortage of funds by managing liquidity and monitoring the maturity of debts and financial investments, other assets, and expected cash flows from its operations.

The Company holds unrestricted liquid resources, i.e., cash, cash equivalents and short-term financial assets in currencies in which future cash requirements are expected to be denominated.

The Company also monitors the level of expected cash flows from trade and other receivables together with the expected cash flows from trade and other payables.

As at 31 December 2024, the quick liquidity ratio, which is calculated as the ratio of current financial assets to current financial liabilities, is 5.23 (31 December 2023 – 13.32).

The remaining contractual maturities of financial liabilities at the balance sheet date are shown below. Amounts are gross and undiscounted, include contractual interest payments, and exclude the impact of netting arrangements. Liabilities past their due dates are included in the 'Within 3 months' column.

Contractual cash flows							
31 Dec 2024 CZK '000	Carrying amount	Total	Within 3 months	3-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	59,539	59,539	27,511	32,028	–	–	–
Lease liabilities	16,486	16,486	1,205	3,614	3,639	8,028	–
Bonds, bank loans and borrowings	11,175,197	13,017,396	367,863	796,951	507,440	8,810,123	2,562,019
Total non-derivative financial liabilities	11,251,222	13,093,421	396,579	805,593	511,079	8,818,151	2,562,019
Derivative financial liabilities							
Currency swaps held for trading	633	633	–	633	–	–	–
Currency forwards held for trading	476,786	476,786	–	476,786	–	–	–
Cross currency interest rate swaps held for trading	155,990	155,990	–	–	–	–	155,990
Interest rate swaps used for trading	12,162	12,162	–	–	–	12,162	–
Cross currency interest rate swaps for hedging	187,825	187,825	–	–	–	187,825	–
Interest rate swaps used for hedging	100,175	100,175	–	–	–	100,175	–
Total derivative financial liabilities	933,571	933,571	–	477,419	–	300,162	155,990
Total	12,184,793	14,026,992	396,579	1,283,012	511,709	9,118,313	2,718,009
Contractual cash flows							
31 Dec 2023 CZK '000	Carrying amount	Total	Within 3 months	3-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	38,777	38,777	28,906	6,045	–	–	–
Lease liabilities	20,817	20,817	1,251	3,752	4,662	10,592	560
Bonds, bank loans and borrowings	9,108,285	10,986,987	331,222	414,172	419,260	5,771,620	4,050,713
Total non-derivative financial liabilities	9,167,879	11,042,755	361,379	423,969	423,922	5,782,212	4,051,273
Derivative financial liabilities							
Currency swaps held for trading	8,481	8,481	–	8,481	–	–	–
Cross currency interest rate swaps held for trading	112,179	112,179	–	–	–	–	112,179
Interest rate swaps used for hedging	106,927	106,927	–	–	–	–	106,927
Total derivative financial liabilities	227,587	227,587	–	8,481	–	–	219,106
Total	9,395,466	11,270,342	361,379	432,450	423,922	5,782,212	4,270,379

35.3. Market risk management

Market risk is the risk of changes in the value of assets, liabilities, and cash flows denominated in foreign currencies due to changes of exchange rates and interest rates. The Company has implemented policies and methods to monitor and hedge the risks to which it is exposed. Exposure to market risk is measured using sensitivity analyses.

35.3.1. Currency risk management

The Company's exposure to currency risk primarily arises from transactions in currencies other than the Company's functional currency. The Company has managed currency risk using currency forwards, swaps and cross currency interest rate swaps. The Company's objective is to minimize the impact of foreign currency rates changes on the value of profit.

The carrying amount of the Company's financial assets and financial liabilities denominated in foreign currencies at the end of the reporting period:

31 Dec 2024 CZK '000	CZK	EUR	USD	CHF	Other	Total
Financial assets						
Provided loans	326,884	6,710,787	10,832,591	269,829	–	18,140,091
Trade and other receivables	627,697	45,846	4,361	–	147	678,051
Cash and cash equivalents	2,770,868	178,761	54,396	294	–	3,004,319
Total financial assets	3,725,449	6,935,394	10,891,338	270,123	147	21,822,461
Financial liabilities						
Trade and other payables	56,236	2,354	949	–	–	59,539
Lease liabilities	16,486	–	–	–	–	16,486
Bonds, bank loans and borrowings	9,919,285	1,222,984	32,928	–	–	11,175,197
Total financial liabilities	9,992,007	1,225,338	33,877	–	–	11,251,222
Effect of currency derivative instruments – nominal value	–	8,428,341	11,156,291	256,956	–	19,841,588
Total currency risk exposure	-6,266,558	2,718,285	-298,820	13,167	147	-9,270,349
31 Dec 2023 CZK '000	CZK	EUR	USD	CHF	Other	Total
Financial assets						
Provided loans	541,496	1,633,737	5,403,907	240,356	–	7,819,496
Trade and other receivables	21,659	25	72,003	–	155	93,842
Other financial assets	–	–	908,580	–	–	908,580
Cash and cash equivalents	1,206,959	3,094	1,739	109	–	1,211,901
Total financial assets	1,770,114	1,636,856	6,386,229	240,465	155	10,033,819
Financial liabilities						
Trade and other payables	18,929	6,873	6,033	6,942	–	38,777
Lease liabilities	20,817	–	–	–	–	20,817
Bonds, bank loans and borrowings	9,108,285	–	–	–	–	9,108,285
Total financial liabilities	9,148,031	6,873	6,033	6,942	–	9,167,879
Effect of currency derivative instruments – nominal value	–	1,516,065	5,665,603	230,930	–	7,412,598
Total currency risk exposure	-7,371,546	113,918	714,593	2,593	155	-6,546,658

35.3.2. Sensitivity to exchange rate fluctuations

The Company is exposed to currency risk, especially in relation to EUR and USD.

The Company used the following most important exchange rates:

In CZK	Average exchange rate		Exchange rate at the end of the period	
	2024	2023	2024	2023
EUR	25.119	24.007	25.185	24.725
USD	23.208	22.210	24.237	22.376

The following table shows the Company's sensitivity to a 10% appreciation and depreciation of the Czech crown towards the respective foreign currencies. The sensitivity analysis only includes outstanding monetary items denominated in a foreign currency, adjusting their translation at the end of the reporting period by a 10% change in exchange rates. The positive value indicates an increase in profits or equity due to a potential appreciation of the Czech crown by 10% with respect to the respective currency.

In CZK	Impact on profit before tax 2024		Impact on profit before tax 2023	
	Foreign currency appreciation by 10%	Foreign currency depreciation of 10%	Foreign currency appreciation by 10%	Foreign currency depreciation by 10%
Foreign currency				
EUR	-271,829	271,829	11,392	-11,392
USD	-29,882	29,882	71,459	-71,459

In CZK	Impact on equity 2024		Impact on equity 2023	
	Foreign currency appreciation by 10%	Foreign currency depreciation of 10%	Foreign currency appreciation by 10%	Foreign currency depreciation by 10%
Foreign currency				
EUR	-153,752	153,752	-45,158	55,523
USD	-359,038	358,059	-189,053	111,443

35.3.3. Interest rate risk management

The Company is exposed to the risk of interest rates changes as it borrows funds with variable interest rates. Interest expense from issued bonds, which represent the most significant portion of interest-bearing liabilities, are based on 6M PRIBOR + margin. The syndicated loan bears interest at 3M Euribor + margin. Cash pooling receivables/payables from subsidiaries bear interests at O/N PRIBOR + margin (for CZK), ESTR + margin (for EUR) and SOFR + margin (for USD). The Company has managed its interest rate risk using interest rate and cross currency interest rate swap arrangements. This ensures the utilisation of hedging strategies which are economically most effective.

Interest rate risk exposure was as follows:

31 Dec 2024 CZK '000	Carrying amount	Contractual cash flows	Variable interest rate	Fixed interest rate
Provided loans	18,140,091	19,396,470	1,239,105	18,157,365
Total interest-bearing financial assets	18,140,091	19,396,470	1,239,105	18,157,365
Bonds, bank loans and borrowings	11,175,197	13,017,396	13,013,942	3,454
Lease liabilities	16,486	16,486	–	16,486
Total interest-bearing financial liabilities	11,191,683	13,033,882	13,013,942	19,940
Effect of cross currency interest rate swaps and interest rate swaps – nominal value	–	–	9,357,980	–
Total interest rate risk exposure	6,948,408	6,362,588	-2,416,857	18,137,425

31 Dec 2023 CZK '000	Carrying amount	Contractual cash flows	Variable interest rate	Fixed interest rate
Provided loans	7,819,496	8,807,893	–	8,807,893
Total interest-bearing financial assets	7,819,496	8,807,893	–	8,807,893
Bonds, bank loans and borrowings	9,108,285	10,986,987	10,986,987	–
Lease liabilities	20,817	20,817	–	20,817
Total interest-bearing financial liabilities	9,129,102	11,007,804	10,986,987	20,817
Effect of cross currency interest rate swaps and interest rate swaps – nominal value	–	–	7,141,700	–
Total interest rate risk exposure	-1,309,606	-2,199,911	-3,845,287	8,787,076

35.3.4. Interest rate sensitivity analysis

The below interest rate sensitivity analysis was determined based on the exposure to interest rates for derivative and non-derivative instruments at the end of the reporting period. Payables with a floating interest rate are subject to the analysis provided that the value of principal remains unchanged throughout the reporting period based on a calculation of the average annual principal.

If interest rates were one percentage point higher/lower and all other variables remained constant, the profit or loss and equity would change based on the values specified below.

CZK '000	Impact on profit before tax 2024		Impact on profit before tax 2023	
	Increase of 1 percentage point	Decrease of 1 percentage point	Increase of 1 percentage point	Decrease of 1 percentage point
Issued bonds with variable interest rate	-91,477	91,477	-83,169	83,169
Syndicated bank loan	-20,480	20,480	-	-
Cross currency interest rate swaps	47,127	-47,127	47,127	-47,127
Interest rate swaps	44,740	-44,740	17,217	-17,217
Cash and cash equivalents	21,081	-21,081	13,812	-13,812
Sensitivity of interest rates changes	991	-991	-5 013	5 013

CZK '000	Impact on equity 2024		Impact on equity 2023	
	Increase of 1 percentage point	Decrease of 1 percentage point	Increase of 1 percentage point	Decrease of 1 percentage point
Cross currency interest rate swaps	148,163	-148,163	175,078	-175,078
Interest rate swaps	167,685	-167,685	125,534	-125,534
Sensitivity of interest rates changes	315,848	-315,848	300,612	-300,612

36. DERIVATIVE INSTRUMENTS

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.

To manage these risks, the Company uses the following derivative instruments:

- Cross currency interest rate swaps;
- Interest rate swaps;
- Currency forwards; and
- Currency swaps.

Derivative instruments are classified as trading or hedging.

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk of a portion of highly probable forecasted cash flows in USD and EUR (cash flow hedge). The effective portion of changes in the fair value of derivatives that are designated as hedging instruments and qualify as cash flow hedges is recognized in other comprehensive income under cash flow hedges – remeasurement of effective portion of hedging instruments; the cumulative balance is recognized in the statement of financial position in cash flow hedge reserves. The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit or loss and is included in the Gains or losses from derivative transactions.

Fair value of derivative contracts is presented as financial derivative assets or liabilities in the statement of financial position. Accounting for hedging derivatives is described in detail in Note 4.19. The Company expects to continue its hedging activities in the future.

36.1. Hedging derivatives

36.1.1. Cross currency interest rate swaps

The Company has entered into cross currency interest rate swaps in which it is the payer of fixed interest derived from the nominal value in USD or EUR and the payee of variable interest derived from the nominal value in CZK, and which further include initial and final exchanges of nominal amounts in USD or EUR and CZK to achieve the following objectives:

- ▶ to hedge the currency risk associated with the provided loan (a USD or EUR-denominated loan with a fixed interest rate)
- ▶ to hedge the interest rate risk arising from variable interest payments on the bonds issued (bonds issued in CZK with a variable interest rate of 6M PRIBOR).

For hedge accounting purposes, the negotiated cross currency interest rate swaps are divided into the following derivatives, which are defined as hedging instruments in a combined hedging relationship:

- ▶ The cross currency swap in which the Company is the payer of fixed interest derived from the nominal value in USD or EUR and the payee of fixed interest derived from the nominal value in CZK, and which further include initial and final exchanges of nominal amounts in USD or EUR and CZK. This cross currency interest rate swap is used to hedge the currency risk on the provided USD or EUR loan, whereby the exchange rate differences on the hedged portion of the loan (equal to the nominal value of the cross currency interest rate swap - the hedge ratio is 1:1) are offset by the revaluation of the cross currency interest rate swap.
- ▶ The interest rate swap in which the Group is the payer of a fixed interest rate derived from a CZK denomination and the receiver of a floating interest rate derived from a CZK denomination. This interest rate swap is used to hedge the interest rate risk on the bonds issued, where the interest paid on the hedged portion of the bonds (equal to the notional amount of the interest rate swap - the hedge ratio is 1:1) derived from the variable interest rate is offset by the repricing of the interest rate swap (where the Group is the beneficiary of interest payments derived from the same variable interest rate).

The combined hedging relationship is considered effective and qualifies for hedge accounting (see Section 4.19) only if the two separate derivatives (the hedging relationships in which the derivatives are defined as hedges) meet the hedge accounting requirements. In the following tables, separate hedging derivatives are always listed separately in the relevant section based on the hedged risk.

The Company began applying hedge accounting on 21 May 2021 for USD/CZK interest rate swaps and on 27 January 2022 for EUR/CZK interest rate swaps. Until the initial application of hedge accounting, the cross currency interest rate swaps negotiated were classified as trading derivatives.

The Company assesses the effectiveness of hedges and the existence of an economic relationship between the hedging instruments and the hedged items based on a comparison of their parameters and sensitivity analysis. The Company determines the ineffective portion of the hedge based on the hypothetical derivative method and a comparison of changes in the cumulative fair values of the hedging instruments and hedged items represented by the hypothetical derivative.

The sources of ineffectiveness are mainly the credit risk of the counterparty to the hedging instruments and the Company, which the Company considers to be minimal given that the hedging instruments are negotiated with banks with high credit ratings, and the risk of prepayment of the provided loan (for currency hedges) and bonds issued (for interest rate hedges) is very low.

36.1.2. Interest rate swaps

On 9 February 2022, the Company purchased an interest rate swap from Česká zbrojovka a.s. for CZK 66,100 thousand. The fair value as at 31 December 2024 is CZK 36,925 thousand (31 December 2023 – CZK 58,018 thousand). The arrangement has been contracted until January 2027.

In connection with bonds issued in 2023 amounting to CZK 1,929,000 thousand, on 18 May 2023, the Company entered into an interest rate swap with Česká spořitelna, which exactly replicates the volume and maturity of the bonds. The fair value as at 31 December 2024 is CZK -86,080 thousand (31 December 2023 – CZK -106,927 thousand). The interest rate swap has been contracted until May 2030.

In connection with the received loan, the Company entered into an interest rate swap arrangement with Commerzbank on 5 June 2024 and with Komerční banka on 11 June 2024. The fair value of the hedging instrument as at 31 December 2024 was CZK -14,094 thousand. The interest rate swap has been contracted until May 2029.

These interest rate swap contracts oblige the Company for the exchange of the difference between the fixed and variable interest calculated on the agreed principal. These contracts partially eliminate the risk of the impact of the future increase of market interest rates on the value of issued debt instruments with a floating reference rate. The fair value of the interest rate swaps at the end of the reporting period is determined by discounting future cash flows. These interest rate swaps are classified by the Company as held for trading.

The hedge ratio is set as 1:1, or 1:0.996, due to a mismatch of 0.04% between the principal amounts of the hedging derivative and the hedged item, which the Company does not consider significant. The sources of hedge ineffectiveness are mainly the credit risk of the counterparty to the hedging instrument, which the Company considers to be minimal due to the fact that the hedging instruments have been negotiated with a bank with a high credit rating, and the risk of early repayment of the issued bonds.

As at 31 December 2024, the Company held the following instruments to hedge its exposure to changes in foreign exchange rates and interest rates.

2024		Due date		
CZK '000		1–6 months	6–12 months	More than 1 year
Currency risk				
Net exposure – USD		–	–	3,635,550
Net exposure – EUR		–	–	1,544,271
Average exchange rate CZK/USD		–	–	21,418
Average exchange rate CZK/EUR		–	–	24,463
Interest rate risk				
Net exposure – split USD/CZK interest rate swap		–	–	3,212,700
Net exposure – split EUR/CZK interest rate swap		–	–	1,500,000
Net exposure – interest rate swap CZK		–	–	2,429,000
Net exposure – interest rate swap EUR		–	–	1,087,111
Average fixed interest rate – split USD/CZK interest rate swap		–	–	3.524%
Average fixed interest rate – split EUR/CZK interest rate swap		–	–	5.179%
Average fixed interest rate – interest rate swap CZK		–	–	3.746%
Average fixed interest rate – interest rate swap EUR		–	–	2.440%
2023		Due date		
CZK '000		1–6 months	6–12 months	More than 1 year
Currency risk				
Net exposure – USD		–	–	3,356,400
Net exposure – EUR		–	–	1,516,065
Average exchange rate CZK/USD		–	–	21,418
Average exchange rate CZK/EUR		–	–	24,463
Interest rate risk				
Net exposure – split USD/CZK interest rate swap		–	–	3,212,700
Net exposure – split EUR/CZK interest rate swap		–	–	1,500,000
Net exposure – interest rate swap		–	–	2,429,000
Average fixed interest rate – split USD/CZK interest rate swap		–	–	3.524%
Average fixed interest rate – split EUR/CZK interest rate swap		–	–	5.179%
Average fixed interest rate – interest rate swap		–	–	3.746%

As at the reporting date, the amounts relating to the hedged items were as follows:

31 December 2024			
CZK '000	Change in value used to calculate hedge ineffectiveness	Cash flow hedge reserve	Balance in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Currency risk			
Provided loan in USD	263,184	160,047	–
Provided loan in EUR	67,641	65,879	–
Interest rate risk			
Issued bonds with variable interest rate	136,437	-177,230	–
Total	467,262	48,696	–

31 December 2023			
CZK '000	Change in value used to calculate hedge ineffectiveness	Cash flow hedge reserve	Balance in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Currency risk			
Provided loan in USD	-149,743	143,162	–
Provided loan in EUR	38,518	116,947	–
Interest rate risk			
Issued bonds with variable interest rate	489,857	-39,971	–
Effect of change of tax rate	–	-14,230	–
Total	378,632	205,908	–

Amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

31 December 2024					
CZK '000	Nominal value	Receivable (+) / liability (-)	Changes in value of hedging instrument recognised in Other comprehensive income	Hedge ineffectiveness recognised in profit or loss	Amount reclassified from cash flow hedge reserve to profit or loss
Currency risk					
Cross currency interest rate swaps	5,179,821	-253,859	326,298	-9,133	-288,734
Interest rate risk					
Interest rate swap	3,516,111	-63,250	22,196	–	6,207
Cross currency interest rate swaps	4,712,700	164,365	108,468	-639	24,567
Deferred tax effect	–	–	-41,790	–	–
Total	–	-152,744	415,172	-9,772	-257,960

CZK '000	Nominal value	Receivable (+) / liability (-)	Changes in value of hedging instrument recognised in Other comprehensive income	Hedge ineffectiveness recognised in profit or loss	Amount reclassified from cash flow hedge reserve to profit or loss
Currency risk					
Cross currency interest rate swaps	4,872,465	86,099	-118,313	701	20,104
Interest rate risk					
Interest rate swap	2,429,000	-48,909	127,350	-	19,274
Cross currency interest rate swaps	4,712,700	275,366	333,895	-	68,554
Deferred tax effect	-	-	-94,681	-	-
Effect of change of tax rate	-	-	14,230	-	-
Total	-	312,556	262,481	701	107,932

Receivables from hedging derivatives of CZK 135,256 thousand (31 December 2023 – CZK 419,483 thousand) are recognised in non-current financial derivatives. Liabilities from hedging derivatives of CZK 288,000 thousand (31 December 2023 – CZK 106,927 thousand) are recognised in non-current financial derivatives. Hedge ineffectiveness of CZK -9,772 thousand (31 December 2023 – CZK 701 thousand) is recognised in Gains/losses from derivative transactions. The amount reclassified from the cash flow hedge reserve to profit or loss of CZK 30,775 thousand (31 December 2023 – CZK 87,828 thousand) is recognised in Interest income and CZK 288,734 thousand in Other financial revenues (31 December 2023 – CZK 20,104 thousand).

The following table provides a reconciliation of equity components by risk category and an analysis of the items in other comprehensive income, net of tax, arising from hedge accounting.

	Cash flow hedge reserve	
CZK '000	2024	2023
Opening balance as at 1 January	205,908	576,320
Cash flow hedges		
Change in fair value:		
– Currency risk	-326,298	118,313
– Interest rate risk	-130,664	-461,245
Values reclassified to the statement of profit or loss:		
– Currency risk – other items	288,734	-20,104
– Interest rate risk	-30,774	-87,827
Tax on movements in reserve funds during the year	41,790	94,681
Effect of change of tax rate	-	-14,230
Closing balance as at 31 Dec	48,696	205,908

36.2. Derivatives held for trading

36.2.1. Currency contracts

The following table provides an overview of nominal values and positive or negative fair values of open derivatives held for trading as at 31 December 2024 and 31 December 2023 (CZK '000):

CZK '000	31 Dec 2024			31 Dec 2023		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Currency swaps	1,011,058	14,708	633	1,134,651	2,399	8,481
Cross currency interest rate swaps	724,200	–	155,990	724,200	–	112,179
Interest rate swaps	1,129,169	–	12,162	–	–	–
Currency forwards	13,650,709	19,680	476,786	1,413,277	120,981	–
Total	16,515,136	34,388	645,571	3,272,128	123,380	120,660

Valuation techniques are described in Note 34.2.

The fair values determined by the Company are verified in view of the valuation of transactions regularly obtained from individual counterparties on an individual basis. Interest rate risks relating to derivative transactions are considered immaterial.

The fair values of derivative transactions are classified as level 2, whereby the market data used in models originate from active markets. For other financial instruments, the fair value approximates the carrying amount.

The Company has concluded a master agreement with the bank for mutual offsetting of receivables, however, the receivables and payables from derivatives are reported separately since the Company does not plan to offset these derivatives in the future.

The tables below show open FX forwards and swaps at the end of the reporting period:

Open currency forwards	Average exchange rate		Foreign currency		Nominal value		Fair value	
	2024	2023	2024	2023	2024	2023	2024	2023
USD	22,875	24,291	300,300	60,000	7,278,371	1,342,560	-367,283	120,981
CHF	–	26,445	–	2,651	–	70,717	–	-2,061
EUR	24,960	–	253,021	–	6,372,338	–	-89,823	–

Open currency swaps / currency interest rate swaps / interest rate swaps	Average exchange rate		Foreign currency		Nominal value		Fair value	
	2024	2023	2024	2023	2024	2023	2024	2023
USD currency swap	22,630	22,438	10,000	49,498	242,370	966,643	13,248	2,399
CHF currency swap	26,700	25,530	9,599	6,298	256,956	168,008	-633	-6,420
CHF cross currency interest rate swap	24,140	24,140	30,000	30,000	724,200	724,200	-155,990	-112,179
EUR currency swap	25,275	–	20,319	–	511,732	–	1,460	–
EUR interest rate swap	–	–	44,835	–	1,129,169	–	-12,162	–

*In 2024, the structure of the above table was adjusted, and for the sake of comparability the Company also adjusted the information for 2023.

The tables below show the maturity of individual financial derivatives held for trading as at 31 December 2024 and 31 December 2023 according to their fair and nominal values in CZK '000.

Ageing structure	31 December 2024		31 December 2023	
	Fair value	Nominal value	Fair value	Nominal value
Within 3 months	6,065	754,101	21,123	1,190,403
3–6 months	-476,786	12,438,859	-8,481	238,725
6–12 months	-633	256,957	–	–
1–2 years	2,945	242,370	22,081	223,760
2–3 years	25,378	969,480	20,101	223,760
3–4 years	–	–	60,075	671,280
4–5 years	-12,162	1,129,169	–	–
6–7 years	-155,990	724,200	-112,179	724,200
Total	-611,183	16,515,136	2,720	3,272,128

37. RELATED PARTIES

In 2024 a 2023, the Company had the following transactions with related parties:

		Purchases for the period	Sales for the period		
			2023	2024	2023
Česká zbrojovka a.s.	company under ultimate control	8,368	10,856	40,430	46,669
EHC-4M, SE	company under ultimate control	–	–	48	48
CZ-USA	company under ultimate control	–	–	13,712	16,699
Colt Canada Corporation	company under ultimate control	–	1,583	10,141	16,365
Colt's Manufacturing Company LLC	company under ultimate control	915	–	40,171	45,223
Colt CZ Defence Solutions s.r.o.	company under ultimate control	–	500	9,882	3,158
Colt CZ Group International s.r.o.	company under ultimate control	–	–	65	65
CZG VIB s.r.o.	company under ultimate control	–	–	65	65
Spuhr i Dalby AB	company under ultimate control	81	–	1,870	1,959
saltech AG	company under ultimate control	–	–	6,232	4,103
4M SYSTEMS a.s.	company under ultimate control	–	–	1,416	2,704
Sellier & Bellot Int. a.s. (earlier Vocatus Investment a.s.)	company under ultimate control	–	–	120	–
Sellier & Bellot a.s.	company under ultimate control	–	–	31,240	–
Keriani a.s.	company of the ultimate owner's corporate group	394	22	–	–
Colt CZ Hungary Zrt.	associate company of a subsidiary	–	–	50	–
M&H Management a.s.	company of the ultimate owner's corporate group	–	–	–	43
Total		9,758	12,961	155,442	137,101

In addition to the above, the Company records income from the profit sharing of subsidiaries for 2024 and 2023, which is described in Note 7. Furthermore, the above table does not show the interest income on loans granted by the Company to its subsidiaries and interest income from cash pooling totalling CZK 495,644 thousand (2023 – CZK 295,631 thousand) and interest expense from cash pooling totalling CZK 1,941 thousand (2023 – CZK 0 thousand).

		Trade and other receivables		Trade and other payables	
		31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Česká zbrojovka a.s.	company under ultimate control	2,175	6,863	12,938	3,869
EHC-4M, SE	company under ultimate control	5	5	–	–
Colt CZ Group North America, Inc.	company under ultimate control	1,856	6,713	–	–
CZ-USA	company under ultimate control	3,616	16,703	6,316	–
Colt Canada Corporation	company under ultimate control	378	1,171	–	–
Colt's Manufacturing Company LLC	company under ultimate control	10,979	47,416	915	–
Colt CZ Defence Solutions s.r.o.	company under ultimate control	10,381	325	–	–
Colt CZ Group International s.r.o.	company under ultimate control	75,007	1,855	–	–
CZG VIB s.r.o.	company under ultimate control	7	7	–	–
4M SYSTEMS a.s.	company under ultimate control	–	1,222	1,589	–
Spuhr i Dalby AB	company under ultimate control	121	150	–	4
Sellier & Bellot Int. a.s. (earlier Vocatus Investment a.s.)	company under ultimate control	557,801	–	–	–
Sellier & Bellot a.s.	company under ultimate control	1,609	–	–	–
Keriani, a.s.	company of the ultimate owner's corporate group	–	–	42	–
saltech AG	company under ultimate control	–	–	1,727	1,588
Colt CZ Hungary Zrt.	associate company of a subsidiary	6,347	4,736	–	–
Total		670,282	87,166	23,527	5,461

The Company also granted loans to related parties totalling CZK 18,140,091 thousand as at 31 December 2024 (31 December 2023 – CZK 7,819,496 thousand). For a detailed overview of the loans see Note 22. The Company had not identified any impairment of the above loans to related parties.

The Company also paid a dividend of CZK 797,945 thousand (2023 – CZK 786,314 thousand) to Česká zbrojovka Partners SE.

