PROSPECTUS

CZG – Česká zbrojovka Group SE

Prospectus of floating rate notes
in the anticipated aggregate nominal amount of up to CZK 4,000,000,000
with the possibility of increase to up to CZK 5,000,000,000
due March 2027
ISIN CZ0003530776

This document constitutes the prospectus (the "**Prospectus**") in respect of floating rate notes issued under Czech law in the anticipated aggregate nominal amount of up to CZK 4,000,000,000 (four billion Czech Koruna) with the possibility of increase to up to CZK 5,000,000,000 (five billion Czech Koruna) due March 2027 (the "**Notes**" or the "**Issue**"), issued by CZG – Česká zbrojovka Group SE, a European Company (*Societas Europaea*) incorporated under the laws of the Czech Republic and applicable European Union (the "**EU**") laws, with its registered office at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic, Identification No.: 29151961, LEI: 315700O990GR61YDGF96, registered with the Commercial Register kept by the Municipal Court in Prague, File No. H 962 (the "**Issuer**").

The Notes will bear floating interest payable semi-annually on 23 September and 23 March each year, commencing on 23 September 2021. The issue price of all the Notes issued on 23 March 2021 (the "**Issue Date**") is equal to 100 per cent. of their nominal amount. The issue price of any Notes issued after the Issue Date will be determined by the Issuer taking into account the current market conditions. Where relevant, a corresponding accrued interest will be added to the amount of the issue price for any Notes issued after the Issue Date.

Unless previously redeemed or purchased by the Issuer and cancelled as described below, the Notes will be redeemed in accordance with the terms and conditions of the Notes (the "**Terms and Conditions**") included in "*Terms and Conditions of the Notes*" at their outstanding principal amount on 23 March 2027 (the "**Maturity Date**") (see Condition 6.1 (*Redemption at Maturity*)).

The Notes constitute direct, general, unconditional and unsubordinated obligations of the Issuer which rank and will continue to rank *pari passu* among themselves and at least *pari passu* with any present and future unsubordinated and unsecured debts of the Issuer or secured at least in the same or similar manner in accordance with the Terms and Conditions, with the exception of obligations treated preferentially under the applicable mandatory laws.

In all cases, payments under the Notes will be made in accordance with the laws applicable in the Czech Republic as of the moment such payment is made. Where it is required by the laws of the Czech Republic applicable as of the moment a payment of nominal or interest is made, applicable tax and other fees will be withheld or deducted. If any deduction or withholding is required at the time of such payment, the Issuer shall not be obligated to pay to the Noteholders (as defined in the Terms and Conditions) any additional amounts. Subject to certain conditions, the Issuer is a taxpayer of a tax withheld or deducted from the interest on the Notes. For further information, please see "*Taxation and Foreign Exchange Regulation in the Czech Republic*".

This Prospectus has been prepared and published for the purposes of an offer of the Notes to the public and the admission of the Notes to trading on the Regulated Market (as defined below) and constitutes a prospectus for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council 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 repealing Directive 2003/71/EC (the "**Prospectus Regulation**").

The Prospectus, which includes the text of the Terms and Conditions, has been approved by the Czech National Bank (the "**CNB**") as the competent authority under the Prospectus Regulation in its decision ref. no.

2021/020400/CNB/570, file no. S-Sp-2021/00010/CNB/572 dated 23 February 2021, which became final and effective on 25 February 2021. The CNB only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and its approval should not be considered as an endorsement of the Notes that are the subject of this Prospectus or the Issuer's profitability. Potential investors should make their own assessment as to the suitability of investing in the Notes.

An investment in the Notes issued under this Prospectus involves certain risks. Prospective investors should read and consider the entire Prospectus and, in particular, "*Risk Factors*", prior to making an investment in the Notes.

Application has been made for the Notes to be admitted to trading on the regulated market (in Czech: *Regulovaný trh*) of Burza cenných papírů Praha, a.s., with its registered office at Rybná 14/682, 110 05 Prague 1, Identification No.: 471 15 629, registered with the Commercial Register kept by the Municipal Court in Prague, File No. B 1773 (the "**PSE**" and the "**Regulated Market**"). The Notes are expected to be admitted to trading on the PSE on or around the Issue Date. The Regulated Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and the Council on markets in financial instruments (as amended, "**MiFID II**"). The ISIN of the Notes assigned by Centrální depozitář cenných papírů, a.s., with its registered office at Rybná 682/14, Old Town, 110 00 Prague 1, Identification No.: 250 81 489 (the "**Central Depository**") is CZ0003530776.

If there is any significant new factor, material mistake or material inaccuracy relating to the information included in the Prospectus which may affect the assessment of the securities and which arises or is noted between the time when the Prospectus is approved and the closing of the offer period or the admission of the Notes to trading on the Regulated Market, whichever occurs later, the Issuer will update the Prospectus in the form of a supplement. Any such supplement will be approved by the CNB.

The Prospectus is valid for twelve months from the date on which its approval by the CNB became final and effective. The validity of the Prospectus will expire on 25 February 2022. The obligation to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply from when the Prospectus is no longer valid and applies only until the admission of the Notes to the Regulated Market.

The distribution of this Prospectus and the offer, sale or purchase of the Notes may be restricted by law in certain jurisdictions. Neither the Prospectus nor the Notes have been allowed or approved by any public authority of any jurisdiction, with the exception of the CNB. The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the "**Securities Act**") and are subject to United States tax law requirements. The Notes are being offered outside the United States ("**U.S.**") by the Joint Lead Managers (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the U.S. or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

After the admission of the Notes to trading on the Regulated Market, potential investors must base their investment decisions not only on the Prospectus as amended by any supplements, but also on other information published by the Issuer after the date of the Prospectus or other publicly available information.

Amounts payable on the Notes will be calculated by reference to PRIBOR. As of the date of this Prospectus, Czech Financial Benchmark Facility s.r.o., the administrator of PRIBOR, is included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of Regulation (EU) 2016/1011.

Joint Lead Managers

Česká spořitelna, a.s. **Komerční banka, a.s.**

The date of this Prospectus is 23 February 2021

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IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

The Issuer has obtained certain statistical and market information that is presented in this Prospectus, in particular in section "*The Group's Business*". Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute management's estimates, using underlying data from independent third parties. The Issuer obtained market data and certain industry forecasts used in this Prospectus from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications, including the following studies:

- Ballistic's Best Magazine: "CZ Scorpion EVO 3 S1: Ballistic's Best 'Pistol-Caliber Carbine' ("**Ballistic's Best**"), dated 21 September 2018; available at https://www.ballisticmag.com/2018/09/21/best-cz-scorpion-evo-3-s1-carbine/ (accessed on 18 December 2020);
- BIS Research: Global Small Arms Market (Value and Volume) (2019) ("**BIS Small Arms Market Report**");
- Czech National Bank: PRIBOR rates - monthly and yearly averages ("**PRIBOR Rates**"); available at https://www.cnb.cz/en/financial-markets/money-market/pribor/fixing-of-interest-rates-on-interbank-deposits-pribor/averages_form.html (accessed on 11 January 2021);
- Czech Top 100 ("**Czech Top 100**"); available at https://www.czechtop100.cz/ (accessed on 18 December 2020);
- European Statistical Office (Eurostat): Labour productivity and unit labour costs ("**Eurostat Labour**"); available at https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_10_lp_ulc&lang=en (accessed on 11 January 2021);
- Guns News Daily: The World's Most Copied Pistol: CZ75; available at https://gunnewsdaily.com/cz-75-review/ (accessed on 18 December 2020) ("**Guns News Daily: Most Copied**");
- Guns News Daily: 10 Best Handguns for Home Defence (in 2019 and beyond) ("**Guns News Daily: 10 Best Handguns**"); available at https://gunnewsdaily.com/best-home-defense-handgun-pistol/ (accessed on 20 December 2020);
- On Target Magazine: 2019 Editor's Choice Award – CZ P-10S Optics Ready, dated 6 January 2020 ("**On Target Magazine**"); available at https://ontargetmagazine.com/2020/01/2019-editors-choice-award-cz-p-10s-optics-ready/ (accessed on 18 December 2020);
- Stockholm International Peace Research Institute ("**SIPRI**"): SIPRI Military Expenditure Database; available at https://www.sipri.org/databases/milex/ (accessed on 18 December 2020);
- Stockholm International Peace Research Institute: Trends in World Military Expenditure, 2019 ("**SIPRI Trends**"); available at https://www.sipri.org/sites/default/files/2020-04/fs_2020_04_milex_0.pdf (accessed on 18 December 2020);
- The Truth About Guns ("**TTAG**"): "CZ Wins TTAG's Editor's Choice Award for CZ Scorpion Evo 3 S1", dated 21 January 2016; available at https://www.thetruthaboutguns.com/cz-wins-ttags-editors-choice-award-for-cz-scorpion-evo-3-s1/ (accessed on 18 December 2020);
- United States Bureau of Labor Statistics: Databases, Tables & Calculators by Subject: Unemployment Rate; available at https://data.bls.gov/pdq/ (accessed on 18 December 2020).

Third party publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information and such information is not intended to be used as the sole basis for any business decision. The Issuer has not independently verified any of the data from third party sources nor has it ascertained the underlying economic assumptions relied upon therein. The Issuer confirms that all such data contained in this Prospectus has been accurately reproduced and, so far as the Issuer is aware and able to ascertain from information published by third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. All information contained in this Prospectus is subject to change based on various factors, including those discussed in "*Risk Factors*". Where third-party information has been used in this Prospectus, the source of such information has been identified. Nevertheless, prospective investors are advised to consider this data with caution. Market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. Prospective investors should note that the Issuer's estimates are based on such third-party information. Neither the Issuer nor the Joint Lead Managers have independently verified the figures, market data or other information on which third parties have based their studies.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see "*Information Incorporated by Reference*"). This Prospectus shall be read and construed on the basis that those documents are incorporated and form part of this Prospectus.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Lead Managers.

Unless stated otherwise, all information provided in this Prospectus is valid as of the date of this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer (financial or otherwise) since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Issuer or the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. Moreover, the information included in this Prospectus may be further modified or supplemented by supplements to this Prospectus.

Neither the Joint Lead Managers nor any of their affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility or liability as to the accuracy or completeness of the information contained or incorporated in this Prospectus. Neither the Joint Lead Managers nor any of their affiliates accept any responsibility or liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Issue. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer or to advise any investor in the Notes of any information coming to its attention.

Neither this Prospectus nor any other information supplied in connection with the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or the Joint Lead Managers to any person to subscribe for or to purchase any Notes. None of the Issuer or the Joint Lead Managers or any of their affiliates makes any representation to any investor in the Notes regarding the legality of any investment by such under applicable laws.

Any assumptions and projections concerning the future development of the Issuer, the Issuer's financial or market positions and the scope of the Issuer's business, should not be deemed as representations or binding promises of the Issuer regarding any future events or outcomes, because such future events and outcomes are subject, entirely or in part, to circumstances and events beyond the Issuer's control. Potential investors should make their own analyses of any development trends or projections contained in this Prospectus, and if relevant, conduct further independent investigations, and base their investment decisions on the results of such investigations and analyses.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any Notes in any jurisdiction to or from any person to or from whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer, sale or delivery of Notes may be restricted by law in certain jurisdictions. The Issuer and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offering or sale of Notes in the U.S. and the EEA (including the Czech Republic) and the United Kingdom. In particular, the Notes have not been and will not be registered under the Securities Act. For a description of certain restrictions on offers, sales and deliveries of the Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

MiFID II product governance / the target market is retail investors, professional clients and eligible counterparties – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that (i) the target market for the Notes is eligible counterparties, professional clients and clients, who are not professional clients, as defined in MiFID II, and also retail clients that are a Joint Lead Manager's clients and (ii) all channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a Notes distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable).

This Prospectus contains various forward-looking statements that relate to, among other things, events and trends that are subject to risks and uncertainties that could cause the actual business activities, results and financial position of the Issuer and all its consolidated subsidiaries (together with the Issuer, the "**Group**") the Group to differ materially from the information presented herein. When used in this Prospectus, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Issuer, the Group and its management, are intended to identify such forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Prospectus. The Issuer does not undertake any obligations publicly to release the result of any revisions to these forward-looking statements to reflect the events or circumstances after the date of this Prospectus or to reflect the occurrence of unanticipated events.

When relying on forward-looking statements, investors should carefully consider the foregoing risks and uncertainties and other events, especially in light of the political, economic, social and legal environment in which the Group operates. Factors that might affect such forward-looking statements include, among other things, overall business and government regulatory conditions, changes in tariff and tax requirements (including tax rate changes, new tax laws and revised tax law interpretations), interest rate fluctuations and other capital market conditions, including foreign currency exchange rate fluctuations, economic and political conditions in the Czech Republic and other markets, and the timing, impact and other uncertainties of future actions. See "*Risk Factors*". The Issuer does not make any representation, warranty or prediction that the factors anticipated by such forward-looking statements will be present, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

Information contained in "*Taxation and Foreign Exchange Control in the Czech Republic*" and "*Enforcement of Civil Liabilities Against the Issuer*" are of a general nature and they do not represent an exhaustive overview. The information in these chapters is based on the facts as of the date of this Prospectus and they have been obtained from publicly available sources that have not been processed or independently verified by the Issuer. The potential investors should rely only on their own analysis of factors mentioned in these chapters and on their own tax, legal and other advisors. Potential foreign purchasers of the Notes are advised to consult their legal and other advisors on the provisions of the relevant laws, in particular the foreign exchange and tax regulations of the Czech Republic, the countries of their residence and other potentially relevant countries, and any relevant international agreements and the impact of such regulations and agreements on specific investment decisions.

SUITABILITY OF INVESTMENT

The Notes may not be a suitable investment for all investors. Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor in the Notes may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement. Each potential investor in the Notes may also wish to consider whether it has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio and whether it has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency. In addition, each potential investor in the Notes may also wish to consider whether it understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets and whether it is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

SUMMARY

A. Introduction and warnings

This summary should be read as an introduction to this prospectus (the "**Prospectus**"). Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor and not just the summary. An investor could lose all or part of the invested capital.

Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Civil liability attaches only to those persons who have tabled this summary, including any translation thereof, but only where this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.

The international securities identification number ("**ISIN**") of the Notes (as defined below) is CZ0003530776 and the title of the Notes is CZG VAR/27. The issuer of the Notes is CZG - Česká zbrojovka Group SE (the "**Issuer**"), having its registered office at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic, identification number ("**Id. No.**") 29151961, legal entity identifier: ("**LEI**"): 315700O990GR61YDGF96, registered with the Commercial Register maintained by the Municipal Court in Prague, File No. H 962, telephone: +420 222 814 617, e-mail: info@czg.cz.

The Prospectus was approved by the Czech National Bank (the "**CNB**") as the competent authority pursuant to Article 31 of the Prospectus Regulation (Regulation (EU) 2017/1129) under decision reference number 2021/020400/CNB/570, file no. S-Sp-2021/00010/CNB/572, dated 23 February 2021, which entered into force on 25 February 2021. Contact details of the CNB are as follows: telephone: +420 224 411 111 or +420 800 160 170, address Na Příkopě 28, Prague 1, Postal Code 115 03, Czech Republic, www.cnb.cz.

B. Key information on the issuer

Who is the issuer of the securities?

The issuer of the Notes (as defined below) is the Issuer. The legal form of the Issuer is a European Company (*Societas Europaea*) incorporated in and operating under the laws of the Czech Republic and applicable EU laws, in particular Czech Act no. 627/2004 Coll., on the European company, as amended and Czech Act No. 90/2012 Coll., on commercial companies and business cooperatives, as amended and Council Regulation (EC). No 2157/2001 of 8 October 2001 on the Statute for a European company (SE).

