

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 number 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 Company’s 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 new shares of the Company’s shareholders in this case.

REASONS FOR EXCLUDING THE PRE-EMPTIVE RIGHT TO SUBSCRIBE SHARES

In view of recent developments in the Company, in particular the successful acquisitions, such as acquisitions of ammunition manufacturers controlled by the Swiss company **swissAA Holding AG, Sellier & Bellot a.s. or Synthesia Power, a.s. and Synthesia Nitrocellulose, a.s.** (together the “**Acquisitions**”), as well as other planned acquisitions and transactions, expansion of the product portfolio and expansion into new markets, **the group’s capital requirements and long-term investment capacity have increased significantly**. These strategic steps require not only the financing of the acquisition transactions themselves, but also subsequent investments in integration, optimisation of operations, development of production capacities, research and development, securing raw material inputs, building distribution channels, compliance and regulatory requirements. In connection with the Acquisitions, it is also necessary to take into account increased working capital requirements, especially in the period after the completion of the transactions (e.g. in connection with inventory adjustments, financing of work in progress and changes in payment terms). At the same time, it is desirable to maintain financial stability and sufficient reserves for risk management and the ability to respond to changes in market and geopolitical conditions. **In view of these facts, it is desirable to secure additional financial resources and capital for the Company.**

After evaluating the available financing alternatives, the Board of Directors concludes that, from the perspective of the Company’s long-term interests and financial stability, it is more appropriate in the given situation to give preference to equity financing over debt financing. Equity financing will strengthen the Company’s own resources, improve its balance sheet indicators and increase its absorption capacity in the event of possible fluctuations in its financial performance. It will also contribute to a better position in any negotiations on external financing, should it prove expedient to combine own and borrowed capital in the future. The Company has therefore decided to proceed with a further increase in its share capital in order to be able to obtain these funds in a timely manner while maintaining financial stability.

In this case, the share capital will be increased and the Company's equity strengthened through a private placement in the form of the subscription of the Company's new shares by one up to five investment bank(s), provided that each such investment bank is a European provider of investment services within the meaning of Directive (EU) 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II) designated by the Company's Board of Directors, which was not a shareholder of the Company as of the record date (each such subscriber as "**Investment Bank**"). Raising new equity through offerings which are exempt from the obligation to publish a prospectus for securities within the meaning of Regulation 2017/1129 of the European Parliament and of the Council (EU) of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and exclusively from qualified investors or other similar persons ("**Investors**") with long-term investment commitments through the Investment Bank(s) offers significant advantages for both the Company and its shareholders.

The new shares issued pursuant to the Resolution may be subscribed exclusively by the Investment Bank(s) on the basis of demand from Investors through the bookbuilding process. No other person shall be entitled to subscribe for such new shares on the basis of the Resolution or to otherwise benefit from the exclusion of the shareholders' pre-emptive right resolved thereby.

Targeting institutional investors will enable the Company to attract an expanded and high-quality international share register, ensure that the Company can effectively take advantage of current market opportunities and focus on strengthening the capital and investment capacity necessary for the Company's further planned expansion and expansion of its product portfolio. The Board of Directors has assessed that these intended growth steps will require increased and continuously available capital resources in the long term, not only to finance investments and development projects, but also to ensure adequate operating and financial reserves to realize opportunities arising in the market.

FULFILMENT OF CONDITIONS FOR THE EXCLUSION OF PRE-EMPTIVE RIGHT

Existence of an important interest in the exclusion of pre-emptive right

Although the subscription of the Company's new shares will result in a partial dilution of the shareholdings of the Company's existing shareholders, the Company believes that **there are several important reasons for excluding the pre-emptive right of the Company's shareholders to subscribe for new shares.**

► **Reduction of the Company's existing debt**

The Acquisitions made in the recent period have increased the Company's debt associated with the loan financing of these Acquisitions. The Acquisitions also gave rise to significant follow-up expenses paid from the Company's own resources, in particular in connection with the post-Acquisition integration and development of the acquired businesses, including investments in integration and optimization of operations, development of production capacities, research and development, securing raw material inputs, building distribution channels, compliance and regulatory requirements, and strengthening working capital in the post-Acquisition period. Increased indebtedness and the aforementioned expenditures temporarily increase liquidity requirements and may reduce the available own resources that can be used for further growth opportunities of the Company.