38. OFF-BALANCES SHEET COMMITMENTS

As at 31 December 2024 and 31 December 2023, the Company issued no guarantees in respect of third-party liabilities.

As at 31 December 2024, the Company records neither significant legal disputes where the Company acts as a defendant nor investment, environmental and other off-balance sheet commitments.

39. AUDITOR'S FEE

The statutory auditor's fee is disclosed in the notes to the consolidated financial statements prepared for the consolidated group in which the Company is included.

40. SUBSEQUENT MATERIAL EVENTS

As of 1 January 2025, Mr Radek Musil was elected Vice-Chairman of the Board of Directors of the Company.

As of 1 April 2025, Mr Dennis Veilleux resigned from the position of member of the Board of Directors of the Company.

During the first quarter of 2025, the Company sold part of the COLTCZ VAR/30 bonds maturing in 2030 with a nominal value of CZK 483 million. The Company purchased from the market COLTCZ VAR/27 bonds maturing in 2027 in the same nominal amount. This step reduced the volume of bonds maturing in 2027 and at the same time extended the average maturity of the total debt financing. No other subsequent events have occurred up to the reporting date that would have any material impact on the financial statements as at 31 December 2024.

The separate financial statements were approved by the Company's Board of Directors for publication on 29 April 2025.



Jan Drahota
Chair of the Board of Directors



Josef Adam
Vice-Chair of the Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31 December 2024
prepared in accordance with IFRS Accounting
Standards as adopted by the European Union

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 DECEMBER 2024**

		2024	2023
	Note	CZK '000	CZK '000
Revenues from the sale of own products, goods and services	4, 5	22,375,792	14,855,581
Other operating income	6	159,638	89,789
Change in inventories developed internally		-629,980	887,593
Own work capitalised		338,746	172,976
Raw materials and consumables used	7	-11,335,766	-8,065,419
Services	8	-2,487,683	-1,959,627
Personnel expenses	9	-4,489,688	-3,083,096
Depreciation and amortisation	11	-1,478,824	-801,721
Other operating expenses	12	-331,521	-210,225
Allowances	13	-119,696	-23,885
Operating profit or loss		2,001,018	1,861,966
Interest income	16	784,854	756,541
Interest expense	17	-1,307,949	-894,604
Other financial income	16	113,159	251,596
Other financial expenses	17	-202,902	-72,120
Gains or losses from derivative transactions	18	-8,872	221,019
Share in profit of associates after tax	25	530	682
Bargain purchase gain	23	-	384,482
Profit before tax		1,379,838	2,509,562
Income tax	19	-335,263	-467,024
Profit for the period		1,044,575	2,042,538
Items that may be subsequently reclassified to the statement of profit or loss			
Cash flow hedges – remeasurement of effective portion of hedging instruments		-803,310	-468,398
Foreign currency translation of foreign operations	21	74,551	183,745
Other comprehensive income		-728,759	-284,653
Comprehensive income for the period		315,816	1,757,885
Profit for the period attributable to:			
Owner of the parent company		1,044,575	2,042,538
Comprehensive income for the period attributable to:			
Owner of the parent company		315,816	1,757,885
Net earnings per share attributable to the owner of the parent company (CZK per share)			
Basic	45	22	58
Diluted	45	22	58

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

		31 December 2024	31 December 2023
	Note	CZK '000	CZK '000
ASSETS			
Non-current assets			
Intangible assets	24	10,403,416	3,413,881
Goodwill	24	8,489,707	2,547,480
Property, plant and equipment	24	9,582,545	4,281,449
Advance for acquisition of financial investment	22	-	2,690,040
Equity-accounted securities and investments	25	44,102	40,795
Financial derivatives	41	413,372	1,013,168
Trade and other receivables	29	20,021	61,891
Other receivables	30	2,593	2,556
Deferred tax assets	20	75,589	21,245
Total non-current assets		29,031,345	14,072,505
Current assets			
Inventories	26	7,456,512	5,298,077
Trade and other receivables	29	2,829,759	1,774,947
Provided loans	27	20,017	-
Other financial assets	28	12,531	908,580
Financial derivatives	41	127,174	149,047
Other receivables	30	555,882	351,165
Tax receivables	18	81,210	93,751
Cash and cash equivalents	31	5,917,768	3,328,684
Total current assets		17,000,853	11,904,251
Total assets		46,032,198	25,976,756
EQUITY AND LIABILITIES			
Capital and reserves			
Registered capital	32	5,646	3,516
Share premium	32	13,477,795	1,942,818
Capital funds	33	1,641,512	1,641,512
Cash flow hedge reserve	33	-203,494	599,816
Foreign exchange translation reserve	33	-68,137	-142,688
Accumulated profits		5,175,107	5,229,872
Equity attributable to the owner of the Company		20,028,429	9,274,846
Non-controlling interests		-	-
Total equity		20,028,429	9,274,846

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

		31 December 2024	31 December 2023
	Note	CZK '000	CZK '000
Non-current liabilities			
Bonds, bank loans and borrowings	34	16,336,227	9,040,540
Financial derivatives	41	532,473	244,169
Lease liabilities	38	58,922	62,052
Trade and other payables	35	46,802	42,022
Other payables	36	10,387	14,569
Provisions	14	101,095	76,188
Deferred tax liabilities	20	2,561,948	722,783
Employee benefit liabilities	15	234,725	255,721
Total non-current liabilities		19,882,579	10,458,044
Current liabilities			
Bonds, bank loans and borrowings	34	1,474,910	2,573,744
Financial derivatives	41	394,262	11,038
Lease liabilities	38	22,267	25,619
Other financial liabilities	37	–	44,580
Trade and other payables	35	1,573,335	1,746,796
Other payables	36	2,333,203	1,655,094
Provisions	14	57,870	30,084
Tax liabilities	19	248,236	142,084
Employee benefit liabilities	15	17,107	14,827
Total current liabilities		6,121,190	6,243,866
Total liabilities		26,003,769	16,701,910
Total equity and liabilities		46,032,198	25,976,756

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

CZK '000	Registered capital (Note 32)	Share premium (Note 32)	Capital funds (Note 33)	Cash flow hedge reserve (Note 33)	Foreign exchange translation re-serve (Note 33)	Accumulated profits	Equity attributable to the owner of the parent company	Non-controlling interests	Total equity
Balance at 31 December 2022	3,410	1,366,386	1,641,512	1,068,214	-326,433	3,928,282	7,681,371	-	7,681,371
Profit for the period	-	-	-	-	-	2,042,538	2,042,538	-	2,042,538
Other comprehensive income	-	-	-	-468,398	183,745	-	-284,653	-	-284,653
Total comprehensive income for the period	-	-	-	-468,398	183,745	2,042,538	1,757,885	-	1,757,885
Dividends	-	-	-	-	-	-1,034,016	-1,034,016	-	-1,034,016
Issue of shares	106	576,432	-	-	-	-	576,538	-	576,538
Share-based payments	-	-	-	-	-	293,068	293,068	-	293,068
Balance at 31 December 2023	3,516	1,942,818	1,641,512	599,816	-142,688	5,229,872	9,274,846	-	9,274,846
Profit for the period	-	-	-	-	-	1,044,575	1,044,575	-	1,044,575
Other comprehensive income	-	-	-	-803,310	74,551	-	-728,759	-	-728,759
Total comprehensive income for the period	-	-	-	-803,310	74,551	1,044,575	315,816	-	315,816
Dividends	-	-	-	-	-	-1,511,069	-1,511,069	-	-1,511,069
Issue of shares	1,957	11,534,977	-	-	-	-	11,536,934	-	11,536,934
Share-based payments	173	-	-	-	-	411,729	411,902	-	411,902
Balance at 31 December 2024	5,646	13,477,795	1,641,512	-203,494	-68,137	5,175,107	20,028,429	-	20,028,429

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 CZK '000	2023 CZK '000
Cash flows from principal economic activity (ordinary activity)			
Profit from ordinary activity before tax		1,379,838	2,509,562
Depreciation/amortisation of non-current assets	11, 24	1,478,824	801,721
Change in allowances and provisions	13, 14	170,879	22,276
Profit from the sale of non-current assets	6	-1,990	-2,659
Interest expense and interest income	16, 17	523,095	138,063
Share in the profit of associates	25	-530	-682
Unrealised foreign exchange gains and losses		-343,250	14,988
Partial settlement of contingent consideration	33	-	406,915
Remeasurement of other financial assets	28	-113,402	-160,692
Bargain purchase gain	23	-	-384,482
Cash flow hedges – remeasurement of effective portion of hedging instruments	41	-1,001,100	-468,398
Share-based payments	10	411,729	293,068
Adjustments for other non-cash transactions		62,197	52,921
Net operating cash flows before changes in working capital		2,566,290	3,222,601
Change in working capital			
Change in receivables and deferrals	29, 30	682,840	-162,505
Change in liabilities and accruals	35, 36	216,589	244,040
Change in inventories	26	503,703	-1,008,033
Cash flow from operating activities		3,969,422	2,296,103
Paid interest		-1,327,694	-880,196
Interest received		826,407	756,881
Income tax paid for ordinary activity	19	-797,443	-759,473
Net cash flow from operating activities		2,670,692	1,413,315
Cash flows from investing activities			
Acquisition of non-current assets	24	-920,565	-924,156
Income from the sale of non-current assets		1,990	2,964
Acquisition of subsidiaries – opening balance	22, 23	-5,231,350	-723,902
Acquisition of subsidiaries – cash and cash equivalents	22, 23	443,521	150,863
Advance for acquisition of financial investment	23	-	-2,690,040
Acquisition and contribution of equity-accounted securities and investments	25	-3,776	-1,212
Acquisition of other financial assets	28	-12,531	-
Income from the sale of Other financial assets	28	1,021,982	-
Drawing on and repayment of provided loans	27	-18,889	7,700
Employee benefit liabilities	15	-54,240	-27,014
Net cash flow from investing activities		-4,773,858	-4,204,797
Cash flows from financing activities			
Proceeds from issue of bonds	34	588,000	1,917,756
Proceeds from issue of shares	32	2,242,673	-
Proceeds from drawing on loans	34	7,382,973	2,295,085
Dividends paid to owners	42	-260,445	-864,393
Repayment of loans	34	-5,324,774	-22,333
Repayment of leases	38	-25,650	-32,762
Net cash flow from financing activities		4,602,777	3,293,353
Net change in cash and cash equivalents		2,499,611	501,871
Opening balance of cash and cash equivalents		3,328,684	2,825,781
Effect of exchange rate on cash and cash equivalents		89,473	1,032
Closing balance of cash and cash equivalents		5,917,768	3,328,684

These notes are an integral part of these consolidated financial statements.

COLT CZ GROUP SE

Consolidated Financial Statements
for the Year Ended 31 December 2024 prepared
in accordance with IFRS Accounting Standards
as adopted by the European Union

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1. PARENT COMPANY

Colt CZ Group SE (the “Consolidating Entity” or “Company”) is a societas Europaea recorded in the Register of Companies held by the Municipal Court in Prague on 10 January 2013, having its registered office at náměstí Republiky 2090/3a, Nové Město, 110 00 Prague 1, Czech Republic, corporate ID No. 291 51 961. The Company together with its subsidiaries is one of the world’s leading manufacturers of small arms and ammunition for the armed forces, personal defense, hunting, sport shooting and other commercial uses. It sells its products mainly under the Colt, CZ (Česká zbrojovka), Sellier & Bellot, Colt Canada, CZ-USA, Dan Wesson, Spuhr, swissAA, and 4M Systems brands.

The following table shows individuals and legal entities with an equity interest greater than 10 percent:

Shareholder	Ownership percentage as at	
	31 Dec 2024	31 Dec 2023
Česká zbrojovka Partners SE	51.80%	75.40%
CBC Europe S.à r.l.	24.37%	-

Since 2017, the majority owner of the Company has been Česká zbrojovka Partners, SE, based at Opletalova 1284/37, Nové Město, 110 00 Prague 1 Czech Republic.

The Consolidating Entity and consolidated entities are part of a larger consolidated group of ultimate parent company European Holding Company, SE, based at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic. The ultimate owner of the Company is Mr René Holeček.

Members of the Board of Directors and Supervisory Board as of the balance sheet date:

Board of Directors	
Chair:	Jan Drahota
Vice-chair:	Josef Adam
Vice-chair:	Radek Musil (member since 1 August 2024)
Member:	Jan Holeček
Member:	Dennis Veilleux
Member:	Jan Zajíč

Supervisory Board	
Chair:	David Aguilar
Vice-chair:	René Holeček
Vice-chair:	Lubomír Kovařík
Member:	Jana Růžičková
Member:	Daniel Birmann (since 27 May 2024)
Member:	Vladimír Dlouhý

Mr Radek Musil was elected a member of the Company’s Board of Directors with effect from 1 August 2024.

Mr Daniel Birmann was appointed to the Supervisory Board on 27 May 2024. Mr Daniel Birmann was nominated to the position of member of the Supervisory Board by CBC Europe S.à r.l. based on a nomination agreement in connection with the acquisition of a share in the Group by CBC Europe S.à r.l.

The consolidated group (the “Group”) comprises the Company and the consolidated entities of the Group (subsidiaries). The consolidated group includes the Company and entities controlled by the Company, i.e. entities in which the Company holds more than 50% of voting rights.

The data in these financial statements are expressed in thousands of Czech crowns (CZK '000), which is also the functional currency.

2. IDENTIFICATION OF THE GROUP AND MATERIAL EVENTS IN THE PERIOD

2.1. Identification of the Group

Company name	Principal activity	Place of foundation and business operation	Consolidation method	Share in voting rights held by the Group	
				31 December 2024	31 December 2023
Česká zbrojovka a.s.	Production, purchase and sale of firearms and ammunition	Uherský Brod, Czech Republic	full	100%	100%
Česká zbrojovka a.s. Niederlassung Deutschland	Production, purchase and sale of firearms and ammunition	Regensburg, Germany	full	100%	100%
Latin America Holding, a.s.	Holding company	Uherský Brod, Czech Republic	full	100%	100%
ZBROJOVKA BRNO, s.r.o.	Purchase and sale of firearms and ammunition	Brno, Czech Republic	full	100%	100%
Sellier & Bellot a.s.	Production and sale of ammunition	Vlašim, Czech Republic	full	100%	—
Sellier & Bellot Trade a.s.	Sale of ammunition	Vlašim, Czech Republic	full	100%	—
CZ – Slovensko s.r.o.	Production, purchase and sale of firearms and ammunition	Bratislava, Slovakia	full	100%	100%
Colt CZ Group North America, Inc.	Holding company	Kansas City, USA	full	100%	100%
CZ-USA, LLC	Purchase and sale of firearms and ammunition	Kansas City, USA	full	100%	100%
Colt's Manufacturing Company LLC	Production, purchase and sale of firearms	West Hartford, Connecticut, USA	full	100%	100%
Four Horses Apparel, Inc.	Production and sale of clothing and fashion accessories	West Hartford, Connecticut, USA	full	100%	100%
Colt Canada Corporation	Production, purchase and sale of firearms	Kitchener, Ontario, Canada	full	100%	100%
Colt CZ Defence Solutions, s.r.o.	Purchase and sale of firearms and ammunition	Uherský Brod, Czech Republic	full	100%	100%
EHC-4M, SE	Holding company	Prague, Czech Republic	full	100%	100%
4M SYSTEMS a.s.	Trade with military material	Prague, Czech Republic	full	100%	100%
Colt CZ Group International s.r.o.	Holding company	Prague, Czech Republic	full	100%	100%
Spuhr i Dalby AB	Production of optical assembly solutions	Löddecköpinge, Sweden	full	100%	100%
CZG VIB s.r.o.	Holding company	Prague, Czech Republic	full	100%	100%
Sellier & Bellot Int. a.s. (earlier Vocabus Investment, a.s.)	Holding company	Prague, Czech Republic	full	100%	100%
Colt CZ Insurance Limited	Captive reinsurance company	Saint Peter Port, Guernsey	full	100%	100%
swissAA Holding AG**	Holding company	Däniken, Switzerland	full	100%	100%
aaltech GmbH**	Purchase and sale of ammunition	Sollenau, Austria	full	100%	100%
alaltech s.r.l.**	Purchase and sale of ammunition	Bad Krozingen, Germany	full	100%	100%
galtech AG**	Purchase and sale of ammunition	Bad Krozingen, Germany	full	100%	100%
saltech AG**	Production and sale of ammunition	Däniken, Switzerland	full	100%	100%
haltech kft.**	Production and sale of ammunition	Balatonfüzö, Hungary	full	100%	100%
S-Pyrotech kft.**	Lease of buildings and equipment	Balatonfüzö, Hungary	full	100%	100%
CZ BRASIL LTDA	Purchase and sale of firearms and ammunition	Brazil	equity	49%	49%
CARDAM s.r.o.	Research and development	Dolní Břežany, Czech Republic	equity	33%	33%
EG-CZ Academy	Academy	Quimper, France	equity	20%	20%
VIBROM spol. s r.o.	Production	Třebechovice pod Orebem, Czech Republic	equity	25%	25%
Colt CZ Hungary Zrt.***	Production of firearms	Hungary	equity	51%	51%

* On 16 May 2024, the Company acquired Sellier & Bellot a.s. and Sellier & Bellot Trade a.s. For more detailed description, see Note 22.

** On 28 June 2023, the Company acquired the swissAA Holding AG group. For more detailed description, see Note 23.

*** The Group holds a 51% equity interest and a 50% non-controlling interest in Colt CZ Hungary Zrt.

Česká zbrojovka a.s., Sellier & Bellot a.s., and Colt's Manufacturing Company LLC are the most significant entities in the Group. In the text below, the term 'Group' refers to the consolidated group. North American companies Colt's Manufacturing Company LLC and Colt Canada Corporation, which were included in the Group in 2021, will further be referred to as "Colt NA".

2.2. Material events in the period

On 29 January 2024, the Group provided its associated company Colt CZ Hungary Zrt. a loan of CZK 18,735 thousand.

During the first quarter of 2024, the Group sold Other financial assets representing the Group's short-term investment in listed shares. It generated a profit of CZK 113,402 thousand from these sales.

On 18 April 2024, the Company's Board of Directors approved an increase in the volume of the existing issue of the COLTCZ VAR/30 bonds of CZK 1,071,000 thousand. The increase in the issue volume complies with the prospectus issued on 18 May 2023, which allows for an increase in the issue volume up to a maximum of CZK 3,000,000 thousand. On 17 May 2024, the Company exercised the option to increase the volume of the existing bond issue and issued bonds with a nominal value of CZK 588,000 thousand before 31 December 2024.

In connection with the acquisition of a 100% share in Sellier & Bellot a.s., the Group entered into a loan agreement on 7 May 2024, under which it may draw down a loan of up to EUR 485 million. In the period from 16 May 2024 to 30 May 2024, the Group drew on a loan of EUR 440 million (CZK 10,877,495 thousand), including the refinancing of the original loan drawn by Sellier & Bellot a.s. Simultaneously, the Group repaid the short-term loan provided by Komerční banka a.s. of EUR 91 million (CZK 2,255,639 thousand).

On 16 May 2024, the acquisition of Sellier & Bellot a.s. was finally settled and the Group became a 100% owner of this company. The Group paid the remaining part of the purchase price of USD 230 million including share-based payments of USD 353 million, representing 13,476,440 shares. These shares were issued on 16 May 2024, increasing the Company's registered capital by CZK 1,348 thousand. The issue rate was set at CZK 596.9 per share.

In connection with this issue, the share of the Group's majority owner Česká zbrojovka Partners SE changed to 54.5%. CBC Europe S.à r.l. holds a 27.7% share; the remaining 17.8% is made up of publicly traded shares.

On 26 June 2024, the Company's registered capital was increased by CZK 173,510 through the issue of 1,735,100 shares in book-entry form. The share capital was increased in connection with the exercise of the first part of the Company's stock option plan. The issue rate was set at CZK 0.1 per share.

In connection with this issue, the share of the Group's majority owner Česká zbrojovka Partners SE changed to 52.8%. CBC Europe S.à r.l. holds a 26.8% share; the remaining 20.4% is made up of publicly traded shares.

In July 2024, two subsidiaries of the Group signed contracts with Ukrainian state-owned company Ukroboronprom as part of the Czech-Ukrainian intergovernmental consultations. Sellier & Bellot a.s. and Ukroboronprom agreed to cooperate on the production of several types of small calibre ammunition in Ukraine, with Sellier & Bellot a.s. providing the Ukrainian party with the ammunition production technology. Following the agreement on the joint undertaking with Ukroboronprom from February, the Česká zbrojovka a.s. signed a contract on the transfer of technology for the assembly of CZ BREN 2 rifles in Ukraine.

On 3 July 2024, 1,735,100 employee options were settled under the Company's Stock Option Plan. The option holders exercised their right to purchase the Company's shares at a nominal value of CZK 0.1. These shares were issued by the Company on 26 June 2024.

On 3 July 2024, the general meeting decided on the distribution of profit and the payment of dividends. The dividend for 2023 is CZK 30 per share before tax. The decisive date for exercising the right to a share of profits is 4 July 2024. Shareholders will have the choice of whether to elect to receive a profit share in the form of new shares of the Company.

On 23 August 2024, the registered capital was increased by CZK 219,408 through the issue of 2,194,078 shares in book-entry form. The issue rate of one subscribed share was CZK 570. The increase of the registered capital was approved by the Company's Board of Directors on 22 August 2024 based on the authorisation by a general meeting. The capital increase and subscription of new shares was made in connection with the payment of a dividend in form of new shares of the Company based on a previous shareholders' decision. The remainder of the dividend was paid to shareholders on 21 August 2024.

In connection with this issue, the share of majority owner Česká zbrojovka Partners SE in the Company changed to 53.27%. CBC Europe S.à r.l. holds a 26.33% share; the remaining 20.4% is made up of publicly traded shares.

On 28 August 2024, the Company announced its intention to take a decision of the general meeting outside its meeting (per rollam decision). The planned points of the draft per rollam decision include the authorisation of the Board of Directors to increase the registered capital, changes in the composition of the Supervisory Board and their remuneration, and appointment of an auditor for the purpose of examining the sustainability report.

On 18 October 2024, the registered capital was increased by CZK 390,000 through the issue of 3,900,000 shares in book-entry form. The issue rate of one subscribed share was CZK 575. The increase of the registered capital was approved by the Company's Board of Directors based on the authorisation by a general meeting.

In connection with this issue, the share of majority owner Česká zbrojovka Partners SE in the Company changed to 51.80%. CBC Europe S.à r.l. holds a 24.37% share; the remaining 23.83% is made up of publicly traded shares.

On 21 October 2024, Vocatus Investment a.s. changed its name to Sellier & Bellot Int. a.s.

On 6 December 2024, the Company repaid the portion of the loan of EUR 94,835 thousand (CZK 2,385,100 thousand) drawn on 16 May 2024.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Newly adopted standards and interpretations

In the current year, the Group applied the below existing amendments to IFRS Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in the EU for accounting periods beginning on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Standard	Title
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-Current - Deferral of Effective Date
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

New standards and amendments to the existing standards issued by the IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following revised IFRS Accounting Standards that have been issued by IASB and adopted by EU but are not yet effective:

Standard	Title	Effective date
Amendments to IAS 21	Lack of Exchangeability	01 January 2025

Amendments to the existing standards issued by the IASB but not yet adopted by the EU

At present, IFRS accounting standards as adopted by the EU do not significantly differ from IFRS accounting standards adopted by the International Accounting Standards Board (IASB) except for the following amendments to the existing standards, which were not adopted by the EU:

Standard	Title	EU adoption status
IFRS 18	Presentation and Disclosure in Financial Statements (IASB effective date: 1 January 2027)	Not yet adopted in the EU
IFRS 19	Subsidiaries without Public Accountability: Disclosures (IASB effective date: 1 January 2027) Voluntary use for eligible subsidiaries	Not yet adopted in the EU
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	Annual Improvements to IFRS Accounting Standards (Volume 11) (IASB effective date: 1 January 2026)	Not yet adopted in the EU
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments (IASB effective date: 1 January 2026)	Not yet adopted in the EU
Amendments to IFRS 9 and IFRS 7	Nature-Dependent Electricity Contracts (IASB effective date: 1 January 2026)	Not yet adopted in the EU
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Other Amendments (the effective date has been deferred indefinitely by the IASB but earlier application is possible).	Approval for use in the EU has been deferred until the project on the equity method is completed.

The Group is evaluating the impact of the implementation of IFRS 18 on its financial statements. The Group does not expect that the adoption of other standards and amendments will have a material impact on the Group's financial statements in future periods.

3.2. Statement of compliance

These consolidated financial statements have been prepared under the International Financial Reporting Standards as adopted by the European Union ("IFRS").

3.3. Basis of preparation

a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

b) Basis of measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants took those characteristics into account in pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- ▶ **Level 1** – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- ▶ **Level 2** – inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- ▶ **Level 3** – inputs are unobservable inputs for the asset or liability.

The Group applies Level 2 to financial instruments – derivatives.

c) Going concern

The Group has, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

d) Basis of consolidation

The consolidated financial statements incorporate assets and liabilities of companies and entities (including structured entities and their subsidiaries) controlled by the Group. Control is achieved when the Group:

- ▶ has power over the investee,
- ▶ is exposed, or has rights, to variable returns from its involvement with the investee, and
- ▶ has the ability to use its power over the investee to influence the level of their returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group holds less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- ▶ The size of the Group's holding of voting rights relative to the size and distribution of holdings of the other vote holders,
- ▶ Potential voting rights held by the Group, other vote holders or other parties,
- ▶ Rights arising from other contractual arrangements, and
- ▶ Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owner of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owner of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intracompany assets and liabilities, equity, income (including any unrealised profit in inventories), expenses, and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

3.3.1. Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's controlling interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owner of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassify the gain or loss from equity to profit or loss or transfer directly to retained earnings if required by other IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost upon initial recognition of an investment in an associate or a joint venture.

3.4. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- ▶ Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively,
- ▶ Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-Based Payments at the acquisition date, and
- ▶ Assets (or disposal groups) that are classified as held for sale or held for distribution to owners in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and equity interests held so far (if any), and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration, which is classified as an asset or liability, is remeasured to fair value at subsequent reporting dates, in accordance with IFRS 9, Contingent Liabilities and Contingent Assets, with the relating gain or loss recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The Group did not use the exception allowing not to apply IFRS 3 to business combinations implemented before the transition to IFRS.

The Group does not apply business combination accounting to combinations with entities or business under common control. In common control transactions, the Group recognises any difference between consideration provided and carrying value of acquired net assets to retained earnings.

3.5. Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Profit or loss, assets and liabilities of associates are accounted for in these financial statements using the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

An impairment loss for investments in associates is calculated by comparing the recoverable amount with the carrying amount if there is objective evidence of impairment. In assessing whether objective evidence exists, the Group primarily considers the associate's current or potential financial difficulties, breach of contract, default or, possible bankruptcy. Realisable value is determined based on estimated future cash flows discounted to their present value. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of the impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9.

The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3.6. Recognition of revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Group recognises revenue from contracts with customers as follows:

- ▶ Contract with customer is identified.
- ▶ Performance obligation is identified.
- ▶ Transaction price is determined.
- ▶ Transaction prices are allocated to individual performance obligations.
- ▶ Revenue is recognised upon meeting the performance obligation.

Revenues are recognised when the Group meets its performance obligation with respect to a client. If a contract contains multiple partial performance obligations the total contractual price is distributed to individual performance obligations and the Group recognises revenue when each partial performance obligation is met. Payments received before a performance obligation is satisfied are reported as liabilities. Expenses incurred before the performance obligation is satisfied are recognised as assets under IFRS.

3.7. Sale of products, goods and related additional services

Products, goods and services are delivered based on orders following master sales agreements or based on individual sales contracts. In respect of sales of products and goods, a performance obligation is the obligation to deliver its products or goods to a customer in the agreed upon amount at the agreed place. Individual orders are always considered to be separate performance obligations because a customer may use the products and goods delivered separately. At the delivery of products and goods, a performance obligation is satisfied at the moment when the customer takes control over the products or goods. The price is determined in a framework contract, orders or individual purchase contracts. The price for products or goods delivery is always fixed, the Group provides no significant bulk discounts or any similar price adjustments linked to the volume of purchases for a specified period.

