Analyst call – Preliminary financial results 2025

Klára Šípová (0:55)

Good morning. Good morning, ladies and gentlemen. Can you hear us?

Great. Welcome to the analyst conference call in connection with the publication of the preliminary financial results of Colt CZ Group that were released earlier this morning. You should have the presentation in front of you. It was distributed early this morning and it is also available on our website.

The format of today's call is as follows. We will go through the presentation and afterwards you will have the opportunity to ask questions in the Q&A session. As there are many participants on this call, we would like to kindly ask you to stay muted during the presentation.

So let me first introduce today's speakers on the call. It's Mr. Radek Musil, the Group CEO. Hello, Radek.

Radek Musil (1:47)

Good morning.

Klára Šípová (1:50)

And here with us is Mrs. Jana Matoušková, the Group CFO. Hello, Jana.

Jana Matoušková (1:55)

Good morning.

Klára Šípová (1:57)

And we also have with us the leaders of the most important subsidiaries of the group. It's Mr. Jan Zajíc, Member of the Board of Directors and CEO of Česká zbrojovka. Hello, Jan.

Jan Zajíc (2:09)

Good morning.

Klára Šípová (2:11)

We have with us Vladimír Rada, Member of the Board of Directors and CEO of Sellier & Bellot. Hello, Vladimír.

Vladimír Rada (2:19)

Hello, good morning.

Klára Šípová (2:21)

And for the first time on our conference call, we also have Mr. Daniel Tamchyna, Member of the Board of Directors of Synthesia Nitrocellulose. Hello, Daniel.

Daniel Tamchyna (2:32)

Good morning.

Klára Šípová (2:33)

And now I will hand over to Radek Musil to start the presentation.

Radek Musil (2:40)

OK. Let me start by saying that year 2025 was a strong and transformative year for the Colt Group. We delivered growth across all key financial metrics, improved our overall margin profile, and demonstrated the strength of our diversified business model.

We have stable growth profitability despite U.S. commercial market softness. Sellier & Bellot, CZ, Uherský Brod, and Colt Canada recorded the best results in their history.

Well, I would like to, I would like to highlight a significant transaction, and that is the acquisition of nitrocellulose from Synthesia.

This is a step in vertical integration, and most importantly it provides us with the opportunity to enter the energetic materials industry.

It's fully consolidated, and the transaction was concluded in January 2026. And now I will pass the word to Jana Matoušková.

Jana Matoušková (4:01)

Thank you. So now I would like to show our key financial indicators and say a few words about this fact. As I've mentioned, the group achieved growth across all financial metrics. We improved the gross margin, and also it was supported by our strong and diversified portfolio.

In revenues we achieved CZK 23.4 billion, and there is actually approximately 5%. Adjusted EBITDA, we achieved CZK 4.7 billion, and there is an increase of 1.4% in comparison to 2024.

However, I would like to stress here that in adjusted EBITDA we do not include the positive impact, the profit from derivative transactions from hedging, and in 2025 we achieved a profit from hedging of half a billion Czech crowns.

And approximately 80% from this, it means approximately CZK 400 million, is connected directly with the business contract, and in 2024 this hedging was almost zero. So I would just say, if we would include this positive impact from this hedging in the adjusted EBITDA, the increase would be approximately 10%, and the profitability would increase and would be over 22%.

Adjusted net profit, adjusted net profit, we achieved CZK 2 billion, and the increase was 5%.

And adjusted EPS we calculated as CZK 36. Here you can see a decrease of about 11%. However, I would like to stress here again that there was only one reason for the decrease, and it was an increase in the average share count, approximately about 19%, and it was connected with the transactions, Sellier & Bellot and the acquisition transaction, which was finalized in 2024 during the year. However, in 2025 this increase of shares had an impact on the calculation for the whole year. If I would disregard this fact, we would increase the EPS by about 5%. Please, next slide.

Jana Matoušková (6:22)

Thank you. In 2025, there was a shift from the U.S. commercial market to the European market, and we also moved more from the commercial market to the MLE market, which is in line with our long-term strategy.

If I should comment on the movement between the U.S. and European markets, it is regarding the fact that our business model is diversified, our product portfolio is diversified, and due to this fact we were able to react to the actual situation on the U.S. commercial market and replace the missing sales with other markets. So I would like to, I would like to stress here that the diversified portfolio is very important for us.

So we can see that in 2025 the share of the U.S. market was 29%, and Europe, including the Czech Republic and Ukraine, 56%.

The main market for the firearm segment is still the USA. The main market for the ammunition segment is Europe. The ammunition segment was very strong in the European market and delivered excellent profitability.

If I should describe the split of revenues between our segments, approximately 50% was ammunition and 50% the firearm segment. It is a significant move in comparison to 2024, when the share was much more in the firearm segment. We can go on to the next slide.