Strengthening the Company's equity will enable it to repay its liabilities efficiently and quickly, which will reduce financial costs and improve the Company's financial stability.

The Company will thus be able to make other necessary strategic investments, particularly in the development and diversification of its product portfolio, while at the same time not being significantly limited in its ability to respond flexibly to new market opportunities (including possible further acquisitions) without having to accept unfavourable or restrictive conditions for further debt financing. At the same time, the reduction of debt and stabilisation of financial indicators support the predictability of cash flow and contribute to maintaining the Company's ability to pay shareholders a share of profits (dividends) in accordance with its dividend policy, without the payment of dividends being excessively restricted in the future by credit restrictions or the need to allocate free cash flow primarily to debt reduction.

► **Strategic investments, acquisitions and development**

The subscription of Company's new shares, and thus the associated change in the Company's equity structure and strengthening of the Company's capital and investment capacity, creates financial space **for further strategic development of the business of the group of companies controlled by the Company** (the "Colt CZ Group"), specifically in the form of:

a) further strategic investments in continued technological modernisation and increasing production capacity

The Colt CZ Group operates in an industry where competitiveness depends, among other things, on the technological level of production, stability of quality and the ability to respond flexibly to demand. Investments in the modernization of technologies (including automation and digitization of production, increasing process efficiency and improving quality) and in the expansion of production capacities will enable the Colt CZ Group to increase productivity, reduce unit costs, strengthen operational reliability and, at the same time, better serve existing and new markets. These investments also support supply chain resilience and the ability to fulfil long-term contracts, including those with high demands for standardization, safety and timely delivery.

b) Strengthening innovation capacity and research and development

Sustainable development of Colt CZ Group's market position requires continuous innovation and the ability to adapt the product portfolio to changing customer requirements and regulatory standards. Strengthening research and development will accelerate the development of new products, shorten innovation cycles and develop complementary technologies and material solutions. Investments in research and development also support the protection and expansion of the Colt CZ Group's know-how, increase its technological independence and create the conditions for long-term margin improvement, better differentiation from competitors and entry into segments with higher added value.

c) Personnel and organizational strengthening

Expansion into new markets, capacity expansion and integration of Acquisitions place increased demands on management, internal processes and qualified human resources. Capital strengthening will enable the Colt CZ Group to invest in recruiting and retaining key experts (particularly in production, quality, logistics, research and development, security, compliance, finance and risk management) and in developing managerial capacities. At the same time, organizational strengthening increases the Colt CZ Group's ability to manage post-Acquisitions integration processes,

implement uniform standards and improve control and reporting mechanisms commensurate with the size and complexity of the Colt CZ Group.

d) Targeted and disciplined acquisition of manufacturers of products complementary to the Colt CZ Group's product portfolio

Strengthening the Company's capital and investment capacity increases the possibility of making further acquisitions focused on complementary products and technologies, thereby systematically expanding and enhancing the product portfolio. Such acquisitions can bring both market and product benefits (expanding the offer for existing customers, entering new segments) and operational benefits (sharing production capacities, optimising purchasing, logistics, unifying quality standards). At the same time, they make it possible to strengthen vertical integration, reduce dependence on external suppliers, and increase the Colt CZ Group's ability to meet its strategic growth objectives in the long term while maintaining financial stability.

► **Focus on investors and market dynamics around the Company's share price**

The subscription of shares through one up to five Investment Bank(s) with an extensive network of investor contacts will enable the Company to quickly and effectively increase its equity capital, thanks in particular to the Investment Bank's ability to reach a wide range of professional institutional (qualified) investors in relevant international markets in a short period of time. Institutional investors (in particular investment funds, pension funds, insurance companies and other professional asset managers) are typically able to make investments in significant volumes, have stable capital and standardized internal processes for evaluating transactions, which contributes to greater certainty of successful placement of the issue with the required volume and within a reasonable time frame. The involvement of institutional investors thus represents an effective way for the Company to ensure efficient capital raising without excessive exposure to market volatility associated with a longer implementation process.