The Company has identified each individual delivery as a separate performance obligation. The revenue is recognised at the moment of its satisfaction occurs, which is when the customer takes control over the products or goods. This moment is determined mainly by the agreed delivery parity. For goods and products delivered from consignment stock, the revenue is recognised when goods or products are dispatched.

The delivery of goods may be combined with the provision of additional services (such as transportation or insurance). In such case, the performance obligations of all combined transactions are considered to be satisfied at the same point of time.

The Group only provides standard warranties to the products delivered in line with laws of a specific country.

Expenses for contract satisfaction in case of own production are recognised in compliance with IAS 2.

The remuneration for obtaining a contract, in particular the remuneration provided to intermediaries, is usually linked to the customer's payment and is, therefore, directly expensed. Similarly, the costs of obtaining contracts are directly expensed if they are insignificant or if the depreciation period of the asset resulting from the costs of obtaining the contract is shorter than one year.

The sale of material (in particular metal waste and scrap) is recognised in a similar way to the sale of products and goods.

3.8. Provision of services and licences

Services primarily include work (machining, grinding) on supplied tools or material. Services are provided based on contracts or confirmed orders. For provided services, performance obligations are agreed in contracts. Services usually relate to material or tools of a customer and the Group's performance obligation is to apply the agreed service to the delivered material.

For the supply of services, the performance obligation is fulfilled when the customer acquires control of the service. This moment is usually determined in a contract; depending on the nature of the service, it may be, and usually it is, a moment when the material or tools to which the service related are delivered to a customer.

The costs of obtaining a contract are directly expensed if they are insignificant or if the depreciation period of the asset consisting of the costs of obtaining the contract is less than one year.

Licences are provided under licence agreements. In respect of provided licences, the performance obligation is to allow other entities to use the trademark or any other copyright of the Group. The price is determined as a combination of one-time fixed price for the provision of a licence and a share on sales achieved based on the granted licence (a fixed amount per unit sold or a share on sales). If the Group does not undertake to further develop the subject of the licence or allow the licensee to access further modifications, the performance obligation is satisfied at the moment from which the licensee can use the licence. Revenue from the sale of rights to access licenses (license fees) is accounted for an ongoing basis and is not recognised as revenue as it is not generated in the ordinary course of the Group's business.

3.9. Dividends and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is recognised over the relevant period for each financial asset. Interest income is calculated by applying the effective interest rate, the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the gross carrying amount of the financial asset.

3.10. Leases

The Group as a lessor

Income from lease contracts in which the Group acts as a lessor is recognised on a straight-line basis over the term of the contract.

Group as a lessee

For short-term and low-value asset leases (office technology and equipment), costs are accounted for on a straight-line basis over the lease term.

For other leases, the Group recognises right-of-use assets and lease liabilities as of the lease commencement date.

As of the lease commencement date, the lease liability is measured at the present value of outstanding lease payments, discounted using the interest rate implicit in the lease (or the incremental borrowing rate in case the interest rate implicit in the lease is not readily available). Lease payments may include both fixed and variable payments. As of the lease commencement, the variable element of rent depending on the development of a price index or rate is determined according to the index or rate value as of the lease commencement date. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payment made. If any changes (resulting mainly from the change in the lease term or in future lease payments) occur after the lease commencement date, the Group remeasures the lease liability with the corresponding adjustment to the right to use asset.

The short-term and long-term portions of the lease liability are presented on separate lines of the consolidated statement of financial position.

As of the lease commencement date, the right-of-use asset is measured at cost. The cost is comprised of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day less any lease incentives received, and any initial direct cost incurred. Subsequently, the right-of-use asset is measured at cost less accumulated depreciation or impairment losses, if any. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets in the consolidated statement of financial position are presented on the line Property, plant and equipment.

The Company applies IAS 36 to determine whether the right-of-use asset has been impaired and any impairment losses identified are recognised in accordance with the policy described in Note 3.19.

If there is a change in the expected payments included in the lease liability valuation, the Group adjusts the lease liability value to reflect the newly expected payments and adjusts the value of the right-of-use asset at the same time.

3.11. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. The functional currencies in the US subsidiaries are US and Canadian dollars, in the Czech subsidiaries Czech crowns, in the Swiss companies Swiss francs, in the Hungarian companies Hungarian forints, and in the Swedish subsidiaries Swedish krona.

During the course of the reporting period, assets and liabilities denominated in foreign currencies are translated by the Group using the exchange rate promulgated by the Czech National Bank on the previous business day; as of the end of the reporting period, the exchange rate promulgated by the Czech National Bank as of 31 December is used.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange rate differences on monetary items are recognised in the profit or loss for the period in which they occurred, except for exchange rate differences on transactions designated to hedge certain monetary risks (see Notes 3.27).

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Czech crowns using exchange rates promulgated by the Czech National Bank at the end of each reporting period.

Revenue and expense items are translated using the average exchange rate for the period. If exchange rates have fluctuated significantly during the period, the exchange rate at the date of the transaction shall be used.

Exchange differences from translating the functional currency of foreign entities into Czech crowns are recognised in other comprehensive income and accumulated in capital funds as part of equity (and attributed to non-controlling interests as appropriate).

3.12. Borrowing costs

Borrowing costs of the Group directly attributable to the asset are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

Borrowing costs relate to those assets for which more than 180 days have passed between the date of their initial recognition (date of invoice) and the date of their readiness for intended use (date of capitalisation in assets).

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.13. Government grants and investment incentives

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

3.14. Employee benefits

The Group does not operate its own private pension and post-retirement benefit plans in the Czech Republic. In the Czech Republic, similar plans can only be operated by licensed pension funds. Therefore, it does not have any performance or constructive obligations to make such contributions to funds. The Group provides bonuses in relation to life jubilees and retirement for the work performed.

Bonuses are differentiated based on the length of employment at the Company and recognised as a payable to employees using the projected unit credit method. The value of the bonuses did not exceed CZK 1,000 thousand in any period.

The Group has a pension plan in the US, which covers salaried employees and employees covered by a Collective Bargaining Agreement. Pension benefits for both salaried employees and employees covered by the Collective Bargaining Agreement were frozen at various dates prior to 1 January 2015. Accordingly, participants will retain pension benefits that have already been generated. However, no further benefits will be generated from the effective date of the freeze. In accordance with IAS 19, the pension plan liability is accounted for on a net basis.

The Group also provides certain post-retirement healthcare benefits and life insurance coverage to certain retired US employees who were covered by its Collective Bargaining Agreement at the time of retirement. The cost of these post-retirement benefits is determined actuarially and is recognised in the Group's consolidated financial statements over the active working lives of the employees. In USA, the Group also operates a so called NQDC Plan (A Non-Qualified Deferred Compensation Plan) enabling key employees to defer compensation that they have a legally binding right to receive. NQDC plans are not covered under the Employee Retirement Income Security Act (ERISA).

3.15. Share-based payments

The fair value of agreements on equity-settled share-based payments granted to an entity's employees is usually recognised as an expense as at the grant date with a corresponding increase in equity over the vesting period.

The amount recognised as an expense is adjusted to correspond with the number of cases which are expected to meet the relevant condition of employment term/function term and the non-market performance condition so that the amount finally recognised is based on the number of cases meeting the condition of the employment term/function term and the non-market performance condition on the vesting date.

As for remuneration in the form of share-based payments with non-vesting conditions, the grant date fair value of share-based payments is determined considering those conditions and no adjustments are made to reflect differences between the expected and actual result.

3.16. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.16.1. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated individually for each Group entity under tax legislation of the country in which the entity is domiciled.

3.16.2. Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.16.3. Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

3.17. Property, plant and equipment – tangible non-current assets

Property, plant and equipment is recognised at acquisition cost net of accumulated depreciation and accumulated impairment losses.

Purchased property, plant and equipment is carried at cost upon acquisition. The cost includes the direct costs of acquisition, transportation costs, customs duty and other costs related to acquisition.

Non-current tangible assets manufactured by the Group are measured at internal cost including direct material and payroll expenses and production overheads.

Subsequent costs incurred on a replacement part for property, plant and equipment or major inspections or overhauls are recognised in the carrying amount of the affected item of property plant and equipment.

Costs of day-to-day servicing, repair or maintenance are expensed when incurred.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is calculated based on the acquisition cost and estimated useful life of the respective assets. Estimated useful lives are estimated as follows:

	Number of years (from – to)
Buildings	15–77
Machinery, devices and equipment	4–52
Furnaces, cranes and conveyors	16–50
Tools	2–4
Vehicles	7–10
Office equipment	4
Furniture and fixtures	2–20

Land owned by the Group, non-current tangible assets under construction and a collection of firearms are not depreciated.

An item of property plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Rights of use are depreciated from the commencement of the lease over the shorter of the lease term or the life of the asset. If the Group expects to exercise the option to purchase the leased asset at the end of the lease term, the right to use is depreciated over the period of expected use. The table below summarises the useful lives by lease item.

Lease item	Number of years (from – to)
Warehouses, offices and other spaces	2–10
Machinery, devices and equipment	2–5
Vehicles	2–7

3.18. Intangible assets

3.18.1. Intangible assets acquired separately

Intangible assets acquired separately and assets acquired within business combinations with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised on a straight-line basis over their estimated useful lives as follows:

	Number of years (from – to)
Development	4–20
Software	2–4
Licenses, patents and other intellectual property rights	2–15
Contractual customer relations	3–25
Other intangible assets	2–6

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets acquired separately and assets acquired within business combinations with indefinite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

3.18.2. Internally developed intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- ▶ The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- ▶ The intention to complete the intangible asset and use or sell it,
- ▶ The entity's ability to use or sell the intangible asset,
- ▶ How the intangible asset will generate probable future economic benefits,
- ▶ The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset, and
- ▶ The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets arising from successful development activities are assessed as of the date of the meeting of the external examination board for the prototype as it is presumed that the above-listed criteria will be met.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date (mostly the date of the external examination board meeting) when the intangible asset first meets the recognition criteria listed above. Assets with the aggregate expenditure exceeding CZK 100,000 are recognised. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.18.3. Emission allowances

Intangible assets include emission allowances for greenhouse allowances. An initial free-of-charge acquisition of the allowances is measured at its market price with a grant being recognised as a deferred income. Where such asset is used, sold or disposed of in another manner, the corresponding amount credited to the grant account will be reported through the relevant revenue accounts to match the relating expenses on the accrual basis.

The use of emission allowances is accounted for at the end of the reporting period, depending upon the level of emissions produced by the Group in the calendar year. A provision is created for produced emissions for which the Group has no emission allowances.

3.18.4. Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.19. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Intangible assets with indefinite useful lives, intangible assets that have not yet been used and goodwill are tested for impairment every year regardless of whether any indication of impairment exists.

3.20. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term highly liquid investments readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. The Group considers as short-term investments with an initial maturity of three months or less.

3.21. Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories includes any purchase costs, transfer costs, and other costs incurred in bringing the inventories to their present condition and location. The cost of purchased inventories includes the purchase cost and relating acquisition costs (freight costs, custom fees, commissions etc.).

Purchased inventories of unit material are stated at cost using the method of fixed costs and valuation variances.

Purchased inventories of overhead material are stated at cost. Individual items are issued out of stock at cost determined using the weighted arithmetic average method.

Internally developed inventories and work in progress are valued at actual purchase cost (material) and the transformation cost including direct payroll costs and part of production overheads corresponding to regular production capacity net of interest.

Inventories encompass goods purchased and held for resale and also encompass finished products, or work in progress being produced, by the entity and include materials and supplies awaiting use in the production process.

The net realisable value is the estimated selling price of inventory less all estimated costs of completion and costs necessary to make the sale.

3.22. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Group creates mainly provisions for warranty repairs, share-based payments, and insurance claims and benefits.

3.22.1. Warranty repairs

Provisions for the expected cost of warranty obligations under local sale of goods legislation or business rules are recognised at the date of sale of the relevant products at the directors' best estimate of the expenditure, based on historical data, required to settle the Group's obligation.

3.22.2. Provisions for insurance claims and benefits

Provisions for outstanding claims and benefits are calculated using actuarial valuations extrapolated based on the experience with claims over time. These provisions include claims that are classified as 'incurred but not reported', the status of which is reviewed periodically by management in conjunction with appropriately qualified consultants.

3.23. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instruments.

All ordinary purchases and sales of financial assets are recognised or derecognised based on the transaction date. Ordinary purchases and sales refer to purchases or sales of financial assets, which require the assets to be delivered in a timeframe determined by a regulation or market convention.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.24. Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), financial assets 'at fair value through other comprehensive income' (FVTOCI), and financial assets 'at amortised cost'. The Group does not use the option to measure selected equity instruments through other comprehensive income; all equity instruments are measured at fair value through profit or loss (FVTPL).

The classification and subsequent measurement of debt financial assets depends on the business model and cash flow characteristics of the respective asset. Debt financial assets held to collect contractual cash flows representing solely the payment of interest and principal are measured at amortised cost. Debt financial assets held to collect contractual cash flows representing the payment of interest and principal with the possible objective of selling them (the so-called mixed business model) are measured at fair value through other comprehensive income.

In 2024 and 2023, the Group's business model for all debt financial assets was to hold them and to collect contractual cash flows.

3.24.1. Impairment of financial assets

For trade receivables, the Group determines an impairment loss by means of the simplified model. Therefore, the impairment loss for short-term receivables is determined in an amount corresponding to expected losses for the entire duration of the receivable.

To determine the impairment loss, the Group divides current receivables into groups with a similar expected loss; impairment losses are then determined as a percentage of the value of receivables. The amount of expected losses for each class of receivables is based on historical experience and information about the future that is available without unreasonable cost or effort. The amount of the expected losses for each class of receivables is assessed annually by the Group's management.

For long-term receivables, the impairment loss is determined as the amount of the twelve-month loss, unless there is a significant deterioration in the credit risk of the receivable. In that case, the losses are determined in the amount of the expected losses for the entire remaining period to maturity. Indicators of increased credit risk are mainly breaches of contractual conditions.

Financial assets write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.

3.24.2. Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised using the effective interest method for financial assets other than those financial assets classified as at FVTPL.

3.25. Financial liabilities and equity instruments

3.25.1. Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.25.2. Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

3.25.3. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or is designated as at FVTPL.

A financial liability is classified as held for trading if:

- ▶ It has been incurred principally for the purpose of repurchasing it in the near term;
- ▶ Upon initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking;
- ▶ It is a derivative that is not designated as an effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- ▶ Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- ▶ It forms part of a group of financial assets or financial liabilities or both which are managed and their performance is assessed in line with the entity's documented risk strategy or investment strategy based on fair value and information on this group is disclosed internally on that basis; or
- ▶ It forms part of a contract containing one or more embedded derivatives, and IAS 9 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other financial income/Other financial expenses' line item in the consolidated statement of profit or loss and other comprehensive income.

3.25.3.1. Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost.

3.25.3.2. Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, as the case may be, over a shorter period to their net carrying amount at the time of initial recognition.

3.25.3.3. Bonds

The bonds are publicly traded and listed on the regulated market of the Prague Stock Exchange. Issued bonds are recognised at fair value. Unpaid interest on bonds is recognized in the Current bonds, bank loans and borrowings position. Transaction costs are accrued and recognised in Long-term or Short-term bonds, bank loans and borrowings.

3.25.3.4. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- ▶ Loss allowance determined in accordance with IFRS 9, and
- ▶ Initial recognition decreased by revenues recognised in line with IFRS 15.

The Group provided no financial guarantees in 2024 and 2023.

3.25.3.5. Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are extinguished, i.e. they are discharged, cancelled or have expired. If the existing obligation is modified substantially, it is accounted for as an extinguishment of the original liability and recognition of a new liability. The modification is deemed to be substantial if the cash flows under the new liability is at least 10% different from the net present value of the remaining cash flows of the existing liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.26. Financial derivatives

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and currency swaps and options. Derivative instruments are classified as trading or hedging. Hedging derivatives are arranged by the Group for the purpose of cash flow hedges.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair values of trading derivatives are recognised to financial expenses, or financial income as appropriate.

Changes in the fair value of derivative instruments classified as fair value hedges are also recognised under financial expenses, or financial income, along with the respective change in the fair value of the hedged asset or liability relating to the hedged risk. The portion of the gain or loss on the derivatives determined to be an effective cash flow hedges is recognised through other comprehensive income. Any remaining gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income and presented as Gains/losses from derivative transactions.

3.27. Hedge accounting

The Group used the option to continue applying IAS 39 to assess and maintain hedge accounting after 1 January 2018.

The Group designates certain hedging instruments, which include derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

For a derivative to be classified as hedging, changes in the fair value or in cash flows arising from derivative instruments must compensate, entirely or in part, changes in the fair value of the hedged item or changes in cash flows arising from the hedged item and the Company must document and demonstrate the existence of a hedge relationship as well as high effectiveness of the hedge. Derivative instruments that do not meet the above criteria are classified as held for trading.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The Group uses financial derivative instruments to hedge currency and interest rate risks which it is exposed to as a result of its operations.

Hedging derivatives meet the following hedge accounting criteria:

- (a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.;
- (b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.;
- (c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss; and
- (d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;
- (e) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated. Effectiveness is assessed, at a minimum, at the time the Group prepares its financial statements.

The Group classified the transaction as a cash flow hedge. Hedging derivative instruments are measured at fair value as at the end of the reporting period and the fair value is reported under Cash flow hedge reserve in the Group's equity.

3.27.1. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income under Cash Flow Hedges – remeasure of effective portion of hedging instruments, the cumulative balance is recognised in the Consolidated statement of financial position in Capital funds. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the Gains or losses from derivative transactions line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3.28. Use of estimates

The presentation of financial statements in line with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and presentation of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates on the basis of all the relevant information available to it. Nevertheless, the actual results and outcomes in the future may differ from these estimates. Key sources of uncertainty in making estimates at the end of the reporting period include:

- ▶ Impairment and useful lives of non-current assets, including the right of use based on the expected useful life of these assets and their ability to generate cash inflows in the future (Notes 3.18., 3.19, and 24).
- ▶ Impairment of inventory is based on the expected production and price development (Notes 3.21. and 26).
- ▶ Expected credit losses on receivables portfolio are based on historical experience and expected credit losses (Notes 3.24. and 29).
- ▶ The valuation of derivative instruments is based on market parameters (interest rates, foreign exchange rates) existing as at 31 December 2024 (Notes 3.23., 3.24., 3.25., 3.26., 3.27, and 41).
- ▶ Impairment of intangible assets with an indeterminable useful life and goodwill is based on the value in use determined based on the expected development of sales and interest rates existing as of the date of the consolidated financial statements (Notes 3.19., 24.1, and 24.2).
- ▶ The use of estimates is also applied to the creation of provisions (Note 14), the recognition of employee benefits (Note 15) and the recognition of share-based payments (Note 10).

3.29. Sources of uncertainty and risk factors

The Group's future business may be adversely impacted by the following factors out of the Group's control:

- ▶ Regulation of firearm trading: Stricter regulation of firearm sales may negatively affect the Group's performance in the future.
- ▶ Entry of new competitors: Establishment of new competitors or expansion of the existing capacities may have a negative effect on revenues and profitability of the Group.
- ▶ Research and development: Innovation is a key success factor but this factor is linked to the need for continuous investment. If investments cannot be used successfully in commerce, the Group's financial performance would be adversely impacted.
- ▶ Potential expansion: Bad acquisition failing to meet expected performance.
- ▶ Loss of key employees.
- ▶ Political risks: Political developments may lead to a reduction in the possibility of supplying weapons to selected areas. Such development could have an adverse impact on the Group's financial performance.
- ▶ Exchange rate and interest rate movements, including a change in the risk-free reference rate: The Group is active in different markets and its financial performance may be affected by unexpected changes in exchange rates. The Group is partially funded by variable interest-bearing loans and bonds, interest expenses may be impacted by unexpected changes in reference rates, including changes in the method of benchmark market rate determination.

The Group continuously analyses and assesses factors that may influence the Group's financial results and adopts measures (such as using hedging financial instruments) to reduce the impact of possible negative development in the above-described areas on the Group.

4. OPERATING SEGMENTS

The Group's activities as at 31 December 2024 are organised into two operating segments – the Firearms and Accessories Segment and the Ammunition Segment. The structure of segment information corresponds to the structure of the main business activities and the structure of financial indicators and information that are regularly monitored and evaluated by the Group's management.

As at 31 December 2023, the Firearms and Accessories Segment represented the Group's only business activity. The Group's other activities as at 31 December 2023 were considered insignificant, as none of the Group's other activities accounted for more than 10% of revenue from sales to external customers.

Firearms and Accessories Segment

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

Ammunition Segment

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

The following tables summarise operating segment information for the period from 1 January to 31 December 2024 and as at 31 December 2024.

2024	Firearms and Accessories Segment	Ammunition Segment	Group financing	Elimination of mutual relations	Total
External revenues	15,444,952	6,930,840	–	–	22,375,792
Inter-segment revenues	48,175	39,894	–	-88,069	–
Revenues from the sale of own products, goods and services	15,493,127	6,970,734	–	-88,069	22,375,792
Other operating income	57,742	102,209	–	-313	159,638
Change in inventories developed internally	-131,361	-498,619	–	–	-629,980
Own work capitalised	183,037	155,709	–	–	338,746
Raw materials and consumables used	-7,276,334	-4,099,513	–	40,081	-11,335,766
Services	-2,011,255	-524,416	–	47,988	-2,487,683
Personnel expenses	-3,439,861	-1,049,827	–	–	-4,489,688
Depreciation and amortisation	-644,274	-834,550	–	–	-1,478,824
Other operating expenses	-264,258	-67,576	–	313	-331,521
Allowances	-112,692	-7,004	–	–	-119,696
Operating profit or loss	1,853,871	147,147	–	–	2,001,018
Interest income	238,944	160,643	489,453	-104,186	784,854
Interest expense	-73,268	-33,639	-1,305,228	104,186	-1,307,949
Other financial income	38,015	75,144	–	–	113,159
Other financial expenses	-111,708	-91,194	–	–	-202,902
Gains or losses from derivative transactions	-141,406	43,670	88,864	–	-8,872
Share in profit of associates after tax	530	–	–	–	530
Profit before tax	1,804,978	301,771	-726,911	–	1,379,838
Income tax	-390,476	-97,438	152,651	–	-335,263
Profit for the period	1,414,502	204,333	-574,260	–	1,044,575

2024	Firearms and Accessories Segment	Ammunition Segment	Group financing	Elimination of mutual relations	Total
Total assets per segment	564,935	473,338	–	–	1,038,273
Acquisition of tangible and intangible assets	3,307	–	–	–	3,307
Equity-accounted investees	-5,738,110	-5,874,761	-17,941,396	3,550,498	-26,003,769
Total liabilities per segment	-5 738 110	-5 874 761	-17 941 396	3 550 498	-26 003 769

The Group Financing includes issued bonds, syndicated loan (see Note 34), fair values of related derivative instruments, related interest expense or income and gains/ losses from derivative transactions.

Group financing is not considered as a separate operating segment as it is not managed or evaluated by the Group's management as a separate segment. As these items cannot be reliably attributed to individual reportable operating segments, they are presented separately.

4.1. Geographical information

The table below specifies income from the sale of own products, goods and services by the most significant regions (CZK '000):

Sales to external customers		
	2024	2023
Czech Republic (home country)	4,425,720	2,621,059
USA	8,846,458	6,269,821
Canada	1,148,745	2,231,391
Europe (excluding the Czech Republic)	6,186,178	1,935,068
Africa	176,984	185,994
Asia	940,284	1,131,068
Latin America	573,949	385,842
Other	77,474	95,338
Total	22,375,792	14,855,581

*In 2024, the structure of the above table was adjusted, and for the sake of comparability the Group also adjusted the information for 2023.

The Group has production facilities in the Czech Republic, USA, Canada, Sweden, Switzerland, and Hungary.

Carrying amount of property, plant and equipment		
	2024	2023
Czech Republic (home country)	7,416,390	2,258,750
USA	757,717	644,651
Canada	208,297	205,190
Sweden	31,048	39,846
Switzerland	1,082,687	1,036,484
Hungary	86,406	96,528
Total	9,582,545	4,281,449

Carrying amount of intangible assets		
	2024	2023
Czech Republic (home country)	7,546,199	587,763
USA	2,016,674	1,898,353
Canada	497,793	532,597
Sweden	296,388	329,194
Switzerland	46,362	65,974
Hungary	–	–
Total	10,403,416	3,413,881

	Goodwill	2024	2023
Czech Republic (home country)	6,110,998	280,686	
USA	2,111,577	2,008,590	
Canada	201,427	191,603	
Sweden	65,705	66,601	
Total	8,489,707	2,547,480	

5. REVENUES FROM THE SALE OF OWN PRODUCTS, GOODS AND SERVICES

The table below shows a breakdown of the Group's revenues by type (in CZK '000):

	2024	2023
Revenues from the sale of own products	19,176,114	11,904,806
Revenues from goods	2,998,447	2,664,540
Revenues from provision of services	201,231	286,235
Total	22,375,792	14,855,581

The sale of own products includes the sales of firearms, ammunition and tactical accessories for military and law enforcement, personal defence, hunting, sport shooting, and other civilian uses. The sale of goods includes the sales of firearms, ammunition and tactical accessories for military and law enforcement, personal defence, hunting, sport shooting, and other civilian uses.

Customers with a share on consolidated revenues exceeding 10% threshold are as follows:

	2024	2023
Ministry of Defence of the Czech Republic	3,355,125	1,859,455
Total	3,355,125	1,859,455

As at 31 December 2024, the Group has agreed to contracts relating to the delivery of products and services in which contractual obligations will be satisfied after that date. The Group used the option not to recognise information on revenues arising from the existing contracts agreed for less than a year.

No revenue was recognised in 2024 or 2023 related to a contractual obligation that was satisfied or partially satisfied in prior periods.

The Company has not recognised any contractual asset or contractual liability; trade receivables arising from contracts with customers are recognised in Trade and other receivables. The Company has not incurred any costs to obtain or perform the contract, therefore no asset has been recognized in respect of the contract.

6. OTHER OPERATING INCOME

The table below shows a breakdown of the Group's other operating income in individual years (CZK '000):

	2024	2023
Profit from the sale of non-current assets	1,524	2,659
Profit from the sale of material	123,665	19,425
Charge, utilisation and release of provisions	–	1,610
Insurance claims	3,683	958
Income from leases and subleases	10,659	9,147
Income from the sale of licences	3,598	12,613
Other	16,509	43,377
Total	159,638	89,789

7. RAW MATERIALS AND CONSUMABLES USED

The table below shows a breakdown of consumption and costs of goods sold in individual years (CZK '000):

	2024	2023
Consumed material	8,466,621	6,185,164
Costs of goods sold	2,525,827	1,632,744
Consumed energy	343,318	247,511
Total	11,335,766	8,065,419

8. SERVICES

The breakdown of the Group's services in individual years is as follows (CZK '000):

	2024	2023
Outsourcing costs and other external costs	520,233	425,477
Services of manufacturing nature and sub-supplies	309,971	201,417
Transportation and travel	530,173	452,468
IT costs, connectivity, SW license	159,693	133,376
Repairs and maintenance	253,053	145,405
Variable lease costs	9,927	11,041
Costs of short-term leases	26,574	21,463
Costs relating to low-value assets not included in the short-term leases above	6,561	3,987
Commission costs	323,573	270,458
Marketing costs	235,721	205,788
Other services	112,204	88,747
Total	2,487,683	1,959,627

9. PERSONNEL EXPENSES

Breakdown of employee personnel expenses excluding executives (CZK '000):

	2024	2023
Average FTE number of employees	3,186	2,087
Wages and salaries	2,894,499	2,005,749
Social security and health insurance	866,905	559,138
Other personnel expenses	34,272	35,925
Employee bonuses	167,541	60,643
Employee bonuses – Equity-settled share-based payments	145,442	160,743
Total	4,108,659	2,822,198

Breakdown of executive personnel expenses (CZK '000):

	2024	2023
Average FTE number of executives	29	24
Wages and salaries	102,504	89,661
Social security and health insurance	16,881	15,737
Other personnel expenses	368	2,679
Employee bonuses	17,408	20,496
Employee bonuses – Equity-settled share-based payments	243,868	132,325
Total	381,029	260,898

In 2024 and 2023, the key management personnel included all members of the Board of Directors and Supervisory Boards of the respective companies. The Group did not provide any additional benefits to its key management personnel in 2024 and 2023 that are not included in the table above (e.g., post-employment benefits, termination benefits).

