COLT CZGROUP

Report of the Board of Directors of Colt CZ Group SE

drawn up in accordance with the provisions of Section 488(4) of Act No. 90/2012 Coll., on Business Companies and Cooperatives (the Companies Act), as amended **(the "Companies Act")**, on the reasons for the exclusion of the pre-emptive right of the shareholders of Colt CZ Group SE to subscribe new shares

Dear Shareholders,

The Board of Directors of **Colt CZ Group SE**, with its registered office at náměstí Republiky 2090/3a, Nové Město, 110 00 Prague 1, ID No: 291 51 961, registered in the Commercial Register maintained by the Municipal Court in Prague, File No.: H 962 (the "**Company**"), submits to the Company's shareholders this written report of the Board of Directors on the invitation to the Company's General Meeting and proposal of the **Resolution to authorise the Board of Directors to increase the Company's share capital and to exclude the pre-emptive right to subscribe new shares** (the "**Resolution**"), in order to comply with the requirements of Section 488(4) of the Companies Act, i.e. as an explanation of the reasons and the significant interest substantiating the proposed exclusion of the pre-emptive right to subscribe shares of the Company's shareholders in this case.

Based on the Share Purchase Agreement concluded on 28 August 2025 (the "**Agreement 1**"), the parties to which are **Synthesia, a.s.**, with its registered office at Semtín 103, 530 02 Pardubice, ID No.: 601 08 916, registered in the Commercial Register maintained by the Regional Court in Hradec Králové, File No.: B 1031 ("**Synthesia**"), as the seller, and the Company, as the buyer, the Company will acquire 2,550 (in words: two thousand five hundred and fifty) registered shares in paper form with a nominal value of CZK 20,000 (in words: twenty thousand Czech crowns) each in **Synthesia Nitrocellulose, a.s.**, with its registered office at Semtín 103, 530 02 Pardubice, ID No.: 223 44 071, registered in the Commercial Register maintained by the Regional Court in Hradec Králové, File No.: B 3945 ("**Synthesia NTC**"), representing 51 % (in words: fifty-one percent) of the share capital of Synthesia NTC for a combination of cash payment in the amount of CZK 5,500,000,000 (in words: five billion five hundred million Czech crowns) and the issue of new shares of the Company, which will represent approximately 40 % (in words: forty percent) of the purchase price (the "**Synthesia NTC Transaction**"). The total price of the Synthesia NTC Transaction is CZK 10,506 billion (in words: ten billion five hundred and six million Czech crowns) and was determined on the basis of enterprise value (enterprise value is defined as the value of the company without cash and without debt), and before adjustments for the actual amount of working capital. Its amount corresponds to approximately an 8.2x multiple of Synthesia NTC's expected EBITDA for 2025.

Furthermore, on the basis of the Share Purchase Agreement concluded on 28 August 2025 (the "**Agreement 2**"), the parties to which are Synthesia, as the seller, and the Company, as the buyer, the Company will acquire 51 % (in words: fifty-one percent) of registered book-entry shares with a nominal value of CZK 100,000 (in words: one hundred thousand Czech crowns) each in **Synthesia Power, a.s.**, with its registered office at Semtín 103, 530 02 Pardubice, ID No.: 231 73 114, entered in the Commercial Register maintained by the Municipal Court in Prague, File No.: B 29640 ("**Synthesia Power**"), representing 51 % (in words: fifty-one percent) of the share capital of Synthesia Power, in exchange for the issuance of new shares of the Company (the "**Synthesia Power Transaction**", together with the Synthesia NTC Transaction as the "**Transaction**"). The total price of the Synthesia Power Transaction is CZK

0,714 billion (in words: seven hundred and fourteen million Czech crowns) and was determined on the basis of enterprise value (enterprise value is defined as the value of the company excluding cash and debt) and before adjustments for the actual amount of working capital.

The Synthesia NTC Transaction will be settled after the fulfilment of the conditions precedent, in particular the approvals by regulatory authorities in various countries, which are expected not later than in the first quarter of 2026. The owner of the remaining 49 % (in words: forty-nine percent) of the shares in Synthesia NTC will remain Synthesia. The Synthesia Power Transaction is expected to be completed in the first half of 2026 and will initially involve the acquisition of a 51% (in words: fifty-one percent) shareholding, while the remaining 49 % (in words: forty-nine percent) will be acquired by the Company under already agreed terms in the medium term.

The Transaction and its terms have been further detailed in a presentation entitled „Acquisition of Synthesia Nitrocellulose by Colt CZ" available on the Company's website at https://www.coltczgroup.com/en/ under the "**Financial Results and Presentations** " item, see section "**Acquisition of Synthesia Nitrocellulose"**. The documents are also published on the Company's website under the "**Investors**" tab in the "**General Meetings**" section.