The Company is also interested in primarily targeting institutional investors due to the quality and stability of the Company's shareholder base. **Raising new equity capital exclusively from institutional investors with long-term investment horizons through the Investment Bank(s) has a number of advantages not only for the Company, but also for the Company's shareholders themselves.** Institutional investors generally monitor the long-term fundamental value of the issuer, its strategy, financial discipline and ability to implement its investment plan. Their investment decisions are typically less influenced by short-term price fluctuations or speculative motivations and they prefer long-term stable, predictable growth of companies. Their entry may therefore contribute to strengthening the shareholder base with investors with a longer-term investment horizon, which has the potential to reduce the volatility of shares caused by short-term speculative buying and selling, limit the pressure to maximize short-term results at the expense of long-term strategy, and increase the stability of trading in the Company's shares.

The contribution of institutional investors is also evident in the area of corporate governance. As professional market participants, institutional investors typically place a high emphasis on transparent reporting, consistent investor communication, risk management and long-term sustainable growth. Their involvement can thus naturally strengthen market standards and the Company's reputation, both in relation to capital markets and to financing institutions, business partners, suppliers and customers, especially in international markets where the credibility and stability of the issuer is an important factor in concluding long-term contracts and expansion. The successful

placement of the issue with institutional investors can also be seen as independent validation of the Company's quality, its long-term strategy and its financial and operational condition, further strengthening its reputation and position in global markets, which play a key role in concluding long-term contracts and expansion.

The above-mentioned facts also have significant positive economic impacts for the Company and its shareholders.

A more diversified shareholder base consisting of institutional investors and the reputational effect associated with their entry may further contribute to broader investor interest in the Company's shares. The issue of new shares and their subscription by institutional investors will **have a positive impact on the liquidity of the Company's shares and thus on the more efficient formation of market price**. Higher liquidity typically leads to narrower spreads (the difference between the bid and ask prices) and thus to lower transaction costs for investors. Higher liquidity and narrower spreads also typically lead to more efficient market price formation and a reduction in the so-called liquidity discount, i.e. the premium that investors demand as compensation for the limited tradability of the shares and for the risk that, in the event of a need for a quick sale, it will not be possible to execute the transaction without a significant discount. These factors, combined with broader institutional coverage of the market, generally lead to a reduction in the perceived risk of investing in the Company's shares (including the risk associated with higher volatility and limited tradability) and thus also in the overall risk premium reflected in the required return. Lower cost of capital may then be directly **reflected in a higher value of the Company from the perspective of valuation methods based on discounting future cash flows and, at the same time, may support the achievement of higher market multiples compared to less liquid issuers whose shareholder structure has a smaller share of institutional investors**. In practice, these factors also improve the Company's ability to raise capital (both equity and debt) on more favourable terms in the future, increase financial flexibility in the implementation of strategic investments and acquisitions, and strengthen the Company's negotiating position vis-à-vis financing institutions. The result is more sustainable growth financing in the long term, greater predictability of capital policy and a potentially **positive impact on market dynamics around the Company's shares**, both through higher liquidity and lower transaction costs for investors and through a reduction in perceived risk and a corresponding decrease in the required rate of return, which is ultimately in the economic interest of the Company and its existing shareholders.

From the Company's perspective, this also increases flexibility in financing future growth, as a liquid and transparently valued security on an international regulated market creates the conditions for possible future capital financing and may also increase transaction flexibility in the area of M&A (including the possibility of using the Company's shares as a relevant "internationally accepted" component of the consideration). At the same time, the Company strengthens its ability to carry out future acquisitions entirely internally (i.e. without the need for immediate and full use of external debt financing), mainly thanks to higher available capital capacity and better predictability of financing.

► **Admission of the Company's shares to trading on the European regulated market Euronext Amsterdam**

The Company's Board of Directors further considers the fact **that the intended increase in share capital is not an isolated step, but is designed as a transaction directly linked to the planned admission of the Company's shares to trading on the regulated market of Euronext Amsterdam** and to the achievement of the associated strategic and market objectives (in particular, the expansion and professionalisation of the investor base,

the strengthening of liquidity and improve market dynamics around the Company's shares).