The business of the Group is primarily governed by Czech Act No. 119/2002 Coll., on firearms and ammunition, as amended, the U.S. Gun Control Act of 1968, the U.S. National Firearms Act of 1934, the U.S. Arms Export Control Act of 1976, Czech Act No. 228/2005 Coll., on control of trade in products whose possession is restricted for security reasons in the Czech Republic, Czech Act No. 38/1994 Coll., on international trade in military materiel.

The primary activity of the Issuer is to be a holding company for the Group. The Group designs, produces, assembles and sells firearms and tactical accessories for military and law enforcement, personal defence, hunting, sport shooting and other civilian use. It markets and sells its products under the CZ (Česká zbrojovka), CZ-USA, Dan Wesson, Brno Rifles and 4M SYSTEMS brands. The Group is headquartered in the Czech Republic and has production facilities in the Czech Republic and the United States.

In 2020, the Issuer's shares were admitted to trading on the Regulated Market of the PSE. As of the date of the Prospectus, the Issuer's majority shareholder is Česká zbrojovka Partners SE (the "**Major Shareholder**") who holds 90.76 per cent. of the Issuer's shares and voting rights, while 9.24 per cent. of the Issuer's shares are in free float. Accordingly, the Major Shareholder directly exercises ultimate control over the Issuer. The majority shareholder of the Major Shareholder is European Holding Company, SE ("**EHC**") which holds 90 per cent. of the share capital and voting rights in the Major Shareholder. EHC is owned and controlled by Mr. René Holeček, who controls 100 per cent. of the share capital in EHC. The remaining 10 per cent. of the Major Shareholder's share capital is held as follows: (i) 5 per cent. by Mr. Lubomír Kovařík, chairman of the Issuer's board of directors and president of the Group, (ii) 2.5 per cent. by Mr. René Holeček, chairman of the Issuer's supervisory board (resulting in Mr. René Holeček's total direct and indirect shareholding in the Issuer, including through holdings in the Major Shareholder, of 83.95 per cent. of share capital and voting rights of the Issuer), and (iii) 2.5 per cent. by Mr. Jan Drahota, vice-chairman of the Issuer's board of directors and Group head of finance.

The key managing directors of the Issuer are the members of its board of directors ("**Board of Directors**"): Lubomír Kovařík, Jan Drahota, Jan Zajíc, Alice Poluchová, David Aguilar, Jana Růžičková and Andrej Chrzanowski.

The auditor of the Issuer is Deloitte Audit s.r.o., a company incorporated under the laws of the Czech Republic, having its registered seat at Italská 2581/67, Vinohrady, Prague 2, Postal Code 120 00, Czech Republic, Id. No. 496 20 592.

Impact of COVID-19 on the Group

The Group operates its principal production facility in Uherský Brod, Czech Republic. The impact of coronavirus COVID-19 ("**COVID-19**") on the Group's production has been limited so far. The Group has not experienced major interruptions of its production process in its main production facility; initially, production was closed for one day to evaluate the government recommendations and implement adequate measures and subsequently daily production was slowed for approximately two months, but has since returned to full production capacity. At the same time, the Group had to temporarily close its manufacturing facility in Norwich, New York, beginning on 22 March 2020, cease production of its Dan Wesson products and, effective 11 April 2020, reduce its workforce in the U.S. by 35 employees. In May and June 2020, the facility gradually started to re-hire employees and restart production and, as of 31 December 2020, there are 29 employees at Dan Wesson. As a result of the closure and increased demand for Dan Wesson products in the U.S., the Group had sold its entire stock of Dan Wesson products by August 2020 and, despite the restart of production in its Norwich, N.Y. facility, is not currently able to satisfy the continued increased demand for Dan Wesson products in the U.S.

What is the key financial information regarding the issuer?

The following financial information as of and for the years ended 31 December 2019 and 2018 is taken or derived from the audited consolidated financial statements of the Issuer as of and for the years ended 31 December 2019 and 2018, together with the notes thereto (the "**Audited Financial Statements**"). The Audited Financial Statements have been audited in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines; and prepared in accordance with the International Financial Reporting Standards ("**IFRS**") as adopted by the European Union (the "**EU**"). The Group's date of transition to IFRS was 1 January 2016. Where financial information in the following tables is labelled "audited", this means that it has been taken from the Audited Financial Statements.

The following financial information as of and for the nine months ended 30 September 2020 and 30 September 2019 is taken or derived from the unaudited condensed consolidated interim financial statements of the Issuer as of and for the nine months ended 30 September 2020 (including comparative financial information as of and for the nine months ended 30 September 2019) (the "**Unaudited Interim Financial Statements**"). The Unaudited Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**").

The design, production, assembly and sale of firearms and tactical accessories are reported in the Group's production, purchase and sale of firearms and accessories segment (the "**Firearms and Accessories Segment**"). The Group's other revenues and expenses from transactions that are not reported as part of the Firearms and Accessories Segment, such as revenues from temporary non-firearm production using the Group's excess production capacities from time to time, are reported in its other segment (the "**Other Segment**").

In 2019, Česká zbrojovka Partners SE decided to spin-off all of the Group's assets related to the production of automotive and aviation components (the "**Automotive and Aviation Business**"), other than certain buildings, to CZ-AUTO SYSTEMS a.s., a newly established entity controlled directly by the Česká zbrojovka Partners SE, which is not part of the Group. The spin-off was registered in the Commercial Register on 31 March 2020, while the effective date of the spin-off for financial and accounting purposes was 2 January 2020. As a result of the decision, the Automotive and Aviation Business was classified as discontinued operations in the Issuer's condensed consolidated statement of profit or loss and other comprehensive income for the nine months ended 30 September 2019, being part of the Unaudited Interim Financial Statements, restated for the reclassification of discontinued operations, and as discontinued operations in the Issuer's consolidated statement of profit or loss and other comprehensive income for 2019, with comparative amounts for the year 2018, being part of the Audited Financial Statements, restated for the reclassification of discontinued operations. In the Issuer's consolidated statement of financial position as of 31 December 2019, being part of the Audited Financial Statements, and the Issuer's consolidated statement of financial position as of 30 September 2019, being part of the Unaudited Interim Financial Statements, the assets and liabilities of the Automotive and Aviation Business are shown as assets and liabilities held for sale for distribution to owners, respectively. The cash flow statements for the nine months ended 30 September 2019 and the years ended 31 December 2019 and 2018 include the cash flows for both continued and discontinued operations.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the nine months ended 30 September		**For the year ended 31 December**	
	2020	**2019**[(1)]	**2019**	**2018**
	(unaudited)		(audited)	
	(CZK thousands)			
Revenues from the sale of own products, goods and services	4,964,212	4,502,695	5,958,742	5,339,581
Thereof: Production, Purchase and Sale of Firearms and Accessories Segment	4,870,473	4,440,637	5,876,851	5,249,393

Thereof: Other Segment	93,739	62,058	81,891	90,188
Operating profit	815,655	740,424	**943,710**	**661,155**
Profit before tax	593,865	708,320	**912,455**	**714,443**
Profit for the period from continued operations	477,515	556,264	**734,119**	**568,606**
Post-tax profit from discontinued operations	0	19,250	**15,192**	**32,307**
Profit for the period attributable to:				
Owner of the parent	472,966	556,497	743,276	588,221
Non-controlling interests	4,549	19,017	6,035	12,692
Net earnings per share attributable to the owner of the parent company (CZK per share)				
Basic	16	19	25	20
Diluted	16	19	25	20

(1) All comparative amounts for the nine months ended 30 September 2019 have been restated to reflect the reclassification of discontinued operations.

Consolidated Statement of Financial Position

	As of 30 September 2020	**As of 31 December**	
		2019	**2018**
	(unaudited)	(audited)	
		(CZK thousands)	
Total assets	**7,537,057**	**7,548,575**	**7,485,754**
Total equity	**3,273,079**	**3,468,961**	**3,309,375**
Total liabilities	**4,263,978**	**4,079,614**	**4,176,379**
Total liabilities and equity	**7,537,057**	**7,548,575**	**7,485,754**
Net financial debt at the end of the period(1)	**1,220,407**	**1,547,629**	**945,440**

(1) Calculated as bank loans and borrowings plus short-term bank loans and overdrafts plus lease payables (current and non-current) less cash and cash equivalents.

Consolidated Cash Flow Statement

	For the nine months ended 30 September		**For the year ended 31 December**	
	2020	**2019**	**2019**	**2018**
	(unaudited)		(audited)	
		(CZK thousands)		
Net cash flow from operating activities ………	**1,093,309**	**181,426**	**505,116**	**929,053**
Net cash flow from investing activities ……….	**(282,888)**	**(309,428)**	**(435,275)**	**(385,632)**
Net cash flow from financing activities ………	**(547,909)**	**(728,500)**	**(535,718)**	**478,847**
Net change in cash and cash equivalents ……	**286,039**	**(850,083)**	**(465,313)**	**1,022,268**
Opening balance of cash and cash equivalents	**880,315**	**1,345,628**	**1,345,628**	**323,360**
Closing balance of cash and cash equivalents	**1,166,354**	**495,545**	**880,315**	**1,345,628**

What are the key risks that are specific to the issuer?

The most material risk factors specific to the Group include in particular:

- The Group faces various risks related to the ongoing COVID-19 health crisis. The COVID-19 pandemic could restrict access to capital and result in a long-term economic slowdown or recession that could negatively affect the Group's operating results. Restrictions on access to the Group's manufacturing facilities or on its support operations or workforce, or similar limitations for its suppliers, and restrictions or disruptions of transportation, port closures and increased border controls or closures, could limit the Group's ability to meet customer demand and have a material adverse effect on its financial condition, cash flows and results of operations. In addition, such restrictions and limitations could have an adverse effect on the Group's ability to integrate Colt Holding Company LLC ("**COLT**") into the Group and/or a potential construction of the Group's new production facility in Little Rock, Arkansas, United States (the "**Little Rock Project**"). The Group has experienced interruptions to its supply chain and if these or other interruptions are long-lasting or spread to a wider supplier base, this could cause shortages in certain materials, parts and labour supplies that are key to the Group's commercial operations and therefore materially negatively impact the Group's business results.

- The Group's performance is influenced by economic, social and political factors. Negative or uncertain economic conditions causing consumers to lack confidence in the general economic outlook and to reduce their discretionary spending can significantly reduce sales of the Group's products. Sustained uncertain or negative economic conditions and outlook can cause significant changes in market liquidity conditions. Economic conditions also affect governmental, political and budgetary policies as when facing the prospects of an economic downturn, governments often elect to adopt austerity measures aimed, among other things, at reducing government spending and as government support packages to address the economic consequences of COVID-19 will significantly increase government debt, governments may need to implement austerity measures in the future to reduce the debt burden. Austerity measures tend to affect especially discretionary spending, which, in peacetime, would very likely include defence spending.
- The Group's industry is highly competitive, and the success of the Group's business depends on its ability to compete effectively. The Group's inability to compete effectively or any increases in competition in the firearms industry could adversely affect the Group's ability to sell its products, its market share, its revenue and profitability, and ultimately the success of its business.
- The Group's ongoing acquisition of COLT may involve additional risks, increased costs and may not be successful. The Group may be exposed to extra costs in connection with its investment into the COLT's production capacities and Research & Development area related to update of the current product portfolio and introduction of new products, as well as extra costs related to COLT employees' wages and other benefits. Moreover, COLT's business is exposed to various risks in connection with its long-term business relationships with key customers, who represent a significant part of the COLT's revenues.
- The Little Rock Project may be further delayed, not completed as currently planned or at all or not produce the benefits expected. In particular, the Group as of the date of this Prospectus intends to concentrate its U.S. production footprint in COLT's premises for the medium term of three to five years. This may ultimately increase the costs of the Little Rock Project implementation. In case the Little Rock Project is fully abolished, the Group would have to write down some or all costs which has incurred so far with the preparation of the Little Rock Project. In addition, the Group would be obliged to return a part of land which was obtained from the State of Arkansas as an incentive package. If undertaken, the implementation of Little Rock Project is associated with a variety of risks typical for such projects such as regulatory requirements or plant design errors.
- The Group is exposed to the risk of rising protectionism in international trade. Given the proportion of exports into the United States, the Group is particularly exposed to the risk of the United States increasing or imposing tariffs or other barriers, including protectionist measures, on imports of firearms. Any introduction or increase of firearm import tariffs by the United States or other countries into which the Group exports its products may increase the price of the Group's products to the customer, which could adversely affect the competitiveness of the Group's products and the Group's market share in such market, and/or decrease the Group's revenues and profitability derived from exports to such countries.
- The introduction of new technologies may change the nature of the Group's competitive landscape. The Group is exposed to the risk of insufficient resources for research and development in the future as well as the risk of errors or defects in new versions of its products or the risk that the Group may be unable to timely anticipate new technological trends, each of which may delay the Group's ability to bring its products to market or result in after-sales commitments, the costs of which the Group may not be able to recover. Further, despite these efforts and costs, there can be no assurance that the Group will be able to adapt new technological trends, that its research and development activities will result in viable products or that these products will meet market expectations. If these risks materialize, they could adversely affect the Group's revenue and profitability, market share and reputation of its products and brands.
- The Group primarily depends on a single production facility. Any failure, breakdown, outage or other event causing disruption of the operation of this facility for even a short period of time may materially adversely affect the Group's ability to produce and ship its firearms and to provide service to its customers. The Group's business interruption insurance may be insufficient to compensate the Group for losses that may occur.
- The cooperation of the Group with HM ARZENÁL Zrt., a Hungarian company fully owned by the state of Hungary, pursuant to a framework agreement on technology transfer cooperation, which permits HM ARZENÁL Zrt. to manufacture, under a defined license agreement, some of the Group's firearm models and certain related components and sell them in Hungary, may not produce the benefits expected by the Group and any enforcement of the agreement may be time-consuming and difficult.
- A large portion of the Group's revenue depends on obtaining export licenses. The delay, denial or revocation of export licenses could have a material adverse effect on the Group's revenue, financial condition and results of operations.
- The Group's operations depend on obtaining and maintaining licenses and permits necessary for the operation of its business. Violation of any of the respective laws, regulations and protocols could cause the Group to incur fines and penalties and may also lead to restrictions on the Group's ability to produce and sell firearm products which could

significantly influence its financial performance and financial position. In addition, these laws, and regulations as well as their interpretation by regulatory authorities, may change at any time. The Group may be unable to protect its intellectual property or may unintentionally infringe intellectual property rights of third parties. The Group's failure to enforce and protect its intellectual property rights or an unintentional infringement of intellectual property rights of third parties could reduce the Group's revenues, erode margins or damage its reputation.

- The Group's performance is sensitive to social and political pressures due to the controversial nature of firearms. Despite efforts of the Group to counter an illicit trade in the Group's firearms, there can be no assurance that future incidents involving an illicit trade in, or use of, firearms produced by the Group or related allegations or investigations would not have an adverse effect on the Group's reputation, will not adversely affect the Group's business, results of operations, financial condition, cash flows and prospects, as a result of social or political pressure or otherwise.

C. Key information on the securities

What are the main features of the securities?

Book-entered floating rate notes in the anticipated aggregate nominal amount of up to CZK 4,000,000,000 (four billion Czech Koruna) with the possibility of increase to up to CZK 5,000,000,000 (five billion Czech Koruna) due March 2027. ISIN of the Notes allocated by the Central Depositary is CZ0003530776 and the title of the Notes is CZG VAR/27. Each Note is issued at nominal value of CZK 10,000. The maximum amount of the Notes that may be issued is 400,000 in case that the total nominal amount is no more than CZK 4,000,000,000 (four billion Czech Koruna) or 500,000 in case that the total nominal amount is increased to CZK to CZK 5,000,000,000 (five billion Czech Koruna) (the "**Notes**").

The Issue Date is 23 March 2021. The Final Maturity Date of the Notes is 23 March 2027. The currency of the Notes is Czech Koruna (CZK).