The receivable in form of the purchase price for the transfer of shares in Synthesia NTC pursuant to Agreement 1 was assigned on the basis of an Agreement on Assignment of Receivables concluded on 28 August 2025 (the "**Assignment Agreement 1**") from Synthesia, as the assignor, to **KAPRAIN CHEMICAL LIMITED**, a company incorporated and existing under the laws of the Republic of Cyprus, with its registered office at 1077 Nicosia, Archiepiskopou Makariou III, 88, Republic of Cyprus, registered in the register of the the Ministry of Energy, Commerce and Industry, Department of the Registrar of Companies and Intellectual Property in Nicosia, registration number: HE 381813, EUID: CYDRCOR.HE381813 ("**KAPRAIN**"). Similarly, the receivable in form of the purchase price for the transfer of shares in Synthesia Power pursuant to Agreement 2 was assigned on the basis of an Agreement on Assignment of Receivables concluded on 28 August 2025 (the "**Assignment Agreement 2**", together with the Agreement 1, the Assignment Agreement 1 and the Agreement 2 as the "**Documentation**") from Synthesia, as the assignor, to KAPRAIN, as assignee.

As part of the agreed settlement of the Transaction, the Company expects that KAPRAIN will subscribe for up to 8,000,000 (in words: eight million) new registered book-entry shares of the Company in the nominal value of CZK 0.10 per share (in words: ten hellers). Upon completion of the subscription for the new shares, KAPRAIN will become the third largest shareholder of the Company with an 8 % to 9.5 % (eight to nine and half percent) interest in the total increased number of shares of the Company. The actual ownership interest depends on the EBITDA and Net Debt indicators as recorded by Synthesia NTC, Synthesia Power, and the Company as of the Transaction settlement date.

The draft Resolution is submitted to the Company's shareholders for the purpose of issuing the new shares. The new shares may be subscribed for the sole purpose of the settlement of the Transaction and offered for subscription only to a pre-determined purchaser, namely KAPRAIN. No one else will be entitled to exercise the right of exclusion of the shareholders' pre-emptive right to subscribe shares.

The subscription of new shares is a prerequisite for the proper and complete settlement of the Transaction so that there is no breach of the Documentation. Furthermore, KAPRAIN's acquisition of the stake in the Company ensures its interest in the future direction of the Company and its subsidiaries and the future performance of the assets acquired in the Transaction. For the Company's shareholders, the completion of the Transaction and the acquisition of Synthesia NTC and Synthesia Power represents an opportunity to participate in the financial results of a larger and more stable group of companies.

The Company's Board of Directors believes that the exclusion of the pre-emptive right to subscribe shares for the purpose of a comprehensive settlement of the Transaction without breach of the Documentation is in the interest of the Company and is consistent with the information on the Transaction hitherto provided.

Although the subscription for the new Shares will lead to a partial dilution of the shareholdings held by the Company's existing shareholders, the Company believes that **there are several important reasons for excluding the pre-emptive rights of the Company's shareholders to subscribe for the shares**

The completion of the Transaction may lead **to further strategic development of the business of the group of companies controlled by the Company** (the "**Colt CZ Group**") in the field of ammunition production and distribution in connection with the acquisition of Synthesia NTC and Synthesia Power (the "**Synthesia Group**"). Following the previous acquisition of ammunition manufacturers controlled by the Swiss company swissAA Holding AG or the company Sellier & Bellot a.s., the acquisition of Synthesia NTC and Synthesia Power will further significantly expand the Company's product portfolio in the field of ammunition, particularly production capacities in the field of explosives and ammunition, which will also be beneficial to the rest of the Colt CZ Group.. The vertical integration of energetic nitrocellulose production into the Company's product portfolio will ensure stable and secure access to this critically important material in the defence industry. At the same time, it will reduce dependence on external suppliers, increase flexibility in production planning, investments, and the development of ammunition and explosives, and also reduce related costs. All this strengthen the overall stability of the COLT Group and consolidate its position on the market.

The acquisition of a stake in the Company through the subscription of new shares is both a condition for the implementation of the Transaction by KAPRAIN, without which the Transaction would not take place at all, and an appropriate and advantageous way of financing such a significant Transaction. **The interference with the pre-emptive rights of all shareholders is therefore a truly necessary and only possible measure for the implementation of the Transaction as agreed**.