10. SHARE-BASED PAYMENT ARRANGEMENTS

10.1. Description of share-based payment arrangements – stock option plans (equity-settled)

On 27 December 2021, the Company's Supervisory Board approved an employee stock option plan (the "Stock Option Plan").

The Stock Option Plan entitles the Group's key executives and employees (option holders) to purchase the Company's shares. The plan is currently only available to executives and senior employees.

The basic principles of the Stock Option Plan are as follows:

- to the extent, at the times and subject to the conditions of the Stock Option Plan, the participant will acquire the following options by way of vesting by the Company.
 - a) 15% of the allocated stock options in the period from June 2022 to June 2024
 - b) 35% of the allocated stock options in July 2024 if Target 1 is met
 - c) 50% of the allocated share options in July 2026 if Target 2 is met
- Target 1 – achieving consolidated EBITDA for the 2021 to 2023 period of USD 275,000,000
- Target 2 – achieving the following performance parameters at the consolidated level as at 31 December 2025:
 - i) a turnover of EUR 1,000,000,000
 - ii) EBITDA of EUR 200,000,000, and
 - iii) net liabilities to EBITDA ratio below 3.5, in compliance with the Group's strategy.

Shares designated for the Stock Option Plan will be newly issued. The maximum number of shares issued will be 3,373 thousand.

The Stock Option Plan comprises five tranches:

- Tranche 1-3: conditional only on employment term/function term
- Tranche 4: employment term/function term condition and a non-vesting condition (EBITDA related Target 1)
- Tranche 5: employment term/function term condition and vesting non-market performance condition (EBITDA related Target 2).

The participants in share-based payment arrangements must not sell or transfer the options.

Employees terminating their employment are divided into two groups:

- Leaving on good terms (over the entire term of 10 years): the provided options are not forfeited.
- Leaving on bad terms (over the entire term of 10 years): the provided options are forfeited.

Grant date/entitlement date	Number of instruments	Vesting conditions	Contractual maturity of the option
Granted options			
Tranche 1			
May 2022	44,500	employment term/function term from the grant date to 1 June 2022	exercisable by 30 September 2029
June 2022	17,850	ditto	ditto
July 2022	41,100	ditto	ditto
August 2022	14,350	ditto	ditto
September 2022	1,950	ditto	ditto
December 2022	13,565	ditto	ditto
January 2023	495	ditto	ditto
July 2024 (exercised)	-133,810	ditto	ditto
Tranche 2			
May 2022	44,500	employment term/function term from the grant date to 1 June 2023	exercisable by 30 June 2029
June 2022	17,850	ditto	ditto
July 2022	41,100	ditto	ditto
August 2022	14,350	ditto	ditto
September 2022	1,950	ditto	ditto
December 2022	13,565	ditto	ditto
January 2023	495	ditto	ditto
July 2023	4,600	ditto	ditto
March 2024	700	ditto	ditto
July 2024 (exercised)	-139,110	ditto	ditto
Tranche 3			
May 2022	44,500	employment term/function term from the grant date to 1 June 2024	exercisable by 30 June 2029
June 2022	17,850	ditto	ditto
July 2022	41,100	ditto	ditto
August 2022	13,700	ditto	ditto
September 2022	1,950	ditto	ditto
December 2022	13,565	ditto	ditto
January 2023	170	ditto	ditto
July 2023	1,950	ditto	ditto
July 2024 (exercised)	-134,785	ditto	ditto

Grant date/entitlement date	Number of instruments	Vesting conditions	Contractual maturity of the option
Tranche 4			
May 2022	674,000	employment term/function term from the grant date to 1 July 2024 and non-vesting condition (EBITDA related Target 1)	exercisable by 30 June 2029
June 2022	124,950	ditto	ditto
July 2022	287,700	ditto	ditto
August 2022	95,900	ditto	ditto
September 2022	13,650	ditto	ditto
December 2022	94,955	ditto	ditto
January 2023	1,190	ditto	ditto
July 2023	15,700	ditto	ditto
December 2023	5,350	ditto	ditto
March 2024	14,000	ditto	ditto
July 2024 (exercised)	-1,327,395	ditto	ditto
Tranche 5			
May 2022	82,500	employment term/function term from the grant date to 1 July 2026 and vesting non-market performance condition (EBITDA related Target 2)	exercisable by 30 June 2031
June 2022	165,000	ditto	ditto
July 2022	264,500	ditto	ditto
August 2022	123,500	ditto	ditto
September 2022	19,500	ditto	ditto
December 2022	135,650	ditto	ditto
January 2023	1,700	ditto	ditto
July 2023	33,000	ditto	ditto
December 2023	98,005	ditto	ditto
March 2024	23,000	ditto	ditto
Total stock options	946,355		

On 3 July 2024, 1,735,100 employee options from tranches 1 to 4 were settled under the Stock Option Plan. The cumulative expense in the years 2022 to 2024 related to these settled options amounts to CZK 724,848 thousand and it is recognised in Accumulated profits. The option holders exercised their right to purchase the Company's shares at a nominal value of CZK 0.1 and thus all options were exercised in July 2024.

10.2. Fair value measurement

To determine the fair values of equity-settled share-based payments (share option plans settled with equity instruments) as at the grant date, the following input information was used:

2024	Stock option plan (equity-settled)				
Key executives	Tranche 1**	Tranche 2**	Tranche 3**	Tranche 4**	Tranche 5
Fair value at the grant date (in CZK) (average)	483.84	484.25	483.96	394.69	440.45
Share price at the grant date (in CZK) (average)	559.71	559.71	559.71	559.71	559.71
Exercise price of the option (in CZK)	0.10	0.10	0.10	0.10	0.10
Expected volatility (weighted average)	21.17%	21.17%	21.17%	21.17%	21.17%
Expected maturity of the option (weighted average) in years	2.0	2.0	2.0	2.0	4.0
Dividend income	4.00%	4.00%	4.00%	4.00%	4.00%
Risk-free interest rate (based on the CZK IRS* rate)	4.61%	4.61%	4.61%	4.61%	4.31%

* Interest rate swaps in CZK with corresponding validity

** All stock options in these tranches were exercised in 2024

2023	Stock option plan (equity-settled)				
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Fair value at the grant date (in CZK) (average)	469.95	469.95	469.95	375.96	433.77
Share price at the grant date (in CZK) (average)	556.60	556.60	556.60	556.60	556.60
Exercise price of the option (in CZK)	0.10	0.10	0.10	0.10	0.10
Expected volatility (weighted average)	22.33%	22.33%	22.33%	22.33%	22.33%
Expected maturity of the option (weighted average) in years	3.0	3.0	3.0	3.0	5.0
Dividend income	4.00%	4.00%	4.00%	4.00%	4.00%
Risk-free interest rate (based on the CZK IRS* rate)	4.61%	4.61%	4.61%	4.61%	4.31%

* Interest rate swaps in CZK with corresponding validity

The expected volatility was based on an assessment of the historical volatility of the Company's share price for the historical period corresponding to the expected maturity.

10.3. Reconciliation of stock options

The following table shows the number and weighted average exercise price of stock options in the Stock Option Plan.

	2024	2023		
Total options	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Not settled at 1 January	2,870,755	0.10	2,807,300	0.10
Change in allocations during the period	-189,300	0.10	63,455	0.10
Exercised during the period	-1,735,100	0.10	-	-
Not settled at 31 December	946,355	-	2,870,755	-

10.4. Expenses recorded in the statement of profit or loss

For more details on Stock Option Plan expenses see Notes 9 and 14.

10.5. Items recorded in the statement of financial position

As at 31 December 2024, the total fair value of 946,355 stock options (2023 – 2,870,755 stock options) from share-based payments was CZK 135,804 thousand (2023 – CZK 491,428 thousand). This fair value is reported in Accumulated profits with a corresponding double-entry in profit and loss account (see Note 9).

As at 31 December 2024, the related social security and health insurance liabilities amounted to CZK 59,976 thousand (2023 – CZK 30,556 thousand) and are reported in long-term provisions with a corresponding double-entry in profit and loss account (see Note 14). The Group also recorded deferred tax relating to these liabilities, totalling CZK 12,612 thousand (2023 – CZK 6,390 thousand) (see Note 20).

11. DEPRECIATION AND AMORTISATION

The table shows the composition of the Group's expenses in individual years (CZK '000):

	2024	2023
Depreciation of non-current intangible assets (Note 24.1)	748,103	367,664
Depreciation of non-current tangible assets (Note 24.3)	702,593	406,491
Depreciation of right of use assets (Note 24.4)	28,128	27,566
Total	1,478,824	801,721

12. OTHER OPERATING EXPENSES

The table shows the composition of other operating expenses of the Group in individual years as follows (CZK '000):

	2024	2023
Charge, utilisation and release of provisions	51,060	–
Taxes and levies	59,992	28,461
Insurance premiums	111,156	105,362
Liquidation of inventories	12,623	29,572
Other operating expenses	96,690	46,830
Total	331,521	210,225

13. ALLOWANCES

Allowances constituting an impairment of assets and their changes were as follows (CZK '000):

Allowances for:	Balance at 31 Dec 2022	Business combination - balance at the date of entry into consolidation*	Charge for allowances	Utilisation of allowances	Release of allowances	Impact of FX rate fluctuations	Balance at 31 Dec 2023	Charge for allowances	Utilisation of allowances	Release of allowances	Impact of FX rate fluctuations	Balance at 31 Dec 2024
Intangible assets	175	-	-	-	-175	-	-	-	-	-	-	-
Property, plant and equipment	13,732	-	8,483	-11,965	-	-	10,250	26,812	-4,974	-	-	32,088
Inventories	441,366	31,490	264,539	-190,581	-33,753	479	513,540	411,744	-317,460	-15,661	19,741	611,904
Trade and other receivables	41,086	4,657	6,338	-15,575	-3,426	24	33,104	71,026	-51,513	-278	903	53,242
Total	496,359	36,147	279,360	-218,121	-37,354	503	556,894	509,582	-373,947	-15,939	20,644	697,234

* The acquisition of swissAA dated 28 June 2023

Net change in allowances of CZK 119,696 thousand (2023 – CZK 23,885 thousand) is presented under Allowances line in the consolidated statement of profit or loss and other comprehensive income.

14. PROVISIONS

The table below shows changes in non-current provisions (CZK '000):

Non-current provisions	Balance at 31 Dec 2022	Business combination – balance at the date of entry into consolidation*	2022				Impact of FX rate fluctuations	Balance at 31 Dec 2023	Additions to provisions	Utilisation of provisions	Impact of FX rate fluctuations	Balance at 31 Dec 2024
			Additions to provisions	Release of provisions	Utilisation of provisions	Impact of FX rate fluctuations						
Warranty repairs	10,411	28,956	98	-776	–	3,070	41,759	–	-1,137	96	40,718	
Share-based payments	10,168	–	20,388	–	–	–	30,556	29,420	-3,210	339	57,105	
Other provisions	3,075	–	744	–	-43	97	3,873	–	-879	278	3,272	
Total	23,654	28,956	21,230	-776	-43	3,167	76,188	29,420	-5,226	713	101,095	

* The acquisition of swissAA dated 28 June 2023.

The table below shows changes in current provisions (CZK '000):

Current provisions	Balance at 31 Dec 2022	Business combination – balance at the date of entry into consolidation*	2022				Impact of FX rate fluctuations	Balance at 31 Dec 2023	Additions to provisions	Utilisation of provisions	Impact of FX rate fluctuations	Balance at 31 Dec 2024
			Additions to provisions	Utilisation of provisions	Release of provisions	Impact of FX rate fluctuations						
Warranty repairs	46,263	–	25,557	-41,799	-6,591	320	23,750	20,468	-19,117	30	25,131	
Other provisions	5,108	289	837	-25	–	125	6,334	25,514	–	891	32,739	
Total	51,371	289	26,394	-41,824	-6,591	445	30,084	45,982	-19,117	921	57,870	

* The acquisition of swissAA dated 28 June 2023.

Other current provisions include a provision for insurance claims and benefits of CZK 2,060 thousand (2023 – CZK 1,566 thousand).

The provision for warranty repairs is the management's best estimate concerning the future outflow of resources embodying economic damage required in relation to warranty repairs of the Group under local legislation regulating the sale of products and commercial goods. The estimate is based on the present development of warranty repairs and estimated future development and may be changed as a result of introducing new materials, adjustments to production procedures or due to other circumstances affecting product quality.

15. EMPLOYEE BENEFIT LIABILITIES

Employee benefit liabilities (CZK '000):

	31 Dec 2024	31 Dec 2023
Net employee benefit liability	118,280	133,047
Liability for medical (healthcare) benefits	133,552	137,501
Total net employee benefit liability	251,832	270,548
Non-current net employee benefit liabilities	234,725	255,721
Current net employee benefit liabilities	17,107	14,827
Total net employee benefit liability	251,832	270,548

The Group did not record any net assets arising from employee benefits in 2024 and 2023. The related revenues and expenses from employee benefits are presented on the Personnel expenses line in the consolidated statement of profit or loss and other comprehensive income.

The Group provides the following bonuses to its employees in the Czech Republic beyond basic salary and salary bonuses. Based on the Group's bonus policy, its employees are entitled to life or service anniversary bonuses and retirement bonuses upon becoming eligible for retirement, early retirement, or disability pension.

The terms for providing such bonuses are regulated by the Collective Bargaining Agreement for the respective year and their amount depends, *inter alia*, on the length of employment at the Group. The basis for calculating the liability is the expected liability that the Group is required to pay under internal regulations. The net present value of these liabilities is estimated at the end of each reporting period and adjusted if there are significant indications of impairment of these liabilities. Total liabilities equal discounted future payments considering employee turnover.

The Group also contributes to the following post-retirement plan of defined benefits in the United States. The Group has a pension plan, which covers salaried employees and employees covered by a Collective Bargaining Agreement. Pension benefits for both salaried employees and employees covered by the Collective Bargaining Agreement were frozen at various dates prior to 1 January 2015. Accordingly, participants will retain pension benefits that have already been generated. However, no further benefits will be generated from the effective date of the freeze. In accordance with IAS 19, the pension plan liability is accounted for on a net basis.

The Group also provides certain post-retirement healthcare benefits and life insurance coverage to certain retired US employees who were covered by its Collective Bargaining Agreement at the time of retirement. The cost of these post-retirement benefits is determined actuarially and is recognised in the Group's consolidated financial statements over the active working lives of the employees. On 16 December 2015, Colt's Manufacturing Company LLC, International Union, United Automobile, Aerospace and Agricultural Implement Workers of America („UAW“), and Amalgamated UAW Local No. 376 (collectively with the UAW, the „Union“) concluded a Memorandum of Understanding (the „MOU“) as a result of the bankruptcy proceedings which, among other things, modified the provisions of the post-retirement healthcare plan. The MOU concluded between the Company and the Union modified eligibility requirements to qualify for post-retirement healthcare coverage and provided for reimbursement of Medicare Part B premiums paid up to USD 1,500 per year plus the eligible participant's pro rata share of any unused administrative costs of USD 120 per year per participant.

The table below shows a reconciliation of the movement from opening balances to closing balances of the net employee benefit liability and its components (in CZK '000).

2024	Life jubilee bonus			Retirement bonus			Pension plan			Post-retirement healthcare plan		
	Employee plan liability	Fair value of the asset	Net employee benefit liability	Employee plan liability	Fair value of the asset	Net employee benefit liability	Employee plan liability	Fair value of the asset	Net employee benefit liability	Employee plan liability	Fair value of the asset	Net employee benefit liability
Balance at 1 Jan	1,433	-	1,433	5,145	-	5 145	359,338	-232,870	126,468	137,501	-	137,501
Acquisition due to business combination	9,111	-	9,111	2,476	-	2,476	-	-	-	-	-	-
Included in the statement of profit or loss												
Present contractual costs	-259	-	-259	2,276	-	2,276	12,925	-	12,925	134	-	134
Interest expense (income)	-	-	-	-	-	-	17,329	-	17,329	6,521	-	6,521
	-259	-	-259	2,276	-	2,276	30,254	-	30,254	6,655	-	6,655
Included in the statement of profit or loss												
- Actuarial loss (profit) arising from:												
- demographic assumptions	-	-	-	-	-	-	-	-	-	-	-	-
- financial assumptions	-	-	-	-	-	-	-7,767	-	-7,767	-3,600	-	-3,600
- experience-based adjustments	-	-	-	-	-	-	-	-4,347	-4,347	-7,558	-	-7,558
- Return of assets of the plan without interest income	-	-	-	-	-	-	-	-11,609	-11,609	-	-	-
Impact of FX rate fluctuations	-	-	-	-	-	-	26,974	-17,871	9,103	10,791	-	10,791
	-	-	-	-	-	-	19,207	-33,827	-14,620	-367	-	-367
Other												
Contributions paid by the employer	-	-	-	-	-	-	-	-39,485	-39,485	-	-	-
Settlement	-3,564	-	-3,564	629	-	629	399	-	399	-	-	-
Paid-out benefits	-1,411	-	-1,411	-583	-	-583	-89,393	89,403	10	-10,236	-	-10,236
	-4,975	-	-4,975	46	-	46	-88,994	49,918	-39,076	-10,236	-	-10,236
Balance at 31 Dec	5,310	-	5,310	9,943	-	9,943	319,805	-216,779	103,026	133,553	-	133,553

2023	Life jubilee bonus			Retirement bonus			Pension plan			Post-retirement healthcare plan		
	Employee plan liability	Fair value of the asset	Net employee benefit liability	Employee plan liability	Fair value of the asset	Net employee benefit liability	Employee plan liability	Fair value of the asset	Net employee benefit liability	Employee plan liability	Fair value of the asset	Net employee benefit liability
Balance at 1 Jan	1,472	-	1,472	4,269	-	4,269	459,896	-323,748	136,148	143,025	-	143,025
Acquisition due to business combination	-	-	-	-	-	-	-	-	-	-	-	-
Included in the statement of profit or loss												
Present contractual costs	205	-	205	114	-	114	12,913	-	12,913	134	-	134
Interest expense (income)	-	-	-	-	-	-	21,424	-	21,424	6,849	-	6,849
	205	-	205	114	-	114	34,337	-	34,337	6,983	-	6,893
Included in the statement of profit or loss												
- Actuarial loss (profit) arising from:												
- demographic assumptions	-	-	-	-	-	-	-	-	-	-	-	-
- financial assumptions	-	-	-	-	-	-	3,055	-	3,055	2,695	-	2,695
- experience-based adjustments	-	-	-	-	-	-	-	-13,590	-13,590	-3,234	-	-3,243
- Return of assets of the plan without interest income	-	-	-	-	-	-	-	-15,001	-15,001	-	-	-
Impact of FX rate fluctuations	-	-	-	-	-	-	-4,534	3,119	-1,415	-1,503	-	-1 503
	-	-	-	-	-	-	-1,479	-25,473	-26,951	-2,042	-	-2,042
Other												
Contributions paid by the employer	-	-	-	-	-	-	-	-33,349	-33,349	-	-	-
Settlement	20	-	20	1,073	-	1,073	16,281	13,795	30,077	-	-	-
Paid-out benefits	-264	-	-264	-311	-	-311	-149,698	135,904	-13,793	-10,465	-	-10,465
	-244	-	-244	762	-	762	-133,416	116,351	-17,065	-10,465	-	-10,465
Balance at 31 Dec	1,433	-	1,433	5,145	-	5,145	359,338	-232,870	126,469	137,501	-	137,501

Employee plan assets

The fair value of the asset-by-asset category and level is as follows (CZK '000):

2024	Total	Allocation percentage	Level 1
Equity funds	105,735	49%	105,735
Fixed income mutual funds	102,277	47%	102,277
Money market funds	8,767	4%	8,767
Total	216,779	100%	216,779
Stable value	–	–	–
Total investments	216,779	100%	–
2023	Total	Allocation percentage	Level 1
Equity funds	114,006	49%	166,728
Fixed income mutual funds	86,819	37%	107,454
Money market funds	6,064	3%	9,486
Total	206,888	89%	283,669
Stable value	25,984	11%	–
Total investments	232,872	100%	–

The Group's overall investment strategy is to achieve a mix of approximately 50% equity securities, 45% fixed income securities, and 5% cash equivalents. This target allocation is unchanged from the previous year.

The Group regularly reassesses its portfolio to align its actual asset allocation with the target allocation. The percentage allocation to each asset class may vary depending on market conditions. Employee benefit plan assets are measured at fair market value. Money market and mutual funds are measured using Level 1 inputs based on the quoted share price as at the balance sheet date.

During the financial years ended 31 December 2024 and 2023, the Group did not make any transfers between levels of the fair value hierarchy.

Employee plan liabilities

Actuarial assumptions

The main actuarial assumptions as at the reporting date (expressed as weighted averages) are set out below.

	2024				2023			
	Life jubilee bonus	Retirement bonus	Pension plan	Post -retirement healthcare plan	Life jubilee bonus	Retirement bonus	Pension plan	Post -retirement healthcare plan
Discount rate	4.07%	4.07%	5.25%	5.50%	4.00%	4.00%	5.25%	4.75%
Expected return of plan assets	–	–	8.85%	7.82%	–	–	6.42%	–
Healthcare cost trend rate	–	–	–	4.50%	–	–	–	4.75%
Turnover	9.83%	75.27%	–	–	15.82%	78.47%	–	–
Mortality	0.73%	10.76%	–	–	0.62%	15.04%	–	–
Average retirement age (in years)	–	65.6	–	–	–	64.95	–	–

Discount rate

The Group derives the discount rate from current investment returns of high-quality investments with fixed income over the term of employee benefits.

Turnover and mortality

The probability of retention (pay-out) includes the expected retirement, the probability of leaving the Group, and the mortality rate. The expected retirement is determined for individual employees in accordance with the applicable legislation of the country. Turnover and mortality rates are determined based on an analysis of the Group's historical data.

Expected return of plan assets

The long-term rate of return on pension plan assets represents the average rate of return expected over the long term on assets invested to secure expected future commitments to pay the benefit. The Group uses a building block approach to develop the assumed long-term return on plan assets. Rates of return exceeding inflation were considered separately for equity securities, debt securities, and other assets. Excess returns were weighted by a representative target allocation and added together with an appropriate inflation rate to develop the overall expected long-term return on pension plan assets.

The Group has developed an investment strategy that emphasises the total return of the pension plan, i.e., the total return on capital appreciation, dividend income, and interest income. The primary objective of asset investment management is to emphasise consistent growth, specifically growth in a manner that protects assets from excessive volatility in their market value. The investment policy also considers benefit obligations, including the expected timing of distributions.

Healthcare cost trend rate

The Group's healthcare cost trend rate assumptions are prepared based on historical cost data, a short-term outlook, an assessment of likely long-term trends, and a limit restricting its required contributions. For measurement purposes, the Group has assumed a weighted average annual per capita cost growth rate (health care cost trend) for health benefits of 4.5% for 2024.

Sensitivity analysis

Significant actuarial assumptions used to determine the liability include the discount rate, medical cost trend rate, and fluctuation. The sensitivity analyses presented below were determined based on possible changes in these parameters at the end of the financial year, while all other assumptions remained constant.

	2024		2023	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	313,937	327,239	337,530	352,791
Healthcare cost trend rate (1%)	69,049	59,747	149,723	127,797
Turnover (1% movement)	-500	562	-493	556

16. INTEREST INCOME AND OTHER FINANCIAL INCOME

Interest income and other financial income in individual years (CZK '000):

	2024	2023
Interest income	784,854	756,541
Total interest income	784,854	756,541
Other financial income	113,621	188,401
FX gains	979,444	457,735
FX losses	-979,906	-394,540
Total other financial income	113,159	251,596

Other financial income of CZK 113,621 thousand (31 December 2023 – CZK 188,401 thousand) include mainly the revaluation of Other financial assets to fair value at the date of sale, amounting to CZK 113,402 thousand. As at 31 December 2023, Other financial income of CZK 188,401 thousand represented the revaluation of Other financial assets of CZK 160,692 thousand.

17. INTEREST EXPENSE AND OTHER FINANCIAL EXPENSES

	2024	2023
Interest expense	1,306,740	893,625
Interest on lease contracts	1,209	979
Total interest expense	1,307,949	894,604
Other financial expenses	202,902	72,120
Total other financial expenses	202,902	72,120

Other financial expenses of CZK 202,902 thousand (2023 – CZK 72,120 thousand) mainly include the fee for the issue of shares and bonds and other bank fees of CZK 118,206 thousand (2023 – CZK 20,997 thousand).

18. GAINS/LOSSES FROM DERIVATIVE TRANSACTIONS

Gains or losses from derivative transactions in individual years (CZK '000):

	2024	2023
Income from derivative transactions	188,971	300,995
Expenses for derivative transactions	-197,843	-79,976
Total	-8,872	221,019

19. INCOME TAX

Income tax in individual years was as follows (CZK '000):

	2024	2023
Current tax	728,105	535,270
Deferred tax	-392,842	-68,246
Total	335,263	467,024

The table below shows the reconciliation of the profit or loss with current tax (CZK '000):

	2024	%	2023	%
Profit before tax	1,379,838		2,509,562	
Income tax calculated using parent company tax rate (2024 – 21%, 2023 – 19%)	289,766	21.00%	476,817	19.00%
Effect of tax rates in foreign jurisdictions	28,547	2.07%	35,379	1.41%
Effect of changes in tax rates in individual jurisdictions	-4,789	-0.35%	21,287	0.85%
Non-deductible expenses	94,859	6.87%	100,473	4.00%
Income exempt from tax	-16,015	-1.16%	-123,362	-4.92%
Current year losses for which no deferred tax asset was recognised in the current year	142,996	10.36%	–	–
Remeasurement of contingent consideration – Colt NA	–	–	5,330	0.21%
Impact of restructuring in Colt CZ Group North America	-58,461	-4.24%	-66,563	-2.65%
Tax bonuses	-123,927	-8.98%	-846	-0.03%
Other	-19,105	-1.38%	19,039	0.76%
Utilisation of prior years' tax losses for which no deferred tax asset has been recognized	1,392	0.10%	-530	-0.02%
Income tax/ effective tax rate	335,263	24.30%	467,024	18.61%

In 2023 and 2022, the Colt CZ Group North America group was restructured. As a result of these adjustments, a significant portion of the deferred tax liability representing potential withholding tax on dividends from foreign entities in the Colt CZ Group North America group was released in 2023 and 2022. The impact of this restructuring on the Group's income tax in 2024 amounts to CZK 58,641 thousand (2023 – CZK 66,563 thousand) and significantly affects the Group's effective tax rate.

20. DEFERRED TAX

The Group calculated deferred tax as follows (CZK '000):

Deferred tax components	2024 Deferred tax asset (+) / liability (-)	Balance at 1 Jan 2024	Business combination – balance at the date of entry into consolidation**	Change 2024		Balance at 31 Dec 2024
				Recognised in profit or loss	Recognised in equity	
Intangible assets	-455,674	-1,559,287	-79,243	–	-23,417	-2,117,621
Property, plant and equipment	-349,463	-741,421	-55,180	–	-4,221	-1,150,285
Other remeasurement – Colt NA*	-152,448	–	158,116	–	-5,668	–
Receivables	-7,314	424	6,646	–	16	228
Inventories	67,959	-105,533	155,547	–	4,093	122,066
Provisions	8,973	–	6,490	–	158	15,621
Liabilities	2,424	–	-769	–	6	1,661
Other payables	39,819	23,656	111,688	–	9,302	184,465
Unutilised tax losses and interest on loans	302,529	–	110,656	–	26,439	439,624
Cash flow hedges – remeasurement of effective portion of hedging instruments	-159,445	–	-25,240	197,790	0	13,105
Other temporary differences	1,102	–	4,131	–	0	5,233
Total	-701,538	-2,382,161	392,842	197,790	6,708	-2,486,359
Deferred tax asset (+) / liability (-)	-701,538	-2,382,161	392,842	197,790	6,708	-2,486,359

* Deferred tax liability arising from remeasurements in business combinations within the Colt CZ Group North America group.