In this context, the exclusion of pre-emptive right must be viewed primarily through the lens of the intended targeting of institutional investors and the creation of a stable shareholder base, which is a prerequisite for the creation and sustainable functioning of a liquid market on an international stock exchange platform. The Board of Directors believes that for the successful launch (and, in particular, for the economic fulfilment of the purpose) of the listing of the Company's shares on the regulated market of Euronext Amsterdam, it is necessary to achieve a sufficient degree of share dispersion among the public ("**free float**"), which can only be achieved in the required volume and time frame through a structured private placement of Company's shares via the Investment Bank(s), followed by the distribution of shares among institutional investors. Maintaining pre-emptive right, on the other hand, would most likely lead to the majority of shares being subscribed by existing shareholders, and would therefore not allow these objectives to be achieved, nor would it lead to the expansion of the investor base to include institutional investors to the extent necessary to strengthen liquidity. **For these reasons, the Board of Directors concludes that the exclusion of pre-emptive right is a necessary tool in the given transaction structure to fulfil the Company's important interest** in the successful completion of the issue and the simultaneous creation of market conditions for the effective trading of the Company's shares on Euronext Amsterdam and the long-term strengthening of its capital and investment capacity.

The intended issue of new shares and the related expansion of trading of the Company's shares to another European regulated market (while maintaining trading on the Prime Market of the Prague Stock Exchange) represent an interrelated and strategically justified step towards strengthening the Company's capital and market position in the long term, whereby the chosen structure of the transaction is not intended to disproportionately disadvantage existing shareholders and the expected benefits of this step should be reflected in the long term in the interests of all shareholders. The aim is to create a stable capital platform for financing the further development of the Company and the Colt CZ Group, while increasing the Company's prestige on an international scale and expanding its investor base to include a broader spectrum of international investors.

In this context, the Board of Directors emphasises that the admission of the Company's shares to trading on the regulated market of Euronext Amsterdam and the achievement of the expected benefits of this step (in particular increased liquidity, broader institutional coverage and reputational effect) **is conditional, among other things, on the Company's shares meeting the market's free float requirements** and on ensuring the creation of a real liquid market for the Company's shares on an international stock exchange platform. The Board of Directors believes that without an increase in the free float to the extent expected by the market, the admission of the shares to trading on Euronext Amsterdam would not be effective in terms of economic purpose and intended benefits for the Company, **or could be impeded or jeopardised by the very fulfilment of the conditions and smooth course of the admission process.**

Without increasing the share capital, it would not have been possible to achieve the situation described above. This is another reason why a rapid and effective increase in share capital is a necessary step for entering another stock market. After evaluating the available alternatives, the Board of Directors therefore concludes that the required and time-bound increase in the free float **cannot be achieved in practice by issuing shares while maintaining the pre-emptive right of existing shareholders.** Issues with pre-emptive right are typically carried out mainly by existing shareholders, which only

increases the dispersion of shares among new investors to a limited extent and often do not result in the necessary expansion of investors "outside" the existing shareholder base. At the same time, such an approach is associated with longer deadlines and greater procedural and organisational complexity, which is contrary to the Company's objective of carrying out the issue and related steps for the admission of shares to Euronext Amsterdam **within a reasonable time frame and while minimising market risks**. The Board of Directors therefore considers that maintaining pre-emptive right is a solution that would most likely not allow for the necessary expansion of the free float in relation to new investors and would simultaneously expose the Company to increased market volatility.

On the contrary, the chosen structure, whereby the new shares will be subscribed by the Investment Bank(s) in the context of a private placement for the purpose of distributing such new shares to institutional (qualified) investors only is, in the opinion of the Board of Directors, the only practically effective way to simultaneously: (i) quickly and with a high degree of certainty increase the Company's equity capital, (ii) ensure a significant increase in the free float through the entry of new investors, thereby creating the conditions for the emergence of another liquid market on Euronext Amsterdam, and (iii) achieve the strategic goal of international diversification of the investor base. Thanks to the distribution network of each Investment Bank, experience in placing issues and ability to allocate shares to institutional investors in a targeted manner, the Investment Bank(s) is (are) able to quickly reach a relevant group of qualified investors who have internal mandates and investment rules favouring trading on selected Western European regulated markets, and at the same time ensure the placement of shares in volumes that are crucial for increasing the free float and for the successful functioning of the market.