Jana Matoušková (7:47)

Portfolio resilience, we see our portfolio resilience as very strong, and thanks to this fact we are able to offset the weakness of the U.S. commercial market and the fluctuation of this market with the CZ brand.

You can see that although also the Colt brand has dropped in the number of units sold by about 36%, the total decline was only 8.7%, and the main reason is, as I mentioned, it was the strong CZ brand, which was able to cover the gap on the market which was caused by the Colt brand, and it increased unit sales by about 8.4%.

The CZ brand confirmed its strong position in the Czech Republic and also confirmed a stable share on the U.S. commercial market. The CZ brand has one of the best records here in history.

A few comments about the Colt brand. This is what we mentioned already during the presentation of the year 2025 results. Colt West Hartford, or Colt US, was impacted by two facts. In the commercial market, it was affected by cooling based on the actual situation on the U.S. commercial market, and also Colt US was impacted by the U.S. government shutdown in the last quarter of 2025 because we had to postpone delivery of some military projects from Q4 2025 to the first half of 2026.

You can go on to the next slide.

Jana Matoušková (9:19)

We see that our group has big financial flexibility, which comes from the cash-generative business, and this allows us to decrease leverage and debt. We also have space for significant CapEx, which you will see on the next slide, and just now the net leverage ratio we have is below 2, but we will also describe the analysis on the next slide.

Dividends. The Board of Directors will propose a cash dividend of CZK 15 for the year 2025. The payout ratio is slightly below 90% of the adjusted consolidated net profit, and we still continue with the share buyback. It was announced in 2025.

During 2025 we purchased 265,000 shares for an average price of CZK 722. But you can see that this is significantly below the actual share price on the stock exchange. The program is still valid until the end of June 2026, and after the blackout period we will continue with this program. We can go on to the next slide.

Jana Matoušková (10:27)

Some pieces of information about indebtedness.

We assist strong cash flow. Our strong cash flow allows us quite quick absorption of acquisitions, and I would like to show it to you on this slide because you can see the progress of leverage during the last five years, and you see that it is significantly below 3, that we are almost stable.

And you can see that between 2021 and 2025 we made a lot of significant strategic acquisitions. In 2021 we acquired Colt, in 2022 it was Spuhr, in 2023 SwissAA, the opening of the ammunition segment, and in 2024 we purchased Sellier & Bellot, which was for us a very strategic acquisition, a very important part of our group, and as you could see from our results, a profitable part of the group and a very strong segment just now.

And at the end of 2025, the leverage is 1.8. So you see that we were fully prepared, or we were fully prepared, for the acquisition of nitrocellulose and for the payment for this, which we did in January 2026. We paid CZK 5.5 billion for this, and this payment did not have a significant impact on our net leverage ratio. We can go to the next slide.

Jana Matoušková (11:46)

CapEx. In 2025 we invested approximately CZK 1 billion in CapEx. The share of revenues was 4.4%, but this is in line with guidance because our long-term guidance is approximately 5% of revenues to invest in CapEx.

And you can see that for the first time we showed that 30% of this CapEx was growth CapEx, for growth and increase of capacity, and 70% was maintenance CapEx.

The guidance for 2026 is much higher. We expect CapEx of up to CZK 2 billion, and the main part of this CapEx is CapEx for nitrocellulose, which should be approximately EUR 40 million, and it is for the increase of nitrocellulose production capacity. The increase is approximately 1,000 tonnes.

And you will see that since 2027 we will have additional capacity available. Just now our capacity for nitrocellulose for the next five years is almost, it is fully booked, and this initial capacity allows us additional backlog for the future. Fifty-five percent is expected to be used for maintenance CapEx.

You can see that the share of revenues for CapEx in 2026 is expected to be a little higher. It is slightly above 6%, but it is mainly connected with this strategic investment. We do not change the general guidance.

Yes. And I would like to continue with this acquisition of nitrocellulose.

Jana Matoušková (13:14)

In January 2026, we did the closing, we paid for the company CZK 5.5 billion. This was a combination of cash consideration and stock consideration, and since that time Kaprain has become the third-largest shareholder of our group with a stake slightly below 10%.

We still have a put option and call option for the residual 49% stake.

What is very positive for us is that on a pro forma basis we receive a very positive impact on our revenues, EBITDA, and EPS. On the right side of the slide you can see that on a pro forma basis, the financial statements for 2025, if nitrocellulose and Powders were with us for the whole year, the revenues would be higher by approximately CZK 5 billion. Adjusted EBITDA would be higher by about CZK 2.3 billion because the profitability of nitrocellulose is slightly below 50%.

And all of this would have a very positive impact on consolidated numbers, because adjusted consolidated EBITDA would be higher by about 52%, and adjusted EPS would increase up to CZK 44–45.