** The acquisition of Sellier & Bellot a.s. of 16 May 2024.

2023	Balance at 1 Jan 2023		Change 2023		Balance at 31 Dec 2023	
	Deferred tax asset (+) / liability (-)	Business combination – balance at the date of entry into consolidation***	Recognised in profit or loss	Recognised in equity	Effect of exchange rate movements	Deferred tax asset (+) / liability (-)
Intangible assets	-467,686	-11,245	24,219	–	-962	-455,674
Property, plant and equipment	-256,254	-30,476	-58,366	–	-4,367	-349,463
Other remeasurement – Colt NA*	-184,094	–	29,450	–	2,196	-152,448
Receivables	1,891	-6,861	-1,143	–	-1,201	-7,314
Inventories	117,665	-36,653	-8,596	–	-4,457	67,959
Provisions	8,703	-36,002	38,471	–	-2,199	8,973
Liabilities	2,522	–	-67	–	-31	2,424
Other payables	28,043	–	11,607	–	169	39,819
Other liability items – Colt NA**	-58,440	–	57,391	–	1,049	–
Unutilised tax losses and interest on loans	306,332	1,930	-5,243	–	-490	302,529
Cash flow hedges – remeasurement of effective portion of hedging instruments	-250,569	–	–	91,124	–	-159,445
Other temporary differences	20,579	–	-19,477	–	–	1,102
Total	-731,308	-119,307	68,246	91,124	-10,293	-701,538
Deferred tax asset (+) / liability (-)	-731,308					-701,538

* Deferred tax liability arising from remeasurements in business combinations within the Colt CZ Group North America group.

** The deferred tax liability represented potential withholding tax on dividends from foreign entities in the Colt CZ Group North America group.

*** The acquisition of swissAA dated 28 June 2023.

A tax rate of 21% was used to calculate deferred tax in 2024 and 2023.

21. OTHER COMPREHENSIVE INCOME

	2024	2023
Cash flow hedges – remeasurement of effective portion of hedging instruments, before tax	-1,001,100	-559,522
Cash flow hedges – remeasurement of effective portion of hedging instruments, deferred tax	197,790	91,124
Cash flow hedges – remeasurement of effective portion of hedging instruments	-803,310	-468,398
Foreign currency translation of foreign operations	74,551	183,745
Foreign currency translation of foreign operations	74,551	183,745
Total other comprehensive income	-728,759	-284,653

22. ACQUISITION OF SELLIER & BELLOT

On 18 December 2023, the Company entered into an agreement with CBC Europe S.à r.l. (“CBC”) to purchase a 100% share in Sellier & Bellot a.s.

Sellier & Bellot a.s., founded in 1825, is one of the world's oldest companies in the ammunition and defence industry and ranks among the most important industrial companies in the Czech Republic. The product portfolio includes a wide range of hunting and sporting ammunition. Sellier & Bellot a.s. is also a major supplier of ammunition to military and armed forces around the world. Advanced technology at all stages of production guarantees the highest-quality products. Investments in research and development allow the company to introduce new products every year. Recent successes include lead-free bullets for hunting and police applications as well as patented products such as the Nontox primer compound and infrared tracer bullets. The company has around 1,600 employees and operates its manufacturing plant in Vlašim in the Czech Republic.

On 16 May 2024, the Group acquired 100% of the shares of Sellier & Bellot a.s. for a combination of monetary consideration of USD 350 million and a new issue of the Company's ordinary shares. The total acquisition price in aggregate is USD 703 million, net of net debt of Sellier & Bellot a.s. CBC Europe S.à r.l. as the selling party thus acquired a 27.71% share in the Company's registered capital. The new shares were issued on 16 May 2024, on which date Sellier & Bellot a.s. also entered into the Group's consolidation.

The acquisition of Sellier & Bellot a.s. significantly strengthens the Group's position in the small calibre ammunition segment and represents a natural extension of activities beyond the production of small firearms. The integration of Sellier & Bellot a.s. into the Group strengthens the Group's global presence and expands its ability to provide innovative and high-quality products in line with the Group's long-term strategy.

Revenues from the sale of Sellier & Bellot a.s.'s own products, goods and services from the date of acquisition until 31 December 2024 amount to CZK 4,940,455 thousand. Pro-forma revenues from the sale of own products, goods and services from 1 January 2024 to 31 December 2024 amount to CZK 7,657,577 thousand.

The net profit from the date of acquisition until 31 December 2024 amounts to CZK 969,826 thousand. The pro-forma net profit for the period from 1 January 2024 to 31 December 2024 amounts to CZK 1,744 357 thousand.

22.1. Consideration transferred

	16 May 2024 CZK '000
Monetary settlement – payment of the first part of purchase price dated 18 Dec 2023	2,756,452
Monetary settlement – payment of the remaining part of purchase price dated 16 May 2024	5,231,350
Issued shares (13,476,440 ordinary shares of Colt CZ Group SE)	8,043,810
Assumption of CBC's liability to Sellier & Bellot a.s.*	1,858,147
Total consideration transferred	17,889,759

* This item becomes an intra-group transaction upon acquisition and is therefore eliminated on consolidation.

Acquisition-related costs

In connection with the acquisition, the Group incurred costs of CZK 13,999 thousand, primarily relating to advisory services. These costs are recognised in the Services item in the consolidated statement of profit and loss and other comprehensive income.

22.2. Assets acquired and liabilities assumed at the acquisition date

	16 May 2024 CZK '000
Intangible assets	7,431,976
Property, plant and equipment	5,141,003
Financial derivatives – non-current assets	219,628
Inventories	2,515,446
Trade and other receivables	1,064,291
Provided loans*	1,858,147
Financial derivatives – current assets	3,576
Other receivables	23,993
Cash and cash equivalents	443,521
Non-current loans and borrowings	-2,855,983
Financial derivatives – non-current liabilities	-7,315
Non-current lease liabilities	-8,295
Other non-current liabilities	-14
Deferred tax liability	-2,382,161
Employee benefit liabilities	-11,587
Current loans and borrowings	-543,504
Financial derivatives – current liabilities	-1,154
Current lease liabilities	-843
Trade and other payables	-334,405
Other current liabilities	-271,628
Tax liabilities	-225,246
Fair value of acquired identifiable net assets	12,059,446

*This item becomes an intra-group transaction upon acquisition and is therefore eliminated on consolidation.

22.3. Goodwill

	16 May 2024 CZK '000
Consideration transferred	17,889,759
Fair value of acquired identifiable net assets	12,059,446
Goodwill	5,830,313

Goodwill primarily includes expected synergies arising from the integration of Sellier & Bellot a.s. into the Group's existing activities. The recognised goodwill is not expected to be tax effective.

23. ACQUISITION OF SWISSAA

On 28 June 2023, the Company acquired a 100% share in swissAA Holding AG ("swissAA"). swissAA Holding AG became part of the consolidated group on 1 July 2023. The holding company consists of several fully owned subsidiaries (see an overview in Note 2).

SwissAA is a manufacturer of ammunition and technology for the armed forces specialising in small calibre ammunition, namely 5.56 mm, 7.62 mm, 9 mm and 12.7 mm, as well as 40 mm suspension grenade launcher ammunition.

This acquisition is part of the Group's long-term growth strategy in the small arms segment and in related sectors where ammunition is a natural complement to the Group's core products.

Revenues from the sale of swissAA's own products, goods and services from the date of acquisition until 31 December 2023 amount to CZK 430,022 thousand. Pro-forma revenues from the sale of own products, goods and services from 1 January 2023 to 31 December 2023 amount to CZK 691,371 thousand.

The net loss from the date of acquisition until 31 December 2023 amounts to CZK 41,513 thousand. The pro-forma net loss for the period from 1 January 2023 to 31 December 2023 amounts to CZK 108,941 thousand.

23.1. Consideration transferred

	28 June 2023 CZK '000
Monetary settlement	723,900
Total consideration transferred	723,900

Acquisition-related costs

In connection with the acquisition, the Group incurred costs for 2023 of CZK 268 thousand, primarily relating to advisory services. These costs are recognised in the Services item in the consolidated statement of profit and loss and other comprehensive income.

23.2. Assets acquired and liabilities assumed at the acquisition date

	28 June 2023 CZK '000
Intangible assets	71,595
Property, plant and equipment	881,471
Other non-current assets	9,255
Inventories	492,981
Trade and other receivables	60,121
Cash and cash equivalents	150,863
Non-current loans and borrowings	-182,182
Non-current lease liabilities	-9,193
Non-current and current provisions	-29,244
Deferred tax liability	-119,307
Current loans and borrowings	-1,186
Current lease liabilities	-2,485
Trade and other payables	-148,419
Other current liabilities	-52,732
Tax liabilities	-13,152
Fair value of acquired identifiable net assets	1,108,382

23.3. Bargain purchase gain

	28 June 2023 CZK '000
Consideration transferred	723,900
Fair value of acquired identifiable net assets	1,108,384
Bargain purchase gain	384,482

In 2023, the bargain purchase gain of CZK 384,482 thousand was reported on a separate line of the consolidated statement of profit and loss and other comprehensive.

24. NON-CURRENT ASSETS

24.1. Intangible assets

Cost

Year ended 31 December 2024 with opening balances as at 31 December 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Business combination – balance at the date of entry into consolidation**	Additions	Disposals	Transfers	Impact of FX rate fluctuations	Closing balance
Software	243,729	5,033	26,692	-54,854	9,255	8,424	238,279
Intangible assets under construction or being acquired	101,297	1,745	96,990	–	-13,576	1,086	187,542
Other intangible assets	1,050,677	–	26,109	-2,669	–	64,552	1,138,669
Trademarks and logos*	1,629,235	2,167,611	–	–	–	102,804	3,899,650
Capitalised development	575,790	–	10,015	-4,603	4,321	–	585,523
Concessions, licence rights and other intellectual property rights	343,036	968	4	-351	–	13,305	356,962
Contractual customer relations	1,747,178	5,256,619	–	-864,727	–	40,549	6,179,619
Total	5,690,942	7,431,976	159,810	-927,204	–	230,720	12,586,244

*Due to their nature, the Group considers these assets to be intangible assets with indefinite useful lives.

** The acquisition of Sellier & Bellot a.s. of 16 May 2024.

Year ended 31 December 2023 with opening balances as at 31 December 2022. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Business combination – balance at the date of entry into consolidation**	Additions	Disposals	Transfers	Impact of FX rate fluctuations	Closing balance
Software	241,532	410	3,060	-3,726	1,650	803	243,729
Intangible assets under construction or being acquired	64,442	–	62,134	-564	-24,715	–	101,297
Other intangible assets	890,614	–	166,770	–	–	-6,707	1,050,677
Trademarks and logos*	1,638,762	–	–	-226	–	-9,301	1,629,235
Capitalised development	532,878	–	19,847	–	23,065	–	575,790
Concessions, licence rights and other intellectual property rights	350,245	989	46	-11,291	–	3,047	343,036
Contractual customer relations	1,667,688	70,196	–	–	–	9,294	1,747,178
Total	5,386,161	71,595	251,857	-15,807	–	-2,864	5,690,942

* Due to their nature, the Group considers these assets to be intangible assets with indefinite useful lives.

**The acquisition of swissAA dated 28 June 2023.

ACCUMULATED DEPRECIATION AND ALLOWANCES

Year ended 31 December 2024 with opening balances as at 31 December 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Amortisation	Disposals	Changes in allowances, reversal of allowances	Impact of FX rate fluctuations	Closing balance	Carrying amount
Software	-196,147	-15,749	54,848	-	-8,124	-165,172	73,107
Intangible assets under construction or being acquired	-	-	-	-	-25	-25	187,517
Other intangible assets	-405,187	-93,914	1,227	-	-25,524	-523,398	615,271
Trademarks and logos	-	-	-	-	-	-	3,899,650
Capitalised development	-248,890	-27,266	2,909	-	-1,578	-274,825	310,698
Concessions, licence rights and other intellectual property rights	-227,550	-21,860	61	-	-22,459	-271,808	85,154
Contractual customer relations	-1,199,287	-589,314	864,727	-	-23,726	-947,600	5,232,019
Total	-2,277,061	-748,103	923,772	-	-81,436	-2,182,828	10,403,416

Year ended 31 December 2023 with opening balances as at 31 December 2022. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Amortisation	Disposals	Changes in allowances, reversal of allowances	Impact of FX rate fluctuations	Closing balance	Carrying amount
Software	-175,444	-19,869	31	-	-865	-196,147	47,582
Intangible assets under construction or being acquired	-	-	-	-	-	-	101,297
Other intangible assets	-291,363	-118,167	-	-	4,343	-405,187	645,490
Trademarks and logos	-	-	-	-	-	-	1,629,235
Capitalised development	-220,991	-28,074	-	175	-	-248,890	326,900
Concessions, licence rights and other intellectual property rights	-235,546	-19,658	11,147	-	16,507	-227,550	115,486
Contractual customer relations	-1,000,686	-181,896	-	-	-16,705	-1,199,287	547,891
Total	-1,924,030	-367,664	11,178	175	3,280	-2,277,061	3,413,881

Major additions to intangible assets include the acquisition of Sellier & Bellot a.s., which is described in detail in Note 22.

Intangible assets also include intangible assets with indefinite useful lives. This principally relates to trademarks and logos. As disclosed in Note 3.19, intangible assets with indefinite useful lives, intangible assets that have not yet been used, and goodwill are tested for impairment by the Group on an annual basis. Intangible assets with indefinite useful lives are part of the same cash-generating unit as goodwill and are tested together with goodwill. As at 31 December 2024 and 31 December 2023, no impairment was identified. Goodwill is described in Note 24.2.

Apart from development costs of CZK 14,336 thousand (2023 – CZK 42,912 thousand) recognised as intangible assets, the Group recognised research expenditure of CZK 317,611 thousand (2023 – CZK 220,952 thousand) as an expense in 2024.

24.2. Goodwill

Cost

Year ended 31 Dec 2024 with opening balances as at 31 Dec 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Business combination – balance at the date of entry into consolidation*	Additions	Disposals	Impact of FX rate fluctuations	Closing balance
Goodwill	2,547,480	5,830,313	–	–	111,914	8,489,707
Total	2,547,480	5,830,313	–	–	111,914	8,489,707

* The acquisition of Sellier & Bellot a.s. of 16 May 2024.

Year ended 31 Dec 2023 with opening balances as at 31 Dec 2022. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Business combination – balance at the date of entry into consolidation*	Additions	Disposals	Impact of FX rate fluctuations	Closing balance
Goodwill	2,457,416	–	–	–	90,064	2,547,480
Total	2,457,416	–	–	–	90,064	2,547,480

* The acquisition of swissAA dated 28 June 2023.

Goodwill reported in the statement of financial position of CZK 8,489,707 thousand (2023 – CZK 2,547,480 thousand) relates to the acquisition of Česká zbrojovka a.s. in 2014 (CZK 280,686 thousand), the acquisition of Colt NA in 2021 (CZK 2,313,004 thousand), the acquisition of Spuhr i Dalby AB in 2022 (CZK 65,705 thousand), and the acquisition of Sellier & Bellot a.s. in 2024 (CZK 5,830,313 thousand).

At least once a year, the Group assesses whether or not goodwill has been impaired. The recoverable amount is determined as the value in use based on the long-term cash flow plan. This plan anticipates a gradual growth in sales, operating profit, and cash flow from operating activities in the coming years. On the grounds of prudence, the values for 2029 are also used for periods following 2029.

In order to determine the discount rate, the internally set weighted average cost of capital indicator is used, reflecting the costs of debt and capital financing of the Group. This value was set at a range of 6.3% – 10% for 2024 (2023 – 5.9% – 9.0%). As at 31 December 2024 and 31 December 2023, no impairment was identified.

24.3. Property, plant and equipment

Cost

Year ended 31 Dec 2024 with opening balances as at 31 Dec 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Business combination – balance at the date of entry into consolidation*	Additions	Disposals	Transfers	Impact of FX rate fluctuations	Closing balance
Buildings	1,942,690	837,315	40,132	-10,758	88,798	15,476	2,913,653
Machinery, devices and equipment	4,231,625	2,777,238	490,345	-184,921	253,683	27,559	7,595,529
Other non-current operating assets	71,548	106	3,187	–	27,061	4,568	106,470
Tangible assets under construction	325,274	63,366	235,250	-4,384	-292,644	13,045	339,907
Prepayments made for non-current tangible assets	306,178	66,609	100,246	-116	-76,898	734	396,753
Land	430,071	1,387,230	–	–	–	16,141	1,833,442
Total	7,307,386	5,131,864	869,160	-200,179	–	77,523	13,185,754

* The acquisition of Sellier & Bellot a.s. of 16 May 2024.

Year ended 31 Dec 2023 with opening balances as at 31 Dec 2022. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Business combination – balance at the date of entry into consolidation*	Additions	Disposals	Transfers	Impact of FX rate fluctuations	Closing balance
Buildings	1,545,612	285,749	49,442	-2,554	1,528	62,913	1,942,690
Machinery, devices and equipment	3,626,911	259,349	297,989	-127,659	108,784	66,251	4,231,625
Other non-current operating assets	44,896	6,684	13,615	-159	–	6,512	71,548
Tangible assets under construction	99,361	2,413	175,959	-15,641	62,442	740	325,274
Prepayments made for non-current tangible assets	124,214	217,701	112,915	–	-172,754	24,102	306,178
Land	324,539	97,896	–	–	–	7,636	430,071
Total	5,765,533	869,792	649,920	-146,013	–	168,154	7,307,386

* The acquisition of swissAA dated 28 June 2023.

ACCUMULATED DEPRECIATION AND ALLOWANCES

Year ended 31 Dec 2024 with opening balances as at 31 Dec 2023. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Depreciation	Disposals, sale, liquidation	Changes in allowances, reversal of allowances	Impact of FX rate fluctuations	Closing balance	Carrying amount
Buildings	-722,201	-114,417	6,053	–	-5,073	-835,638	2,078,015
Machinery, devices and equipment	-2,348,025	-569,300	166,285	–	-10,112	-2,761,152	4,834,377
Other non-current operating assets	-31,227	-18,876	–	–	-2,093	-52,196	54,274
Tangible assets under construction	-9,365	–	–	199	–	-9,166	330,741
Prepayments made for non-current tangible assets	-884	–	–	-22,037	–	-22,921	373,832
Land	–	–	–	–	–	–	1,833,442
Total	-3,111,702	-702,593	172,338	-21,838	-17,278	-3,681,073	9,504,681

Major additions to tangible assets in 2024 include the acquisition of Sellier & Bellot a.s. described in detail in Note 22, and the acquisition of machinery, devices and equipment, including provided advances for non-current tangible assets.

Year ended 31 Dec 2023 with opening balances as at 31 Dec 2022. Amounts in the table are presented in CZK '000.

GROUP	Opening balance	Depreciation	Disposals, sale, liquidation	Changes in allowances, reversal of allowances	Transfers**	Impact of FX rate fluctuations	Closing balance	Carrying amount
Buildings	-609,966	-79,547	2,554	–	–	-35,242	-722,201	1,220,489
Machinery, devices and equipment	-2,124,844	-315,483	124,567	–	-5,316	-26,949	-2,348,025	1,883,600
Other non-current operating assets	-14,135	-11,461	–	–	–	-5,631	-31,227	40,321
Tangible assets under construction	-12,581	–	–	3,217	–	-1	-9,365	315,909
Prepayments made for non-current tangible assets	-1,149	–	–	265	–	–	-884	305,294
Land	–	–	–	–	–	–	–	430,071
Total	-2,762,675	-406,491	127,121	3,482	-5,316	-67,823	-3,111,702	4,195,684

* The balance in Transfers represents the reclassification of selected non-current assets between Property, plant and equipment and Rights of use.

Major additions to tangible assets in 2023 include the acquisition of swissAA Holding AG, described in detail in Note 23, and the acquisition of machinery, devices and equipment, including provided advances for non-current tangible assets.

24.4. Right of use

Cost

Year ended 31 Dec 2024 with opening balances as at 31 Dec 2023. Amounts in the table are presented in CZK '000.

	Opening balance	Business combination – balance at the date of entry into consolidation*	Additions	Disposals	Transfers	Impact of FX rate fluctuations	Closing balance
Right of use of buildings and land	82,906	9,138	567	-1,090	-1,068	14,041	104,494
Right of use of machinery, devices and equipment	36,829	–	8,736	-10,846	1,068	540	36,327
Total	119,735	9,138	9,303	-11,936	–	14,581	140,821

* The acquisition of Sellier & Bellot a.s. of 16 May 2024.

Year ended 31 Dec 2023 with opening balances as at 31 Dec 2022. Amounts in the table are presented in CZK '000.

	Opening balance	Business combination – balance at the date of entry into consolidation*	Additions	Disposals	Impact of FX rate fluctuations	Closing balance
Right of use of buildings and land	84,477	10,907	23,701	-37,441	1,262	82,906
Right of use of machinery, devices and equipment	35,874	772	9,865	-9,749	67	36,829
Total	120,351	11,679	33,566	-47,190	1,329	119,735

* The acquisition of swissAA dated 28 June 2023.

ACCUMULATED DEPRECIATION AND ALLOWANCES

Year ended 31 Dec 2024 with opening balances as at 31 Dec 2023. Amounts in the table are presented in CZK '000.

	Opening balance	Depreciation	Disposals, sale, liquidation	Impact of FX rate fluctuations	Closing balance	Carrying amount
Right of use of buildings and land	-11,404	-19,091	1,090	-11,578	-40,983	63,511
Right of use of machinery, devices and equipment	-22,566	-9,037	10,399	-770	-21,974	14,353
Total	-33,970	-28,128	11,489	-12,348	-62,957	77,864

Year ended 31 Dec 2023 with opening balances as at 31 Dec 2022. Amounts in the table are presented in CZK '000.

	Opening balance	Depreciation	Disposals, sale, liquidation	Transfers**	Impact of FX rate fluctuations	Closing balance	Carrying amount
Right of use of buildings and land	-31,467	-17,069	37,016	–	116	-11,404	71,502
Right of use of machinery, devices and equipment	-25,491	-10,497	8,114	5,316	-8	-22,566	14,263
Total	-56,958	-27,566	45,130	5,316	108	-33,970	85,765

* The balance in Transfers represents the reclassification of selected non-current assets between Property, plant and equipment and Rights of use.

25. EQUITY-ACCOUNTED SECURITIES AND INVESTMENTS

The carrying amount of all equity-accounted securities and investments changed as follows in the year ended 31 December 2024:

	2024 CZK '000	2023 CZK '000
Beginning of the period	40,795	39,401
Acquisition of Colt CZ Hungary Zrt.	-	1,212
Contribution made outside registered capital of Colt CZ Hungary Zrt.	3,776	-
Share in profit of associates after tax	530	682
Dividends received	-1,000	-500
Other	1	-
End of the period	44,102	40,795

26. INVENTORIES

The structure of inventories in individual years is as follows (CZK '000):

	2024	2023
Material	3,031,141	2,036,572
Finished products	2,209,967	1,910,278
Goods	342,508	326,830
Production in progress and semi-finished products	1,754,466	969,183
Prepayments made for inventories	118,430	55,214
Total	7,456,512	5,298,077

The measurement of redundant, obsolete, and slow-moving inventories is decreased to the selling price net of the costs of sale by means of allowances. The allowance (refer to Note 13) was determined by the Group's management based on the movements of inventories and their planned consumption.

Goods and finished products include pistols, rimfire rifles, centrefire rifles, semi-automatic rifles, semi-automatic carbines, submachine guns, assault rifles, bolt-action rifles, ammunition, and accessories.

27. PROVIDED LOANS

The structure of other provided loans in individual years was as follows (CZK '000):

	31 Dec 2024	31 Dec 2023		
	Due date (expiry)	Interest rate p. a.	CZK '000	CZK '000
Colt CZ Hungary Zrt.	31 December 2025	6.56% p. a.	20,017	-
Total			20,017	-
Repayments in the following year, incl. outstanding interest			20,017	-
Total			20,017	-

Total interest income relating to provided loans recognised in Interest income amounted to CZK 1,128 thousand in 2024 (2023 – CZK 31 thousand).

28. OTHER FINANCIAL ASSETS

	31 Dec 2024	31 Dec 2023
Other financial assets	12,531	-
Other financial assets at fair value through profit or loss	-	908,580
Total	12,531	908,580

In 2024, other financial assets represent a fixed-term certificate of deposit.

In 2023, other financial assets represented the Group's short-term investment in listed shares held for trading. The Group completed this investment through an intermediary, i.e., a securities dealer. The fair values of these shareholdings were determined based on prices quoted in an active market (see Note 39). During the first quarter of 2024, the Group sold Other financial assets representing the Group's short-term investment in listed shares. It generated a profit of CZK 113,402 thousand from these sales.

29. TRADE AND OTHER RECEIVABLES

The structure of trade and other receivables in individual years was as follows (CZK '000):

	31 Dec 2024	31 Dec 2023
Trade receivables	2,746,391	1,691,032
Other receivables	55,484	103,159
Estimated receivables	16,249	27,065
Accrued income	31,656	15,582
Total	2,849,780	1,836,838
Non-current	20,021	61,891
Current	2,829,759	1,774,947
Total	2,849,780	1,836,838

The ageing structure and impairment losses recognised for current trade receivables are as follows (CZK '000):

	31 Dec 2024			31 Dec 2023		
	Receivables	Allowances	Net receivables	Receivables	Allowances	Net receivables
Within due date	2,493,387	-15,752	2,477,635	1,356,691	-15,361	1,341,330
Up to 3 months overdue	222,356	-1,488	220,868	347,800	-3,058	344,742
3 to 6 months overdue	27,056	-133	26,923	2,278	-2,278	-
6 to 12 months overdue	41,500	-20,535	20,965	5,869	-909	4,960
More than 12 months overdue	15,334	-15,334	-	11,498	-11,498	-
Total	2,799,633	-53,242	2,746,391	1,724,136	-33,104	1,691,032

The credit quality of trade receivables is discussed in Note 40.

The Group has pledged current receivables in favour of the Group's creditors.

Receivables pledged in favour of the Group's creditors as at 31 December 2024 (CZK '000):

Receivables	Amount	Description
Current trade receivables pledged in favour of Komercní banka, a.s.	1,972,929	Agreement on a pledge on receivables from business contracts dated 7 May 2024

Receivables pledged in favour of the Group's creditors as at 31 December 2023 (CZK '000):

Receivables	Amount	Description
Current trade receivables pledged in favour of Komerční banka, a.s.	877,693	Agreement on a pledge on receivables from business contracts

30. OTHER RECEIVABLES

The structure of other receivables in individual years was as follows (CZK '000):

	2024	2023
Prepayments made	224,187	177,797
Prepaid expenses	120,795	144,850
Other receivables – non-financial	22	2,911
Value added tax	213,259	20,788
Other taxes	212	7,375
Total	558,475	353,721
Non-current	2,593	2,556
Current	555,882	351,165
Total	558,475	353,721

31. CASH AND CASH EQUIVALENTS

The structure of cash is as follows (CZK '000):

	2024	2023
Cash on hand	3,038	1,727
Cash at bank	5,914,730	3,326,957
Total	5,917,768	3,328,684

32. REGISTERED CAPITAL AND SHARE PREMIUM

On 16 May 2024, the acquisition of Sellier & Bellot a.s. was finalized and the Group became a 100% owner of this company. The Group paid the remaining part of the purchase price of USD 230 million including share-based payments of USD 353 million, representing 13,476,440 shares. These shares were issued on 16 May 2024, increasing the Company's registered capital by CZK 1,348 thousand. The issue rate was set at CZK 596.9 per share. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 8,042,462 thousand was recorded as a share premium.