In view of the above, the Board of Directors concludes that the exclusion of shareholders' pre-emptive right to subscribe for new shares is in the important interest of the Company, as it is a necessary prerequisite for the implementation of the Company's strategic plan. Without the exclusion of pre-emptive right and without the subscription of new shares by the Investment Bank(s), it would not be possible to ensure an increase in the free float within the required time frame and with the necessary degree of certainty, nor to create the conditions for the emergence of a liquid market on Euronext Amsterdam, which would jeopardise the implementation of the Company's strategic plan and the benefits expected from the expansion of trading to an international regulated market, which would not be in line with the long-term interests of the Company or its shareholders.

► **A quick and effective way to strengthen equity**

Other alternatives considered in connection with strengthening the Company's equity would, in the opinion of the Company's Board of Directors, lead to a significant delay in obtaining the necessary funds. These alternatives are generally associated with higher procedural and regulatory complexity, require longer preparation of documentation, more extensive internal and external coordination (including advisors, regulated entities, and relevant market institutions, if applicable), and generally also a longer implementation period of the whole transaction, during which market conditions may change significantly. At the same time, these alternatives offer less predictability in terms of the amount of capital actually raised and the investor structure, which is all the more relevant in the case of the Company, as the share issue is closely linked to the planned admission of shares to trading on Euronext Amsterdam and the need to achieve the required increase in free float and build an adequate investor base for the functioning of a liquid market within a reasonable time frame.

At the same time, these alternatives would expose the Company's shares to increased market volatility, whereas **in the case of the subscription of new shares by the Investment Bank(s), there is an immediate and highly predictable increase in the Company's equity, typically within days of the decision by the relevant authorities and the conclusion of the transaction documentation.** In addition, the chosen structure allows the Company to pursue two key objectives in parallel, namely raising capital and simultaneously increasing the free float through the subsequent distribution of shares among institutional investors, thereby creating the necessary conditions for the emergence of a liquid market to achieve the intended benefits of expanding trading on Euronext Amsterdam.

This approach provides the Company with, in particular, certainty regarding the amount of funds raised, limited exposure of the Company's shares to short-term fluctuations and the potential negative impact of a prolonged process on the market price of the shares, and a greater ability for the Company to act quickly when refinancing liabilities and taking advantage of investment or acquisition opportunities.

The Board of Directors therefore concludes that the chosen structure of the subscription of new shares by the Investment Bank(s) represents an effective, fast and predictable solution in the given situation, which minimises the transaction and market risks associated with the issue and at the same time enables the Company to fulfil its strategic objectives described in detail above.

► Cost savings

The costs of subscribing for shares on behalf of Investors through the Investment Bank(s) are significantly lower than the costs of increasing the share capital using pre-emptive subscription right or through a public offering. These costs are limited to the costs of subscription, while the costs associated with subscription by a wider range of interested parties (which do not exist in this case) are reduced. As a result, the fees of investment intermediaries and the costs of legal services are reduced accordingly (given that the volume of documentation to be prepared is lower), and finally, the additional costs of advertising and marketing are eliminated. At the same time, the Company's internal administrative and organisational costs associated with the subscription (in particular, communication with a wider range of interested parties, processing and settlement of a large number of subscriptions and related services) are also reduced, with the chosen structure contributing to a more economical and efficient execution of the transaction overall.

The exclusion of pre-emptive right is a truly necessary measure

The exclusion of shareholders' pre-emptive right to subscribe for new shares is, under the circumstances, a necessary and proportionate measure to protect and enforce the Company's important interest within the meaning of Section 488 of the Companies Act, **as without this step it is not realistically possible to achieve the intended purpose of the proposed increase in share capital in the required time, scope or quality of the result.** In assessing the necessity, the Board of Directors proceeds from the assumption that the "important interest" of the Company in this case does not consist solely in the raising and strengthening of its equity, but **in achieving a specific combination of parameters of the entire proposed process that are decisive for the Company**, i.e. (i) the rapid and secure acquisition of a significant amount of capital, (ii) strengthening the capital structure to reduce debt and maintain investment capacity, and (iii) changing the composition of the investor base and increasing the free float to the extent necessary to create another liquid market and to implement the planned trading on the regulated market of Euronext Amsterdam. From the Board of Directors' point of view, this combination of objectives is indivisible and forms

a single economic and strategic goal that cannot be achieved by alternative means with a comparable degree of certainty and within a reasonable time frame.