It is an increase of about 25% because just now the reported CZK 36 is adjusted EPS.

What I would like to stress here is that this EPS is calculated before amortization of PPA, which is important to say.

In addition to this fact, I would like to emphasize that in the appendix, on slides 22 and 23, you can find a detailed balance sheet and P&L on a pro forma basis for 2025, showing how our group would look if Nitrocellulose were with us for the whole year. You can find there information about liabilities connected with the put option and call option. You can find there information about goodwill, about new assets, and also about the split of our profit between the owners of the parent company and non-controlling interest. We can go on to the next slide.

Radek Musil (15:14)

Guidance.

Revenue we see between CZK 30 and 33 billion, adjusted EBITDA between CZK 7.4 and 8.2 billion, and adjusted earnings per share CZK 50, but I must highlight adjusted EPS before amortization of PPA from the nitrocellulose acquisition.

Next slide please.

Revenues between CZK 30 and 33 billion. I would like to comment a little bit on the stability of this number. Let's say that Colt Canada succeeded in signing very nice contracts securing their production for a few years ahead, so it's quite nice. Nitrocellulose also has very nice fixed orders until 2030. Sellier & Bellot's business plan and orders for this year, it's, it's, it's completely fulfilled. CZUB looks quite good.

We are dealing with the impact of the political situation and political decisions in Colt West Hartford because this mainly involves the approval of the FMS contracts and the licensing. It's not that we will lose some sales and production. It is everything about delaying all these deals, and related to that is adjusted EBITDA on the level of CZK 7.4 and 8.2 billion, which is still, in both categories, revenues and EBITDA, significant growth even in comparison to the pro forma including nitrocellulose. Next slide please.

Well, you can see that firearms, ammunition, energetics—each of these pillars makes one third of our production. That's the diversity which allows us to catch opportunities in the future.

Yes. So because nitrocellulose as such is a highly profitable business and for us, as I said before, is an option, an option to enter the energetic materials industry. Next one, please.

Ambition 2030, as it was defined years ago, still is CZK 2 billion in revenue, but I must emphasize that this target is based both on organic growth and M&A.

Uh, M&A, our M&A activities.

Next slide please.

Radek Musil (17:57)

Well, a few words on the contracts.

It's mainly based on the frame contracts, so CZ signed contracts with Germany, the Czech Army. Ukraine still continues as a sale. Spanish National Police. Taiwan Ministry of Justice.

Colt and Colt Canada: Denmark, Netherlands and Canadian Defence Investment.

Synthesia Nitrocellulose: capacity sold out until 2030.

And Sellier & Bellot: this is the Czech Ministry, Danish, Netherlands, Belgium, Norway, and recently we won one contract which we are waiting to have signed before it can be announced.

Next one.

Radek Musil (18:42)

Yes, just some comment. Colt Optics is the rising star in our portfolio. It is a greenfield company, and it fits the demands of our customers because they are asking for a complete solution.

Well, so it fulfills our concept of a one-stop shop. It looks very promising. This year there will be nice sales, and we see that it could be a nice strong company in the future.

Jana Matoušková (19:17)

. So, expected dual listing in Amsterdam. As you could see, we see quite a very good order backlog, which we have in our hands for the next five years. We see a key opportunity to improve the strategic position on the market just now, and that's why we decided to ask our shareholders for approval to go on with the dual listing on Euronext Amsterdam.

The general meeting will be held on 10 April 2026, and if we should receive the approval, we would like to prepare this action immediately after this approval. On 13 April 2026, we will organise a virtual meeting for the capital market where we would like to introduce our story.

Generally, the shares should be fully fungible between both exchanges. The existing listing will remain in Prague.

And the dual listing we would like to use to have much better visibility for the big global investor community and to get additional liquidity and equity.

Klára Šípová (22:24)

Thank you, Jana. Thank you, Radek, for the presentation. Ladies and gentlemen, we are moving to the Q&A session. If you would like to ask a question, please raise your hand in the Teams application or speak directly into the phone. And the first question comes from Pavel Ryska from J&T Bank. Pavel, please go ahead with your question.

Pavel Ryska (22:46)

Good morning, everybody. First of all, I would like to congratulate you on the very good results for the past year, and I would also like to appreciate some of the planned steps that you are taking, including the new listing in Amsterdam. I think it will be very, very supportive of your share.

That also touches on my first question. Could you tell us more about the specific timing if you want to do the capital raise that you informed about recently in conjunction—that means at the same time as your listing or your entry into the Amsterdam stock market—or will it be that one will precede the other?