On 3 July 2024, 1,735,100 employee options were discharged under the Company's stock option plan. The option holders exercised their right to purchase the Company's shares at a nominal value of CZK 0.1. These shares were issued on 26 June 2024, increasing the Company's registered capital by CZK 174 thousand.

On 23 August 2024, the Company's registered capital was increased by CZK 219 through the issue of 2,194,078 shares in book-entry form. The issue rate of one subscribed share was CZK 570. The increase of the registered capital was approved by the Company's Board of Directors on 22 August 2024 based on the authorisation by a general meeting.

The capital increase and subscription of new shares was made in connection with the payment of a dividend in form of new shares of the Company based on a previous shareholders' decision. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 1,250,405 thousand was recorded as a share premium.

On 18 October 2024, the Company's registered capital was increased by CZK 390 through the issue of 3,900,000 shares in book-entry form. The issue rate of one subscribed share was CZK 575. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 2,242,110 thousand was recorded as a share premium.

As at 31 December 2024, the Company's registered capital comprises 56,463 ordinary registered shares totalling CZK 5,646 thousand.

On 16 May 2023, the registered capital was increased through the issue of 365,291 shares in book-entry form with a nominal value of CZK 0.1 per share. The newly issued shares were subscribed by Colt CZ Group North America, Inc. at a price of CZK 585 per share, solely in connection with the provision of consideration as part of the partial settlement of the acquisition of Colt NA in 2021. On 01 June 2023, a total of 365,291 shares of the Company were handed over to the original owners of Colt NA. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 213,659 thousand was recorded as a share premium.

On 20 September 2023, the registered capital was increased through the issue of 322,170 shares in book-entry form with a nominal value of CZK 0.1 per share. The newly issued shares were subscribed by Colt CZ Group SE at a price of CZK 526.5 per share in connection with the payment of a dividend. On 2 October 2023, a total of 322,170 shares of the Company were handed over to the subscribing shareholders. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 169,590 thousand was recorded as a share premium.

On 15 December 2023, the registered capital was increased through the issue of 368,038 shares in book-entry form with a nominal value of CZK 0.1 per share. The newly issued shares were subscribed by Colt CZ Group North America, Inc. at a price of CZK 525 per share, solely in connection with the provision of consideration as part of the partial settlement of the acquisition of Colt NA in 2021.

On 28 December 2023, a total of 368,038 shares of the Company were handed over to the original owners of Colt NA. The difference between the net proceeds from the subscription of the new ordinary shares and their nominal value of CZK 193,183 thousand was recorded as a share premium.

As at 31 December 2023, the Company's registered capital comprises 35,157 thousand ordinary registered shares totalling CZK 3,516 thousand.

33. OTHER COMPONENTS OF EQUITY

The structure of other equity components in individual years is as follows (CZK '000):

	2024	2023
Capital funds	1,641,512	1,641,512
Cash flow hedge reserve	-203,494	599,816
Foreign exchange translation reserve	-68,137	-142,688
Total	1,369,881	2,098,640

Other capital funds represent additional capital contributions relating to the acquisition of a 50% interest in Česká zbrojovka a.s. in 2013.

34. BONDS, BANK LOANS AND BORROWINGS

34.1. Bonds

As at 31 December 2024, the Group used the following external financing in the form of issued bonds (CZK '000):

			31 Dec 2024	31 Dec 2023
		Terms	Interest rate p. a.	CZK '000
Issued bonds		23 March 2027	6M PRIBOR + margin % p. a.	5,000,000
Issued bonds – outstanding interest				79,144
Issued bonds – costs of issue				-11,633
Issued bonds		27 Jan 2029	6M PRIBOR + margin % p. a.	1,998,000
Issued bonds – outstanding interest				50,948
Issued bonds – costs of issue				-7,860
Issued bonds		18 May 2030	6M PRIBOR + margin % p. a.	2,517,000
Issued bonds – outstanding interest				17,580
Issued bonds – costs of issue				-8,632
Total				9,634,547
Repayments in the following year				147,672
Repayments in future years				9,486,875
				215,620
				8,890,041

In 2024, the Company exercised the option to increase the volume of the existing bond issue and issued bonds with a nominal value of CZK 588,000 thousand. In 2023, the Company issued bonds totalling CZK 1,929,000 thousand and maturing in 2030. In 2022, the Company issued bonds totalling CZK 1,998,000 thousand and maturing in 2029. The Company does not expect to call the bonds in 2025.

As at 31 December 2024, interest expense amounted to CZK 667,811 thousand (31 December 2023 – CZK 738,434 thousand), of which unsettled interest expense was CZK 147,672 thousand (31 December 2023 – CZK 215,660 thousand).

Costs related to the issue of bonds in 2023 of CZK 11,244 thousand are accounted for on an accrual basis over the maturity of the bonds. The remaining part of these costs as at 31 December 2024 is CZK 8,632 thousand (31 December 2023 – CZK 10,242).

Costs related to the issue of bonds in 2022 of CZK 13,508 thousand are accounted for on an accrual basis over the maturity of the bonds. The remaining part of these costs as at 31 December 2024 is CZK 7,860 thousand (31 December 2023 – CZK 9,795).

Costs related to the issue of bonds in 2021 of CZK 31,412 thousand are accounted for on an accrual basis over the maturity of the bonds. The remaining part of these costs as at 31 December 2024 is CZK 11,633 thousand (31 December 2023 – CZK 16,882).

The issued bonds bear variable interest and their fair value did not differ significantly from their carrying amount as at 31 December 2024 and 31 December 2023.

34.2. Bank loans and borrowings

As at 31 December 2024 and 31 December 2023, the Group had the following bank loans and borrowings (CZK '000):

Bank	Terms	Interest rate p. a.	31 Dec 2024 CZK '000	31 Dec 2023 CZK '000
Syndicated loan	7 May 2029	3M Euribor + margin % p. a.	8,044,030	–
Syndicated loan – outstanding interest			760	–
Syndicated loan – drawing costs			-97,768	–
Komerční banka, a.s.	10 Oct 2024	1M PRIBOR + margin % p. a.	–	2,257,782
Sparbanken Skåne	30 Nov 2026	6.1 – 6.4%	4,497	8,996
UBS	30 Sep 2038	2.6 – 3.5%	109,080	125,861
Raiffeisen Bank	30 Sep 2032	1.9 – 4.75%	75,084	94,663
ŠkoFin s.r.o.	30 June 2028	5.59 – 6.44%	40,907	21,241
Total			8,176,590	2,508,543
Repayments in the following year			1,327,238	2,358,124
Repayments in future years			6,849,352	150,459

The syndicated bank loan of CZK 8,044,030 thousand (2023 – CZK 2,257,782) was drawn by the Group in connection with the acquisition of Sellier & Bellot a.s (see Note 22).

Costs related to the drawing of the loan in 2024 of CZK 113,911 thousand are accounted for on an accrual basis over the maturity of the loan. The remaining part of these costs as at 31 December 2024 is CZK 97,768 thousand (31 December 2023 – CZK 0).

The syndicated bank loan is subject to the following covenants, which are tested at the end of each quarter, i.e., 31 March, 30 June, 30 September, and 31 December.

Covenants set by the financing banks	31 December 2024
Net leverage ratio – less than 3.5	2.26
Interest cover ratio – more than 1.1	1.63
DSCR – more than 5	5.48

The Group complies with the requirements of these covenants as at 31 December 2024.

Payables arising from the loans are secured with a pledge on receivables (see Note 29).

35. TRADE AND OTHER PAYABLES

The structure of trade and other payables in individual years was as follows (CZK '000):

	2024	2023
Trade and other payables	1,320,786	1,464,470
Accrued expenses	18,453	3,222
Estimated payables	225,515	269,150
State subsidies	1,233	1,012
Other current liabilities – financial	54,150	50,964
Total	1,620,137	1,788,818
Non-current	46,802	42,022
Current	1,573,335	1,746,796
Total	1,620,137	1,788,818

The Group did not have any supplier finance arrangements in place at 31 December 2024 or 31 December 2023.

Current trade and other payables are normally due within 3 months. The Group has not recorded any liabilities with a maturity of more than five years at 31 December 2024 or 31 December 2023. Detailed information regarding liquidity risk management is provided in note 40.2.

36. OTHER PAYABLES

The structure of other payables in individual years is as follows (CZK '000):

	2024	2023
Prepayments received	1,472,362	902,539
Employee liabilities	243,261	343,106
Liabilities from untaken holidays	86,169	30,804
Liabilities arising from employee bonuses	109,232	97,711
Social security and health insurance	71,288	30,557
Other non-financial liabilities	2,297	16
Value added tax	26,455	47,442
Other taxes	148,360	148,887
Deferred income	184,167	68,601
Total	2,343,591	1,669,663
Non-current	10,387	14,569
Current	2,333,203	1,655,094
Total	2,343,590	1,669,663

37. OTHER FINANCIAL LIABILITIES

	2024	2023
Contingent consideration (earn-out Colt NA)	-	-
Contingent consideration (earn-out Spuhr)	-	44,580
Total	-	44,580
Non-current	-	-
Current	-	44,580
Total	-	44,580

On 30 September 2024, the remaining part of contingent consideration arising from the acquisition of Spuhr i Dalby AB, taking place in 2022, was paid.

38. LEASES

38.1. The Group as a lessor

In 2024, the Group recognised income from leases of CZK 10,659 thousand (2023 – CZK 9,147 thousand). The lease-related income is recorded as part of Other operating income (Note 6). The income does not include any variable portion not depending on rate or index.

38.2. Group as a lessee

In line with its common practice, the Group holds a part of machinery, buildings, cars and IT equipment under leases. The lease term is 2-10 years.

Interest expense arising from lease contracts, depreciation of rights-of-use assets for the year, acquisition cost of right-of-use assets and expenses related to short-term contracts, contracts for low-value assets, and variable costs arising from lease contracts are disclosed in Notes 8, 11, 17 and 24.4. Total cash outflows arising from lease contracts amounted to CZK 68,712 thousand in 2024 (2023 – CZK 69,263 thousand).

The table below shows liabilities arising from lease contracts (CZK '000):

	2024	2023
Lease liabilities – non-current	58,922	62,052
Lease liabilities – current	22,267	25,619
Total	81,189	87,671

The table below shows the terms of lease liabilities and their nominal value (CZK '000):

	2024	2023				
	Nominal interest rate	Nominal value	Carrying amount	Nominal interest rate	Nominal value	Carrying amount
Liabilities from building and land leases	2-4% p. a.	76,304	71,605	2-4% p.a.	77,003	72,299
Liabilities from lease of machinery, devices and equipment	2-4% p .a.	10,166	9,584	2-4% p.a.	15,851	15,372
Total		86,470	81,189		92,854	87,671

Reconciliation of movements of lease liabilities with cash flows:

	2024	2023
Opening balance of lease liability as at 1 January	87,671	70,735
Lease payments	-25,650	-32,772
Total cash flows	-25,650	-32,772
Interest expense	1,209	979
Lease additions and modifications	17,959	48,729
Closing balance as at 31 Dec	81,189	87,671

As at 31 December 2024, the Group recorded the following in the statement of profit or loss in connection with leases:

	2024	2023
Depreciation of right-of-use assets	28,128	27,566
Interest expense relating to lease liability (included in financial expenses)	1,209	979
Costs of short-term leases (included in service costs)	26,574	21,463
Costs relating to low-value assets not included in the short-term leases above (included in service costs)	6,561	3,987
Costs relating to variable lease payments not included in lease liabilities (included in service costs)	9,927	11,041
Total	72,399	65,036

The table below shows the ageing structure of lease liabilities (CZK '000):

Ageing structure of lease liabilities	Balance at 2024	Balance at 2023
Within 3 months	5,490	6,179
3 months to 1 year	16,777	19,440
1 to 2 years	15,063	19,325
2 to 3 years	12,668	11,845
3 to 4 years	11,128	9,937
4 to 5 years	6,659	8,989
More than 5 years	13,404	11,956
Total	81,189	87,671

39. FINANCIAL ASSETS AND LIABILITIES

The table below provides an overview of financial assets and liabilities in the accounting records (CZK '000):

Financial assets	2024	2023
Current		
Trade and other receivables	2,829,759	1,774,947
Provided loans	20,017	–
Other financial assets	12,531	908,580
Financial derivatives	127,174	149,047
Cash and cash equivalents	5,917,768	3 328 684
Total	8,907,249	6,161,258
Non-current		
Financial derivatives	413,372	1,013,168
Trade and other receivables	20,021	61,891
Total	433,393	1,075,059
Financial liabilities	2024	2023
Current		
Bonds, bank loans and borrowings	1,474,910	2,573,744
Financial derivatives	394,262	11,038
Lease liabilities	22,267	25,619
Other financial liabilities	–	44,580
Trade and other payables	1,573,335	1,746,796
Total	3,464,774	4,401,777
Non-current		
Bonds, bank loans and borrowings	16,336,227	9,040,540
Financial derivatives	532,473	244,169
Lease liabilities	58,922	62,052
Trade and other payables	46,802	42,022
Total	16,974,424	9,388,783

39.1. Fair value

The table below shows carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy in 2024 (CZK '000). It does not include fair value information for financial assets and financial liabilities not measured at fair value if their carrying amount approximates their fair value.

2024	Note	Carrying amount			Fair value			
		Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Total	Level 1	Level 2	Total	
Financial assets measured at fair value								
Financial derivatives held for trading								
Currency forwards held for trading	41	–	19,680	19,680	–	19,680	19,680	
Currency swaps held for trading	41	–	29,459	29,459	–	29,459	29,459	
Interest rate options held for trading	41	–	32,207	32,207	–	32,207	32,207	
Financial derivatives used for hedge accounting								
Currency forwards used for hedge accounting	41	46,476	–	46,476	–	46,476	46,476	
Currency swaps used for hedging	41	257,251	–	257,251	–	257,251	257,251	
Currency options used for hedge accounting	41	9,701	–	9,701	–	9,701	9,701	
Cross currency interest rate swaps for hedging	41	98,331	–	98,331	–	98,331	98,331	
Interest rate swaps used for hedging	41	36,925	–	36,925	–	36,925	36,925	
Commodity swaps used for hedging	41	10,516	–	10,516	–	10,516	10,516	
Total		459,200	81,346	540,546	–	540,546	540,546	

2024	Note	Carrying amount			Fair value			
		Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Total	Level 1	Level 2	Total	
Financial liabilities measured at fair value								
Financial derivatives held for trading								
Currency forwards held for trading	41	–	22,742	22,742	–	22,742	22,742	
Currency swaps held for trading	41	–	1,054	1,054	–	1,054	1,054	
Interest rate swaps held for trading	41	–	12,162	12,162	–	12,162	12,162	
Interest rate options held for trading	41	–	4,344	4,344	–	4,344	4,344	
Financial derivatives used for hedge accounting								
Currency forwards used for hedge accounting	41	157,179	–	157,179	–	157,179	157,179	
Currency swaps used for hedging	41	57,243	–	57,243	–	57,243	57,243	
Currency options used for hedge accounting	41	20,609	–	20,609	–	20,609	20,609	
Cross currency interest rate swaps for hedging	41	358,881	–	358,881	–	358,881	358,881	
Interest rate swaps used for hedging	41	159,840	–	159,840	–	159,840	159,840	
Commodity swaps used for hedging	41	132,681	–	132,681	–	132,681	132,681	
Total		886,433	40,302	926,735	–	926,735	926,735	

The table below shows carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy in 2023 (CZK '000). It does not include fair value information for financial assets and financial liabilities not measured at fair value if their carrying amount approximates their fair value.

2023	Note	Carrying amount			Fair value			
		Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Total	Level 1	Level 2	Total	
Financial assets measured at fair value								
Financial derivatives held for trading								
Currency forwards held for trading	41	–	129,224	129,224	–	129,224	129,224	
Currency swaps held for trading	41	–	7,567	7,567	–	7,567	7,567	
Currency options held for trading	41	–	123	123	–	123	123	
Financial derivatives used for hedge accounting								
Currency forwards used for hedge accounting	41	195,389	–	195,389	–	195,389	195,389	
Currency swaps used for hedging	41	378,265	–	378,265	–	378,265	378,265	
Currency options used for hedge accounting	41	32,163	–	32,163	–	32,163	32,163	
Cross currency interest rate swaps for hedging	41	361,465	–	361,465	–	361,465	361,465	
Interest rate swaps used for hedging	41	58,018	–	58,018	–	58,018	58,018	
Other financial assets								
Other financial assets	28	–	908,580	908,580	908,580	–	908,580	
Total		1,025,300	1,045,494	2,070,794	908,580	1,162,214	2,070,794	

2023	Note	Carrying amount			Fair value			
		Hedging instruments measured at fair value	Mandatorily recognised in profit or loss – other	Total	Level 1	Level 2	Total	
Financial liabilities measured at fair value								
Financial derivatives held for trading								
Currency forwards held for trading	41	–	2,997	2,997	–	2,997	2,997	
Currency options held for trading	41	–	3	3	–	3	3	
Currency swaps held for trading	41	–	6,420	6,420	–	6,420	6,420	
Financial derivatives used for hedge accounting								
Currency forwards used for hedge accounting	41	10,979	–	10,979	–	10,979	10,979	
Currency options used for hedge accounting	41	13,080	–	13,080	–	13,080	13,080	
Currency swaps used for hedging	41	2,622	–	2,622	–	2,622	2,622	
Cross currency interest rate swaps for hedging	41	112,179	–	112,179	–	112,179	112,179	
Interest rate swaps used for hedging	41	106,927	–	106,927	–	106,927	106,927	
Other financial liabilities								
Contingent consideration from the acquisition of Spuhr	37	–	44,580	44,580	44,580	–	44,580	
Total		245,787	54,000	299,787	44,580	255,207	299,787	

There were no transfers between levels during the period.

39.2. Fair value measurement

The table below shows the valuation techniques used for fair value measurement at Level 1 a 2 for financial instruments in the statement of financial position as well as significant unobservable inputs used.

Type of instrument	Valuation techniques	Significant unobservable inputs
Currency forwards and swaps	The fair value of financial derivatives (interest rate swaps and currency forwards) is determined based on the present value of future cash flows based on market data as yield curves of referential interest rate swaps, spot foreign exchange rates and forward points.	None
Currency options	For currency options, the respective option model is used (primarily the Black-Scholes model or its modifications), with the specific input data including the volatility of currency exchange rates reflecting specific realisation rates of individual transactions ("volatility smile").	None
Cross currency interest rate swaps	Fair value is determined as the present value of future cash flows. The estimate of future variable cash flows is based on quoted swap rates and interbank deposit rates. The estimated future cash flows are discounted using a yield curve constructed from the above sources.	None
Interest rate swaps	The fair value of financial derivatives (interest rate swaps and currency forwards) is determined based on the present value of future cash flows based on market data as yield curves of referential interest rate swaps, spot foreign exchange rates and forward points.	None
Interest rate options	For interest rate options, the respective option model is used (primarily the Black-Scholes model or its modifications), with the specific input data including the volatility of interest rates reflecting specific realisation rates of individual transactions ("volatility smile").	None
Commodity swaps	The fair value of commodity swaps is determined using the present value of future cash flows based on market data such as commodity forward curves, spot rates and futures contracts.	None
Contingent consideration from the acquisition of Spuhr	The fair value of contingent consideration is determined based on the current estimate of gross profits of Spuhr for the periods defined in the purchase agreement.	None
Share-based payment arrangements	The fair value of employee stock options was determined using the Black Scholes measurement model. The options are subject to the employment term/function term and non-market performance condition which were not considered in fair value determination.	None
Other financial assets	The fair value is determined based on the quoted bid price in an active market.	None

40. RISK MANAGEMENT

This note details the financial risks the Group is exposed to and how these risks are managed. Risk management is a fundamental part of the Group's management. The main emphasis is on identifying the risks the Group is exposed to in the market (risk of changes in exchange rates, interest rates, and prices of purchased commodities), credit risk, and liquidity risk. The Group also monitors and assesses the risks associated with climate change on an ongoing basis.

The risk management strategy focuses on the minimisation of potential negative impact on the Group's financial performance. The policy of the Group is to enter into currency and interest rate hedging derivative instruments to manage its exposure to currency and interest rate risk. Details are provided in Note 41.

40.1. Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty in a transaction fails to meet its contractual obligations, such as payment, acceptance of a service at the agreed price, or failure to deliver an agreed service.

The Group mainly does business with proven partners. The Group has a policy of subjecting all customers wishing to make use of credit facilities to an analysis of their individual creditworthiness. The Company continuously monitors the status of receivables on an individual and aggregate level.

All business counterparties are subject to an analysis of their individual creditworthiness and assigned a credit limit. Credit limits are approved based on an external rating if available, or based on an internal risk assessment guideline. Exposure to risk is monitored daily for each counterparty, considering any potential future impact. The overall credit risk of the business portfolio is continuously monitored and calculated with respect to the customer segment.

For the wholesale customer portfolio (state military and law enforcement, government agencies, distributors, etc.), the overall credit risk is determined based on expected loss, i.e., each counterparty is assigned an internal credit rating with an estimated probability of default. The expected loss is calculated by default as the product of the probability of default, the percentage of loss on that exposure in the event of default, and the exposure to the counterparty at that point in time. For the portfolio of retail customers, a model based on the ageing structure of trade receivables is used.

With respect to credit risk arising from the Group's financial assets, the maximum amount of credit risk caused by the counterparty's default corresponds to the carrying amount of these instruments.

No concentration of credit risk occurs.

Impairment losses on financial assets recognised in the statement of profit or loss are presented in Note 13.

The table below shows an overview of credit risk based on territory for 2024 (CZK '000):

2024	Czech Republic	USA	Canada	Europe (excl. Czech Republic)	Asia	Other	Total
Provided loans	–	–	–	20,017	–	–	20,017
Financial derivatives	540,546	–	–	–	–	–	540,546
Trade and other receivables	702,099	681,793	211,413	344,248	23,049	887,178	2,849,780
Other financial assets	–	12,531	–	–	–	–	12,531
Cash and cash equivalents	4,862,669	499,573	325,673	229,853	–	–	5,917,768
Total	6,105,314	1,193,897	537,086	594,118	23,049	887,178	9,340,642

The table below shows an overview of credit risk based on territory for 2023 (CZK '000):

2023	Czech Republic	USA	Canada	Europe (excl. Czech Republic)	Asia	Other	Total
Other financial assets	–	908,580	–	–	–	–	908,580
Financial derivatives	1,162,215	–	–	–	–	–	1,162,215
Trade and other receivables	80,566	307,429	554,344	222,605	309,997	361,897	1,836,838
Cash and cash equivalents	2,002,218	945,722	211,968	167,282	–	1,494	3,328,684
Total	3,244,999	2,161,731	766,312	389,887	309,997	363,391	7,236,317

Trade and other receivables

The Group establishes allowances for impairment based on estimates of expected future losses that may occur for trade receivables. In accordance with IFRS 9 and as part of the measurement of expected credit losses, trade receivables were assessed based on individual customer ratings and days past due (individual approach).

For wholesale customers, the Group assesses receivables individually and considers the rating of a debtor's country as a significant volume of the Group's business transactions is concluded with entities linked directly or very closely to the state and state institutions.

Receivables are categorised based on the country of origin of the company for which a receivable is recorded. These countries have been assigned a rating based on their rating by Standard & Poor's. Using this rating, receivables are divided into five groups based on their potential default risk.

For its analysis, the Group used publicly available data from a document titled Default, Transition, and Recovery: 2023 Annual Global Corporate Default and Rating Transition Study, tab. 26.

The amount of the allowance measured according to the rating system described above is further expanded to include specific allowances that are established based on the individual assessment of the debtor. This individual assessment applies to all trade receivables that are more than 180 days overdue.

For the portfolio of retail customers, a model based on the ageing structure of trade receivables is used. To measure the expected life-time credit losses, trade receivables are grouped based on shared characteristics of credit risk and days past due. These groups of assets are assigned an expected credit loss rate based on historical default rates.

The table below shows information on credit risk exposure and the expected credit loss rate for trade receivables as at 31 December 2024 based on the external credit rating equivalent (CZK '000):

2024	External credit rating equivalent	Expected credit loss rate	Gross carrying amount	Allowances for credit losses	Net carrying amount	Credit-impaired
Grade 1-6: Low risk	BBB- to AAA	0.86%	2,641,049	-22,812	2,618,237	No
Grade 7-9: Reasonable risk	BB- to BB+	9.10%	115,801	-10,537	105,264	No
Grade 10: Non-standard	B- to CCC-	39.81%	38,027	-15,137	22,890	No
Grade 11: Doubtful	C to CC	-	-	-	-	No
Grade 12: Loss-making	D	100.0%	4,756	-4,756	-	Yes
Total			2,799,633	-53,242	2,746,391	

The table below shows information on credit risk exposure and the expected credit loss rate for trade receivables for as at 31 December 2023 based on the external credit rating equivalent (CZK '000):

2023	External credit rating equivalent	Expected credit loss rate	Gross carrying amount	Allowances for credit losses	Net carrying amount	Credit-impaired
Grade 1-6: Low risk	BBB- to AAA	1.10%	1,583,436	-17,404	1,566,032	No
Grade 7-9: Reasonable risk	BB- to BB+	11.47%	79,528	-9,124	70,404	No
Grade 10: Non-standard	B- to CCC-	4.11%	56,937	-2,341	54,596	No
Grade 11: Doubtful	C to CC	-	-	-	-	No
Grade 12: Loss-making	D	100.0%	4,235	-4,235	-	Yes
Total			1,724,136	-33,104	1,691,032	

The table below shows information on credit risk exposure and the expected credit loss rate for trade receivables based on ageing structure as at 31 December 2024 (CZK '000):

2024	Expected credit loss rate	Gross carrying amount	Allowances for credit losses	Net carrying amount	Credit-impaired
Within due date	0.63%	2,493,387	-15,752	2,477,635	No
1- 90 days overdue	0.67%	222,356	-1,488	220,868	No
90- 180 days overdue	0.49%	27,056	-133	26,923	No
180- 360 days overdue	49.48%	41,500	-20,535	20,965	No
More than 360 days overdue	100%	15,334	-15,334	-	Yes
Total		2,799,633	-53,242	2,746,391	

The table below shows information on credit risk exposure and the expected credit loss rate for trade receivables based on ageing structure as at 31 December 2023 (CZK '000):

2023	Expected credit loss rate	Gross carrying amount	Allowances for credit losses	Net carrying amount	Credit-impaired
Within due date	1.13%	1,356,691	-15,361	1,341,330	No
1- 90 days overdue	0.88%	347,800	-3,058	344,742	No
90- 180 days overdue	100%	2,278	-2,278	-	No
180- 360 days overdue	15.49%	5,869	-909	4,960	No
More than 360 days overdue	100%	11,498	-11,498	-	Yes
Total	1,724,136		-33,104	1,691,032	

Trade and other receivables are written off if their recovery cannot be reasonably expected. Indicators that there is no reasonable expectation of recovery also include the debtor's failure to engage in a repayment plan and failure to make contractual payments for more than 360 days past due.

Impairment losses on trade and other receivables are recognised as net impairment losses within operating profit or loss. Subsequent recoveries of amounts previously written off are credited to the same line item.

The Group records a lifetime expected credit loss for all other financial assets if there is a significant increase in credit risk after initial recognition.

However, if the credit risk of a financial instrument does not significantly increase after initial recognition, the Group calculates an allowance for the loss on that financial instrument equal to 12-month expected credit losses.

Cash and cash equivalents

As at 31 December 2024, the Group held cash and cash equivalents of CZK 5,917,768 thousand (2023 – CZK 3,328,684 thousand).

The impairment of cash and cash equivalents was measured based on a 12-month expected loss and reflects the short maturity of the exposures. The Group has bank accounts only with prestigious banking institutions. The Group believes that its cash and cash equivalents have low credit risk based on the external credit ratings of counterparties. The potential impact of IFRS 9 is insignificant.