The Board of Directors further states that maintaining pre-emptive right would not lead to the fulfilment of the above objectives in the given situation, for reasons that are not only a matter of "suitability" but also of actual feasibility. An issue of the Company's new shares with pre-emptive right is, by its nature, a mechanism designed primarily to maintain existing shareholdings and to offer existing shareholders the opportunity to participate in a capital increase, and therefore does not typically lead to a change in the shareholder structure that would in itself ensure a significant increase in the free float through the entry of new (especially institutional) investors. In the context of the planned admission of shares to trading on Euronext Amsterdam, it is not only the formal admission of shares that is decisive, but in particular the creation of a functioning and liquid market, which requires a certain degree of dispersion of shares among the public and a corresponding spectrum of the investor base. The Board of Directors believes that an issue with pre-emptive right would most likely lead to the majority of shares being subscribed by existing shareholders (or to their concentrated acquisition), **and therefore would not objectively fulfil the key purpose of increasing the free float and targeting the expansion of the investor base, thereby jeopardising the economic rationality and practical feasibility of the follow-up step of entering the Euronext Amsterdam market.**

The Board of Directors also emphasises the time and risk aspects. The company needs to raise capital within a timeframe that is compatible with its financial objectives (in particular, stabilising its capital structure and securing investment capacity) and with the schedule of steps leading to the expansion of trading on Euronext Amsterdam. Procedures based on a broader offer to shareholders or the public are associated with a longer process, higher transaction costs and greater exposure to market volatility.

For these reasons, the Board of Directors concludes that the subscription carried out in this manner is also in accordance with the meaning of Section 488 of the Companies Act and that **the interference with the pre-emptive right of all shareholders is therefore a necessary measure, as it enables the Company to pursue an important interest that cannot be reasonably achieved while maintaining pre-emptive right, while the interference with the rights of shareholders is limited to a specific transaction and is justified by a legitimate objective.** At the same time, the Board of Directors considers the chosen procedure to be appropriate, as it is designed so that the exclusion of pre-emptive right is not an end in itself, but serves to achieve a specifically defined and objectively justifiable objective that is in the long-term economic interest of the Company and all its shareholders.

Proportionality of the interference (in the form of exclusion of pre-emptive right) with the rights of existing shareholders

In addition to the above-stated justification of the important interest (benefits) and necessity of excluding pre-emptive right to subscribe for new shares, the proposed measure is, in the opinion of the Company's Board of Directors, also **a proportionate interference with the rights of existing shareholders.**

After considering all the circumstances, the Board of Directors has concluded that the exclusion of shareholders' pre-emptive right to subscribe for new shares is **proportionate** in this case **within the meaning of the principle of proportionality**, as (i) it pursues a legitimate and important objective corresponding to the important interest of the Company, (ii) it is limited to the extent necessary to achieve this objective, and (iii) it is accompanied by circumstances that minimise the impact on the position of existing shareholders, in particular the expected economic benefits.

The Board of Directors states, in particular, that the intensity of the interference with shareholders' rights is limited by the fact that the exclusion of pre-emptive right applies **exclusively to a specific one-off increase in share capital** and does not aim to permanently or repeatedly restrict shareholders' participation in capital issues. The scope of the exclusion is further limited by **the volume and purpose of the issue**, which corresponds to the identified needs of the Company (in particular, stabilising the capital structure, reducing debt and maintaining investment capacity) and, at the same time, the need to achieve the required increase in free float in connection with the planned admission of shares to trading on Euronext Amsterdam.

