

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 the pre-emptive right to subscribe for new shares

Proposed resolution:

“In accordance with the provisions of Sections 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 authorizes 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 authorization 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 authorization of the Board of Directors, the share capital of the Company may be increased by a maximum of CZK 939 558.60 (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 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 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 the Investment Bank(s) may acquire 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 the 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;

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 9 395 586 (in words: nine million three hundred ninety-five thousand five hundred eighty-six) 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 939 558.60 (in words: nine hundred thirty-nine thousand five hundred fifty-eight Czech crowns sixty hellers). The pre-emptive rights to subscribe for shares are therefore specifically excluded for shares that may only be offered for subscription to a predetermined interested party, namely the Investment Bank(s), and whose issue price may only be paid in cash."

Reasoning:

In accordance with the provisions of Section 421(2)(b) and Section 511 of the Companies Act and Article 7.3 (b) of the valid and effective Articles of Association of the Company, the Company's General Meeting may authorise the Company's Board of Directors to increase the Company's share capital and, in accordance with the provisions of Section 488 of the Companies Act and Article 7.3. (f) of the valid and effective Articles of Association of the Company, the General Meeting of the Company may exclude the pre-emptive right of shareholders to subscribe for new shares in the event of an increase in the 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 939 558.60 (in words: nine hundred thirty-nine thousand five hundred fifty-eight Czech crowns sixty hellers);
- ▶ in connection with the increase in the share capital on the basis of this authorisation of the Board of Directors, a maximum of 9 395 586 (in words: nine million three hundred ninety-five thousand five hundred eighty-six) 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 authorisation 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 one up to five pre-determined subscriber(s), i.e. without exercising the pre-emptive rights, namely to the Investment Bank(s);
- ▶ The lowest price at which the Investment Bank(s) may acquire newly subscribed shares of the Company is CZK 600 (in words: six 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 the 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), 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 shall constitute the share premium.

In view of recent developments in the Company, in particular the successful acquisitions, such as 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 potential 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.**

In this case, the share capital will be increased and the Company's equity strengthened through 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 (MiFID II) designated by the Company's Board of Directors, which was not a shareholder of the Company as of the record date. 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.

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 realise opportunities arising in the market.

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

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 optimisation 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 the 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 modernization 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 issue of new shares in the Company is conceived as a step directly linked to the planned admission of the Company's shares to trading on the regulated market of Euronext Amsterdam, which is intended to support the expansion of the investor base, increase liquidity, and improve market dynamics around the Company's shares. A more detailed justification for the admission of shares to trading on Euronext Amsterdam is provided in item 4 of this General Meeting invitation. For a more detailed assessment of the context of this transaction with the exclusion of pre-emptive rights, the Company's Board of Directors refers to its report prepared in accordance with Section 488 of the Companies Act, which is published on the Company's website

(<https://www.coltczgroup.com/en/> under the link "Investors" in the section "General Meetings").

► A quick and effective method of strengthening 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.

► 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 rights 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 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 and also a detailed justification of the necessity of this step.