40.2. Liquidity risk management

The Group manages liquidity risk by retaining banking sources and loan instruments, ongoing monitoring of anticipated and actual cash flows and adapting the maturity of financial assets and financial liabilities.

Liquidity risk

Liquidity risk is a risk that the Group will not have sufficient available resources to meet its payables arising from financial contracts. The Group continuously monitors the risk of shortage of funds by managing liquidity and monitoring the maturity of debts and financial investments, other assets, and expected cash flows from its operations. The Group holds unrestricted liquid resources, i.e., cash, cash equivalents and current financial assets in currencies in which future cash requirements are expected to be denominated.

The Group also monitors the level of expected cash flows from trade and other receivables together with the expected cash flows from trade and other payables.

As at 31 December 2024, the quick liquidity ratio, which is calculated as the ratio of current financial assets to current financial liabilities, is 2.57 (31 December 2023 – 1.40).

The remaining contractual maturities of financial liabilities at the balance sheet date are shown below. Amounts are gross and undiscounted, include contractual interest payments, and exclude the impact of netting arrangements. Liabilities past their due dates are included in the 'Within 3 months' column.

The table below shows information as at 31 December 2024 (CZK '000):

2024	Carrying amount	Total	Within 3 months	Contractual cash flows			
				3-6 months	6-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	1,620,137	1,620,137	1,560,647	12,688	–	46,802	–
Lease liabilities	81,189	81,189	5,490	8,389	8,389	45,518	13,403
Bonds, bank loans and borrowings	17,811,137	19,604,363	723,697	549,819	1,097,339	14,559,056	2,674,452
Total non-derivative financial liabilities	19,512,463	21,305,689	2,289,834	570,896	1,105,728	14,651,376	2,687,855
Derivative financial liabilities							
Currency forwards held for trading	22,742	22,743	20,761	1,982	–	–	–
Currency swaps held for trading	1,054	1,054	421	–	633	–	–
Interest rate swaps used for trading	12,162	12,162	–	–	–	12,162	–
Interest rate options held for trading	4,344	4,344	–	–	–	4,344	–
Currency forwards used for hedging	157,179	157,179	9,380	12,909	49,868	85,022	–
Currency swaps used for hedging	57,243	57,243	–	–	1,648	55,595	–
Currency options used for hedging	20,609	20,609	–	–	–	20,609	–
Cross currency interest rate swaps for hedging	358,881	358,880	–	–	–	187,825	171,055
Interest rate swaps used for hedging	159,840	159,840	–	–	–	159,840	–
Commodity swaps used for hedging	132,681	132,681	–	–	94,461	38,220	–
Total derivative financial liabilities	926,735	926,735	30,562	14,891	146,610	563,617	171,055
Total	20,439,198	22,232,424	2,320,396	585,787	1,252,338	15,214,993	2,858,910

The table below shows information as at 31 December 2023 (CZK '000):

2023	Carrying amount	Total	Within 3 months	Contractual cash flows			
				3-6 months	6-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	1,788,818	1,788,818	1,767,537	8,504	–	12,777	–
Lease liabilities	87,671	87,671	6,179	6,480	12,960	50,096	11,956
Other financial liabilities	44,580	44,580	–	–	44,580	–	–
Bonds, bank loans and borrowings	11,614,284	13,767,171	452,268	190,841	2,666,546	6,264,746	4,192,768
Total non-derivative financial liabilities	13,535,353	15,688,240	2,225,984	205,825	2,724,086	6,327,619	4,204,724
Derivative financial liabilities							
Currency forwards held for trading	2,997	2,997	936	2,061	–	–	–
Currency options held for trading	3	3	3	–	–	–	–
Currency swaps held for trading	6,420	6,420	–	6,420	–	–	–
Currency forwards used for hedge accounting	10,979	10,979	–	1,505	92	9,382	–
Currency options used for hedge accounting	13,080	13,080	20	–	–	13,060	–
Currency swaps used for hedging	2,622	2,622	–	–	–	2,622	–
Cross currency interest rate swaps for hedging	112,179	112,179	–	–	–	–	112,179
Interest rate swaps used for hedging	106,927	106,927	–	–	–	–	106,927
Total derivative financial liabilities	255,207	255,207	959	9,986	92	25,064	219,106
Total	13,790,560	15,943,447	2,226,943	215,811	2,724,178	6,352,683	4,423,830

40.3. Market risk management

Market risk is the risk of changes in the value of assets, liabilities, and cash flows denominated in foreign currencies due to changes of exchange rates, interest rates, and prices of purchased commodities. The Group has implemented policies and methods to monitor and hedge the risks to which it is exposed. Exposure to market risk is measured using sensitivity analyses.

40.3.1. Currency risk management

The Group's exposure to currency risk primarily arises from its purchases and sales in currencies other than the Group's functional currency. Exposure to currency risks is governed by parameters approved based on currency forwards, swaps, and options. The objective of the Group is to minimise the impact of foreign currency rates changes on the value of its sales and profit.

The Group measures its exposure to the foreign currency risk by the expected excess of anticipated sales over purchases, excess of foreign currency receivables over payables and sensitivity of the Group's profit or equity to the changes in exchange rates.

The carrying amount of the Group's monetary assets and monetary liabilities denominated in foreign currencies at the end of the reporting period is as follows:

2024	CZK	EUR	USD	CAD	SEK	CHF	Other	Total
Financial assets								
Provided loans	–	20,017	–	–	–	–	–	20,017
Financial derivatives	540,546	–	–	–	–	–	–	540,546
Trade and other receivables	83,760	1,483,618	914,726	192,975	130,429	24,493	19,779	2,849,780
Other financial assets	–	–	12,531	–	–	–	–	12,531
Cash and cash equivalents	3,403,233	1,106,154	905,024	323,734	66,113	97,917	15,593	5,917,768
Total financial assets	4,027,539	2,609,789	1,832,281	516,709	196,542	122,410	35,372	9,340,642
Financial liabilities								
Financial derivatives	926,735	–	–	–	–	–	–	926,735
Lease liabilities	17,125	16,065	17,451	1,503	21,148	7,897	–	81,189
Trade and other payables	491,016	317,665	715,237	43,366	4,614	47,915	324	1,620,137
Bonds, bank loans and borrowings	9,675,455	7,947,021	–	–	4,497	184,164	–	17,811,137
Total financial liabilities	11,110,331	8,280,751	732,688	44,869	30,259	239,976	324	20,439,198
Total currency risk exposure	-7,082,792	-5,670,962	1,099,593	471,840	166,283	-117,566	35,048	-11,098,556
2023	CZK	EUR	USD	CAD	SEK	CHF	Other	Total
Financial assets								
Financial derivatives	1,162,215	–	–	–	–	–	–	1,162,215
Trade and other receivables	72,342	218,748	809,297	553,202	18,701	164,548	–	1,836,838
Other financial assets	–	–	908,580	–	–	–	–	908,580
Cash and cash equivalents	1,634,588	222,765	1,159,320	199,370	64,811	40,488	7,342	3,328,684
Total financial assets	2,869,145	441,513	2,877,197	752,572	83,512	205,036	7,342	7,236,317
Financial liabilities								
Financial derivatives	255,207	–	–	–	–	–	–	255,207
Lease liabilities	31,982	–	17,632	2,528	23,946	11,583	–	87,671
Other financial liabilities	–	–	–	–	44,580	–	–	44,580
Trade and other payables	549,308	215,039	688,445	235,406	7,347	92,430	843	1,788,818
Bonds, bank loans and borrowings	9,126,964	2,257,782	–	–	8,996	220,542	–	11,614,284
Total financial liabilities	9,963,461	2,472,821	706,077	237,934	84,869	324,555	843	13,790,560
Effect of currency derivative instruments – nominal value	–	–	966,643	–	–	–	–	966,643
Total currency risk exposure	-7,094,316	-2,031,308	1,204,477	514,638	-1,357	-119,519	6,499	-7,520,886

40.3.2. Sensitivity to exchange rate fluctuations

The Group is exposed to currency risk, especially in relation to EUR, USD, CAD, SEK, and CHF.

The Group used the following most important exchange rates:

In CZK	Average exchange rate		Exchange rate at the end of the period	
	2024	2023	2024	2023
EUR	25.119	24.007	25.185	24.725
USD	23.208	22.21	24.237	22.376
CAD	16.951	16.451	16.846	16.885
SEK	2.198	2.093	2.199	2.229
CHF	26.185	25.406	26.768	26.688

The following table shows the Group's sensitivity to a 10% appreciation and depreciation of the Czech crown towards the respective foreign currencies. The sensitivity analysis only includes outstanding monetary items denominated in a foreign currency, adjusting their translation at the end of the reporting period by a 10% change in exchange rates. The positive value indicates an increase in profits or equity due to a potential appreciation of the Czech crown by 10% with respect to the respective currency.

In CZK	Impact on profit before tax 2024		Impact on profit before tax 2023	
	Foreign currency appreciation by 10%	Foreign currency depreciation of 10%	Foreign currency appreciation by 10%	Foreign currency depreciation of 10%
Foreign currency				
EUR	-640,033	640 033	-214 781	-214,781
USD	-86,434	86 434	-71 668	-71,668
CAD	47,284	-47,284	51,464	51,464
SEK	16,628	-16,628	-136	-136
CHF	-37,452	37,452	-35,824	-35,824
Sensitivity to exchange rate fluctuations	-700,007	700,007	-270,945	270,945

In CZK	Impact on equity 2024		Impact on equity 2023	
	Foreign currency appreciation by 10%	Foreign currency depreciation of 10%	Foreign currency appreciation by 10%	Foreign currency depreciation of 10%
Foreign currency				
EUR	-453,707	453,707	-680,145	680,145
USD	-632,937	632,937	-630,597	630,597
Sensitivity to exchange rate fluctuations	-1,086,644	1,086,644	-1,310,742	1,310,742

40.3.3. Interest rate risk management

The Group is exposed to the risk of interest rate changes as the Group borrows funds with variable interest rates. Interest expense from issued bonds, which represent the most significant portion of interest-bearing liabilities, are based on 6M PRIBOR + margin. The syndicated loan bears interest at 3M Euribor + margin. Amount of interest paying liabilities using other reference rates is not significant (Note 34).

The Group has managed interest rate risk using interest rate and cross currency interest rate swap agreements. This ensures the utilisation of hedging strategies which are economically most effective.

As at 31 December 2024, interest rate risk exposure was as follows:

31 December 2024 CZK '000	Carrying amount	Contractual cash flows	Variable interest rate	Fixed interest rate
Interest-bearing financial assets				
Provided loans	20,017	21,330	–	21,330
Total interest-bearing financial assets	20,017	21,330	–	21,330
Interest-bearing financial liabilities				
Bonds, bank loans and borrowings	17,811,137	19,604,363	19,326,559	277,804
Lease liabilities	81,189	81,189	–	81,189
Total interest-bearing financial liabilities	17,892,326	19,685,552	19,326,559	358,993
Effect of cross currency interest rate swaps and interest rate swaps – nominal value				
	–	–	16,129,107	–
Total interest rate risk exposure	-17,872,309	-19,664,222	-3,197,452	-337,663

As at 31 December 2023, interest rate risk exposure was as follows:

31 December 2023 CZK '000	Carrying amount	Contractual cash flows	Variable interest rate	Fixed interest rate
Bonds, bank loans and borrowings	11,614,284	13,767,171	13,442,174	324,997
Lease liabilities	87,671	87,671	–	87,671
Other financial liabilities	44,580	44,580	–	44,580
Total interest-bearing financial liabilities	11,746,535	13,899,422	13,442,174	457,248
Effect of cross currency interest rate swaps and interest rate swaps – nominal value				
	–	–	7,141,700	–
Total interest rate risk exposure	-11,746,535	-13,899,422	-6,300,474	-457,248

40.3.4. Interest rate sensitivity analysis

The below interest rate sensitivity analysis was determined based on the exposure to interest rates for derivative and non-derivative instruments at the end of the reporting period. Payables with a floating interest rate are subject to the analysis provided that the value of principal remains unchanged throughout the reporting period based on a calculation of the average annual principal.

If interest rates were higher/lower by 100 basis points and all other variables remained constant, the profit or loss would change based on the values specified below.

CZK '000	Impact on profit before tax 2024		Impact on profit before tax 2023	
	Increase of 1 percentage point	Decrease of 1 percentage point	Increase of 1 percentage point	Decrease of 1 percentage point
Issued bonds with variable interest rate	-91,477	91,477	-83,169	83,169
Syndicated loan with variable interest rate	-66,674	66,674	-	-
Cross currency interest rate swaps	47,127	-47,127	47,127	-47,127
Interest rate swaps	64,604	-64,604	17,217	-17,217
Interest rate options	28,685	-28,685	-	-
Cash and cash equivalents	46,232	-46,232	30,772	-30,772
Sensitivity of interest rates changes	28,497	-28,497	11,947	-11,947

CZK '000	Impact on equity 2024		Impact on equity 2023	
	Increase of 1 percentage point	Decrease of 1 percentage point	Increase of 1 percentage point	Decrease of 1 percentage point
Cross currency interest rate swaps	184,388	-184,388	175,078	-175,078
Interest rate swaps	262,605	-262,605	125,534	-125,534
Sensitivity of interest rates changes	446,993	-446,993	300,612	-300,612

40.3.5. Commodity risk

The Group is exposed to the risk of changes in prices of input commodities, which are the main raw materials purchased for production (zinc, copper, lead). The price of raw materials purchased from suppliers is linked to changes in commodity market prices on the LME (London Metal Exchange).

The Group manages commodity price risk by using commodity swaps. The hedging mechanism is based on a simple contract design, and the difference between the agreed fixed price paid by the company and the market price on the settlement date is settled with a third party in cash without physical delivery of the commodity.

The carrying amount of assets and liabilities that is dependent on the price of a commodity:

CZK '000	31 December 2024			31 December 2023				
	Zinc (Zn)	Copper (Cu)	Lead (Pb)	Total	Zinc (Zn)	Copper (Cu)	Lead (Pb)	Total
Receivables from commodity derivatives								
Current	6,946	-	-	6,946	-	-	-	-
Non-current	3,570	-	-	3,570	-	-	-	-
Total receivables from commodity derivatives	10,516	-	-	10,516	-	-	-	-
Liabilities from commodity derivatives								
Current	-	-75,172	-19,288	-94,460	-	-	-	-
Non-current	-	-34,893	-3,328	-38,221	-	-	-	-
Total liabilities from commodity derivatives	-	-110,065	-22,616	-132,681	-	-	-	-
Total	10,516	-110,065	-22,616	-122,165	-	-	-	-

40.3.6. Commodity price sensitivity analysis

The Group performed a sensitivity analysis to determine the impact on equity of a 10% change in commodity prices. The sensitivity analysis results are presented in the table below.

CZK '000	Impact on equity 2024		Impact on equity 2023	
	Increase in commodity price by 10%	Decrease in commodity price by 10%	Increase in commodity price by 10%	Decrease in commodity price by 10%
Commodity				
Zn	11,740	-11,740	-	-
Cu	148,262	-148,262	-	-
Pb	23,326	-23,326	-	-
Commodity price sensitivity	183,328	-183,328	-	-

41. DERIVATIVE INSTRUMENTS

The Group enters into derivative financial instruments to manage its exposure to interest rate risk, currency risk, and the risk of changes in prices of purchased commodities. To manage these risks, the Group uses the following derivative instruments:

- ▶ Cross currency interest rate swaps;
- ▶ Interest rate swaps;
- ▶ Interest rate put options;
- ▶ Interest rate call options,
- ▶ Foreign-currency put options,
- ▶ Foreign-currency call options,
- ▶ Currency forwards;
- ▶ Currency swaps; and
- ▶ Commodity swaps

Derivative instruments are classified as trading or hedging.

The Group engages in hedging transactions to partially mitigate the foreign exchange (“FX risk”), interest rate risk (“IR risk”), and the risk of changes in prices of purchased commodities.

The instruments used for the FX risk management include plain vanilla FX forwards, currency swaps, currency options, and cross currency interest rate swaps. Usual hedging maturity for the FX hedging contracts is up to five years. At the same time, the Group has a few long-term commercial contracts meaning the future exposure can be hedged even without the current existence of the particular contract. This can result in an over-hedged or under-hedged position, unexpected losses or profits in case the estimates of future foreign exchange exposure do not materialise.

The IR risk is managed by traditional (plain vanilla) interest rate swaps (“IRS”), interest options and cross currency interest rate swaps with the maturity corresponding to the maturity of the external debt.

Commodity risk is managed by traditional (plain vanilla) commodity swaps.

The Group designates certain derivatives as hedging instruments to hedge itself against the foreign currency risk associated with a portion of highly probable forecasted sales denominated in EUR, USD (cash flow hedge) and a portion of net investments in foreign operations in CHF, and the interest rate risk, and the risk of changes in prices of purchased commodities. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges and those hedging net investments in foreign operations is recognised in other comprehensive income under cash flow hedges – remeasurement of effective portion of hedging instruments; the cumulative balance is recognised in the statement of financial position in cash flow hedge reserves.

The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit or loss and is included in the Gains or losses from derivative transactions. Fair value of derivative contracts is presented as Financial derivative assets or liabilities in the statement of financial position. Accounting for hedging derivatives is described in detail in Note 3.27.

The Group expects to continue its hedging activities in the future.

The following table provides an overview of nominal values and positive or negative fair values of open derivatives held for trading as at 31 December 2024 and 31 December 2023 (CZK '000):

CZK '000	2024			2023		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Currency put options	–	–	–	49,450	123	–
Currency call options	–	–	–	49,450	–	3
Interest rate put options	1,324,642	–	4,344	–	–	–
Interest rate call options	2,523,001	32,207	–	–	–	–
Currency forwards	1,745,064	19,680	22,742	1,983,865	129,224	2,997
Currency swaps	1,238,034	29,459	1,054	1,196,464	7,567	6,420
Interest rate swaps	1,129,169	–	12,162	–	–	–
Total	7,959,910	81,346	40,302	3,279,229	136,914	9,420

The following table provides an overview of nominal values and positive or negative fair values of open derivatives held for trading as at 31 December 2024 and 31 December 2023 (CZK '000):

CZK '000	2024			2023		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Interest rate swaps	6,437,571	36,925	159,840	2,429,000	58,018	106,927
Currency put options	581,688	9,701	–	586,474	32,163	–
Currency call options	581,688	–	20,609	586,474	–	13,080
Currency swaps	4,232,242	257,251	57,243	5,086,546	378,265	2,622
Currency forwards	5,363,204	46,476	157,179	4,018,351	195,390	10,979
Cross currency interest rate swaps – USD	3,212,700	–	187,825	3,212,700	186,216	–
Cross currency interest rate swaps – EUR	1,500,000	98,331	–	1,500,000	175,249	–
Cross currency interest rate swaps – CHF	724,200	–	171,056	724,200	–	112,179
Commodity swaps – Zn	134,458	10,516	–	–	–	–
Commodity swaps – Cu	1,943,387	–	110,065	–	–	–
Commodity swaps – Pb	309,201	–	22,616	–	–	–
Total	25,020,339	459,200	886,433	18,143,745	1,025,301	245,787

Valuation techniques are described in Note 39.2.

The fair values determined by the Company are verified in view of the valuation of transactions regularly obtained from individual counterparties on an individual basis. Interest rate risks relating to derivative transactions are considered immaterial.

The fair values of derivative transactions are classified as level 2, whereby the market data used in models originate from active markets. For other financial instruments, the fair value approximates the carrying amount.

The Company has concluded a master agreement with the bank for mutual offsetting of receivables, however, the receivables and payables from derivatives are reported separately since the Company does not plan to offset these derivatives in the future.

41.1. Currency contracts

The tables below show open foreign currency forwards, swaps and foreign currency put and call options as at 31 December 2024 and 31 December 2023 (CZK '000):

Open currency forwards and swaps		Average exchange rate		Foreign currency		Nominal value		Fair value	
USD		2024	2023	2024	2023	2024	2023	2024	2023
trading		23.952	23.49	72,000	85,500	1,721,568	1,921,154	-3,062	128,288
trading- SWAP		22.630	22.438	10,000	43,200	242,370	966,643	13,248	2,399
hedging		23.053	23.256	181,500	144,500	4,184,080	3,360,507	-137,531	144,252
hedging- SWAP		22.458	22.353	45,000	41,000	1,010,627	916,492	-54,405	14,739
trading – USD/EUR SWAP		23.820	–	1,000	–	23,800	–	-421	–
EUR		2024	2023	2024	2023	2024	2023	2024	2023
trading		27.036	26.82	8,050	2,500	217,637	67,050	14,751	5,168
trading- SWAP		25.275	–	20,319	–	511,732	–	1,460	–
hedging		26.635	26.768	40,750	31,750	1,085,360	849,890	26,829	40,158
hedging- SWAP		27.671	27.537	124,740	168,620	3,451,713	4,643,258	254,412	360,904
CHF		2024	2023	2024	2023	2024	2023	2024	2023
trading		–	26.445	–	2,651	–	70,717	–	-2,061
trading- SWAP		24.140	25.534	9,599	6,298	256,956	168,008	-633	-6,420
Open put options		Average exchange rate		Foreign currency		Nominal value		Fair value	
USD		2024	2023	2024	2023	2024	2023	2024	2023
hedging		22.25	22.25	24,000	24,000	534,000	534,000	9,701	31,985
EUR		2024	2023	2024	2023	2024	2023	2024	2023
trading		–	24.500	–	2,000	–	49,450	–	123
hedging		–	24.500	–	2,000	–	49,450	–	178
Open call options		Average exchange rate		Foreign currency		Nominal value		Fair value	
USD		2024	2023	2024	2023	2024	2023	2024	2023
hedging		25.028	25.028	24,000	24,000	600,660	600,660	-20,609	-13,060
EUR		2024	2023	2024	2023	2024	2023	2024	2023
trading		–	26.55	–	2,000	–	53,100	–	-3
hedging		–	26.55	–	2,000	–	53,100	–	-20

The tables below show the maturity of individual financial derivatives as at 31 December 2024 and 31 December 2023 based on their fair and nominal values (CZK '000):

Ageing structure	Type of transaction	31 December 2024		31 December 2023	
		Fair value	Nominal value	Fair value	Nominal value
Within 3 months	trading	-364	1,490,054	32,424	1,809,824
	hedging	-2,544	236,709	157	98,900
3-6 months	trading	-1,982	24,237	-7,183	350,605
	hedging	16,257	612,588	38,549	526,271
6-12 months	trading	-633	256,957	-	-
	hedging	-1,356	2,131,524	74,065	1,311,163
1-2 years	trading	2,945	242,370	22,081	223,760
	hedging	75,467	4,124,934	171,556	3,013,536
2-3 years	trading	25,378	969,480	20,101	223,760
	hedging	36,148	2,137,102	179,342	3,025,219
3-4 years	trading	-	-	60,075	671,280
	hedging	-37,311	872,532	110,467	1,899,988
4-5 years	trading	-	-	-	-
	hedging	-8,265	643,433	4,997	402,768
5-6 years	trading	-	-	-	-
	hedging	-	-	-	-
Total		103,740	13,741,920	706,631	13,557,074

As mentioned above, the Group designated certain currency derivative as hedging items in respect of changes in cash flows arising from forecasted highly probable sales in foreign currency. The table below summarises the amount of hedged forecasted sales at the end of each period, change in the fair value of hedged cash flows and the balance of hedged cash flow as at 31 December (CZK '000):

	Volume of hedged sales	Change in the value of hedged sales since the inception of the hedge	Balance of hedged cash flows
2024	10,758,822	-13,845	-13,845
2023	10,277,845	440,538	440,538

Changes in the fair value of hedging derivatives recognised in other comprehensive income and the amount reclassified to the statement of profit or loss in respective years 2024 and 2023 are as follows:

Cash flow hedges from expected sale	Change in the fair value of hedging instruments	Recognised in OCI	Hedge ineffectiveness recognised in the statement of profit or loss	Reclassified to the statement of profit or loss
2024	-557,131	-575,168	10,169	7,868
2023	69,871	33,839	1,372	34,660

In accordance with the hedging strategy, the accumulated fair value of hedging item is reclassified to profit or loss when the hedged forecasted sale affects profit or loss. The effect "Recognised in OCI" contains also element of taxes – 21% tax rate used.

The reconciliation between opening and closing balances of the cash flow hedge reserve is provided in the following table:

	2024	2023
1 January	470,085	404,165
Change in fair value	-553,757	132,107
Reclassification to the statement of profit or loss	-18,037	-33,919
Tax on movements in reserve funds during the year	119,580	-32,268
31 December	17,871	470,085

41.2. Cross currency interest rate swaps

The Company has entered into cross currency interest rate swaps in which it is the payer of fixed interest derived from the nominal value in USD or EUR and the payee of variable interest derived from the nominal value in CZK, and which further include initial and final exchanges of nominal amounts in USD or EUR and CZK to achieve the following objectives:

- ▶ to hedge the currency risk associated with the provided loan (a USD or EUR-denominated loan with a fixed interest rate) or the expected foreign currency sales in EUR,
- ▶ to hedge the interest rate risk arising from variable interest payments on the bonds issued (bonds issued in CZK with a variable interest rate of 6M PRIBOR).

For hedge accounting purposes, the negotiated cross currency interest rate swaps are divided into the following derivatives, which are defined as hedging instruments in a combined hedging relationship:

- ▶ The interest rate swap in which the Group is the payer of fixed interest derived from the nominal value in USD or EUR and the payee of fixed interest derived from the nominal value in CZK, and which further include initial and final exchanges of nominal amounts in USD or EUR and CZK. This cross currency interest rate swap is used to hedge the currency risk on the provided USD loan or foreign currency sales in EUR, whereby the exchange rate differences on the hedged portion of the loan or sales (equal to the nominal value of the cross currency interest rate swap - the hedge ratio is 1:1) are offset by the revaluation of the cross currency interest rate swap.
- ▶ An interest rate swap in which the Group is the payer of a fixed interest rate derived from the nominal value in CZK and payee of variable interest rate derived from the nominal value in CZK. This interest rate swap is used to hedge the interest rate risk on the bonds issued where the interest paid on the hedged portion of the bonds (equal to the nominal value of the interest rate swap - the hedge ratio is 1:1) derived from the variable interest rate is offset by the revaluation of the interest rate swap (in which the Company is the payee of interest payments derived from the same variable interest rate).

The combined hedging relationship is considered effective and qualifies for hedge accounting (see Note 3.27) only if the two separate derivatives (the hedging relationships in which the derivatives are defined as hedges) meet the hedge accounting requirements.

In the following tables, separate hedging derivatives are always listed separately in the relevant section based on the hedged risk.

The Group began applying hedge accounting on 21 May 2021 for USD/CZK interest rate swaps and on 27 January 2022 for EUR/CZK interest rate swaps. Until the initial application of hedge accounting, the cross currency interest rate swaps negotiated were classified as trading derivatives.

The Group assesses the effectiveness of hedges and the existence of an economic relationship between the hedging instruments and the hedged items based on a comparison of their parameters and sensitivity analysis. The Group determines the ineffective portion of the hedge based on the hypothetical derivative method and a comparison of changes in the cumulative fair values of the hedging instruments and hedged items represented by the hypothetical derivative.

The sources of ineffectiveness are mainly the credit risk of the counterparty to the hedging instruments and the Group, which the Group considers to be minimal given that the hedging instruments are negotiated with banks with high credit ratings, and the risk of prepayment of the provided loan or a reduction in the volume of sales (for currency hedges) and bonds issued (for interest rate hedges) is very low. The Group has entered into cross currency interest rate swaps in which it is the payer of fixed interest derived from the nominal value in CHF and the payee of fixed interest derived from the nominal value in CZK, and which further include initial and final exchanges of nominal amounts in CHF and CZK to achieve the following objectives:

- ▶ hedge against currency risk associated with the net investment in foreign operations in CHF.

The Group assesses the effectiveness of hedges and the existence of an economic relationship between the hedging instruments and the hedged items based on a comparison of their parameters. The Group determines the ineffective portion of the hedge based on the hypothetical derivative method and a comparison of changes in the cumulative fair values of the hedging instruments and hedged items represented by the hypothetical derivative.