The primary right attached to the Notes is the right to the nominal value of the Notes as of the Final Maturity Date and right to the interest on the Notes. The interest will be paid for each Interest Period half-yearly in arrears.

The Noteholders have the right to vote at and attend the Meeting of Noteholders, provided that the Meeting is convened in accordance with the Terms and Conditions and the Czech Notes Act. The Meeting may elect an individual or a legal entity to act as a common representative.

The Notes are also associated with the right to request early redemption of the Notes held by the Noteholder in case a Change of Control occurs, or Event of Default occurs and is continuing. Further, a person authorised to attend the Meeting of Noteholders who failed to attend the Meeting or voted against a resolution regarding a Material Change adopted by the Meeting, may request the repayment of at the time outstanding nominal amount of the Notes held by it together with the *pro rata* interest accrued on such Notes.

Neither the shareholders of the Issuer nor any other person has any right of first refusal, preemptive or conversion rights in relation to the Notes or any other priority subscription rights in relation to the Notes.

The Notes constitute direct, general, unconditional and unsubordinated liabilities of the Issuer which rank and will rank *pari passu* among themselves and at least *pari passu* with any present and future unsubordinated and unsecured liabilities of the Issuer, with the exception of liabilities treated preferentially under applicable mandatory laws.

The transferability of the Notes is not limited.

The Notes bear a floating interest rate equal to (i) the Reference Rate (as defined below) valid for the relevant Interest Period (as defined below) and determined by the Calculation Agent on the Reference Rate Determination Date (as defined below) plus (ii) the margin of 1.80 per cent. p.a. The interest will accrue evenly from the first day of each Interest Period to the last day included in such Interest Period. The interest will be paid semi-annually in arrears, on 23 September and 23 March (the **Interest Payment Dates**). The first Interest Payment Date will be 23 September 2021.

"**Interest Period**" means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date, and each immediately following period from (and including) the Interest Payment Date to (but excluding) the next Interest Payment Date until the maturity date of the Notes. For the purposes of determining the Interest Periods, the Interest Payment Date will not be adjusted according to the Business Day Convention.

"**Reference Rate**" means 6M PRIBOR; **6M PRIBOR** means the interest rate in per cent. p.a. offered for the Czech Koruna that is quoted in "Reuters Screen Service" PRBO page (or any other official source where such rate will be quoted) as the value of the Prague interbank offer rate for Czech Koruna interbank deposits for the 6-month period set out by the administrator of PRIBOR and valid on the Reference Rate Determination Date. If PRIBOR is not quoted in the aforementioned PRBO page (or other official source) for the relevant 6-month period, then the Calculation Agent will determine 6M PRIBOR from (i) PRIBOR for the nearest longer period for which PRIBOR is quoted in the aforementioned PRBO page (or other official source) and (ii) PRIBOR for the nearest shorter period for which PRIBOR is quoted on the aforementioned PRBO page (or other official source), using straight line linear interpolation by reference to the two rates.

"Reference Rate Determination Date" means the date as of which the Reference Rate for the relevant Interest Period is determined. The Reference Rate Determination Date for the relevant Interest Period will be the second Business Day before the first day of such Interest Period.

Where will the Notes be traded?

The Issuer will apply for admission of the Notes to trading on the regulated market operated by Burza cenných papírů Praha, a.s., established and existing under the laws of the Czech Republic, having its registered office at Rybná 14/682, 110 00 Prague 1, Czech Republic, Id. No. 471 15 629, registered with the Commercial Register maintained by the Municipal Court in Prague, File No. B 1773 (the "**PSE**" **or the** "**Prague Stock Exchange**"), (the "**Admission**") through Komerční banka (as defined below) acting as the listing agent and expects the Notes to be listed on the Issue Date.

What are the risk factors that are specific to the Notes?

- Investment in the Notes, which bear interest at a floating rate, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes. The holder of a Note with a floating interest rate is exposed to the risk of a decrease in the price of such a Note as a result of changes in the market interest rates.
- In case of a full or partial early redemption of the Notes, including where this takes place without the consent of the particular Noteholder, in accordance with the Terms and Conditions prior to their redemption date, the Noteholder is exposed to the risk of the yield being lower than expected due to such early redemption
- The Issuer will apply for the Notes to be listed for trading on the Regulated Market of the PSE. Regardless of the listing of the Notes on a regulated market, there can be no assurance that a sufficiently liquid secondary market in the Notes will be created or, if it is, that such a secondary market will continue to exist.

D. Key information on the offer of securities to the public and the admission to trading on a regulated market

Under which conditions and timetable can I invest into the Notes?

In accordance with Article 2 (d) of the Prospectus Regulation, the Notes will be offered by the Issuer through Česká spořitelna, a.s., Id. No.: 452 44 782, LEI: 9KOGW2C2FCIOJQ7FF485, with its registered seat at Olbrachtova 1929/62, 140 00 Prague 4, Czech Republic ("**Česká spořitelna**") and Komerční banka, a.s., Id. No.: 453 17 054, LEI: IYKCAVNFR8QGF00HV840, with its registered seat at Na Příkopě 33, čp. 969, 110 00 Prague 1, Czech Republic ("**Komerční banka**" and together with Česká spořitelna the "**Joint Lead Managers**"). The Notes may be issued in a single issue or in tranches. All the Notes issued as a part of the Issue will be subject to the public offering. The public offering of the Notes by the Joint Lead Managers is expected to last from 25 February 2021 to 10 March 2021.

As part of the public offering, the investors will be approached by a Joint Lead Manager, mainly by means of remote communication, and invited to place an order for the purchase of the Notes (the "**Order**"). In order to participate in the public offering, the investor must present a valid identity document. In connection with the placement of the Order, the investors must conclude, or have concluded, an agreement with the Joint Lead Managers for purposes of, among other things, giving the instruction to arrange the purchase of the Notes under such an agreement and (unless the investor has an account with the Central Depositary or a broker), opening the asset account in the investment instrument register kept by Central Depositary or similar securities records by the Joint Lead Managers, or they may be invited to present the required documents and identification details by the Joint Lead Manager. As part of the public offering in the Czech Republic, the Joint Lead Managers will receive the instructions through their branches in Prague.

There is no minimum amount for which the investor may subscribe and purchase the Notes. The maximum volume of the nominal value of the Notes demanded by the individual investor in the Order is limited by the foreseen aggregate nominal amount of the Notes offered by the Joint Lead Managers. The Joint Lead Managers, may reduce the investor's Order at their discretion and upon consultation with the Issuer (provided that any surplus will be immediately returned in the investor's account stated to the Joint Lead Managers). The final nominal value of the Notes assigned to the individual investor will be stated in the transaction clearing confirmation by e-mail, which will be delivered to the investor by the Joint Lead Managers without undue delay after the execution of the instruction. The investor may not trade in the subscribed Notes before this confirmation is delivered.

Each investor who acquires the Notes from Česká spořitelna may be charged, in accordance with the subscription instruction, a fee of 0.25% of the nominal amount of the Note to be acquired. They may also be charged regular fees of Česká spořitelna for the keeping of an investment account according to the latest price list at www.csas.cz, link: Price lists – section Investment, part 1.9 Maintenance of records of securities (*in Czech original: Ceník – sekce Investování, část 1.9 Vedení evidence cenných papírů – Navazující evidence ČS).* As at the date of this Prospectus, these costs do not exceed 0.04 per cent. per annum of the aggregate nominal amount of the Notes in such an account, but will be at least CZK 25 per calendar quarter.

Each investor who acquires the Notes from Komerční banka may be charged, in accordance with the subscription instruction, a fee of 0.25% of the nominal amount of the Note to be acquired. They may also be charged regular fees of Komerční banka for keeping the securities account according to the latest Komerční banka pricelist published on the website www.kb.cz in the section About the bank, About KB, Investment banking regulations, About MiFID II, Contract documents, Contract for the purchase or sale of investment instruments (G-client), Price list for the Contract for the Purchase or Sale of Investment Instruments or in the section Price List and Interest Rate, Price list and interest rate for download, Individuals (depending on the type of contract) (in Czech original: *O bance, Vše o KB, Regulace investičního* *bankovnictví, Informace k MiFID II, Smluvní dokumentace, Smlouva o obstarávání koupě nebo prodeje investičních nástrojů (G-klient), Sazebník pro Smlouvu o obstarávání koupě nebo prodeje nebo prodeje investičních nástrojů anebo v sekci Ceny a sazby, Kompletní sazebníky, Občané*). These costs will not exceed 0.02 per cent. per annum of the aggregate nominal amount of the Notes in such an account, including value added tax, but will be at least CZK 15 per month. The regular fees for the keeping of an investment account are capped at CZK 30 per month, subject to the respective agreement. The investor may be required to pay additional fees charged by the intermediator of the purchase or sale of the Notes, the person keeping the records of the Notes, the person who performs the clearing of the Notes transaction, or by another person, e.g. fees for opening and maintaining an investment account, for arranging the transfer of the Notes, services related to custody of the Notes, their registration, etc.

On the relevant settlement date according to the agreement on the subscription of Notes concluded by the Issuer and the Joint Lead Managers (the "**Subscription Agreement**"), the Notes will be subscribed by the Joint Lead Managers against the payment of the issue price of the Notes to the Issuer in the manner specified in the Subscription Agreement. On the same date the Notes, except those which will continue to be held and offered by the Joint Lead Manager (in accordance with applicable legislation), will be sold to the investors by the Joint Lead Managers. The total amount of the commission for the subscription of the Notes will correspond to approximately CZK 22,000,000 to CZK 36,000,000.

The Issuer expects that the total expenses of the Issue including commissions and fees will amount to approximately CZK 31,000,000 or approximately CZK 38,500,000 in case of the maximum increase of the nominal value of the Issue, whereas the final amount will depend on the amount subscribed by institutional and retail investors, respectively. Fees charged to investors by each of the Joint Lead Managers are stated above.

When listed by the PSE, the Notes will be traded at the PSE and the transactions will be settled in CZK. The settlement will be performed as DVP (*delivery versus payment*) or DFP (*delivery free of payment*) through the Central Depositary or through persons keeping the related records following the standard practices in accordance with the rules and operating procedures of the PSE and the Central Depositary and within the deadlines set by the applicable rules. The subscription of the Notes in the Central Depositary can only be settled through a member of the Central Depositary.

Who is the offeror and the person asking for admission to trading on regulated market?

The Issuer will offer the Notes to public through the Joint Lead Managers. The Issuer will apply for admission of the Notes for trading on the Regulated Market of the PSE through Komerční banka acting as the listing agent.

Why is this Prospectus being produced?

The net proceeds from the issue of the Notes (i.e. after deduction of the expected commissions, fees and estimated expenses) is expected to be approximately CZK 3,969,000,000 or approximately CZK 4,961,500,000 in case of the maximum increase of the nominal value of the Issue.

The Issuer intends to use the net proceeds for the following purposes and in the following order: (i) approximately CZK 3,230,100,000 (equivalent to USD 150 million at an exchange rate of 21.534 CZK/USD as of 5 February 2021) to finance the acquisition of COLT; and (ii) the remaining balance of the net proceeds for capital expenditures, working capital and other general corporate purposes, including merger or acquisition opportunities.

The Joint Lead Managers are committed to making its best effort that can be reasonably expected of it to search for the prospective investors in the Notes and place the Notes with and sell them to such investors. The offering of the Notes will thus be on the 'best efforts' basis. Neither the Joint Lead Managers nor any other persons have assumed a firm obligation to the Issuer to subscribe or buy the Notes.

To the Issuer's knowledge, no natural or legal person participating on the Issue or the offering of the Notes, safe for the Joint Lead Managers, have material conflict of interests regarding the Issue or the offer of the Notes. The Joint Lead Managers also act as the Fiscal and Paying Agents, the Listing Agents.

SHRNUTÍ

A. Úvod a upozornění

Toto shrnutí je třeba číst jako úvod k tomuto prospektu („**Prospekt**“). Jakékoli rozhodnutí investovat do cenných papírů by mělo být založeno na tom, že investor zváží Prospekt jako celek, nikoli pouze shrnutí. Investor může přijít o veškerý investovaný kapitál nebo jeho část.

V případě, že je u soudu vznesen nárok na základě informací uvedených v tomto Prospektu, může být žalujícímu investorovi podle vnitrostátního práva uložena povinnost uhradit náklady na překlad tohoto Prospektu před zahájením soudního řízení.

Občanskoprávní odpovědnost nesou pouze ty osoby, které shrnutí včetně jeho překladu předložily, avšak pouze pokud je shrnutí zavádějící, nepřesné nebo v rozporu s ostatními částmi tohoto Prospektu, nebo pokud shrnutí ve spojení s ostatními částmi tohoto Prospektu neposkytuje klíčové informace, které investorům pomáhají při rozhodování, zda do příslušných cenných papírů investovat.

Mezinárodní identifikační číslo cenných papírů („ISIN“) Dluhopisů (jak je tento pojem definován níže) je CZ0003530776. Emitentem Dluhopisů je CZG - Česká zbrojovka Group SE („**Emitent**“), se sídlem na adrese Opletalova 1284/37, Nové Město, 110 00 Praha 1, Česká republika, identifikační číslo („**IČ**“) 291 51 961, identifikátor právnické osoby: („**LEI**“): 315700O990GR61YDGF96, zapsaná v obchodním rejstříku vedeném Městským soudem v Praze, spisová značka H 962, telefon: +420 222 814 617, e-mail: info@czg.cz.

Tento Prospekt schválila Česká národní banka („**ČNB**“) jako příslušný orgán podle nařízení o prospektu (Nařízení (EU) 2017/1129) rozhodnutím č.j. 2021/020400/CNB/570, spis. zn. S-Sp-2021/00010/CNB/572, dne 23. února 2021, které nabylo účinnosti 25. února 2021. Kontaktní údaje ČNB jsou: telefon: +420 224 411 111 nebo +420 800 160 170, adresa Na Příkopě 28, Praha 1, PSČ 115 03, Česká republika, www.cnb.cz

B. Klíčové informace o emitentovi

Kdo je emitentem cenných papírů?

Emitentem Dluhopisů (jak je tento pojem definován níže) je Emitent. Emitent má právní formu evropské společnosti (*Societas Europaea*), která je založena a podniká podle práva České republiky a příslušných právních předpisů EU, zejména zákona České republiky č. 627/2004 Sb., o evropské společnosti, v platném znění, zákona (ČR) č. 90/2012 Sb., o obchodních společnostech a družstvech, v platném znění, a nařízení Rady (ES) č. 2157/2001 ze dne 8. října 2001 o statutu evropské společnosti (SE).

Podnikání Skupiny se řídí zejména zákonem České republiky č. 119/2002 Sb., o střelných zbraních a střelivu, v platném znění, zákonem USA o kontrole zbraní z roku 1968, národním zákonem USA o střelných zbraních z roku 1934, zákonem USA o kontrole vývozu zbraní z roku 1976, zákonem (ČR) č. 228/2005 Sb., o kontrole obchodu s výrobky, jejichž držení se v České republice omezuje z bezpečnostních důvodů, a zákonem České republiky č. 38/1994 Sb., o zahraničním obchodu s vojenským materiálem.

Primární činností Emitenta je být holdingovou společností Skupiny. Skupina navrhuje, vyrábí, sestavuje a prodává střelné zbraně a taktické doplňky pro vojsko, policii, osobní obranu, lov, sportovní střelbu a další civilní použití. Své produkty propaguje a prodává pod značkami CZ (Česká zbrojovka), CZ-USA, Dan Wesson, Brno Rifles a 4M SYSTEMS. Skupina sídlí v České republice a má výrobní provozy v České republice a Spojených státech amerických.

