

CZG – Česká zbrojovka Group SE achieved record revenues of CZK 3.4 bn in the first half of 2020

Prague (9 September 2020) — CZG - Česká zbrojovka Group SE (“CZG” or the “Company”), whose ordinary shares were admitted to trading on the Prime Market of the Prague Stock Exchange (“PSE”) on 1 June 2020, today announced its selected consolidated financial results for the six months ended 30 June 2020.

1H 2020 Financial Results Highlights

The Group today also announced its selected consolidated financial results for the six months ended 30 June 2020. Compared to the six months ended 30 June 2019, when CZG and its subsidiaries (together, the “Group”) generated revenues of CZK 3.0bn, the Group recorded a 13.5% increase, amounting to revenues of CZK 3.4bn in the six months ended 30 June 2020. Despite the covid-19 pandemic, the total number of firearm units sold in the six months ended 30 June 2020 reached 228,205 a 15.1% increase compared to the number of units sold in the same period in 2019. The Group’s operating profit increased by 8.0% y-o-y reaching CZK 675.8m and its net profit decreased by 23.5% y-o-y, to CZK 382.0m mainly due to adverse exchange rate developments and related net losses from financial operations. The results reflect the Group's continued operations only.

- The Group’s revenues for the six months ended 30 June 2020 amounted to CZK 3.4bn, up by 13.5% y-o-y, mainly due to higher number of firearm units sold and rising demand for CZG products, particularly in the United States.
- Both the number of produced and sold firearm units in the six months ended 30 June 2020 increased compared to the same period in 2019, reaching 201,330 units produced and 228,205 units sold, which represents an increase of 4.1% and 15.1%, respectively.
- Net profit in the six months ended 30 June 2020 was CZK 382.0m, down by 23.5% compared to the six months ended 30 June 2019, primarily as a result of net losses of CZK 144m from other financial operations.

Selected financial results

In CZK thousands	Six months ended 30 June 2020	Six months ended 30 June 2019	Change in %
Revenues from the sale of own products, goods and services	3,363,399	2,963,241	13.5%
Operating Profit	675,776	625,943	8.0%

Profit for the period from continued operations	381,963	499,054	(23.5%)
No. of firearms sold (units)	228,205	198,257	15.1%

Jan Drahota, Vice-Chairman of the Board of Directors of CZG, said: *“The first six months of this year was a record period for our Group in terms of operational performance. We grew in all key indicators, especially in revenues, firearm units produced and sold, and operating profit. This is really remarkable considering the global impact of the covid-19 pandemic. CZG is perfectly placed to successfully achieve its vision thanks to its robust business model, strong financial performance, and overall market position. The U.S. expansion plan clearly confirms our commitment to become a truly global player in the firearms industry.”*

Based on the current demand for firearms, particularly in the United States, which exceeds the Group's current production capacities, the Company has a favourable outlook for the remainder of the year. Also, the framework contract with the Czech Army, with an expected total value of approximately CZK 2.35 billion, is nearing the delivery and invoicing stage; CZG's BREN 2 assault rifle and the P-10 pistol successfully completed military standards testing and deliveries are expected to commence in the first quarter of 2021.

In the six months ended 30 June 2020, 69.5% of the Group's revenues were generated in the U.S.A., 9.2% in the Czech Republic and 8.5% in the European Union (excluding the Czech Republic). For CZG, the U.S. market is the most important in terms of its revenue contribution. Revenues from the U.S. market amounted to CZK 2.3bn in the six months ended 30 June 2020.

In response to the covid-19 pandemic, in the first half of 2020, the Group introduced several targeted measures to minimize the risk of transmission and spread of the virus among its employees. This led to a temporary decrease in production volumes, however, CZG was able to ramp up production in the Czech Republic within 2 months after the crisis peak.

The Group also faced temporary logistical challenges caused primarily by mandatory closures in some regions and lack of excess cargo capacity on international passenger flights. However, CZG was able to mitigate the impact by shifting deliveries to meet additional demand in accessible regions.