The Board of Directors further states that it was not possible to achieve the set objectives within a reasonable time frame and with the necessary degree of certainty in a manner that would be less restrictive for existing shareholders, particularly in view of the need for capital stabilisation, an increase in the free float and the expansion of the investor base for the purpose of admitting the shares to trading on Euronext Amsterdam. **For this reason, the Board of Directors considers the exclusion of pre-emptive right to be appropriate in this particular case.**

From the point of view of proportionality, it is also significant that the exclusion of pre-emptive right does not aim to **selectively favour specific existing shareholders** at the expense of others, but rather to distribute the new shares among the institutional investors through the Investment Bank(s). According to the Board of Directors, the mechanism chosen in this way pursues an objectively justified goal and is set up in a way that has a similar impact on all existing shareholders (any dilution occurs in proportion to their shares), while at the same time it can bring positive effects to all shareholders in the form of economic benefits for the Company.

According to the Board of Directors, the appropriateness of the intervention is also supported by the fact that the issue conditions will be set in such a way as to be **transparent and market-justifiable** and to avoid undue disadvantage to existing shareholders of the Company. The issue price of the new shares will be determined in a manner consistent with market practice and capital market conditions at the time of the transaction (typically based on the market price of the shares and the process of placement with institutional investors), with the aim of minimising the risk of unjustified transfer of value from existing shareholders to new investors.

The proposed exclusion of pre-emptive right **applies to all shareholders of the Company to the same extent**, i.e. all shareholders are treated equally and without any difference in terms of the interference with their pre-emptive right.

In view of the above, the Board of Directors concludes that the exclusion of pre-emptive right in this particular case does not constitute a disproportionate interference with the rights of shareholders, as it is limited in scope and time, pursues an important and legitimate objective, and is structured in a manner that minimises the negative impact on existing shareholders while achieving benefits for the Company and its shareholders as a whole. **The Board of Directors therefore considers the proposed exclusion of pre-emptive right to be a measure that complies with the principle of proportionality and is in the long-term interests of the Company and all its shareholders.**

In view of all the above, the Board of Directors concludes that the exclusion of pre-emptive right to subscribe for shares is therefore **in accordance with the law.**

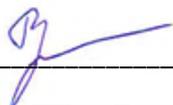
The Board of Directors of the Company therefore proposes that the General Meeting of the Company, in accordance with the provisions of Section 475(g) of the Companies Act in conjunction with Section 488 of the Companies Act, to exclude the pre-emptive right

of the Company's current shareholders to subscribe for new shares of the Company, which may be issued pursuant to a decision of the Board of Directors authorised to do so by the General Meeting, subject to the following conditions:

- ▶ upon the authorization of the Board of Directors, the share capital of the Company may be increased by a maximum of CZK939 558.60 (in words: nine hundred and thirty-nine thousand five hundred and fifty-eight Czech crowns sixty hellers);
- ▶ in connection with the increase in the share capital on the basis of the authorization of the Board of Directors, a maximum of 9 395 586 (in words: nine million three hundred and ninety-five thousand five hundred and eighty-six) 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 authorization, the issue price of the shares may only be paid by cash contributions;
- ▶ based on the authorization, 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 authorization is granted for a period of 1 (in words: one) year from the day the General Meeting decided to grant the authorization;
- ▶ 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 one up to five pre-determined subscriber(s), provided that each such subscriber is a European provider of investment services within the meaning of Directive (EU) 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II) designated by the Company's Board of Directors, which was not a shareholder of the Company as of the record date (each such subscriber as the "Investment Bank");
- ▶ the lowest price at which Investment Bank(s) may acquire the newly subscribed shares of the Company is CZK 600 (in words: six hundred Czech crowns) per 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 Investment Bank(s) may acquire newly subscribed shares of the Company is CZK 1 500 (in words: one thousand five hundred Czech crowns) for 1 (in words: one) registered book-entry share with a nominal value of CZK 0.10 (in words: ten hellers) ("**Price Range**"), provided that the final amount of such price within the Price Range shall be determined by the Company's Board of Directors, whereby the amount by which the price exceeds the nominal value of the newly subscribed share will constitute the share premium.

Place: Prague

Date: 9 March 2026

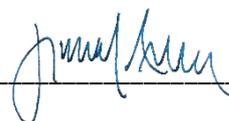


Name: **Ing. Radek Musil**

Title: Vice-Chairman of the Board of Directors

Place: Prague

Date: 9 March 2026



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

Title: Vice-Chairman of the Board of Directors