V roce 2020 byly akcie Emitenta přijaty k obchodování na Regulovaném trhu BCPP. K datu tohoto Prospektu je majoritním akcionářem Emitenta Česká zbrojovka Partners SE („**Majoritní akcionář**“), která vlastní 90,76 % akcií Emitenta a hlasovacích práv, zatímco 9,24 % akcií Emitenta je volně obchodováno. Majoritní akcionář proto přímo vykonává konečnou kontrolu nad Emitentem. Většinovým akcionářem Majoritního akcionáře je společnost European Holding Company, SE („**EHC**“), která vlastní 90 % podíl na základním kapitálu a hlasovacích právech Majoritního akcionáře. EHC vlastní a ovládá pan René Holeček, který vlastní 100% podíl na základním kapitálu EHC. Zbývající 10 % podíl na základním kapitálu Majoritního akcionáře vlastní tyto osoby: (i) 5 % vlastní pan Lubomír Kovařík, předseda představenstva Emitenta a prezident Skupiny, (ii) 2,5 % vlastní pan René Holeček, předseda dozorčí rady Emitenta (takže pan René Holeček má celkový přímý a nepřímý podíl na Emitentovi, včetně podílů na Majoritním akcionáři, ve výši 83,95 % podílu na základním kapitálu Emitenta a hlasovacích právech v něm), a (iii) 2,5 % vlastní pan Jan Drahota, místopředseda představenstva Emitenta a finanční ředitel Skupiny.

Klíčovými výkonnými řediteli Emitenta jsou členové jejího představenstva („**Představenstvo**“): Lubomír Kovařík, Jan Drahota, Jan Zajíc, Alice Poluchová, David Aguilar, Jana Růžičková a Andrej Chrzanowski.

Auditorem Emitenta je společnost Deloitte Audit s.r.o., založená podle práva České republiky, se sídlem Italská 2581/67, Vinohrady, Praha 2, PSČ 120 00, Česká republika, IČ: 496 20 592.

Dopad COVID-19 na Skupinu

Skupina provozuje svůj hlavní výrobní závod v Uherském Brodě v České republice. Dopad koronaviru COVID-19 (“**COVID-19**“) na výrobu Skupiny je zatím omezený. Skupina ve svém hlavním výrobním závodě nezaznamenala žádná významná přerušení svého výrobního procesu. Na začátku pandemie COVID-19 byla výroba na jeden den zastavena, a to za účelem posouzení vládních doporučení a zavedení příslušných opatření, a poté byla výroba po přibližně dva měsíce zpomalena, ale již se navrátila do plné kapacity. Skupina byla rovněž nucena od 22. března 2020 dočasně uzavřít svůj výrobní závod v Norwichi ve státě New York, přerušit výrobu svých produktů Dan Wesson a od 11. dubna 2020 snížit počet svých zaměstnanců v USA o 35 zaměstnanců. V květnu a červnu 2020 výrobní závod postupně začal znovu přijímat zaměstnance a znovu zahájil výrobu, a k 31. prosinci 2020 měl výrobní závod Dan Wesson 29 zaměstnanců. V důsledku uzavření a zvýšené poptávky po produktech Dan Wesson v USA Skupina prodala celou svou zásobu produktů Dan Wesson do srpna 2020 a přes opětovné zahájení výroby ve svém závodě v Norwichi ve státě New York nyní není schopna uspokojit nadále rostoucí poptávku po produktech Dan Wesson v USA.

Které finanční informace o emitentovi jsou klíčové?

Následující finanční informace za roky do 31. prosince 2019 a 2018 a k těmto datům jsou převzaty nebo odvozeny z auditovaných konsolidovaných účetních výkazů Emitenta za roky do 31. prosince 2019 a 2018 a k těmto datům, spolu s jejich přílohami („**Auditované účetní výkazy**“). Auditované účetní výkazy byly auditovány v souladu se zákonem č. 93/2009, o auditorech, ve znění pozdějších předpisů a auditorských standardů Komory auditorů České republiky, což jsou Mezinárodní auditorské standardy (ISA), ve znění příslušných pokynů pro aplikaci; a vypracovány v souladu s Mezinárodními standardy účetního výkaznictví („**IFRS**“), jak byly přijaty Evropskou unií („**EU**“). Datum přechodu Skupiny na IFRS bylo 1. ledna 2016. Tam, kde finanční informace v následujících tabulkách jsou označeny „auditováno“, znamená to, že byly převzaty z Auditovaných účetních výkazů.

Následující finanční informace za období devíti měsíců do 30. září 2020 a 30. září 2019 a k těmto datům byly převzaty nebo odvozeny z neauditovaných zkrácených konsolidovaných mezitímních účetních výkazů Emitenta za období devíti měsíců do 30. září 2020 a k tomuto datu (včetně srovnatelných finančních informací za období devíti měsíců do 30. září 2019 a k tomuto datu), („**Neauditované mezitímní účetní výkazy**“). Neauditované mezitímní účetní výkazy byly vypracovány v souladu s Mezinárodním účetním standardem 34 („**IAS 34**“).

Navrhování, výroba, sestavování a prodej střelných zbraní a taktických doplňků jsou vykazovány v segmentu Skupiny „výroba, koupě a prodej střelných zbraní a doplňků“ („**Segment střelných zbraní a doplňků**“). Ostatní výnosy a náklady Skupiny z transakcí, které nejsou vykazovány v Segmentu střelných zbraní a doplňků, jako například výnosy z dočasné výroby jiných výrobků než střelných zbraní s využitím nadbytečných výrobních kapacit Skupiny, se vykazují v segmentu „ostatní“ („**Segment ostatní**“).

V roce 2019 se Česká zbrojovka Partners SE rozhodla oddělit veškerý majetek Skupiny týkající se výroby automobilových a leteckých součástek („**Automobilová a letecká divize**“), s výjimkou určitých budov, do společnosti CZ-AUTO SYSTEMS a.s., nově zřízeného subjektu ovládaného přímo Českou zbrojovkou Partners SE, který není součástí Skupiny. Oddělení bylo zapsáno do obchodního rejstříku dne 31. března 2020, přičemž rozhodný den pro oddělení pro finanční a účetní účely byl 2. leden 2020. V důsledku tohoto rozhodnutí byly Automobilová a letecká divize klasifikovány jako nepokračující činnosti ve zkrácené konsolidované výsledovce a výkazu ostatního úplného výsledku Emitenta za období devíti měsíců končící 30. září 2019 byly jakožto součást Neauditovaných mezitímních účetních výkazů přepočítány pro reklasifikaci nepokračujících činností a jako nepokračující činnosti v konsolidované výsledovce a výkazu ostatního úplného výsledku Emitenta za rok 2019, přičemž srovnatelné částky za rok 2018 byly jakožto součást Auditovaných účetních výkazů přepočítány pro reklasifikaci nepokračujících činností. V konsolidovaném výkazu o finanční situaci Emitenta k 31. prosinci 2019, který je součástí Auditovaných účetních výkazů, a konsolidovaném výkazu o finanční situaci Emitenta k 30. září 2019, který je součástí Neauditovaných mezitímních účetních výkazů, aktiva a pasiva Automobilové a letecké divize jsou vykázána jako aktiva a pasiva k prodeji a k rozdělení vlastníkům. Výkazy peněžních toků za období devíti měsíců končící 30. září 2019 a za roky končící 31. prosince 2019 a 2018 zahrnují peněžní toky z pokračujících i nepokračujících činností.

Konsolidovaná výsledovka a výkaz ostatního úplného výsledku

	Za období devíti měsíců končící 30. září		**Za rok končící 31. prosince**	
	2020	**2019(1)**	**2019**	**2018**
	(neauditováno)		(auditováno)	
	(v tis. Kč)			
Výnosy z prodeje zboží, výrobků a služeb	4 964 212	4 502 695	5 958 742	5 339 581
Z toho: Segment výroba, koupě a prodej střelných zbraní a doplňků	4 870 473	4 440 637	5 876 851	5 249 393
Z toho: Segment ostatní	93 739	62 058	81 891	90 188
Provozní výsledek hospodaření	815 655	740 424	**943 710**	**661 155**
Výsledek hospodaření před zdaněním	593 865	708 320	**912 455**	**714 443**
Zisk za období z pokračujících činností	477 515	556 264	**734 119**	**568 606**
Zisk z ukončených činností po zdanění	0	19 250	**15 192**	**32 307**
Zisk za období přiřaditelný:				

Vlastníku mateřské společnosti	472 966	556 497	743 276	588 221
Nekontrolním podílům	4 549	19 017	6 035	12 692
Čistý zisk na akcii připadající vlastníku mateřské společnosti (Kč na akcii)				
Základní	16	19	25	20
Zředěný	16	19	25	20

(1) Všechny srovnatelné částky za období devíti měsíců končících 30. září 2019 byly přepočítány, aby se zohlednila reklasifikace nepokračujících činností.

Konsolidovaný výkaz o finanční situaci

	Ke dni 30. září 2020	**Ke dni 31. prosince 2019**	**Ke dni 31. prosince 2018**
	(neauditováno)	(auditováno)	
	(v tis. Kč)		
Aktiva celkem	**7 537 057**	**7 548 575**	**7 485 754**
Vlastní kapitál celkem	**3 273 079**	**3 468 961**	**3 309 375**
Závazky celkem	**4 263 978**	**4 079 614**	**4 176 379**
Závazky a vlastní kapitál celkem	**7 537 057**	**7 548 575**	**7 485 754**
Čistý finanční dluh(1)	**1 220 407**	**1 547 629**	**945 440**

(1) Definován jako bankovní úvěry a půjčky plus krátkodobé bankovní úvěry a kontokorenty plus půjčky a závazky z leasingu (krátkodobé a dlouhodobé) minus peněžní prostředky a peněžní ekvivalenty.

Konsolidovaný výkaz peněžních toků

	Za období devíti měsíců končící 30. září		**Za rok končící 31. prosince**	
	2020	**2019**	**2019**	**2018**
	(neauditováno)		(auditováno)	
	(v tis. Kč)			
Čistý peněžní tok z provozní činnosti	**1 093 309**	**181 426**	**505 116**	**929 053**
Čistý peněžní tok z investiční činnost	**(282 888)**	**(309 428)**	**(435 275)**	**(385 632)**
Čistý peněžní tok z finanční činnosti	**(547 909)**	**(728 500)**	**(535 718)**	**478 847**
Čistá změna peněžních prostředků a peněžních ekvivalentů	**286 039**	**(850 083)**	**(465 313)**	**1 022 268**
Počáteční stav peněžních prostředků a peněžních ekvivalentů	**880 315**	**1 345 628**	**1 345 628**	**323 360**
Konečný stav peněžních prostředků a peněžních ekvivalentů	**1 166 354**	**495 545**	**880 315**	**1 345 628**

Jaká jsou hlavní rizika, která jsou specifická pro daného emitenta?

Nejvýznamnější rizikové faktory, které jsou specifické pro Skupinu, jsou zejména tyto:

- Skupina je vystavena různým rizikům souvisejícím se současnou zdravotní krizi kolem onemocnění COVID-19. Pandemie COVID-19 by mohla omezit přístup ke kapitálu a mohla by způsobit dlouhodobé hospodářské zpomalení nebo recesi, která by mohla mít nepříznivý dopad na provozní výsledky Skupiny. Omezení přístupu k výrobním provozům Skupiny nebo omezení podpůrných provozů nebo zaměstnanců nebo podobná omezení jejích dodavatelů a omezení nebo narušení dopravy, uzavření přístavů a přísnější kontroly na hranicích nebo uzavření hranic by mohly omezit schopnost Skupiny uspokojovat poptávku zákazníků a mohly by podstatně nepříznivě ovlivnit její finanční situaci, peněžní toky a provozní výsledky. Skupina zaznamenala narušení svého dodavatelského řetězce, a pokud by tato nebo jiná narušení trvala delší dobu nebo pokud by se týkala více dodavatelů, mohlo by to způsobit nedostatek určitých materiálů, součástek a nabídky práce, které jsou klíčové pro obchodní provoz Skupiny, což by mělo podstatně nepříznivý dopad na obchodní výsledky Skupiny. Dále obdobná omezení a narušení by mohla mít nepřiznivý dopad na schopnot Skupiny integrovat Colt Holding Company LLC („**COLT**") do Skupiny a/nebo na potencionální výstavbu nového výrobního závodu Skupiny ve městě Little Rock ve státě Arkansas ve Spojených státech („**Projekt Little Rock**").
- Výsledky Skupiny jsou ovlivněny ekonomickými, společenskými a politickými faktory. Nepříznivé nebo nejisté ekonomické podmínky, kvůli kterým mají spotřebitelé menší důvěru ve všeobecný ekonomický výhled a snižují své výdaje, které nejsou nutné, mohou významně snížit prodeje produktů Skupiny. Déletrvající nejisté nebo nepříznivé ekonomické podmínky a výhled mohou způsobit značné změny v podmínkách likvidity na trhu. Ekonomické podmínky rovněž ovlivňují fungování vlád, politiky a rozpočtů, protože vlády při perspektivě ekonomického poklesu

často uplatňují úsporná opatření, jejichž cílem je mimo jiné snížit vládní výdaje, a protože vládní podpůrné balíčky řešící ekonomické dopady COVID-19 výrazně zvýší vládní dluhy, vlády mohou být nuceny v budoucnu provést úsporná opatření, aby snížily dluhovou zátěž. Úsporná opatření mívají dopad zejména na výdaje, které nejsou nutné, což by v době míru velmi pravděpodobně mohlo zahrnovat výdaje na obranu.