In addition to the above reasoning of the benefits of the Transaction, the proposed measure in the form of the exclusion of pre-emptive rights to subscribe for new shares is also, in the opinion of the Company's Board of Directors, **a reasonable interference with the rights of existing shareholders**. Given the size of the Transaction and the financial resources that the Company must expend, it will also maintain the Company's total net debt to EBITDA ratio below 3. The Company will thus be able to make further necessary strategic investments in the development of the Colt CZ Group's product portfolio and will not be significantly limited in its ability to pay its shareholders a share of the profits (dividends). Furthermore, it cannot be overlooked that the Transaction has increased the total value of the Company (see also the value of shares traded on the Prime Market of the Prague Stock Exchange at the time of preparation of this proposal), and thus also improved the position of the Company's shareholders. The Company's Board of Directors believes that the Transaction will have a positive impact on the value of the Company's shares in the future, as was the case after previous significant transactions. With regard to the scope of business of Synthesia Group and Synthesia NTC, as a manufacturer of nitrocellulose, where KAPRAIN, as the sole shareholder of Synthesia (Synthesia is originally the sole shareholder of Synthesia NTC and Synthesia Power), is to be "paid out" by subscribing for shares, it can be stated that the merger of Synthesia Group and the Company, as a weapons manufacturer, represents not only a significant strategic but also a "personnel" cooperation from which the Colt CZ Group will also benefit in the future.

The Company has a realistic reason to assume that KAPRAIN (its representatives), as a subscriber and a new significant shareholder of the Company with experience gained in an international environment, will bring significant additional capabilities and know-how to the Company and may also assist in the further development and management of the Company and, indirectly, the entire Colt CZ Group.

The proposed exclusion of the pre-emptive right is applied equally to all shareholders of the Company, i.e. all shareholders are treated equally and without any distinction in the context of the interference with their pre-emptive rights.

In view of the foregoing, the Company's Board of Directors summarises that there is a significant interest in the proposed exclusion of the pre-emptive right to subscribe the new shares. At the same time, this interference with the shareholders' pre-emptive rights is indeed necessary and proportionate. The exclusion of the pre-emptive right to subscribe shares is therefore in accordance with the law.

Accordingly, in order to subscribe the new shares in favour of KAPRAIN and settlement of the Transaction in accordance with the terms of the Documentation, the Company's General Meeting, in accordance with the provisions of Section 475(g) of the Companies Act in conjunction with Section 488 of the Companies Act, is proposed to exclude the pre-emptive right of the existing shareholders of the Company to subscribe for new shares of the Company, which may be issued upon fulfilment of the conditions for the Transaction under a decision of the Board of Directors authorised by the General Meeting, subject to the following conditions:

► upon the authorisation of the Board of Directors, the share capital of the Company may be increased by a maximum of CZK 800,000 (in words: eight hundred thousand Czech crowns);

► in connection with the increase in the share capital on the basis of the authorisation of the Board of Directors, a maximum of CZK 8,000,000 (in words: eight million) registered book-entry shares with a nominal value of CZK 0.10 (in words: ten hellers) per share will be issued, provided that the rights attached to the new shares will be the same as the rights attached to the existing shares of the Company;

► in connection with the increase in the Company's share capital by the decision of the Board of Directors on the basis of this authorisation, the issue price of the shares may only be paid by cash contributions;

► based on the authorisation, the Board of Directors may increase the share capital multiple times insofar as the aggregate amount of the increase does not exceed the stipulated limit;

► the authorisation is granted for a period of 1 (in words: one) year from the day the General Meeting decided to grant the authorisation;

► the new shares to be subscribed as part of the share capital increase pursuant to this authorisation of the Company's Board of Directors may be offered for subscription only to a pre-determined bidder – i.e., without the use of pre-emptive rights – namely to KAPRAIN;

► the lowest price at which KAPRAIN may acquire the newly subscribed shares of the Company is CZK 400 (in words: four hundred Czech crowns) for 1 (in words: one) registered book-entry share with a nominal value of CZK 0.10 (in words: ten hellers), and the highest price at which KAPRAIN may acquire newly subscribed shares of the Company is CZK 1 000 (in words: one thousand Czech crowns) for 1 (in words: one) registered book-entry share with a nominal value of CZK 0.10 (in words: ten hellers), whereby the amount by which the price exceeds the nominal value of the newly subscribed share will constitute the share premium.

Place: Prague

Date: 13 October 2025

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Name: **Ing. Radek Musil**

Title: Vice-Chairman of the Board of Directors

Place: Prague

Date: 13 October 2025

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Name: **JUDr. Josef Adam, LL.M.**

Title: Vice-Chairman of the Board of Directors