Second question, about the particular purpose of the capital raise that you announced. Now we see in your presentation that your net leverage is now safely below 2.0, so I would suppose that you don't need the new capital necessarily to decrease your leverage. This leverage is quite OK by historical standards. So I am deducing from this that you have already some particular M&A targets in your mind. Do I get it right that you would like to reinforce your vertical integration after the acquisition of SNC? That means maybe propellant or explosive production, or even large-calibre production, if you could comment on this.

And my third question. There recently has been a very, very horrific accident in Pardubice. The company Explosia had an accident in their production facility. Are you taking some steps to ensure that this doesn't happen in your Pardubice facility at the moment? Thank you very much.

Radek Musil (24:50)

So maybe I will start very shortly with the first part of your sentence, or your question. Dual listing—we do not comment in more detail on dual-listing activities. Everything was published on our website just now.

Well, for the next part, the M&A activities, probably, Mr. Ryska, it will be just a little bit of a simple answer. So we announce the acquisition when it comes, yes—not intentions. It could be deadly, but still I must say that we are open, we are open to some M&A activities, but I wouldn't like to specify anything in detail.

Maybe you could see that our ambition is to achieve revenues of CZK 2 billion in five years. So it's clear that the M&A part has to be very significant for us, and we are still looking for opportunities, vertical, horizontal, and yes, it should be a very important case for us.

And the last question was security. For sure, for sure, it is important, it's very important for us. Yes, we are working on that, and we are in contact not only with the police, and so we take it really seriously, but absolutely we will not share any details, what our measures are.

Pavel Ryska (26:23)

OK. Thank you very much. And maybe a follow-up question. You gave us guidance for this year. I remember after nine months of 2025, you mentioned that you would see the organic growth to be somewhere above 10%. I think you mentioned like 13 to 14% organic growth this year. When I now look at your guidance and compare it with the pro forma results so that we net out the impact of the acquisition, it gives something like 6 to 7% organic growth. So maybe this new interval is larger, and maybe in the midpoint it's somewhere lower than the original outlook. Is there a factor that caused this, or could you comment on this?

Radek Musil (27:16)

OK. Maybe just a clarification. When we discussed it on the nine-month presentation, we announced that we expect up to 15% increase in the transfer from the year 2025.

So these numbers that you could see are in line with what we discussed in November. Yes, the organic growth, maybe I will not specify, but together it was so planned that it should be between 14 and 15% together with the transfer.

Pavel Ryska (27:55)

OK. So if I get it right, so the number 13 to 14% that was mentioned last year, that was linked to the impact of the contract that wasn't realised last year but now we have the final guidance. So basically that number from last year wasn't comparable to the growth implied by the guidance now.

Radek Musil (28:19)

I think that it is in line. And maybe I would like to stress here also one point, that we focus on the upper range of this, on the upper number of this range, sorry, and much higher if it's possible. But still there are a lot of open items in Colt, it was mentioned already, and I think that it's really in line with what we mentioned in November 2025, the increase on a pro forma basis in the guidance. So is that.

If there were no issues in Colt with the political impact, we would be for sure on the upper limit of the guidance.

Pavel Ryska (29:05)

OK. Thank you. That's good. Good to know. Is there going to be any seasonal waves during the year? Are some quarters expected to be weaker or stronger than others, or not?

Radek Musil (29:11)

So, so it's, I think that the second half could be stronger than the first half, I guess.

Pavel Ryska (29:26)

OK. Thank you. That's helpful. Then that's all for me for now. Thank you very much.

Klára Šípová (29:33)

The next question is coming from Atınç Özkan from WOOD & Company. Atınç, please go ahead with your question.

Atınç Özkan (29:40)

Thank you, Klára, and good morning. Really quickly, three questions. The first one: I know that you are going to report your full-year audited numbers later on in April, but could you give us some colour on segmental top-line growth for the firearm and ammunition business in 2025 as well as EBITDA margins? That's the first one. Second one is: what was the top-line growth at Synthesia in 2025?

As far as I know, there are very sizable players in this segment, especially in night vision, such as Elbit, L3Harris, Theon. How do you plan to achieve your ambitions? If you could give us some colour regarding the magnitude and depth of your business plan here. Thank you.

Radek Musil (30:53)

Yes, I will start with the numbers. The details about nitrocellulose for the year 2025 you can find in the appendix to this slide. I mentioned it is on slide 22 or 23, and I also mentioned it in the details on nitrocellulose, that the revenues were CZK 5 billion and the EBITDA was CZK 2.3 billion.

Regarding the split between our actual segments that we had in 2025, firearms and ammunition, yes, detail will be in the audited financial statements at the end of April, as you mentioned. However, I can support the information, or I can give you information, that the progress was very comparable to the nine-month period, and finally the main part of EBITDA was created by the strong ammunition segment, where the margin was approximately 27%, and the firearm segment was below 20%.