- Průmyslové odvětví, ve kterém Skupina podniká, je velmi konkurenční a úspěch podnikání Skupiny závisí na její schopnosti účinně konkurovat. Pokud by Společnost nebyla schopna účinně konkurovat nebo pokud by v oboru střelných zbraní vzrostla konkurence, mohlo by to mít nepříznivý dopad na schopnost Skupiny prodávat její produkty nebo na její tržní podíl, výnosy a ziskovost, a v konečném důsledku na úspěch jejího podnikání.
- Probíhající akvizice COLT může zahrnovat dodatečná rizika, zvýšené náklady a nemusí být úspěšná. Skupina může být vystavena zvýšeným nákladům v souvislosti s investicemi do výrobní kapacity COLTU a do oblasti Výzkumu a vývoje COLTU za účelem modernizace stávajícího produktového portfolia a dále za účelem uvedení nových produktů COLTU, stejně jako se zvýšenými náklady ve spojitosti s platy a dalšími benefity zaměstnanců COLTU. Dále podnikání COLTU je vystaveno různým rizikům v souvislosti s dlouhodobými obchodními vztahy s klíčovými zákazníky COLTU, kteří reprezentují podstatnou část jeho příjmů.
- Projekt Little Rock může být opět odložen, nedokončen dle současných plánů nebo nepřinést předpokládané výhody. Skupina v současnosti předpokládá koncentraci a sjednocení výrobních kapacit v rámci USA v prostorech COLTU, a to ve střednědobém horizontu tří až pěti let. Případné další odložení realizace Projektu Little Rock může znamenat další zdražení budoucí implementace tohoto projektu. Dále, pokud by byla realizace Projektu Little Rock zrušena úplně, znamenalo by to pro Skupinu nutnost plného nebo částečného odpisu již vynaložených prostředků na přípravu a realizaci Projektu Little Rock. Dále by Skupina byla povinna vrátit část pozemků, které obdržela od státu Arkansas jako součást pobídky. V případě uskutečnění bude implementace Projektu Little Rock spojena s různými riziky typickými pro takové projekty jako například regulatorní požadavky či chyby v návrhu závodu.
- Skupina je vystavena riziku rostoucího protekcionismu v mezinárodním obchodu. Vzhledem k podílu vývozů do Spojených států je Skupina vystavena zejména riziku toho, že by Spojené státy mohly zvýšit nebo uvalit cla nebo jiné překážky obchodu, včetně ochranných opatření na dovozy střelných zbraní. Případné zavedení nebo zvýšení cel na dovoz střelných zbraní Spojenými státy nebo jinými zeměmi, do kterých Skupina vyváží své produkty, by mohlo zvýšit cenu produktů Skupiny pro zákazníky, což by mohlo mít nepříznivý dopad na konkurenceschopnost produktů Skupiny a tržní podíl Skupiny na takovém trhu a/nebo by to mohlo snížit tržby a ziskovost Skupiny z vývozů do takových zemí.
- Uvedení nových technologií na trh by mohlo změnit povahu konkurenčního prostředí Skupiny. Skupina je vystavena riziku nedostatečných zdrojů pro výzkum a vývoj v budoucnu a riziku chyb nebo vad nových verzí jejích produktů nebo riziku, že Skupina nebude schopna včas předvídat nové technologické trendy, přičemž jakékoli z výše uvedených rizik by mohlo zpomalit schopnost Skupiny uvést její produkty na trh nebo by mohlo vést k závazkům po prodeji produktů, jejichž náklady Skupina nemusí být schopna získat zpět. I přes tyto snahy a náklady také nelze zaručit, že Skupina bude schopna adaptovat se na nové technologické trendy, že její aktivity ve výzkumu a vývoji povedou k použitelným produktům nebo že tyto produkty splní očekávání trhu. Pokud se tato rizika zhmotní, mohla by mít nepříznivý dopad na tržby a ziskovost Skupiny, její tržní podíl a pověst jejích produktů a značek.
- Skupina závisí zejména na jednom výrobním závodě. Případná porucha, havárie, výpadek nebo jiná událost, která by způsobila narušení provozu v tomto závodě, i po krátkou dobu, by mohla mít podstatně nepříznivý dopad na schopnost Skupiny vyrábět a dodávat její střelné zbraně a poskytovat služby jejím zákazníkům. Pojištění Skupiny pro případ přerušení obchodní činnosti nemusí být dostatečné pro to, aby Skupině nahradilo ztráty, které tímto mohou nastat.
- Spolupráce Skupiny s maďarskou společností HM ARZENÁL Zrt., kterou 100% vlastní maďarský stát, na základě rámcové smlouvy o spolupráci při převodu technologií, která společnosti HM ARZENÁL Zrt. na základě licenční smlouvy umožňuje vyrábět některé modely střelných zbraní Skupiny a některé související součástky a prodávat je v Maďarsku, nemusí vést k přínosům, které Skupina očekává, a případné vymáhání smlouvy může být zdlouhavé a obtížné.
- Velká část tržeb Skupiny závisí na obdržení vývozních licencí. Případné zpoždění, odmítnutí či odejmutí vývozních licencí by mohlo mít podstatně nepříznivý dopad na tržby, finanční situaci a provozní výsledky Skupiny.
- Provoz Skupiny závisí na získání a udržování licencí a povolení nezbytných pro její podnikání. Porušení jakéhokoli z příslušných právních předpisů, nařízení a protokolů by mohlo způsobit, že by Skupině byly uděleny pokuty a sankce, a mohlo by vést k omezení schopnosti Skupiny vyrábět a prodávat produkty v segmentu střelných zbraní, což by mohlo významně ovlivnit její finanční výsledky a finanční situaci. Navíc se tyto právní předpisy a nařízení mohou kdykoli měnit, včetně jejich výkladu regulátory. Může se stát, že Skupina nebude schopna ochránit své duševní vlastnictví nebo že neúmyslně poruší práva třetích osob z duševního vlastnictví. Neschopnost Skupiny vymáhat a chránit její práva z duševního vlastnictví nebo neúmyslné porušení práv třetích stran z duševního vlastnictví by mohly snížit tržby Skupiny, zmenšit její marže nebo poškodit její pověst.
- Výsledky Skupiny jsou citlivé na společenské a politické tlaky v důsledku kontroverzní povahy střelných zbraní. I přes to, že Skupina se snaží bojovat proti nezákonnému obchodu s jejími produkty, nelze zaručit, že budoucí incidenty

spočívající v nezákonném obchodu nebo užívání střelných zbraní vyrobených Skupinou nebo související obvinění nebo šetření nebudou mít nepříznivý dopad na pověst Skupiny, nepříznivě neovlivní podnikání Skupiny, její provozní výsledky, finanční situaci, peněžní toky a vyhlídky v důsledku společenského nebo politického tlaku či jinak.

C. Klíčové informace o cenných papírech

Jaké jsou hlavní rysy těchto cenných papírů?

Zaknihované dluhopisy s pohyblivým úrokovým výnosem vydávané v předpokládané celkové jmenovité hodnotě emise až 4.000.000.000 Kč (čtyři miliardy korun českých), s možností navýšení až do výše 5.000.000.000 Kč (pět miliard korun českých), splatné v březnu 2027. Centrální depozitář přidělil Dluhopisům ISIN CZ0003530776 a název Dluhopisu zní CZG VAR/27. Každý Dluhopis má jmenovitou hodnotu 10.000 Kč. Maximální objem Dluhopisů, který lze vydat, je 400.000 kusů, a to v případě, že celková jmenovitá hodnota nepřesáhne 4.000.000.000 Kč (čtyři miliardy korun českých), nebo 500.000 kusů, pokud bude celková jmenovitá hodnota navýšena na 5.000.000.000 Kč (pět miliard korun českých) („**Dluhopisy**").

Datum emise je 23. března 2021. Datum konečné splatnosti Dluhopisů je 23. březen 2027. Dluhopisy jsou denominovány v českých korunách (CZK).

Primární právo spojené s Dluhopisy je právo na výplatu jmenovité hodnoty Dluhopisů k Datu konečné splatnosti a právo na úrokový výnos z Dluhopisů. Úrokový výnos bude vyplácen pololetně za každé Výnosové období zpětně.

S Dluhopisy je též spojeno právo účastnit se a hlasovat na schůzích Vlastníků dluhopisů v případech, kdy je taková schůze svolána v souladu s Emisními podmínkami a Zákonem ČR o dluhopisech. Schůze Vlastníků dluhopisů může zvolit fyzickou nebo právnickou osobu za společného zástupce.

S Dluhopisy je dále spojeno právo Vlastníka dluhopisů žádat předčasné splacení Dluhopisů v případě, že dojde ke Změně ovládání nebo nastane a trvá Případ porušení. Dále platí, že osoba oprávněná k účasti na Schůzi Vlastníků dluhopisů, která se příslušné Schůze nezúčastnila nebo hlasovala proti usnesení o Podstatné změně přijaté Schůzí, je oprávněna požadovat vyplacení nesplacené jmenovité hodnoty Dluhopisů, jejichž je vlastníkem, společně s poměrnou částí úrokového výnosu na takových výnosech narostlého.

Akcionáři Emitenta ani žádná jiná osoba nedisponují žádnými předkupními ani přednostními právy ani právy na výměnu ve vztahu k Dluhopisům, jakož ani žádnými přednostními právy na úpis týkající se Dluhopisů.

Dluhopisy zakládají přímé, obecné, nepodmíněné a nepodřízené dluhy Emitenta, které jsou a budou co do pořadí svého uspokojení rovnocenné (*pari passu*) jak mezi sebou navzájem, tak i alespoň rovnocenné vůči všem dalším současným i budoucím nepodřízeným a nezajištěným dluhům Emitenta, s výjimkou těch dluhů Emitenta, u nichž stanoví kogentní ustanovení právních předpisů jinak.

Převoditelnost Dluhopisů není omezena.

Dluhopisy jsou úročeny pohyblivou úrokovou sazbou, která je součtem (i) Referenční sazby (jak je tento pojem definován níže) platné pro každé Výnosové období (jak je tento pojem definován níže) a zjištěné Agentem pro výpočty k Datu stanovení referenční sazby (jak je tento pojem definován níže) a (ii) marže ve výši 1,80 % p.a. Úrokové výnosy budou narůstat rovnoměrně od prvního dne každého Výnosového období do posledního dne, který se do takového Výnosového období ještě zahrnuje. Úrokové výnosy budou vypláceny pololetně zpětně, vždy k 23. září a 23. březnu (dále jen „**Datum výplaty úroku**"). Prvním Datem výplaty úroku bude 23. září 2021.

„**Výnosové období**" znamená období počínající Datem emise (včetně) a končící v pořadí prvním Datem výplaty úroku (tento den vyjímaje) a dále každé další bezprostředně navazující období počínající Datem výplaty úroku (včetně) a končící dalším následujícím Datem výplaty úroku (tento den vyjímaje), až do data splatnosti dluhopisů. Pro účely stanovení počátku běhu kteréhokoli Výnosového období se Datum výplaty úroku neposouvá v souladu s Konvencí pracovního dne.

„**Referenční sazba**" znamená 6M PRIBOR, přičemž „**6M PRIBOR**" znamená úrokovou sazbu v procentech p.a., která je nabízena za českou korunu a uvedena na obrazovce informačního systému Reuters, strana PRBO (nebo jiném náhradním oficiálním zdroji, kde bude sazba uváděna) jako hodnota pražské mezibankovní sazby nabízené na pražském trhu českých korunových mezibankovních depozit pro šestiměsíční období, stanovená správcem PRIBOR a platná v Den stanovení referenční sazby. V případě, že Výnosové období je takové období, pro které není 6M PRIBOR na zmíněné straně „PRBO" (nebo jiném náhradním oficiálním zdroji) uveden, pak 6M PRIBOR určí Agent pro výpočty za použití lineární interpolace na základě (i) PRIBORu pro nejbližší delší období, pro které je PRIBOR na zmíněné straně „PRBO" (nebo jiném náhradním oficiálním zdroji) uveden, a (ii) PRIBORu pro nejbližší kratší období, pro které je PRIBOR na zmíněné straně „PRBO" (nebo jiném náhradním oficiálním zdroji) uveden.

„**Den stanovení Referenční sazby**" znamená den, k němuž se stanoví Referenční sazba pro dané Výnosové období. Dnem stanovení Referenční sazby pro dané Výnosové období bude druhý Pracovní den před prvním dnem daného Výnosového období.

Kde budou Dluhopisy obchodovány?

Emitent požádá prostřednictvím Komerční banky (jak je definovaná níže) jako kotačního agenta o přijetí Dluhopisů k obchodování na regulovaném trhu Burzy cenných papírů Praha, a.s., společnosti založené a existující v souladu s právním řádem České republiky, se sídlem Rybná 14/682, 110 05 Praha 1, IČ 471 15 629, zapsané v obchodním rejstříku vedeném Městským soudem v Praze, spisová značka B 1773 („**BCPP“ nebo „Burza cenných papírů Praha**“) („**Přijetí k obchodování**“), přičemž Emitent předpokládá, že ke kotaci Dluhopisů dojde k Datu emise.

Jaká rizika jsou pro Dluhopisy specifická?

- Investice do Dluhopisů s pohyblivým úrokovým výnosem je spojená s rizikem, že následné změny úrokových sazeb na trhu mohou nepříznivě ovlivnit hodnotu Dluhopisů. Vlastník Dluhopisu s pohyblivým úrokovým výnosem je vystaven riziku poklesu ceny takového Dluhopisu v důsledku změny tržních úrokových sazeb.
- V případně předčasného splacení Dluhopisů, ať již v celém objemu nebo zčásti, a to i v případě, že bude provedeno bez souhlasu příslušného Vlastníka dluhopisů, v souladu s Emisními podmínkami před datem splatnosti, je Vlastník dluhopisů vystaven riziku, že výnos bude v důsledku předčasného splacení ve srovnání s očekáváním nižší.
- Emitent požádá o přijetí Dluhopisů k obchodování na Regulovaném trhu BCPP. Nehledě na kotaci Dluhopisů na regulovaném trhu nelze zaručit, že se vytvoří dostatečně likvidní sekundární trh s Dluhopisy, a pokud se vytvoří, že bude dlouhodobě existovat.

D. Klíčové informace o veřejné nabídce cenných papírů a jejich přijetí k obchodování na regulovaném trhu

Za jakých podmínek a kdy mohu do Dluhopisů investovat?

V souladu se čl. 2 (d) Nařízení o prospektu bude Emitent nabízet Dluhopisy prostřednictvím České spořitelny, a.s., IČ 452 44 782, LEI: 9KOGW2C2FCIOJQ7FF485, se sídlem na adrese Olbrachtova 1929/62, 140 00 Praha 4, Česká republika („**Česká spořitelna**“) a Komerční banky, a.s., IČ 453 17 054, LEI: IYKCAVNFR8QGF00HV840, se sídlem na adrese Na Příkopě 33, čp. 969, 110 00 Praha 1, Česká republika („**Komerční banka**“, a společně s Českou spořitelnou „**Vedoucí spolumanažeři**“). Dluhopisy mohou být vydány jednorázově nebo v tranších. Všechny Dluhopisy vydávané v rámci Emise budou předmětem veřejné nabídky. Předpokládá se, že veřejná nabídka Dluhopisů ze strany Vedoucích spolumanažerů poběží od 25. února 2021 do 10. března 2021.

V rámci veřejné nabídky budou investoři kontaktování Vedoucím spolumanažerem, a to zejména pomocí prostředků dálkové komunikace, a vyzváni k podání nabídky na koupi Dluhopisů („**Objednávka**“). Podmínkou účasti na veřejné nabídce je prokázání totožnosti investora platným dokladem totožnosti. V souvislosti s podáním Objednávky mají investoři povinnost uzavřít či mít uzavřenou s Vedoucími spolumanažery smlouvu, mj. za účelem podání pokynu k obstarání nákupu Dluhopisů podle takové smlouvy a (pokud investor nemá účet u Centrálního depozitáře nebo nemá zprostředkovatele), otevření majetkového účtu v evidenci investičních nástrojů vedené Centrálním depozitářem nebo vedení podobné evidence cenných papírů u Vedoucích spolumanažerů, případně mohou být Vedoucími spolumanažery vyzváni k předložení potřebných dokumentů a identifikačních údajů. V rámci veřejné nabídky v České republice budou Vedoucí spolumanažeři přijímat pokyny prostřednictvím svých poboček v Praze.

Objem Dluhopisů, které investor může upsat a koupit, není nijak omezen. Maximální objem jmenovité hodnoty Dluhopisů poptávaných jednotlivým investorem v rámci Objednávky je omezen předpokládanou celkovou jmenovitou hodnotou Dluhopisů nabízených Vedoucími spolumanažery. Vedoucí spolumažeři mohou Objednávky investorů po konzultaci s Emitentem na základě svého uvážení krátit (s tím, že jakákoli částka uhrazená navíc bude okamžitě převedena zpět na účet investora sdělený Vedoucím spolumanažerům). Konečná jmenovitá hodnota Dluhopisů přidělených jednotlivému investorovi bude uvedena v potvrzení o vypořádání transakce, které Vedoucí spolumanažeři doručí investorovi elektronickou poštou bez zbytečného odkladu po provedení pokynu. Investor nesmí s Dluhopisy obchodovat před doručením potvrzení.

V souvislosti s nabytím Dluhopisů prostřednictvím České spořitelny, a.s., v České republice může být investorovi účtován dle pokynu ke koupi cenných papírů poplatek ve výši 0,25 % ze jmenovité hodnoty nabývaného Dluhopisu. Dále mohou být účtovány poplatky za vedení evidence na majetkovém účtu dle aktuálního ceníku na www.csas.cz, odkaz: Ceník – sekce Investování, část 1.9 Vedení evidence cenných papírů – Navazující evidence ČS. Tyto náklady k datu vyhotovení Prospektu nepřesahují 0,04 % p.a. z celkové jmenovité hodnoty Dluhopisů na takovém účtu, minimálně však 25 Kč čtvrtletně.