The sources of ineffectiveness are mainly the credit risk of the counterparty to the hedging instruments and the Group, which the Group considers to be minimal given that the hedging instruments are negotiated with banks with high credit ratings, and the risk of impairment of the net investment in foreign operations.

41.3. Interest rate swaps

The interest rate swap agreements oblige the Group to exchange the difference between the fixed and variable interest calculated on the agreed principal. These contracts partially eliminate the risk of the impact of the future increase of market interest rates on the value of issued debt instruments with a floating reference rate. The fair value of the interest rate swaps at the end of the reporting period is determined by discounting future cash flows. These interest rate swaps are classified by the Group as held for hedging.

The hedge ratio is set as 1:1, or 1:0.996, due to a mismatch of 0.04% between the principal amounts of the hedging derivative and the hedged item, which the Company does not consider significant. The sources of hedge ineffectiveness are mainly the credit risk of the counterparty to the hedging instrument, which the Company considers to be minimal due to the fact that the hedging instruments have been negotiated with a bank with a high credit rating, and the risk of early repayment of the issued bonds.

In connection with the bonds issued in 2023 and amounting to CZK 1,929,000 thousand, the Group entered into an interest rate swap agreement with Česká spořitelna dated 18 May 2023, which exactly replicates the volume and maturity of the bonds.

In connection with the loan received in 2024, the Group entered into interest rate swap agreements whereby the Group is the payer of fixed interest derived from the EUR notional and the payee of floating interest derived from the EUR notional.

As at 31 December 2024, the Group held the following instruments to hedge its exposure to changes in foreign exchange rates and interest rates.

2024 CZK '000	Due date		
	1–6 months	6–12 months	More than 1 year
Currency risk			
Net exposure – USD			3,635,550
Net exposure – EUR			1,544,271
Net exposure – CHF			1,033,891
Average exchange rate CZK/USD			21.418
Average exchange rate CZK/EUR			24.463
Average exchange rate CZK/CHF			24.140
Interest rate risk			
Net exposure – split USD/CZK interest rate swap			3,212,700
Net exposure – split EUR/CZK interest rate swap			1,500,000
Net exposure – interest rate swap CZK			2,429,000
Net exposure – interest rate swap EUR			4,008,571
Average fixed interest rate – split USD/CZK interest rate swap			3.524%
Average fixed interest rate – split EUR/CZK interest rate swap			5.179%
Average fixed interest rate – interest rate swap CZK			3.746%
Average fixed interest rate – interest rate swap EUR			2.658%

2023 CZK '000	Due date		
	1–6 months	6–12 months	More than 1 year
Currency risk			
Net exposure – USD	–	–	3,356,400
Net exposure – EUR	–	–	1,516,065
Net exposure – CHF	–	–	1,030,801
Average exchange rate CZK/USD	–	–	21.418
Average exchange rate CZK/EUR	–	–	24.463
Average exchange rate CZK/CHF	–	–	24.140
Interest rate risk			
Net exposure – split USD/CZK interest rate swap	–	–	3,212,700
Net exposure – split EUR/CZK interest rate swap	–	–	1,500,000
Net exposure – interest rate swap	–	–	2,429,000
Average fixed interest rate – split USD/CZK interest rate swap	–	–	3,52 %
Average fixed interest rate – split EUR/CZK interest rate swap	–	–	5,18 %
Average fixed interest rate – interest rate swap	–	–	3,75 %

As at the reporting date, the amounts relating to the hedged items were as follows.

31 December 2024			
CZK '000	Change in value used to calculate hedge ineffectiveness	Cash flow hedge reserve	Balance in the cash flow hedge reserve from hedging rela- tionships for which hedge accounting is no longer applied
Currency risk			
Provided loan in USD	263,184	198,709	–
Volume of hedged sales in EUR	67,641	6,569	–
Volume of hedged net investment in foreign operations in CHF	168,326	-120,575	–
Interest rate risk			
Issued bonds / drawn loans with variable interest rate	196,102	-213,925	–
Total	695,253	-129,222	–

31 December 2023			
CZK '000	Change in value used to calculate hedge ineffectiveness	Cash flow hedge reserve	Balance in the cash flow hedge reserve from hedging rela- tionships for which hedge accounting is no longer applied
Currency risk			
Provided loan in USD	-149,743	142,153	–
Volume of hedged sales in EUR	38,518	79,960	–
Volume of hedging applicable to net investment in foreign operations in CHF	149,071	-88,622	–
Interest rate risk			
Issued bonds with variable interest rate	489,857	10,471	–
Effect of change of tax rate	–	-14,230	–
Total	527,703	129,731	–

Amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

2024					
CZK '000	Nominal value	Receivable (+) / Liability (-)	Changes in value of hedging instrument recognised in Other comprehensive income	Hedge ineffectiveness recognised in profit or loss	Amount reclassified from the hedge reserve to the statement of profit or loss
Currency risk					
Cross currency interest rate swaps	6,213,712	-410,488	370,157	-8,874	-285,285
Interest rate risk					
Interest rate swap	6,437,571	-122,915	94,009	-	28,240
Cross currency interest rate swaps	4,712,700	149,939	80,979	-639	24,568
Deferred tax effect	-	-	-53,715	-	-
Total	-	-383,464	491,430	-9,513	-232,477
2023					
CZK '000	Nominal value	Receivable (+) / Liability (-)	Changes in value of hedging instrument recognised in Other comprehensive income	Hedge ineffectiveness recognised in profit or loss	Amount reclassified from the hedge reserve to the statement of profit or loss
Currency risk					
Cross currency interest rate swaps	5,903,267	-26,080	-9,456	-2,583	73,440
Interest rate risk					
Interest rate swap	2,429,000	-48,909	147,170	-	19,274
Cross currency interest rate swaps	4,712,700	275,366	358,728	-	68,554
Deferred tax effect	-	-	-137,622	-	-
Effect of change of tax rate	-	-	14,230	-	-
Total	-	200,377	373,050	-2,583	161,268

Receivables from hedging derivatives of CZK 135,256 thousand (31 December 2023 - CZK 419,483 thousand) are recognised in Non-current financial derivatives. Liabilities from hedging derivatives of CZK 518,720 thousand (31 December 2023 - CZK 219,106 thousand) are recognised in Non-current financial derivatives.

Hedge ineffectiveness of CZK 9,513 thousand (31 December 2023 - CZK 2,583 thousand) is recognised in Gains/losses from derivative transactions.

CZK 285,285 thousand reclassified from the cash flow hedge reserve to profit or loss (31 December 2023 - CZK 73,440 thousand) is reported in Other financial income. CZK 52,808 thousand reclassified from the cash flow hedge reserve to profit or loss (31 December 2023 - CZK 87,828 thousand) arising from the interest rate risk is reported in Interest income.

The following table provides a reconciliation of equity components by risk category and an analysis of the items in other comprehensive income, net of tax, arising from hedge accounting.

		Cash flow hedge reserve	
CZK '000		2024	2023
Opening balance as at 1 January		129,731	664,049
Cash flow hedges			
Change in fair value:			
– Currency risk		-370,157	9,456
– Interest rate risk		-174,988	-505,898
Values reclassified to the statement of profit or loss:			
– Currency risk - other items		285,285	-73,440
– Interest rate risk		-52,808	-87,828
Tax on movements in reserve funds during the year		53,715	137,622
Effect of change of tax rate		–	-14,230
Closing balance as at 31 Dec		-129,222	129,731

41.4. Interest rate contracts held for trading

The table below shows open interest rate swaps and options held for trading as at 31 December 2024 and 31 December 2023 (CZK '000):

Open interest rate swaps and options	Average interest rate		Foreign currency		Nominal value		Fair value	
	2024	2023	2024	2023	2024	2023	2024	2023
EUR								
Trading – SWAP	2.387%	–	44,835	–	1,129,169	–	-12,162	–
trading – put option (floor)	3.495%	–	52,596	–	1,324,642	–	-4,344	–
trading – call option (cap)	2.863%	–	100,179	–	2,523,001	–	32,207	–

The table below shows the maturity of individual financial derivatives as at 31 December 2024 and 31 December 2023 based on their fair and nominal values (CZK '000):

Ageing structure	Type of transaction	31 December 2024		31 December 2023	
		Fair value	Nominal value	Fair value	Nominal value
1-2 years	trading	27,863	3,847,643	–	–
4-5 years	trading	-12,162	1,129,169	–	–
Total		15,701	4,976,812	–	–

41.5. Commodity contracts

From 2024, the Group started to use commodity derivatives to hedge the price of copper (Cu), zinc (Zn) and lead (Pb), the basic raw materials required for production. These derivatives are used to eliminate the risks associated with fluctuations in market prices of commodities on the London Metal Exchange (LME) that directly affect the cost of purchases of materials from suppliers.

The Group uses commodity swaps entered into with third parties on an arm's length basis. The derivatives were arranged without an initial payment and in accordance with arm's length conditions. These instruments are used to hedge the risk that the market price of the commodity at the time of purchase of the material or at the end of the hedging period will be different from the expected price at the inception of the hedge.

The hedge ratio is set at 1:1 where the derivatives hedge an appropriate volume of cash flows from the actual requirements to satisfy orders in the relevant periods relating to the unhedged cash flows.

The hedging mechanism is based on a simple contract structure whereby the difference between the fixed price agreed in the contract and the market price at the settlement date is settled between the parties in cash. However, no physical delivery of the commodity (copper, zinc or lead) takes place.

The main source of hedge ineffectiveness is the different maturities of the hedged item and the hedging instrument.

Open commodity swaps	Average price per unit		Quantity (tonnes)		Nominal value		Fair value	
Zinc (Zn)	2024	2023	2024	2023	2024	2023	2024	2023
Hedging – EUR	65,911	–	2,040	–	134,458	–	10,516	–
Copper (Cu)	2024	2023	2024	2023	2024	2023	2024	2023
Hedging – EUR	224,746	–	8,220	–	1,847,409	–	-92,885	–
Hedging – USD	266,607	–	360	–	95,978	–	-17,180	–
Lead (Pb)	2024	2023	2024	2023	2024	2023	2024	2023
Hedging – EUR	51,534	–	6,000	–	309,201	–	-22,616	–

The tables below show the maturity of individual financial derivatives as at 31 December 2024 and 31 December 2023 based on their fair and nominal values (CZK '000):

Ageing structure	Type of transaction	31 December 2024		31 December 2023	
		Fair value	Nominal value	Fair value	Nominal value
6-12 months	hedging	-87,515	1,505,790	–	–
1-2 years	hedging	-34,650	881,256	–	–
Total		-122,165	2,387,046	–	–

As mentioned above, the Group designated commodity derivatives as hedging items with respect to changes in commodity prices arising from forecasted highly probable purchases of hedged commodities. The table below summarises the amount of hedged forecasted purchases at the end of each period, change in the fair value of hedged cash flows and the balance of hedged cash flow as at 31 December (CZK '000):

	Volume of hedged purchases	Change in the value of hedged purchases since the inception of the hedge	Balance of hedged cash flows
2024	2,387,046	-92,143	-92,143
2023	–	–	–

Changes in the fair value of hedging derivatives recognised in other comprehensive income and the amount reclassified to the statement of profit or loss in respective years 2024 and 2023 are as follows:

Cash flow hedges from expected sale	Change in the fair value of hedging instruments	Recognised in OCI	Hedge ineffectiveness recognised in the statement of profit or loss	Reclassified to the statement of profit or loss
2024	-122,165	116,637	5,527	–
2023	–	–	–	–

The reconciliation between opening and closing balances of the cash flow hedge reserve is provided in the following table:

	2024	2023
1 January	–	–
Change in fair value	-122,165	–
Reclassification to the statement of profit or loss	5,527	–
Tax on movements in reserve funds during the year	24,495	–
31 December	-92,143	–

42. RELATED PARTIES

The Group had the following transactions with its related parties in 2024:

		Liabilities as at 31 Dec 2024	Purchases for the period from 1 Jan to 31 Dec 2024	Receivables as at 31 Dec 2024	Sales for the period from 1 Jan to 31 Dec 2024
Keriani, a.s.	company of the ultimate owner's corporate group	592	5,786	2,029	—
B:TECH, a.s.	company of the ultimate owner's corporate group	—	668	—	—
Iteuro, a.s.	company of the ultimate owner's corporate group	655	7,309	2,626	—
New Lachaussée S.A.	company of the ultimate owner's corporate group	—	923	—	—
Magtech Ammunition Company, Inc.	company of the ultimate owner's corporate group	153	216	208,655	851,362
Companhia Brasileira de Cartuchos S.A.	company of the ultimate owner's corporate group	—	294	31,651	119,661
Fritz Werner Industrie-Ausrüstungen GmbH	company of the ultimate owner's corporate group	1,541	4,507	—	—
Metallwerk Elisenhütte GmbH	company of the ultimate owner's corporate group	—	3,639	1,835	5,962
Taurus Armas S.A.	company of the ultimate owner's corporate group	—	—	—	2,717
CZ-SKD Solutions a.s.	company of the ultimate owner's corporate group	—	7,909	118	658
CZ-AUTO SYSTEMS a.s.	company of the ultimate owner's corporate group	—	758	14,306	55,265
VIBROM spol. s r.o.	associated company	21,524	138,424	6,749	3,230
CARDAM s.r.o.	associated company	766	4,103	118	381
CZ BRAZIL, LTDA	associated company	—	—	970	—
Colt CZ Hungary zrt.	associated company	40,844	1,890	80,398	100,742
EG-CZ Academy	associated company	126	754	—	—
Total		66,201	177,180	349,455	1,139,978

The Group also paid a dividend of CZK 797,945 thousand (2023 – CZK 786,314 thousand) to Česká zbrojovka Partners SE.

The Group had the following transactions with its related parties in 2023:

		Liabilities as at 31 Dec 2023	Purchases for the period from 1 Jan to 31 Dec 2023	Receivables as at 31 Dec 2023	Sales for the period from 1 Jan to 31 Dec 2023
Česká zbrojovka Partners SE	parent company	–	5	–	–
Keriani, a.s.	company of the ultimate owner's corporate group	585	5,692	–	–
B:TECH, a.s.	company of the ultimate owner's corporate group	1,773	5,731	187	259
EHC zdravotní s.r.o.	company of the ultimate owner's corporate group	–	–	–	313
CZUB zdravotní s.r.o.	company of the ultimate owner's corporate group	–	2,382	–	12
CZ-SKD Solutions a.s.	company of the ultimate owner's corporate group	286	7,425	–	385
CZ-AUTO SYSTEMS a.s.	company of the ultimate owner's corporate group	23	6,407	13,351	70,803
M&H Management a.s.	company of the ultimate owner's corporate group	–	–	–	43
Iteuro, a.s.	company of the ultimate owner's corporate group	1,123	4,058	1,297	7
VIBROM spol. s r.o.	associated company	20,102	134,567	9,022	1,842
CARDAM s.r.o.	associated company	1,067	4,622	–	238
CZ BRAZIL, LTDA	associated company	–	–	1,141	–
Colt CZ Hungary zrt.	associated company	4,738	141	2,206	2,301
EG-CZ Academy	associated company	62	720	–	–
Total		29,759	171,750	27,204	76,203

43. OFF-BALANCES SHEET COMMITMENTS

As at 31 December 2024, the Group provides the following collateral or guarantees in favour of the creditor:

Description of collateral or guarantee	Non-current	Current	Total
Customs guarantee	–	600	600
Bank guarantee	72,876	8,540	81,416
Letter of credit	887	9,689	10,576
Total	73,763	18,829	92,592

As at 31 December 2023, the Group provides the following collateral or guarantees in favour of the creditor:

Description of collateral or guarantee	Non-current	Current	Total
Customs guarantee	–	300	300
Bank guarantee	1,301	21,318	22,620
Letter of credit	–	40,302	40,302
Total	1,301	61,920	63,222

Some of the collateral and guarantees provided are denominated in foreign currencies and translated into CZK using exchange rates as at the balance sheet date.

As at 31 December 2024 and 31 December 2023, the Group records no significant legal disputes where the Group acts as a defendant or investment, environmental and other off-balance sheet commitments.

44. AUDITOR'S FEE

The table below shows a breakdown of auditor's fee in 2024:

CZK '000	Colt CZ Group SE	Other Group companies
Statutory audit	4,550	15,648
Other services:		
Assurance services	1,600	420
Other	–	–
TOTAL (excl. VAT)	6,150	16,068

The table below shows a breakdown of auditor's fee in 2023:

CZK '000	Colt CZ Group SE	Other Group companies
Statutory audit	3,425	10,260
Other services:		
Assurance services	2,493	–
Other	8,746	–
TOTAL (excl. VAT)	14,664	10,260

45. NET EARNINGS PER SHARE

Basic and diluted earnings per share were determined as follows:

	2024	2023
Numerator (CZK '000)		
Profit after tax attributable to the owner of the parent company	1,044,575	2,042,538
Denominator (average number of shares in CZK '000)		
Basic	47,911	35,458
Diluted	47,911	35,472
Net earnings per share (CZK/share) attributable to the owner of the parent company		
Basic	22	58
Diluted	22	58

46. SUBSEQUENT MATERIAL EVENTS

As of 1 January 2025, Mr Radek Musil was elected Vice-Chairman of the Board of Directors of the Company.

As of 1 April 2025, Mr Dennis Veilleux resigned from the position of member of the Board of Directors of the Company.

During the first quarter of 2025, the Company sold part of the COLTCZ VAR/30 bonds maturing in 2030 with a nominal value of CZK 483 million. The Company purchased from the market COLTCZ VAR/27 bonds maturing in 2027 in the same nominal amount. This step reduced the volume of bonds maturing in 2027 and at the same time extended the average maturity of the total debt financing.

The Group is closely monitoring the situation regarding the introduction of 20% tariffs by the U.S. administration on imports from the European Union and is taking proactive steps to maintain its competitiveness on the key U.S. market.

The Group does not expect a major impact on its planned total revenues; however, it does foresee a potential impact on its operating profitability, particularly on EBITDA. The Group is currently taking steps to mitigate the impact on profitability, whether through price adjustments, changes to the product mix, or redirecting exports to other territories. For the time being, the Group will not revise its guidance for 2025 until it evaluates potential scenarios, including developments in the commercial market in the USA.

No other subsequent events have occurred up to the reporting date that would have any material impact on the financial statements as at 31 December 2024.

The consolidated financial statements were approved by the Company's Board of Directors for publication on 29 April 2025.



Jan Drahota
Chair of the Board of Directors



Josef Adam
Vice-Chair of the Board of Directors

„THE REPORT BELOW REPRESENTS THE AUDITOR'S
REPORT THAT RELATES SOLELY AND EXCLUSIVELY
TO THE OFFICIAL ANNUAL FINANCIAL REPORT
PREPARED IN THE XHTML FORMAT.“

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Colt CZ Group SE

Having its registered office at: náměstí Republiky 2090/3a, Nové Město, 110 00 Prague 1

Audit Report on the Separate Financial Statements and the Consolidated Financial Statements

Opinion on the Separate Financial Statements and the Consolidated Financial Statements

We have audited the accompanying separate financial statements of Colt CZ Group SE (hereinafter also the "Company") prepared on the basis of IFRS Accounting Standards as adopted by the European Union, which comprise the separate statement of financial position as of 31 December 2024, separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate cash flow statement for the year ended 31 December 2024, and notes to the separate financial statements, including material accounting policy information.

We have audited the accompanying consolidated financial statements of the Colt CZ Group SE consolidation group (hereinafter also the "Group") prepared on the basis of IFRS Accounting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as of 31 December 2024, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended 31 December 2024, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion:

The accompanying separate financial statements give a true and fair view of the financial position of Colt CZ Group SE as of 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

The accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Colt CZ Group SE consolidation group as of 31 December 2024, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements and the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How it was addressed
Revenues from the sale of own products, goods and services – consolidated financial statements	
As of 31 December 2024, revenues from the sale of own products, goods and services amounted to CZK 22,376 million (Note 5 to the consolidated financial statements). The most significant part of these revenues is revenue from the sale of firearms, ammunition and tactical accessories.	<p>In addressing this key audit matter, we performed substantive testing.</p> <p><u>Substantive testing</u></p> <p>We performed a detailed test using a statement of completed supplies, independent of accounting records, to select a sample of items for which we reviewed their approved order, packing list or shipping note, issued invoice and correctness of accounting.</p> <p>We also performed testing focused on the determination whether an invoice and the related revenue were recognised in the correct reporting period. We selected a sample of invoices accounted for at the turn of the reporting period and based on the underlying documents related to the invoices, we assessed whether the revenue had been recognised in the correct reporting period.</p>
Revenue is one of the key indicators to assess the Company's performance. Revenue is accounted for when the Company meets its contractual obligation to the customer, e.g. the final supply is ready to be dispatched to the customer, taking into consideration the terms of delivery. In its business relations, the Company applies various Incoterms delivery terms, including EXW (Ex Works), FCA (Free Carrier), DAP (Delivered At Place) and CPT (Carriage Paid To). One of the key requirements for revenue recognition is an approved order between the Company and its customer. In the case of export, receipt of necessary export permissions is important.	
Based on the above, we consider meeting the conditions for revenue recognition and accounting for revenue at the turn of the reporting period to be a significant risk and a key audit matter.	
Option plan – separate and consolidated financial statements	
On 27 December 2021, the Supervisory Board of the Company approved an employee stock option plan (the "Option Plan").	<p>In addressing this key audit matter, we performed substantive testing.</p> <p><u>Substantive testing</u></p> <p>We performed a detailed assessment of the contractual documentation relating to the Option Plan. We verified the conditions for the acceptance of the Plan by the Company and the selected employee on a selected sample. We performed an assessment of all input parameters to the mathematical model, including the actual determination of the independent variables of the model.</p> <p>We performed a remeasurement of the value of the Option Plan and assessed its classification in accordance with the requirements of IFRS 2 Share-based Payment. We also performed an assessment of the recognition of the values determined.</p>
The Option Plan gives key executives and employees of the Group (option holders) the right to purchase shares of the Company. The plan is currently restricted to executives and senior employees only. During 2022-2024, the Company granted 3,373,000 options to purchase shares at a nominal value of CZK 0.10 to selected key employees of the Company. On 3 July 2024, 1,735,100 employee options from tranches 1 through 4 were settled under the Option Plan.	
In connection with this Option Plan, the Company recognised a total expense of CZK 418,730 thousand for the 12 months ended 31 December 2024 (Notes 9 and 14 to the consolidated financial statements), or CZK 243,700 thousand (Notes 9 and 14 to the separate financial statements).	
The recognition of this Option Plan requires the Company's management to use a mathematical	

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Key Audit Matter	How it was addressed
<p>model to determine the fair value of these options, to use estimates relating to the satisfaction of the terms of the Option Plan and to assess what type of Option Plan it is.</p> <p>Based on the above, we consider compliance with the conditions for recognising remuneration associated with the Option Plan during 2024 to be a significant risk and a key audit matter.</p>	
<p>Accuracy and completeness of the presentation of the acquisition of a subsidiary – consolidated financial statements</p> <p>The proper recognition of the acquisition of Sellier & Bellot a.s. (Note 22 to the consolidated financial statements) is a significant area for the Group's audit in terms of the acquisition of assets and the assumption of liabilities. Due to the complexity of the assessment of the above-stated aspects and the need to use judgment, we consider these areas to be a key audit matter. Sellier & Bellot a.s. became part of the consolidation group as of 16 May 2024. The assets and liabilities of the acquired entity are measured at fair value. The consideration transferred had the form of a cash settlement and a settlement in ordinary shares.</p>	<p>We evaluated the Company's approach to assessing control, the related assessment of the consolidation method for the newly acquired subsidiary, and the measurement of its assets and liabilities. We performed audit procedures focused on the measurement of those assets and liabilities and their recognition at the acquisition date. We also performed audit procedures aimed at evaluating the method of consolidating this subsidiary in the consolidated financial statements as of 31 December 2024. Further, we assessed whether the disclosures made in the notes to the consolidated financial statements, specifically in Notes 22, comply with the IFRS requirements for disclosures in the notes to the consolidated financial statements.</p>

Other Information in the Annual Financial Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Financial Report other than the financial statements, the consolidated financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the separate financial statements and the consolidated financial statements does not cover the other information. Nevertheless, in connection with our audit of the separate financial statements and the consolidated financial statements, it is our responsibility to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements and the consolidated financial statements or our knowledge about the entity obtained in the audit of the separate financial statements and the consolidated financial statements or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the separate financial statements and the consolidated financial statements is, in all material respects, consistent with the separate financial statements and the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

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Responsibilities of the Company's Board of Directors, Supervisory Board and the Audit Committee for the Separate Financial Statements and the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the separate financial statements and the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of separate financial statements and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements and the consolidated financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing in the notes to the separate financial statements and the consolidated financial statements, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the separate financial statements and the consolidated financial statements unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and the Audit Committee are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements and the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements and the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the above regulation will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements and the consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements and the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's/Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors in the notes to the separate financial statements and the consolidated financial statements.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting in preparing the separate financial statements and the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's/Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements and the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company/Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements and the consolidated financial statements, including the disclosures, and whether the separate financial statements and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements of the Group. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors, the Supervisory Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the separate financial statements and the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Reports on Other Legal and Regulatory Requirements

Information required by Regulation (EU) No. 537/2014 of the European Parliament and the Council

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditor of the Company by the General Meeting on 28 June 2024 and our uninterrupted engagement has lasted for 11 years. The Company became a public interest entity in 2020.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the separate financial statements and the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 29 April 2025 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the Company's notes to the separate financial statements and the consolidated financial statements.

Report on Compliance with the ESEF Regulation

We have conducted a reasonable assurance engagement on the verification of compliance of the financial statements included in the annual financial report with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation") that apply to the financial statements.

Responsibilities of the Board of Directors

The Company's Board of Directors is responsible for the preparation of the separate financial statements and the consolidated financial statements in compliance with the ESEF Regulation. *Inter alia*, the Company's Board of Directors is responsible for:

- The design, implementation and maintenance of the internal controls relevant for the application of the requirements of the ESEF Regulation;
- The preparation of the separate financial statements and the consolidated financial statements included in the annual financial report in the valid XHTML format; and
- The selection and use of XBRL mark-ups in line with the requirements of the ESEF Regulation.

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Auditor's Responsibilities

Our task is to express a conclusion whether the separate financial statements and the consolidated financial statements included in the annual financial report are, in all material respects, in compliance with the requirements of the ESEF Regulation, based on the audit evidence obtained. Our reasonable assurance engagement was conducted in accordance with the International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (hereinafter "ISAE 3000").

The nature, timing and scope of the selected procedures depend on the auditor's judgment. A reasonable assurance is a high level of assurance; however, it is not a guarantee that the examination conducted in accordance with the above standard will always detect a potentially existing material non-compliance with the requirements of the ESEF Regulation.

As part of our work, we performed the following procedures:

- We obtained an understanding of the requirements of the ESEF Regulation;
- We obtained an understanding of the Company's internal control relevant for the application of the requirements of the ESEF Regulation;
- We identified and evaluated risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- Based on this, we designed and performed procedures responsive to those risks and aimed at obtaining a reasonable assurance for the purposes of expressing our conclusion.

The aim of our procedures was to assess whether

- The financial statements included in the annual financial report were prepared in the valid XHTML format;
- The disclosures in the consolidated financial statements were marked up where required by the ESEF Regulation and all mark-ups meet the following requirements:
 - XBRL mark-up language was used;
 - The elements of the core taxonomy specified in the ESEF Regulation with the closest accounting meaning were used, unless an extension taxonomy element was created in compliance with Annex IV to the ESEF Regulation; and
 - The mark-ups comply with the common rules for mark-ups pursuant to the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Company's separate financial statements and the consolidated financial statements for the year ended 31 December 2024 included in the annual financial report are, in all material respects, in compliance with the requirements of the ESEF Regulation.

In Prague on 29 April 2025

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

Martin Tesař
registration no. 2030



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