OK, so regarding Colt Optics, for sure we don't expect that within two to three years Colt Optics would be the global leader, right? So we are fulfilling the concept of one-stop shop because it is becoming standard that armies want to have the complete solution. It means not only the gun but many, many different accessories. So, and at the moment, as a first step, the Canadian government ordered, for the C7 contract, the rearming of Canada together with Colt Optics.

So that's more fulfilling the concept, and I would like to see the linear growth together with that. Then, then, it will not be comparable to Elbit and others, let's say within two to three years, but it will be a nice contribution, a nice contribution to our portfolio.

Atınç Özkan (33:02)

Thank you very much.

Klára Šípová (33:06)

And the next question is coming from Petr Bártek from Erste Bank. Petr, please go ahead with your question.

Petr Bártek (33:14)

Yes, good morning. Thank you for taking my questions. So first, one more technical one in terms of the guided EPS of CZK 50 per share. Does this exclude the PPA amortisation from Sellier & Bellot, this CZK 600 million, or not? I don't understand it. Yeah, go.

Jana Matoušková (33:37)

This is close.

This includes only amortisation of PPA from nitrocellulose because this is expected to be really huge in the first three years. And if I should comment on PPA amortisation from Sellier & Bellot, you can find it in our presentation on slide 29, that it should be similar in 2026. The expectation is that it will be similar to year 2025 and 2024. It means it is approximately CZK 600 million.

After this period, after 2027, there should be a significant decrease.

And if I should, if I should comment on adjustment for this amortisation of Sellier & Bellot, the EPS would on a yearly basis be higher by about CZK 10.

Petr Bártek (34:34)

Thank you. Then if you can comment on the substantial drop in net debt sequentially. Thank you. The operating cash flow is really very, very strong, so if that's sustainable or not, what were the main influencing factors, let's say?

Jana Matoušková (35:00)

Yes, I would say that it is fully connected with our business, with the seasonal business. And yes, at the end of 2025, our operating cash flow was very, very strong. We got some prepaid advances for the business.

And yes, the leverage ratio was lower. We were prepared for the, as I mentioned, yes, we strategically prepared for the payment for nitrocellulose in January, and we wanted to be prepared for it so that this fact, this payment, would not have a significant impact on our net leverage ratio during 2026.

So just now, if I should comment, the leverage ratio is only slightly above two, so no significant changes. So, and it's not our target to push down the leverage ratio.

Petr Bártek (35:53)

It would target approximately two times, roughly, the same item, yes?

Jana Matoušková (36:00)

Yes, approximately.

Petr Bártek (36:04)

And then maybe a question to Manager of Synthesia Nitrocellulose, if you can elaborate a little bit on the business in terms of firstly the long-term contracts, whether they are fixed price for one year or for the whole period, whether they are, I don't know, indexed to CPI or how does this actually work. But the volumes are fixed.

And on the cost side, currently with the Iran war, I would be really curious about the hedging of input materials. I assume that you need a lot of sulfur, maybe some ammonia-based products. So how do you source these materials? How do you hedge this?

Daniel Tamchyna (37:08)

OK. Good morning. So regarding contracts—can you hear me?—regarding contracts, yes, I mean I don't want to go into big details, but as you said, all the contracts are fixed and executed. There are kind of take-or-pay formulas, so we are just fulfilling the model.

Regarding the cost increase, of course, I mean all the prices, they have inflation parameters, so we can pass through the cost increases.

And regarding raw materials, it's important to say that we are vertically integrated, so we have our own power plant, so we are independent at the moment from the cost of natural gas or crude oil. So we have our position, which is at the moment very beneficial compared to the price of electricity or natural gas. You know, assuming natural gas is EUR 55 to 60 per MWh, so we have a fixed price for our coal. We have a coal-based power plant, so all the utilities are fixed. So we do really have a big benefit at the moment compared to the market.

The same, I mean, we have key raw materials secured on a long-term basis, so we don't see any risk in Europe and in the U.S. So we don't see at the moment any risk in terms of availability or cost increase.

Regarding, yes, I mean we do have our own sulfuric acid and nitric acid production, and we have contracts for sulfur and ammonia. The important point is that so far we haven't experienced any issue with deliveries of sulfur or any issue with deliveries of ammonia.

And if there could be an issue and we would experience the issue, we would be able to mitigate this by basically buying from the market the sulfuric acid and nitric acid. By the way, both markets are extremely long because you go to the fertilizer industry, so these two markets are at the moment quite long. So we don't expect to be in the position where we would face some, you know, unexpected big increase in cost.

Is that OK, or—?

Petr Bártek (40:00)

So if I understand it correctly, you are pretty much hedged in terms of raw materials, and then in terms of the top line, it's either fixed or there is some possible indexation, to put it in a nutshell.

Daniel Tamchyna (40:14)

Yes.