V souvislosti s nabytím Dluhopisů prostřednictvím Komerční banky, a.s. může být investorovi účtován dle pokynu k úpisu cenných papírů poplatek v maximální výši 0,25 % ze jmenovité hodnoty nabývaného Dluhopisu. Dále mohou být účtovány dle aktuálního ceníku běžné poplatky banky za vedení cenných papírů, případně za vedení účtu cenných papírů účtu dle aktuálního ceníku na www.kb.cz, sekce: *O bance, Vše o KB, Regulace investičního bankovnictví, Informace k MiFID II, Smluvní dokumentace, Smlouva o obstarávání koupě nebo prodeje investičních nástrojů (G-klient), Sazebník pro Smlouvu o obstarávání koupě nebo prodeje nebo prodeje investičních nástrojů anebo v sekci Ceny a sazby, Kompletní sazebníky, Občané*. Tyto náklady nepřevýší 0,02 % p. a. z celkové jmenovité hodnoty Dluhopisů na takovém účtu (včetně DPH), minimálně však 15 Kč měsíčně. Náklady za vedení účtu cenných papírů pak činí maximálně 30 Kč měsíčně, v závislosti na typu smlouvy. Po investorovi může být požadována úhrada dodatečných poplatků vzniklých prostředníkovi v souvislosti s koupí nebo prodejem Dluhopisů, osobě vedoucí záznamy o Dluhopisech, osobě vykonávající vypořádání Dluhopisů, nebo jiné osobě (např. poplatky za otevření a vedení investičního účtu, provedení převodu Dluhopisů, služby spojené s úschovou Dluhopisů, jejich registrací apod.).

V příslušný den vypořádání dle smlouvy o upsání Dluhopisů, uzavřené mezi Emitentem a Vedoucími spolumanažery („**Smlouva o upsání**"), budou Dluhopisy upsány Vedoucími spolumanažery proti úhradě emisního kurzu Dluhopisů Emitentovi, a to způsobem stanoveným ve Smlouvě o upsání. Téhož dne budou Dluhopisy, vyjma těch, které budou Vedoucí spolumanažeři nadále držet a nabízet (v souladu s příslušnými právními předpisy), prodány investorům ze strany Vedoucích spolumanažerů. Celková výše provize za upsání Dluhopisů bude odpovídat přibližně 22.000.000 Kč až 36.000.000.

Emitent očekává, že celkové náklady Emise včetně provizí a poplatků budou přibližně 31.000.000 Kč nebo přibližně 38.500.000 Kč v případě maximálního možného navýšení nominální hodnoty Dluhopisů. Finální výše poplatků bude záviset na množství upsaném institucionálními a retailovými investory. Poplatky účtované investorům Vedoucími spolumanažery jsou uvedeny výše.

Po nabídce BCPP budou Dluhopisy obchodovány na BCPP a obchody budou vypořádány v Kč. Vypořádání bude probíhat formou DVP (*delivery versus payment*) nebo DFP (*delivery free of payment*) prostřednictvím Centrálního depozitáře, nebo prostřednictvím osob vedoucích evidenci na něj navazující obvyklým způsobem v souladu s pravidly a provozními postupy BCPP a Centrálního depozitáře a ve lhůtách stanovených příslušnými pravidly. Úpis Dluhopisů do Centrálního depozitáře může být proveden pouze členem Centrálního depozitáře.

Kdo provádí nabídku a žádá o přijetí k obchodování na regulovaném trhu?

Emitent činí veřejnou nabídku Dluhopisů prostřednictvím Vedoucích spolumanažerů. Emitent požádá o přijetí Dluhopisů k obchodování na Regulovaném trhu BCPP prostřednictvím Komerční banky jakožto kotačního agenta.

Proč se vypracovává tento Prospekt?

Předpokládá se, že čistý výtěžek z emise Dluhopisů (tj. po odečtení očekávaných provizí, poplatků a odhadovaných výdajů) bude činit přibližně 3.969.000.000 Kč nebo přibližně 4.961.500.000 Kč v případě navýšení jmenovité hodnoty v případě navýšení jmenovité hodnoty Emise.

Emitent hodlá čistý výtěžek použít k těmto účelům a v tomto pořadí: (i) 3.230.100.000 Kč (ekvivalent 150.000.000 amerických dolarů za použití směnného kurzu 21,534 CZK/USD ze dne 5. února 2021) na financování akvizice COLT; a (ii) zbytek čistého výtěžku se použije k financování kapitálových výdajů, provozního kapitálu a další obecné potřeby společnosti, včetně financování příležitostí v oblasti fúzí a akvizic.

Vedoucí spolumanažeři se zavázali vynaložit maximální úsilí, jaké lze přiměřeně vyžadovat, aby identifikovali potenciální investory do Dluhopisů a aby Dluhopisy umístili a prodali takovým investorům. Nabídka Dluhopisů bude proto realizována na bázi 'best efforts'. Vedoucí spolumanažeři ani žádné jiné osoby se vůči Emitentovi pevně nezavázali k úpisu ani koupi Dluhopisů.

Emitent si není vědom toho, že by nějaká právnická nebo fyzická osoba účastnící se Emise nebo nabídky Dluhopisů, mimo Vedoucích spolumanažerů, měla podstatný střet zájmů ve vztahu k Emisi nebo nabídce Dluhopisů. Vedoucí spolumanažeři budou rovněž jednat jako Administrátoři a Kotační agenti.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial information

This Prospectus should be read and construed in conjunction with the audited consolidated financial statements of the Issuer as of and for the years ended 31 December 2019 and 2018, together with the notes thereto (the "**Audited Financial Statements**") and the unaudited condensed consolidated interim financial statements of the Issuer as of and for the nine months ended 30 September 2020 (including comparative financial information as of and for the nine months ended 30 September 2019) (the "**Unaudited Interim Financial Statements**"). The Audited Financial Statements included in this Prospectus have been audited in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines; and prepared in accordance with the International Financial Reporting Standards (the "**IFRS**") as adopted by the EU. The Group's date of transition to IFRS was 1 January 2016. The Unaudited Interim Financial Statements included in this Prospectus have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**").

Unless stated otherwise, the financial data concerning the Group presented herein for the years ended 31 December 2019 and 2018 originates from, or has been calculated on the basis of, the Audited Financial Statements and the financial data concerning the Group presented herein for the nine months ended 30 September 2020 and 30 September 2019 originates from, or has been calculated on the basis of, the Unaudited Interim Financial Statements. Certain financial information and operating data presented in the Prospectus has been excerpted from, prepared or calculated based on sources other than the Audited Financial Statements and the Unaudited Interim Financial Statements, such as management accounts and schedules prepared on the basis of accounting records by the Group for its internal purposes. Such data has not been subject to any audit or review procedures carried out by independent certified auditors. In addition, the Unaudited Interim Financial Statements have not been subject to any audit or review procedures carried out by independent certified auditors.

In this Prospectus references to "**2019**" and "**2018**", are to the financial year ended 31 December 2019 and the financial year ended 31 December 2018, respectively, and references to "as of" any of these periods ended shall mean as of 31 December 2019 and 31 December 2018, respectively.

In 2019, the Group's shareholder decided to spin-off all of the Group's assets related to the production of automotive and aviation components (the "**Automotive and Aviation Business**"), other than certain buildings, to CZ-AUTO SYSTEMS a.s., a newly established entity controlled directly by the Major Shareholder and not part of the Group. The spin-off was registered in the Commercial Register on 31 March 2020, while the effective date of the spin-off for financial and accounting purposes was 2 January 2020. As a result of the decision, the Automotive and Aviation Business was classified as discontinued operations in the Issuer's condensed consolidated statement of profit or loss and other comprehensive income for the nine months ended 30 September 2019, being part of the Unaudited Interim Financial Statements, restated for the reclassification of discontinued operations and as discontinued operations in the Issuer's consolidated statement of profit or loss and other comprehensive income for 2019, with comparative amounts for the year 2018, being part of the Audited Financial Statements, restated for the reclassification of discontinued operations. In the Issuer's consolidated statement of financial position as of 31 December 2019, being part of the Audited Financial Statements, and the Issuer's consolidated statement of financial position as of 30 September 2019, being part of the Unaudited Interim Financial Statements, the assets and liabilities of the Automotive and Aviation Business are shown as assets and liabilities held for sale and for distribution to owners, respectively. The cash flow statements for the nine months ended 30 September 2019 and the years ended 31 December 2019 and 2018 include the cash flows for both continued and discontinued operations.

The design, production, assembly and sale of firearms and tactical accessories are reported in the Group's production, purchase and sale of firearms and accessories segment (the "**Firearms and Accessories Segment**"). The Group's other revenues and expenses from transactions that are not reported as part of the Firearms and Accessories Segment, such as revenues from temporary non-firearm production using the Group's excess production capacities from time to time, are reported in its other segment (the "**Other Segment**").

Recently Adopted Accounting Standards

The Group implemented IFRS 9 (Financial instruments) as of 1 January 2018. In relation to hedge accounting, the Group decided that, starting from 1 January 2018, hedge accounting would be governed by IAS 39 rather than by the existing regulation in IFRS 9. The implementation of IFRS 9 did not result in a change in the classification or measurement of financial liabilities. IFRS 9 introduces an expected loss model for determining impairment losses, the Group assessed the impact of the new rules for determining impairment losses to be insignificant.

The Group adopted IFRS 15 (Revenue from Contracts with Customers) retrospectively from 1 January 2018. The implementation of IFRS 15 did not result in any changes in the recognition of revenue from contracts with customers.

The Group adopted IFRS 16 (Leases) retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period in the Audited Financial Statements, as permitted under the specific transitional provisions in the standard. As a result of the adoption of IFRS 16, the Group recognized additional short- and long-term lease liabilities in the aggregate amount of CZK 34.7 million as of 1 January 2019. See note 3.1 to the Audited Financial Statements.

Websites

Information contained on any website referred to herein, unless explicitly incorporated into this Prospectus by reference (see "*Documents Incorporated by Reference*"), does not form part of this Prospectus and has not been scrutinised or approved by the CNB.

Foreign Language Terms

This Prospectus is drawn up in the English language. Certain legislative references and technical terms in the English version have been cited in their original Czech language in order that the correct technical meaning may be ascribed to them under applicable law.

In this Prospectus, all references to:

"**Czech Koruna**" and "**CZK**" refer to Czech Koruna, the currency of the Czech Republic; and

"**EUR**", "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

"**U.S. Dollars**" and "**USD**" refer to United States dollars, the currency of the United States of America;

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Prospectus will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or any other section of this Prospectus. The definitions for the capitalised terms used in this Prospectus can be found using the Index of the defined terms on pages 116 to 117 of this Prospectus.

Rounding

Certain data in this Prospectus, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any such investment in the Notes, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below, and consult with their respective legal, financial or other advisors.

The risk factors described below are not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Group that are currently not known to the Group, or that the Group currently deems immaterial, could individually or cumulatively also have a material adverse effect on the Group's business, results of operations, financial condition, cash flows, prospects, reputation and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Prospective investors should consider carefully whether an investment in the Notes is suitable for them in the light of the information in this Prospectus and their personal circumstances.

The risks presented herein have been divided into six categories based on their nature. These categories are: (i) Risks related to the Group's business activities and industry, (ii) Risks related to the Group's financial situation, (iii) Legal and regulatory risks, (iv) Internal control risks, (v) Environmental, social and governance risks, and (vi) Risks factors relating to the Notes generally. Within each category, the risk factors are presented in order of priority reflecting their estimated materiality on the basis of an overall evaluation of the criteria set out in the Prospectus Regulation (assessing probability of the occurrence of a risk and the expected magnitude of the negative impact). However, the order of the categories does not represent any evaluation of the materiality of the risks within that category, when compared to risks in another category.

RISK RELATED TO THE ISSUER AND THE GROUP

Risks related to the Group's business activities and industry

The Group faces various risks related to the ongoing COVID-19 health crisis, which could have material adverse effects on the Group's retail and wholesale sales, production and supply chain.

The Group faces various risks related to the ongoing COVID-19 health crisis. In December 2019, a novel strain of coronavirus COVID-19 ("**COVID-19**") was reported to have surfaced in Wuhan, China. On 11 March 2020, the World Health Organization declared COVID-19 a global pandemic. The rapid spread of COVID-19 has resulted in authorities implementing numerous measures to try to contain COVID-19, such as travel bans and restrictions, quarantines, shelter in place orders, curfews and shutdowns and these measures have adversely impacted and may further impact the majority of economic sectors including portions or all of the Group's workforce and operations, the operations of its customers, and those of its respective vendors and suppliers. To date, the COVID-19 pandemic has caused significant financial market volatility and uncertainty and international supply changes, which have already significantly depressed global business activities and could restrict access to capital and result in a long-term economic slowdown or recession that could negatively affect the Group's operating results. The Group's sales increased in certain markets during the first nine months of 2020 and since the COVID-19 outbreak and the start of civil unrest in May 2020, demand in the U.S. has been significantly higher than demand in previous years, however, the Group is unable to assess whether or for how long the increased or stable demand in those markets will last and believes this may be a temporary effect. In addition, due to the near halt of passenger air flights from and/or to key markets of the Group, the Group had to switch, for a limited period of time, from using the excess cargo capacity of passenger air flights to more costly specialised cargo plane flights. Consequently, the cost of transportation of the Group's products has increased substantially.

The Group operates its principal production facility in Uherský Brod, Czech Republic. This facility is critical to the Group's operations. In 2019, the Group produced more than 85 per cent. of its products (firearms) at this facility. The Group does not have any other significant production capacity which could substitute this facility. If significant portions of the Group's workforce based in Uherský Brod were unable to work effectively as a result of the COVID-19 pandemic, including because of illness, quarantines, facility closures, ineffective remote work arrangements or technology failures or limitations, the Group's operations would be materially adversely impacted. The Group has significant manufacturing operations in the Czech Republic and an important distribution centre as well as the Dan Wesson manufacturing facility in the United States. Both the Czech Republic and the United States, have been affected by the pandemic and taken measures to try to contain it. As part of such measures, the Group had to temporarily close its manufacturing facility in Norwich, New York, as of 22 March 2020, cease production of its Dan Wesson products and, effective 11 April 2020, reduce its workforce in the U.S. by 35 employees. In May and June 2020, the facility gradually started to re-hire employees and restart production and, as of 31 December 2020, there are 29 employees at Dan Wesson. As a result of the closure and increased demand for Dan Wesson products in the U.S., the Group had sold its entire stock of Dan Wesson products by August 2020 and, despite the restart of production in its Norwich, N.Y. facility, is not currently able to satisfy the continued increased demand for Dan Wesson products in the U.S. There is considerable uncertainty regarding measures taken to try to contain the pandemic and potential future measures, including region and/or town closures/quarantines, forced and/or voluntary facility closures, reductions in operating hours, labour shortages and real time changes in operating procedures to accommodate social distancing guidelines. Restrictions on access to the Group's manufacturing facilities or on its support operations or workforce, or similar limitations for its suppliers, and restrictions or disruptions of transportation, port closures and increased border controls or closures, could limit the Group's ability to meet customer demand and have a material adverse effect on its financial condition, cash flows and results of operations. There is no certainty that measures taken by governmental authorities will be sufficient to mitigate the risks posed by COVID-19, and the Group's ability to perform critical functions could be harmed.

