COLT CZGROUP

Proposal for resolution of the General Meeting and its reasoning:

Item 5 – Resolution to authorize the Company's Board of Directors to increase the Company's share capital and to exclude pre-emptive right to subscribe for new shares

Proposed resolution:

"In accordance with the provisions of Section 511 et seq. of Act No. 90/2012 Coll., on Business Companies and Cooperatives (the Companies Act), as amended (the "Companies Act"), the General Meeting of the Company hereby authorises the Board of Directors of the Company to increase the Company's share capital on the terms and subject to the conditions set out in the Companies Act and the Company's Articles of Association. The authorisation of the Company's Board of Directors substitutes a resolution of the General Meeting of the Company to increase the share capital while at the same time stipulating that:

- ***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 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 those attached to the existing shares of the Company***
- ***in connection with the increase in the Company's share capital by a decision of the Board of Directors of the Company 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 of the Company 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 date on which the General Meeting of the Company passes the resolution on the authorisation;***
- ***the shares to be subscribed for 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 CHEMICAL LIMITED, a company established and existing under the laws of the Republic of Cyprus, with its registered office at 1077 Nicosia, Archbishop Makarios III, 88, Republic of Cyprus, registered in the register maintained by the Ministry of Energy, Commerce and Industry in Nicosia, Department of Commercial Registry and Intellectual Property, registration number: HE 381813, EUID: CYDRCOR.HE381813 ("KAPRAIN");***
- ***the lowest price at which KAPRAIN may acquire newly subscribed shares of the Company is CZK 400 (in words: four hundred Czech crowns) per 1 (in words: one) registered book-entry 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;

whereby the Company's General Meeting further decides, in accordance with the provisions of Section 488 of the Companies Act, for reasons of important interest to the Company, as described in detail in the Company's Board of Directors' report on the exclusion of pre-emptive rights, which is available on the Company's website (https://www.coltczgroup.com/en/ under the "Investors" tab in the "General Meetings" section), on the exclusion of pre-emptive rights to subscribe for new shares in the Company, i.e. specifically, the General Meeting of the Company decides on the exclusion of pre-emptive rights to subscribe for a maximum of 8,000,000 (in words: eight million) registered book-entry shares with a nominal value of CZK 0.10 (in words: ten hellers) per 1 (in words: one) share, which will carry the same rights as the rights attached to the Company's existing shares and which will be subscribed exclusively as part of the process of increasing the Company's share capital on the basis of the authorisation of the Board of Directors in accordance with the provisions of Section 511 et seq. of the Companies Act, which will be increased by a maximum of CZK 800,000 (in words: eight hundred thousand Czech crowns). The pre-emptive right to subscribe for shares is therefore specifically excluded for shares that may only be offered for subscription to a predetermined interested party, namely KAPRAIN, and whose issue price may only be paid in cash."

Reasoning:

In accordance with the provisions of Section 511 of the Companies Act, the Company's General Meeting may authorise the Company's Board of Directors to increase the Company's share capital.

It is proposed that the General Meeting authorise the Board of Directors of the Company to increase the Company's share capital under the following conditions:

- the Company's share capital may be increased on the basis of the authorisation of the Company´s Board of Directors 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 authorisation of the Board of Directors, a maximum of 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 shall be issued, provided that the rights attached to the new shares will be the same as those attached to the existing shares of the Company;
- in connection with the increase in the Company's share capital by a decision of the Board of Directors of the Company on the basis of this authorisation, the issue price of the shares may only be paid up by cash contributions;
- based on the authorisation, the Board of Directors of the Company 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 of the Company passed the resolution on the authorisation (after that date, the share capital cannot be increased on the basis of this resolution and cannot be counted towards the statutory limits);

- 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 only be offered for subscription to a pre-determined bidder, i.e. without exercising the pre-emptive right, namely to KAPRAIN;
- The lowest price at which KAPRAIN may acquire 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), provided that the amount by which the price exceeds the nominal value of the newly subscribed share shall constitute the share premium.

The new shares will be subscribed exclusively for the purpose of:

a) settling the acquisition of 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 from **Synthesia Nitrocellulose, a.s.** , with its registered office at Semtín 103, 530 02 Pardubice, Company ID No.: 223 44 071, registered in the Commercial Register maintained by the Regional Court in Hradec Králové, file number B 3945 ("**Synthesia NTC**"), representing 51% (in words: fifty-one percent) of the share capital of Synthesia NTC by the Company on the basis of *a Share Purchase Agreement* concluded on 28 August 2025 ("**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 number B 1031 ("**Synthesia**"), as the seller, and the Company, as the buyer, whereby the receivable in the 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 ("**Assignment Agreement 1**") from Synthesia, as the assignor, to KAPRAIN, as the assignee, with the proviso that the payment of the purchase price for the transfer of 51% (in words: fifty-one percent) of the shares of Synthesia NTC will be made through 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 in the Company will be subscribed by KAPRAIN as part of an increase in the Company's share capital and which will represent approximately 40% (in words: forty percent) of the purchase price ("**Synthesia NTC Transaction**"). The total price of the Synthesia NTC Transaction is CZK 10.506 billion and was determined on the basis of an enterprise value (the enterprise value is defined as the value of the company without cash and without debt), and before adjustment for the actual amount of working capital. Its amount corresponds to approximately 8.2 times the expected EBITDA of Synthesia NTC for 2025;