Petr Bártek (40:18)

Last question from my side. If you could comment a little bit separately on the ammunition business and on the firearms business in terms of the Q4 development and full-year development in terms of margins. To me it seems that the firearms business, it's still quite weak, and also the outlook for 2026 is not for much of an improvement, if I get it correctly. Can you correct me or confirm, please?

Radek Musil (40:57)

OK, Jan would like to comment on it.

Jan Zajíc (41:04)

Yes, for the firearms, the fourth quarter is definitely always the best. The reasons are obvious. And with the margin, I do not see any drop-down, I do not see any issue. The stability, or I would rather call it stability.

For 2026, we do see pretty much the same margins, even a little bit higher than in 2025. Even as Radek said in the very beginning, we do see rather stability in the U.S. in this little bit weaker market. So I would not say that there is a drop or weakening.

Radek Musil (41:49)

And Vladimír?

Vladimír Rada (41:53)

Yes, for the ammunition market, I would say that Q4 was very nice in terms of profitability as well as in terms of sales. And as it is, let's say, said here, we have stable margin. So let's say for the moment we do not see any reason why it should drop down. Anyway, the intention is to keep it and in fact we are working on it from the customer side as well as on the purchasing side to secure that the margin will be stable over the period.

Petr Bártek (42:29)

Thank you very much.

Klára Šípová (42:34)

Thank you very much. And the next question is coming from Bloomberg News, Michal Kubala. Mr. Kubala, please go ahead with your question.

Michal Kubala (42:45)

Yes, thank you. Can you hear me?

Klára Šípová (42:47)

Yes, we can hear you well.

Michal Kubala (42:48)

Maybe a slightly less technical question, but we saw that ahead of the October elections, the winner of those elections has been signalling potential discussions of a sectoral tax, a windfall tax, if you will, that could target the defence sector, and with the announcement of this could become a topic post-election. We haven't seen any formal announcements, but are you seeing indications that this could still become a policy, and is Colt factoring that in anyhow? Thank you.

Radek Musil (43:24)

So we don't see such kind of indication. Since election, there was not any word about that.

Michal Kubala (43:35)

OK. Thank you for that. And maybe, maybe if you could comment on the finalisation of the Synthesia acquisition. I was just wondering how we should think about the role of Kaprain with the almost 10% stake in Colt. Should it be seen as a long-term strategic partner or someone with potential influence on capital allocation, any growth priorities? How should we be thinking about that? Thank you.

Radek Musil (44:05)

So, so Kaprain is our shareholder, right? And we hope that altogether we will find other opportunities mainly in energetic materials.

It is the third-largest shareholder for us, so it's an important shareholder.

Michal Kubala (44:28)

Right. That's it from my side. Thank you.

Klára Šípová (44:31)

Thank you very much, Bloomberg. The next question is coming from Fraser Donlon from Berenberg. Fraser, please go ahead with your question.

Fraser Donlon (44:42)

Good morning, everyone. It's Fraser here from Berenberg. Can you hear me?

Radek Musil (44:46)

Yes.

Fraser Donlon (44:47)

Perfect. I just wanted to ask about tariffs and whether you expect any kind of incremental net cost from tariffs in 2026 relative to 2025, and what that number might be. Thank you very much.

Management (45:01)

So impact of tariffs, maybe I will start with the year 2025 because tariffs already impacted our financial statements. During 2025 we were able to pass on partly these tariffs to customers because we increased the prices by about 4% in the U.S. market, and just now in 2026 everything was included and considered when we prepared the budgets for 2026. So we do not expect any other negative impact except what we are showing just now.

I don't know if Jan, would you like to add something, because it is mainly connected with CZUB. So sorry if I took your response.

Jan Zajíc (45:49)

You summarised it well. The impact in 2025, as Jana mentioned, we were successful by increasing the price and mitigating, or partly mitigating, the impact. And whatever is in 2026 calculates with the current situation of the tariffs.

Fraser Donlon (46:11)

Perfect. Thank you.

Klára Šípová (46:16)

And I see a follow-up question from Pavel Ryska from J&T Bank. Pavel, please go ahead.

Pavel Ryska (46:22)

Yes. Thank you very much for the room one more time. There was one detail that I didn't fully catch at the beginning. I think Mrs. Matoušková mentioned that after the shareholders' meeting in April, on the 13th, there should be some presentation or announcement to the market. Did I get it right?

Jana Matoušková (46:41)

Yes, you got it. There will be a virtual presentation for capital markets regarding this dual listing, and we included this information today in our regulatory announcement, and more details will be announced soon.

But I would like to emphasize that this is just our effort, right, our intention. Yes, it's not finally decided, right. We see, we look at the situation, what's going on, and based on that we will make the final decision.