The Group has experienced interruptions to its supply chain and if these or other interruptions are long-lasting or spread to a wider supplier base, this could cause shortages in certain materials, parts and labour supplies that are key to the Group's commercial operations and negatively impact the Group's business results. Additionally, the COVID-19 pandemic may impact distribution and logistics providers' ability to operate or may increase their operating costs. For example, the Group has traditionally used cargo services on passenger flights provided by airlines as a complementary product. As passenger flights have been dramatically reduced, the Group has had to use alternative logistics solutions, in particular, dedicated cargo flights, which tend to be more expensive than the services used in the past. These supply chain effects may have an adverse effect on the Group's ability to meet consumer demand and could result in an increase in the Group's costs of production and distribution, including increased freight and logistics costs and other expenses. While there have been intensifying efforts to contain the spread of COVID-19 by the governments of the countries and territories affected, the extent to which the COVID-19 outbreak impacts the Group's results is highly uncertain and depends on future developments, including new information that emerges concerning the severity of the COVID-19 pandemic and the actions to contain the outbreak or treat its impact, among others. Risks related to the Group's supply chain are described in the Risk Factor titled "*—The Group may experience difficulty in obtaining goods from its suppliers.*"

The COVID-19 pandemic and the containment measures taken could impact the Group's business globally, including through store closures or reduced operating hours or decreased retail traffic because consumers are staying at home. Store closures by the Group, its wholesale customers or distributors globally have been required in certain markets and additional store closures may be required and there can be no assurance as to how long these closures may remain in effect or as to whether they may need to be reinstated following a resurgence in the number of infections. Furthermore, even after reopening, there can be no assurance as to the time required to regain operations and sales at prior levels.

In addition, the Group's business is sensitive to reductions in discretionary spending by consumers. In recent months, the COVID-19 pandemic has also significantly increased economic and demand uncertainty, and has led to disruption and volatility in the global capital markets, which could lead to a decline in discretionary spending by consumers and business failures or insolvencies, including of the Group's wholesale customers and distributors, and which could in turn impact, possibly materially, the Group's business, sales, financial condition and results of operations. In the United States, the unemployment rate was at 3.5 per cent. in February 2020 (*Source*: U.S. Bureau of Labor Statistics), since the U.S. president declared a national emergency over the COVID-19 pandemic on 13 March 2020, the unemployment rate reached 4.4 per cent. in March and then 14.7 per cent. in April 2020, the largest one-month increase and the highest rate in the history of the official government data (started in 1948) (*Source*: U.S. Bureau of Labor Statistics). Subsequently, in November 2020, the unemployment rate in the United States decreased slightly to 6.7 per cent. (*Source*: U.S. Bureau of Labor Statistics). Uncertain or negative outlook on general economic conditions can cause significant changes in market liquidity conditions, which could impact the Group's access to funding and associated funding costs, which could reduce the Group's earnings and cash flows. Risks related to the availability of trade finance products are described in the risk factor titled "*—The Group's ability to export its products is influenced by availability of trade finance products*." The Issuer cannot predict the degree to, or the time period over which, the Group's sales and operations will be impacted by the COVID-19 pandemic, and the effects could be material. It is likely that the COVID-19 pandemic will cause an economic slowdown, and it is possible that it could cause a global recession. Risks related to negative economic conditions are described in the risk factor titled "*—The Group's performance is influenced by economic, social and political factors*". In addition, though it has recovered relative to the USD, the value of CZK relative to EUR has declined since the COVID-19 pandemic began. Risks related to foreign exchange rates are described in the risk factor "*—The Group's business is subject to foreign exchange risk*."

The Group continues to monitor the rapidly evolving situation and guidance from international and domestic authorities and may take additional actions based on their recommendations. In these circumstances, there may be developments outside the Group's control that require the Group to adjust its operating plan. The ultimate magnitude of the COVID-19 pandemic, including the extent of its impact on the Group's financial and operational results, which could be material, will be determined by the length of time that the pandemic continues, its effect on the demand for the Group's products and services and the supply chain, as well as the effect of governmental regulations imposed in response to the pandemic. The Group cannot, at this time, predict the impact of the COVID-19 pandemic, but it could have a material adverse effect on the Group's business, financial condition, results of operations and/or cash flows as well as the Group's ability to integrate COLT (as defined below) into the Group and/or a potential construction of the Little Rock Project (as defined below).

The Group's performance is influenced by economic, social and political factors.

The Group's results of operations have been influenced, and will continue to be influenced, by the general state of the global economy and a variety of social and political factors and as a result, the Group's income and results of operations depend, to a certain extent, on the performance of the global economy (including overall growth rates). Demand for the Group's products can be significantly reduced in an economic environment characterized by high unemployment, cautious consumer spending, lower corporate earnings, government budget issues and lower business investment. Negative or uncertain economic conditions causing consumers to lack confidence in the general economic outlook and to reduce their discretionary spending can significantly reduce sales of the Group's products. Economic conditions also affect governmental, political, and budgetary policies. As a result, economic conditions can also have an effect on the sale of the Group's products to the military and law enforcement market.

Sustained uncertain or negative economic conditions and outlook can cause significant changes in market liquidity conditions. Such changes could impact access to funding and associated funding costs, which could reduce the Group's earnings and cash flows. Additionally, the Group's investment management activities could be adversely affected by changes in the equity and bond markets, which could negatively affect earnings.

A large part of the Group's customer base are government entities. Economic conditions also affect governmental, political and budgetary policies as when facing the prospects of an economic downturn, governments often elect to adopt austerity measures aimed, among other things, at reducing government spending and as government support packages to address the economic consequences of COVID-19 will significantly increase government debt, governments may need to implement austerity measures in the future to reduce the debt burden. Austerity measures tend to affect especially discretionary spending, which, in peacetime, would very likely include defence spending. For instance, an economic downturn affecting member states of the North Atlantic Treaty Organization ("**NATO**") could undermine their political will to comply with the pledge to spend at least 2 per cent. of gross domestic product ("**GDP**") annually on defence, or could reduce the GDP of NATO members such that 2 per cent. of GDP becomes a less meaningful figure, and for these reasons directly affect the Group's sales in the military and law enforcement markets. As a result, a downturn in economic conditions could have an adverse effect on the sale of the Group's products to both the civilian market and the military and law enforcement market.

In addition, the difficult economic environment may adversely affect the ability of the Group's customers or other contracting parties (including financial institutions acting as hedge counterparties) to fulfil their contractual obligations to the Group, which could result in write-offs of the Group's receivables or other claims.

Social and political factors can also impact the Group's results of operations. For example, following the killing of George Floyd during an arrest in Minneapolis, Minnesota in May 2020, a series of protests and civil unrest began and subsequently spread across the United States and many other countries. The protests have led to numerous proposals intended to combat police misconduct and police brutality, including a call to "defund the police", which could lead to decreased demand in the military and law enforcement market. The civil unrest was also met with military action and disrupted commerce and intensified concerns regarding the United States and world economies. The Group cannot, at this time, predict the outcome or the impact of these events, but they could have a material adverse effect on the Group's business, financial condition, results of operations and/or cash flows.

The Group's industry is highly competitive, and the success of the Group's business depends on its ability to compete effectively.

The Group operates primarily in the small firearms industry. The Group designs, produces, assembles and sells firearms and tactical accessories for military and law enforcement, personal defence, hunting, sport shooting and other civilian use. The small firearms industry is highly competitive, and competition presents an ongoing threat to the success of the Group's business. The global market for small firearms is highly fragmented and includes hundreds of companies of various sizes and market power. The market is characterized by relatively low entry barriers for potential new market participants which further decreases the stability of the global small firearms industry. Currently, the Group's management believes that the key market participants apart from the Group, include Blaser GmbH, Browning International S.A., Caracal International LLC, Colt's Manufacturing Company, Daniel Defence Inc., Fabbrica Di Armi Pietro Beretta SPA, Fabrique Nationale de Herstal, FRATELLI TANFOGLIO S.R.L, Glock Gesellschaft m.b.H., C.G. HAENEL GmbH, Heckler & Koch GmbH, HS Produkt d.o.o. (Springfield Armory), Israel Weapon Industries (IWI), Kalashnikov Concern, OF Mossberg & Sons, Remington Outdoor Company, SAKO Limited, Savage Arms Inc., SIG SAUER GmbH & Co. KG, Singapore Technologies Engineering Ltd., Smith & Wesson Brands, Inc., STI International Inc., Sturm, Ruger & Company, and Taurus Holdings Inc. In recent years, several established companies including Remington Outdoor Company and Colt's Manufacturing faced financial challenges due to, among other things, the tight competitive environment, and both companies went through reorganization procedures under United States bankruptcy laws in 2018 and 2015, respectively, and Remington Outdoor Company entered reorganization procedures under United States bankruptcy laws once again in 2020.

The Group competes with the above-mentioned companies primarily for large contracts to supply military and law enforcement customers around the world (excluding China and/or other embargoed countries). This typically includes long tendering processes and competition for these contracts is mainly driven by innovation, range of products, quality testing and price. Some of the Group's competitors are better established in targeting military and law enforcement customers than the Group due to their longer operating history in this area and larger base of established products and customers, wider recognition among military and law enforcement customers, and larger resources available to support higher costs of the contracting process. In order to increase its market presence in the military and law enforcement market segment, the Group needs to deploy significant resources to acquire the relevant track record and experience and overcome disadvantages of being the late mover. The civilian market segment is occupied by a large number of smaller producers who, although without significant market power individually, collectively represent important competition to the Group. In the civilian market segment, competition is largely driven by a combination of price, brand recognition and product innovation.

The Group's ability to compete effectively depends on, among other things, its ability to anticipate its customers' needs and provide products to meet those needs, adapt quickly to new market and industry trends and regulatory developments, integrate modern materials into its products, differentiate its products from its competitors' offerings, enhance and upgrade its existing products, sustain and promote the strength of its brands and on its ability to achieve these goals without compromising the quality of its product while increasing production efficiency. Moreover, certain countries, including the Unites States, impose specific requirements for domestically produced parts or other content in products sold to governmental entities or even complete production localization, which makes it even more challenging and expensive to compete in such markets. For instance, the United States adopted statutes and other regulation relating to federal procurement or federal grants including those that refer to "Buy America" or "Buy American". These require, or provide a preference for, the purchase or acquisition of goods, products, or materials produced in the United States, including iron, steel, and manufactured goods (collectively, the "**Buy American Laws**").

The Group's inability to compete effectively or any increases in competition in the small firearms industry could adversely affect the Group's ability to sell its products, its market share, its revenue and profitability, and ultimately the success of its business.

The Group's ongoing acquisition of COLT may involve additional risks, increased costs and may not be successful.

Management believes that the international expansion of the Group's operations through acquisitions presents significant opportunities for further growth. On 11 February 2021, CZ-US Holdings, Inc. ("**CZ-US Holdings** "), a wholly-owned direct subsidiary of the Issuer, as parent, CZ Acquisition II, LLC, a subsidiary of CZ-US Holdings ("**CZ ACQ**"), as merger subco, and Colt Holding Company LLC ("**COLT**") and TXPATCH8445 Holdings LLC as stock holder representatives entered into an agreement and plan of merger between CZ ACQ and COLT as the indirect owner of the U.S. firearms manufacturer Colt's Manufacturing Company LLC and its Canadian subsidiary, Colt Canada Corporation (the "**COLT Acquisition Agreement**"). Through this transaction, the Group plans to establish a substantial production presence in the United States and to acquire COLT's strong customer base. However, there is no assurance that the Group will receive all necessary approvals of the completion of the transaction from the relevant U.S. and Canadian authorities, including (i) an unconditional approval of the transaction by the U.S. Committee on Foreign Investment, (ii) a clearance in respect of the Investment Canada Act, (iii) an approval of the U.S. International Traffic in Arms Regulations, and (iv) an approval under the U.S. Hart-Scott-Rodino Antitrust improvements Act. If these conditions are not satisfied or waived on or before 30 June 2021, either party may terminate the COLT Acquisition Agreement. Further, there is no assurance that the Group will be able to successfully integrate COLT's operations into the Group, produce the expected benefits related to production of CZ designed products and that the acquisition of COLT will overall be successful. This may also adversely impact the Group's ability to realise its strategic production and sales goals, especially on the U.S. market.

In addition, based on its due diligence of the target, the Group expects that the acquisition of COLT will involve substantial investments into COLT's production capacities and capabilities and R&D activities in order to produce reliable and state of the art products and satisfy market demand. However, the Group cannot currently predict all of these costs, which may therefore be higher than the Group expects, thus adversely affecting COLT's as well as the Group's revenue and profitability and ultimately the Group's financial position.

The Group may also face extra costs related to the U.S. National Labor Relations Act of 1935, under which COLT has a legal duty to bargain with its established labour unions with respect to employees' wages, work hours and other conditions of employment. COLT's current collective bargaining agreement is set to expire in March 2022 and the Group cannot predict the terms of the new agreement. COLT and the Group is therefore exposed to the risk of extensive demands by COLT's labour unions, which may increase COLT's labour costs and adversely affect its results of operations.

Further, COLT's business is exposed to various risks in connection with its long-term business relationships and its customer base, in particular:

- Colt Canada Corporation, a subsidiary of COLT, has a major business partnership with the Canadian Government, which generated in the years 2019 and 2020 more than 70 per cent. of the subsidiary's revenues. Notwithstanding that Colt Canada Corporation represents a minority of COLT's total revenues, it has been a stable and reliable source of profitability and therefore, termination of this relationship or any deterioration of could substantially affect financial performance of the subsidiary and COLT overall;

- COLT requires export permit licences from the relevant U.S. regulatory bodies. As the majority of its revenues in 2019 were generated outside the U. S., the denial or revocation of export licenses may cause COLT to be unable to enter into new contracts, prevent it from performing under existing contracts or require it to cease selling its products to certain customers or into certain countries entirely; and

- COLT builds and develops business relationships with global military and law enforcement agencies. In addition, significant portion of revenues has been historically generated by contracts with the U.S. government agencies and forces. Therefore, any deterioration of those relationships in future, could substantially affect COLT's financial performance.

These risks as well as other risks, currently unknown to the Group or during the due diligence undiscovered, may result in the acquisition of COLT not closing or the potential cost and revenue synergies as currently estimated by management not materialising. All of these risks may result in additional costs of the Group and have a material adverse effect on the Group's business, financial condition, results of operations and/or cash flows.

The planned construction of the Group's new production facility in the United States may be further delayed, not completed as currently planned or at all or not produce the benefits expected.

The Group has budgeted USD 60.0 million to USD 70.0 million (equivalent to CZK 1,292.04 million to CZK 1,507.38 million at an exchange rate of 21.534 CZK/USD as of 5 February 2021), including proceeds from the issuance and public offering of its newly issued shares in September 2020, to fund, in whole or in part, capital expenditures and other costs associated with the construction of a new production facility in Little Rock, Arkansas, United States (the "**Little Rock Project**"). Through the Little Rock Project, the Group plans to establish a substantial production presence in the United States. The Group's management believes that the Little Rock Project will allow the Group to produce firearms for certain market segments it cannot serve effectively at the moment, due to its production being predominantly based in the Czech Republic. This relates to, namely, U.S. federal, state or local governments and agencies, which are to a large extent, ring-fenced by the Buy American Laws, and also to concealed carry firearms for the United States civilian market. In addition, the Group expects that the Little Rock Project will provide significant marketing benefits in the United States.

As of date of this Prospectus, the Group has all the necessary internal approvals to start construction of the Little Rock Project. However, the Board of Directors of the Group decided in December 2020 to further postpone the process as the ongoing acquisition of COLT can potentially present a suitable medium-term substitute to the Little Rock Project and could provide the Group with the needed additional production capacity in the US (see *"-The Group's acquisition of COLT may involve additional risks, increased costs and may not be successful*" above). Therefore, depending on the completion of the acquisition and integration of COLT, the Group will review its strategy of establishing production presence in the U.S. The Group currently estimates that the COLT acquisition could result in the Little Rock being postponed by approximately three to five years. This may result in, among other things, one-off costs related to the suspension Little Rock Project, an increase of costs required for the Little Rock Project's future implementation and a potential write down of the investments already incurred in the Little Rock Project and potential future reallocation costs for COLT's based production in Hartford, Connecticut. In addition, in case the Little Rock Project is fully abolished, the Group would have to return a part of land which was obtained from the State of Arkansas as an incentive package.

If undertaken, the Group intends to use for the Little Rock Project its Czech-based resources extensively, especially R&D and engineering, in the process of factory design, production layout and implementation of the entire project, and together with the local, U.S.-based resources in the construction and fit-out phases of construction. Flexible travel is thus paramount for the successful implementation of the Little Rock Project. The facility will manufacture, warehouse and distribute the company's high-end, precision firearms, while employing up to 300 workers over the first five years of its operation.