b) settling the acquisition of 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 from **Synthesia Power, a.s.,** with its registered office at Semtín 103, 530 02 Pardubice, ID No.: 231 73 114, registered in the Commercial Register maintained by the Municipal Court in Prague, file number B 29640 ("**Synthesia Power**") representing 51% (in words: fifty-one percent) of the share capital of Synthesia Power by the Company on the basis of *a Share Purchase Agreement* concluded on 28 August 2025 ("**Agreement 2**"), the parties to which are Synthesia as the seller and the Company as the buyer, whereby the receivable from the purchase price for the transfer of shares in Synthesia Power under Agreement 2 was assigned on the basis of *an Agreement* on

Assignment of Receivables concluded on 28 August 2025 (“**Assignment Agreement 2**”, together with Agreement 1, Assignment Agreement 1 and Agreement 2 as “**Documentation**”) from Synthesia, as the assignor, to KAPRAIN, as the assignee , with the proviso that the payment of the purchase price for the transfer of 51% (in words: fifty-one percent) of the shares in Synthesia Power will be made exclusively by the issue of new shares in the Company, which will be subscribed by KAPRAIN as part of an increase in the Company's share capital ("**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 and was determined on the basis of an enterprise value (the enterprise value is defined as the value of the company without cash and without debt) and before adjustment for the actual amount of working capital.

The Transaction and its terms and conditions are described in detail in the presentation named "Acquisition of Synthesia Nitrocellulose by Colt CZ" , available on the Company's website 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 exclusion of pre-emptive rights is proposed in connection with the settlement of the Transaction under the terms and conditions set out in the Documentation. Under the terms of the Transaction, KAPRAIN, as the sole shareholder of Synthesia (Synthesia is originally the sole shareholder of Synthesia NTC and Synthesia Power), has the right, upon fulfilment of the conditions contained in the Agreement, to subscribe for and acquire new shares in the Company up to the maximum amount specified above. These shares may be subscribed in several tranches within one (1) year from the date of adoption of the resolution by the Company's general meeting.

Pursuant to Section 488 of the Companies Act, the General Meeting of the Company may exclude the shareholders' pre-emptive rights to subscribe for new shares in its resolution provided that such exclusion is **in the Company’s important interest**.

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 a stake in the Company ensures its interest in the future direction of the Company and its subsidiaries and the future results of the assets acquired under 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 interests of the Company and consistent with the information on the Transaction hitherto provided.

Although the subscription for the new shares will result in 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 (“**Synthesia Group**”):

a) Synthesia NTC was founded in December 2024 through a spin-off of the nitrocellulose manufacturing division from Synthesia, a.s., one of the largest energetic nitrocellulose manufacturers in Europe and North America. Energetic nitrocellulose is a basic raw material for the production of single and multi-component powders and propellants, and is essential for the production of small-, medium-, and large-caliber ammunition. SNC is currently expanding its production capacity to meet growing market demand. Synthesia Nitrocellulose is also a major manufacturer of industrial nitrocellulose and oxycellulose for healthcare use.. The Synthesia NTC Transaction will be settled after the conditions precedent have been met, in particular approval by regulatory authorities in various countries, which is expected in the first quarter of 2026 at the latest. Synthesia will remain the owner of the remaining 49% (in words: forty-nine percent) of shares in Synthesia NTC;

b) Synthesia Power was established in April 2025 and will integrate the energy division spun off from Synthesia. This division provides energy production and supply for the industrial complex in Semtín. This part of 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 per cent) shareholding, with the remaining 49% (in words: forty-nine per cent) to be acquired by the Company under already agreed terms in the medium term. Synthesia Power is an essential element and connecting link for ensuring the production of nitrocellulose for Synthesia NTC.

Following previous acquisitions of ammunition manufacturers controlled by the Swiss company swissAA Holding AG or 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 energy 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, investment and development of ammunition and explosives production, and reduce related costs. All this will strengthen the overall stability of the Colt CZ Group and consolidate its position on the market.

According to the terms and conditions of the Documentation, the Transaction must be settled through KAPRAIN's shareholding in the Company. 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 the 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 the Synthesia Group and the Company, as a weapons manufacturer, represents not only significant strategic but also "personnel" cooperation, from which the Colt CZ Group will benefit in the future. The Company has a realistic reason to assume that KAPRAIN (its representatives), as a subscriber and 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 accordance with Section 488(4) of the Companies Act, the Company's Board of Directors presents to the General Meeting a report on the exclusion of pre-emptive rights published on the Company's website (https://www.coltczgroup.com/en/ under the **Investors**" tab in the "**General Meetings**" section), and detailing the reasons for the exclusion of the pre-emptive right.