Pavel Ryska (47:16)

And one more general question about the growth of the company looking forward, let's say in the horizon of the next five years, not necessarily this year. So I want to ask where do you see the main sources of potential organic growth of the company.

If it is rather on the MLE side in ammunition and firearms, or if you see the main source of growth in the new energetic business. Especially in this energetic business, I want to ask if the source of growth should be the increase in capacity from 2027 on, or if it is also a change in prices, if you are seeing a rise in prices of nitrocellulose or if you think there could be this movement in the future. So that's it.

Radek Musil (48:11)

OK. I will comment on the part of ammunition and guns. Yes. So we see the potential in all parts, like guns, ammunition, both commercial and as well as MLE.

So in all the segments. What's the driver, that's what we are preparing, is the portfolio of the products and targeted segments. And Dan, Dan, please, if you can comment on nitrocellulose.

Daniel Tamchyna (48:45)

OK. I mean, on nitrocellulose, first of all the organic growth is coming from the expansion. So that's, it's a project we've been working on over the last two years. We want to increase the capacity by an additional 1,000 tons of energetic nitrocellulose.

And this project should come on stream in quarter one next year, and at the moment we are fully in line with budget, fully in line with the time schedule. So it's, it's very positive.

Then, I mean, it's worth mentioning that at the moment we are the largest European energetic nitrocellulose producer, which is a key position for us. Number two, it's worth mentioning that we have our operating permit up to 10,000 tonnes, so we certainly want to have a deep look at that.

Number three, I mean we are not talking only about NC. NC is one of the products, and what we want to develop is what we call defence chemicals. And the defence chemicals—we are currently working on many projects where we would supply propellant, so precursors for the propellant business. And we have one project where we are in a very advanced stage, and we want to start the production here in Pardubice because we need to take advantage of the momentum of the market. We have all the integrated operating permits available. We have infrastructure available. We have our own utilities, water treatment, so we have qualified people here. So this is a huge advantage, and time is an issue because in Europe in 2026, I mean there is no way, there is no way that you can build on a greenfield a chemical production which would be focused on defence chemicals. So that's our big advantage, and we want to, you know, benefit from that.. So that's how we want to grow.

Pavel Ryska (51:22)

And as regards the prices of nitrocellulose itself, I mean the energetic nitrocellulose, has there been some trend in the recent years, or do you expect some trend in prices?

Daniel Tamchyna (51:35)

I mean, I'm not in the position to comment on specific pricing, but what I can see is that the market is very short, and you can see that because it's not just about the situation in Ukraine. It's now even multiplied by the situation in Iran when you see all the expansion projects, and we supply all the big NATO producers or suppliers. If you see the expansion in the propellant business, the market will stay relatively short within the next decade for sure.

So that's how we see the market. So we do not expect some drastic decline in prices on the market because the market will stay relatively short.

Pavel Ryska (52:30)

Thank you. That's useful. And one final question. Mr. Musil mentioned that he sees the potential for growth in all the lines of the business. You gave us a nice list of your MLE customers in Europe at the moment, which already includes several militaries and police departments, et cetera. So going forward, if there is some room for growth, for example for firearms and ammunition, do you think you can still acquire new big MLE customers and grow? Or will it rather be that the existing customers might increase their orders from you? Or do you think that you might have to look outside Europe for additional organic growth for the years ahead?

Jan Zajíc (53:21)

Yes.

As you know, we do not comment on a specific contract, but what you have mentioned, whether it's A or B, whether it's increase of current units we are already supplying or contracted, or a new one, both. Yes, what we do see is really an interest or demand for increasing or rearmament as well as new units coming from different countries or, let me say, for the first time. So both.

And what we also mentioned in the very beginning, we have, let me say, the beauty that we have quite a wide product portfolio, and every year we are going to launch or upgrade a product portfolio, which also secures the growth in the commercial market. So the thing is that we are well balanced, talking about the products and the product customers, talking military and commercial. We'd like to grow in all of the categories, and we have quite a good pipeline or quite good projects for growth within the next five years.

Radek Musil (54:30)

But I would like to add something. This is just an example. If you are talking about Sellier & Bellot, there are many more MLE contracts than only these ones. There is NSPA and many others. And so what we see are two trends: there are still some European countries, NATO European countries, who do not take rearming seriously and they are step by step waking up and starting acquisition. So that's our potential.

And current countries, they are increasing the demand. So we see that in Europe, in European NATO countries, there is still nice potential for growth.

Pavel Ryska (55:22)

That's useful. Thank you for all the answers to my questions.

Klára Šípová (55:28)

OK. Thank you all. I see one question that came via chat. It's quite long, so I'm going to summarize it. It's regarding the share buyback program which was initiated last year.