Commenting on today's announcement, **Lubomír Kovařík**, President and Chairman of the Board of Directors of CZG, said: *“With our growth and development plans, we believe we can play a key role in the expected small arms industry consolidation, to become a key partner for military and law enforcement customers and to be recognized as a premium brand of firearms in Europe and the United States.”*

About CZG - Česká zbrojovka Group SE

CZG – Česká zbrojovka Group (CZG), together with its subsidiaries, is one of the leading European producers of firearms for military and law enforcement, personal defense, hunting, sport shooting and other civilian use. CZG markets and sells its products mainly under the CZ (Česká zbrojovka), CZ-USA, Dan Wesson, Brno Rifles and 4M Systems brands. CZG's subsidiaries include Česká zbrojovka, CZ-USA, Brno Rifles, 4M Systems and CZ Export. CZG owns a minority stake in Spuhr i Dalby, a Swedish manufacturer of optical mounting solutions for weapons.

CZG is headquartered in the Czech Republic. It has production facilities in the Czech Republic and in the United States and employs around 1,625 people in the Czech Republic, the United States and Germany.

CZG was founded in 2013, yet its history dates back to 1936 when the Česká zbrojovka (CZ) firearms factory was established in Uherský Brod with the strategic aim of moving firearms production further away from the German border. The factory's production of a full range of firearms started to develop gradually after WWII, resulting in strong product positioning in the major segments of the firearms market.

Key Company Highlights

The Company believes its key strengths are as follows:

- Well-established manufacturer of high-quality firearms with recognized brands valued especially for good craftsmanship, high quality and long-term reliability
- Technological leader in designing innovative products supported by continuous investments, including into R&D
- Global player offering complete solutions to diverse customer base comprising military and law enforcement, personal defense, hunting, sport shooting and other civilian customers
- Track record of growth and profitability and sound financial profile
- Experienced management team and supportive, stable shareholders

Business Strategy

The Group intends to focus on increasing its penetration of military and law enforcement markets, particularly in the United States and Western Europe, where CZG's management believes the Group is well positioned to execute this strategy. The Group wants to capitalize on its existing experience in supplying these markets gained over many years and plans to continue offering complex solutions to its existing and new military and law enforcement customers, including firearms, ammunition and additional services. The Group also continuously monitors and evaluates opportunities for growth through opportunistic acquisitions.

The Group operates in more than 90 markets globally and continues to expand its presence in growth markets, particularly in the U.S. The Group seeks to establish itself as a premium brand in the U.S. by strengthening its brand recognition among military and law enforcement customers, increasing the production volume of its firearms as well as expanding the variety of firearms it offers, including modifications and upgrades to the current product mix. To meet these goals, the Group has also decided to strategically expand its production capacities in the U.S.A. by constructing a new production facility in Little Rock, Arkansas, which will serve as the Group's North American headquarters and second major production facility, in addition to its existing main facility in Uherský Brod, Czech Republic.

The Group intends to continue upgrading its existing production facilities in the Czech Republic to stimulate its organic growth and to enhance production efficiency and optimize inventory management and order fulfilment.

In addition to its geographical expansion, the Group is also developing a wider product portfolio. Among other things, the new generation of CZG-produced firearms will include optics and optoelectronics with the aim to support the anticipated shift to the use of smart and integrated firearms by its customers.

Corporate Social Responsibility

As a part of its Environmental, Social and Governance policy, the Group believes in the principles of a sustainable entrepreneurship based on the business, environmental and social responsibility and the commitment to the sustainable development. Therefore, the Group continuously supports numerous charities and non-profit organizations in the fields of health & medical care, science and research and education. The Company's long-term cooperations with the Czech Army, Czech Police and the Fire Brigade of the Czech Republic was extended by the sponsorship of the nationwide campaign aimed to recruit blood donors and ongoing donations to the Department of Children's Oncology of the University Hospital Brno.

In 2019, the Company donated a limited-edition CZ 75 pistol from the commemorative Republika line to be sold in a charity auction, which raised proceeds of CZK 650,000 that were donated to the Vojenský fond solidarity (Military Solidarity Fund) and the Nadace policistů a hasičů (Police and Firefighters Foundation).

The Company also maintains its branded team of sport shooters. The CZ Shooting Team members won 42 gold, 25 silver and 13 bronze medals across the International Practical Shooting Confederation shooting disciplines in 2019, including four European champion titles.

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