Jana Matoušková (56:07)

So the share buyback, we will try our best to achieve what we promised regarding the buyback. But we have a certain kind of limit in the system on what we can buy, that it shouldn't affect the price. At the moment, the average price is CZK 722, and we will continue until the end of June in line with regulation. Yes, in line, we will realize this project or this program.

Klára Šípová (56:45)

OK. And more generally about capital allocation, I think it's a long question, but it's also regarding CapEx. So how do we plan to dedicate capital between CapEx and the share buyback or dividend, et cetera?

Jana Matoušková (56:50)

Maybe I would like to split here two points. Share buyback is connected with the dividend for 2024. So it is something that we promised that we will pay in 2025. So this is a little separate.

Dividends are for the year 2025 and should be paid in 2026.

We still see and we manage our cash flow to be able to invest in our CapEx to grow the capacity. We also still see quite a nice space for additional acquisitions because this is also very important for us to increase the value for our shareholders.

And generally we do not comment in detail on which share of cash or something else should be allocated to which stream. However, we can confirm that all three streams will be fully allocated based on the actual situation.

Klára Šípová (58:00)

OK, very good. Yes, thank you. The next question is coming from Karel Honys from UniCredit. Mr. Honys, please go ahead.

Karel Honyš (58:10)

Hello, everyone. Thank you. I've got just one more technical question. Mrs. Matoušková, at the beginning you were saying that the reported EBITDA is excluding hedging contracts. And so I was wondering, are we talking about hedging contracts which actually realised gains and losses, or is it unrealised? And if so, is it related just to operations or is it also financial contracts as well?

Jana Matoušková (58:35)

So I spoke only about realised, fully connected with the invoice contract already. So it means realised hedging, and as I mentioned, in the profit and loss you can find profit from derivative transactions together of half a billion Czech crowns, and approximately 80% thereof is fully connected with this business.

It is slightly below CZK 400 million. So with the business, it means that when we sign some contract with all the conditions, our intention is to hedge it, to secure the profit from that contract. So, and that's what Jana means when talking about it, and the rest is connected with the financial assets.

Karel Honys (59:29)

Mm-hmm. Perfect. So you would actually end up above CZK 5 billion. Mm-hmm. Perfect. Thank you very much.

Jana Matoušková (59:33)

Yes, exactly.

Klára Šípová (59:39)

Thank you very much. I see a follow-up question from Petr Bártek from Erste Bank. Petr, please go ahead.

Petr Bártek (59:46)

Thank you. One more question on the ammunition segment. If I remember, you had projects for the production of new 12.7 millimetres and 40 millimetres ammunition. So if you can say a little bit about what you expect in 2026 and whether it's already in place, and maybe more broadly, what is the potential growth in production in the ammunition segment in 2026 and in the mid-term, in terms of volumes.

Management (1:00:29)

Vladimír.

Vladimír Rada (1:00:31)

Yes. So maybe, OK, I will start with the second part of the question. So the volume for 2026, we are expecting the same as for 2025. Of course, if due to efficiencies we might increase the capacity, we will do that. In any way, still we are following the same trend that we established several years ago, and basically our base for 2026 will be 2025.

Concerning the new calibres, it is a little bit also connected with the question that was before, MLE and some production. The 12.7 calibre project is ongoing, and everything is according to the plan. When we will be completely ready, we will announce it and we will announce that we have a new product in the portfolio. Nevertheless, it is also connected with some growth because we are not looking for contracts only from new customers and to keep the new ones, but also about the product portfolio, how to enlarge it so that we might be even more attractive for MLE customers than we are right now. And 12.7 is a great example.

Of course, the project has several steps because after we will be sure that we have achieved a certain point of quality, definitely we will start to deliver to our customers. On the other side, we already started discussions with them about this calibre, and we have very nice feedback from them that a lot of MLEs will be interested in it. And the same, I would say, is also the same with 40-millimetre grenades.

Petr Bártek (1:02:23)

Thank you.

Radek Musil (1:02:24)

OK. And regarding the ammunition, we are focusing more on the products with higher added value like armour-piercing projectiles, tracer ammunition or infrared tracer.

There is where our focus is going.

And the primers, non-toxic primers. It means primers without any lead. So this is the future of the company.

Klára Šípová (1:03:01)

Thank you very much, ladies and gentlemen. If you would like to ask a question, please raise your hand in the Teams application or speak directly into the phone.

OK then, and there are no more questions coming. First of all, I would like to reiterate our invitation to the Capital Markets conference call that will take place on April 13 between 3:00 and 5:00 Central European Time.

And the dial-in details will be shared later. The presentation will be in connection with our intention of dual listing in Amsterdam, and the presentation will be slightly broader than what you saw today. So again, please come to the presentation.

And secondly, I would like to thank all today's speakers. And if you have any further questions, please call us or send us an e-mail. Thank you very much.

Management (1:03:59)

Thank you. Thank you. Have a nice day.