However, the implementation of the Little Rock Project is associated with a variety of risks typical for such projects. These include, in particular, delays in obtaining, or conditions imposed by, regulatory approvals and licenses including approvals from federal, state or local authorities; plant design errors; environmental pollution; non-performance by third party contractors; increases in materials or labour costs; and major incidents and/or catastrophic events such as fires, floods, explosions, earthquakes or storms, as well as the COVID-19 pandemic, see "*—The Group faces various risks related to the ongoing COVID-19 health crisis, which could have material adverse effects on the Group's retail and wholesale sales, production and supply chain*." These risks, individually or in combination, have and may further delay or prevent the completion of the Little Rock Project and/or cause significantly higher costs than budgeted. The Group continuously monitors the development and potential impacts of COVID-19 on the Little Rock Project, and although no modification of the Little Rock Project has been made other than the postponement in connection with the ongoing acquisition of COLT, various developments, such as shut-downs of the project site or the unavailability of workforce or financing, would require modifications of the plan, which could significantly influence the implementation of the project.

Furthermore, the Group can provide no assurance that the Little Rock Project, even if completed, will enable the Group to realize the intended strategic goals, such as to successfully sell firearms to the U.S. federal agencies in compliance with the Buy American Laws, due to the heavy competition, and also to efficiently produce concealed carry firearms for the civilian market, due to the higher costs in the United States, potential lack of skilled labour, different structure and quality of the United States supply chain and other factors which are essential to the successful operation of the Little Rock Project. In addition, the products to be produced in the facility, which include mainly new firearms, such as the CZ P-10 micro, the CZ Scorpion EVO 3+, the CZ Scorpion EVO 4, the CZ P-11, the Bren 2 and a new generation of Dan Wesson pistols, such as the DWX model, are subject to series production and any delay in introducing these products to the market may adversely affect the Group's revenue. These risks, individually or in combination, may prevent the Group from achieving targeted results and/or cause the Issuer to write down assets attached to the Little Rock Project.

The Group is exposed to the risk of rising protectionism in international trade.

The Group derives a substantial portion of its revenues from exports outside of the Czech Republic. 95.6 per cent. of the Group's revenues in the nine months ended 30 September 2020 were generated from sales outside the Czech Republic, 70 per cent. of the Group's revenues were generated in the United States, and most of these relate to products produced in and exported from the Czech Republic. The Group's performance may therefore be adversely affected by factors that adversely affect international trade, including the level of tariffs and trade barriers or other protectionist measures such as Buy American Laws.

Since the beginning of 2018, the United States has announced a series of international trade measures, which individually or in aggregate could have a material adverse impact on the global economy, international trade or industries and markets where the Group operates. The United States has imposed tariffs and threatened to impose further tariffs on a variety of products and materials imported from various foreign countries. For example, in January 2018, the United States began to impose tariffs on certain products, which were later expanded to include a 25 per cent. tariff on imports of steel and a 10 per cent. tariff on imports of aluminium. Retaliatory tariffs have been announced by many of the United States' trading partners, including China, the United Kingdom, Canada, India and the EU. In 2019, the Czech Republic proposed a 7 per cent. digital tax, which was reduced to a proposed 5 per cent. digital tax in 2020, to be paid by large companies that do not have a registered office or branch in the Czech Republic, but do business through the digital economy. Activities such as targeted advertising campaigns, the use of versatile digital interface and the sale of user data would become taxed digital services. Then, on 24 January 2020, the United States filed an official protest and indicated that it could impose a retaliatory counter-measure should the proposed digital tax become law in the Czech Republic. On 5 June 2020, the Office of the United States Trade Representative initiated investigations with respect to digital services taxes adopted or under consideration by Austria, Brazil, the Czech Republic, the EU, India, Indonesia, Italy, Spain, Turkey, and the

United Kingdom and is seeking public comments in connection with these investigations. On 12 June 2020, the United States left talks with the Organisation for Economic Co-operation and Development on a new global tax framework for technology companies. These and any additional changes in the United States' trade policy could trigger additional retaliatory action by affected countries, resulting in so-called 'trade wars', increased costs for goods imported into the United States, which may reduce customer demand for these products if the parties having to pay those tariffs increase their prices, or in trading partners limiting their trade with the United States.

Given the proportion of exports into the United States, the Group is particularly exposed to the risk of the United States increasing or imposing tariffs or other barriers, including protectionist measures, on imports of firearms. Any introduction or increase of import tariffs on firearms by the United States and other countries into which the Group exports its products may increase the price of the Group's products to the customer, which could adversely affect the competitiveness of the Group's products and the Group's market share in such market, and/or decrease the Group's revenues and profitability derived from export to such countries. Any introduction or increase of other protectionist measures by the United States against China and/or other countries or by other countries into which the Group exports its products may result in trade war escalation and retaliation and can make it difficult or impossible to sell the Group's products into such countries, which could adversely affect the Group's market share in such markets, and decrease the Group's revenues derived from export to such countries and, consequently, have a significant adverse effect on the Group's business, results of operation and financial position.

The introduction of new technologies may change the nature of the Group's competitive landscape.

The small firearms industry is continuously developing new technologies. Key current trends in the small firearms industry include the use of non-traditional materials, such as polymers, application of modularity in weapon design, greater use of electronics for monitoring and control, improved aiming devices with lasers and automation of the production process. In order to be able to meet customer demand and effectively compete with other small firearms manufacturers, the Group must devote significant resources to research and development. This may entail substantial labour and time commitments and result in significant cost.

The Group is exposed to the risk of insufficient resources for research and development in the future as well as the risk of errors or defects in new versions of its products or the risk that the Group may be unable to timely anticipate new technological trends, each of which may delay the Group's ability to bring its products to the market or result in after-sales commitments, the costs of which the Group may not be able to recover. Further, despite these efforts and costs, there can be no assurance that the Group will be able to adapt to new technological trends, that its research and development activities will result in viable products or that these products will meet market expectations. If these risks materialize, they could adversely affect the Group's revenue and profitability, market share and reputation of its products and brands.

The Group primarily depends on a single production facility.

The Group's principal production facility in Uherský Brod, Czech Republic, is critical to the Group's operations. In 2019, the Group produced more than 85 per cent. of its firearms at this facility. The Group does not have any other significant production capacity which could substitute this facility. The production facility in Uherský Brod could suffer damage or interruption from human error, fire, flood, power loss, telecommunications failure, break-ins, terrorist attacks, acts of war and similar events. In addition, the production facility is located in vicinity of a river, increasing the Group's susceptibility to the risk that flooding could significantly harm the operations of this facility. Any failure, breakdown, outage or other event causing disruption of the operation of this facility for even a short period of time may adversely affect the Group's ability to produce and ship its firearms and to provide service to its customers. The Group's business interruption insurance may be insufficient to compensate the Group for losses that may occur.

The cooperation of the Group with HM ARZENÁL pursuant to a framework agreement on technology transfer cooperation may not produce the benefits expected and enforcement of the agreement may be time-consuming and difficult.

On 6 March 2018, CZ Export Praha, s.r.o. ("**CZ EXPORT**"), a member of the Group, entered into a framework agreement on technology transfer cooperation (the "**Framework Agreement** ") with HM ARZENÁL Zrt. ("**HM ARZENÁL**"), a Hungarian company fully owned by the Hungarian state. The Framework Agreement sets out a legal framework for the conclusion of four separate contracts between CZ EXPORT and HM ARZENÁL, namely the (i) Contract for Transfer, Assembly and Production of Firearm CZ P-07, (ii) Contract for Transfer, Assembly and Production of Firearm CZ P-09, (iii) Contract for Transfer, Assembly and Production of Firearm CZ Scorpion EVO 3, and (iv) Contract for Transfer, Assembly and Production of Firearm CZ BREN 2 (contracts under (i) – (iv) jointly the "**Production Contracts**" and each separately a "**Production Contract**"). Pursuant to the agreements, HM ARZENÁL is permitted to manufacture, under a defined license agreement, some of the Group's firearm models and certain related components and sell them in Hungary. The Issuer believes that the Production Contracts, if successfully implemented, could help the Group penetrate the Hungarian military and law enforcement firearms market and to have an additional high quality capacity supplier partner without the necessity to invest significant resources into increasing its own production capacity.

However, no assurance can be given that the Production Contracts will produce the benefits expected. For a variety of reasons beyond the Group's control, HM ARZENÁL may not be able to make the manufacturing facility fully operational in time, produce the relevant firearms and components in the quality or quantity expected, or find customers for its products. If the Framework Agreement is not successfully implemented, the Group's own production capacity might not be sufficient to meet the demand for the Group's products, which would constraint the Group's growth.

As HM ARZENÁL is a state-owned company, the Group may face challenges in enforcing its contractual rights against it if HM ARZENÁL were to breach contractual terms under the Framework Agreement or the agreements implemented thereunder.

As a result, there is a risk that the Framework Agreement and the agreements implemented thereunder will not produce the benefits expected by the Issuer and could adversely affect the Group's business, results of operations, financial condition, cash flows, prospects and reputation.

An increase in firearms and accessories sales to military and law enforcement customers could result in increased uncertainty in the timing of the Group's performance and increased competition from more established producers of firearms.

The Group's military and law enforcement customers include federal, state or local governments and agencies which are generally required to purchase equipment by way of international or national tendering procedures. The share of sales to military and law enforcement customers fluctuates over the years, but according to management estimates, in 2018-2020, it represented up to 15 to 35 per cent. of consolidated revenues during the period. As the Group intends to increase its focus on sales to these customers, it expects that an increasing percentage of the Group's revenue will be subject to such tendering procedures and related contract negotiations. This trend could cause the Group's revenue to be increasingly volatile and uncertain with respect to the timing of orders as contracts with military and law enforcement customers are often large in size and a single large contract can represent a relatively large share of annual sales for the Group, with delivery concentrated in a relatively short timeframe, which creates pressure on the production flexibility and brings potential revenue volatility. Revenue is not recognized until delivery of the product or service has occurred and title and risk of loss have passed to the customer. This may extend the period during which inventory is carried and may result in uneven distribution of revenue from these contracts between periods. Therefore, the timing of a high-volume order could have a material impact on revenue for the financial period in which it is made and make period-to-period comparisons of the Group's results of operations less meaningful in the short term. The timing and volume of contract sales ultimately depend on factors that are beyond the Group's control. There are many competing factors that influence how federal, state or local governments and agencies allocate their budgets. These factors include both internal fiscal concerns and external fiscal, political and economic factors, including specific security situations in customer localities. The Group cannot be certain that contract orders will continue at consistent levels or at all. Fluctuations in the timing and volume of contract sales could adversely affect the Group's business and the comparability of the Group's quarterly results.

Furthermore, the Group's ability to compete in these tenders depends to a large extent upon the effectiveness and innovation of its research and development team, the Group's ability to offer better contract performance than its competitors at a lower cost and the Group's capacity with respect to facilities, equipment and personnel to undertake the contracts for which it competes. Some of the Group's competitors are subsidiaries of large corporations or government organizations and may have financial and other resources that are substantially greater than those available to the Group. In addition, these competitors may have a greater ability to lobby governments to ensure that they receive a portion of limited government defence budgets, which may reduce the amount that governments can spend on small firearms and, by extension, the amount they can use to purchase the Group's products. The Group is also subject to risks associated with the substantial expense, time and effort required to prepare bids and proposals for competitively awarded contracts that may ultimately not be awarded to the Group. Even if successfully awarded, the Group cannot exclude the possibility that a competitor may challenge such award, or that such challenge may ultimately be successful, or that at least during the time needed to resolve such challenge, the Group's operations under substantial uncertainties and incur additional costs.

The Group's success depends in large part on its ability to attract and retain skilled workforce at competitive wage levels.

The Group's main production facility in Uherský Brod, a town of approximately 16,500 inhabitants, is situated in a rural region. The Group is exposed to the risk that a large employer will begin to compete with the Group for labour in Uherský Brod or in any of the regions where the Group's facilities are located, increased workforce mobility and a trend towards workers relocating to larger cities, changes in attitude towards firearms or change in work habits in general could disrupt the labour conditions and result in decreased productivity or increased labour costs for the Group. Moreover, if the COLT's ongoing acquisition is completed and successful, the Group could be exposed to a similar risk in respect of the COLT's workforce located in West Hartford, Connecticut, which is traditionally highly unionised under the U.S. International Union United Auto Workers, competing steadily for a new workforce.

In addition, the Group plans in case of commencement of the Little Rock Project to employ up to 300 workers in the planned production facility in Little Rock, Arkansas, United States over the first five years of its operation and may employ additional workers in its other production locations. The City of Little Rock has around 200,000 inhabitants. However, the area has only limited manufacturing history and a low number of companies operating in the area of manufacturing and (more importantly) machining. This could therefore pose a significant risk for the Group to find enough skilled workers for its operations. In addition, the Group may not find as favourable labour conditions in Little Rock as at its other production location in Uherský Brod, both because of higher wage levels and the lack of a skilled workforce and, as a result, may face, among other things, higher cost of in job training, competition for skilled labour, higher labour costs or shortages of skilled employees, which could adversely affect the Group's ability to successfully implement the Little Rock Project or its growth strategy in general.

The Group may be exposed to various risks in case of acquisitions and other similar expansion transactions

Expansion of the Group's operations through acquisitions, joint ventures or other strategic initiatives may involve additional risks and may not be successful. The Group has in the past considered and intends to continue to evaluate potential acquisitions of competitors or players in the key complementary segments such as ammunition production, optics and optoelectronics, as well as mergers, joint venture investments or strategic alliances. Currently, the Group has only limited experience with acquisitions, joint ventures or other strategic initiatives. Any such transactions, if consummated, may be transformative in nature and could be material to the Group's operations. See also "- *The Group's ongoing acquisition of COLT may involve additional risks, increased costs and may not be successful*" above.

If the Group engages in these transactions, it will be exposed to various inherent risks, including:

- accurately assessing the value, future growth potential, strengths, weaknesses, contingent and other liabilities and potential profitability of targets;
- unanticipated expenses and potential delays related to integration of the acquired companies;
- the potential loss of key personnel of an acquired or combined business;
- the Group's ability to achieve projected economic and operating synergies;
- difficulties maintaining uniform standards, controls, procedures and policies;
- unanticipated changes in business and economic conditions affecting an acquired business;
- the potential strain on the Group's financial and managerial controls and reporting systems and procedures;
- the diversion of the Group's management's attention from its existing business.

The Group's limited experience with acquisitions and similar strategic transactions could exacerbate these risks. As a result of these risks, the Group may not experience the anticipated benefits of these transactions, which would result in significant costs.

The Group may experience difficulty in obtaining goods from its suppliers.

The Group relies on suppliers to provide it with certain specialized materials, including high-quality and specially treated steel, super-alloys, springs and other small components. For instance, the CZ 75, one of the Group's key products, is composed of more than 40 components obtained from the Group's suppliers. Even small components may affect the functionality and user experience of the product.

A failure by any of the Group's individual parts suppliers to deliver the products and materials in the expected quality, quantity, time and price could result in production interruptions for the Group, limited availability of its products, increase of costs, or product recalls. In an effort to keep the operation lean, the Group does not regularly maintain extra stock of all such components and raw materials, which further increases the Group's exposure to delays or interruptions of product part deliveries.

In addition, CZ-USA imports complete shotguns from Turkey where CZ-USA has a long-standing relationship with two large manufacturers which are not part of the Group. These shotguns accounted for 10.5 per cent. of the total revenues of CZ-USA in the nine months ended 30 September 2020 and 6.3 per cent. of the Group's total revenues in 2019. Due to the long manufacturing tradition, availability of quality wood and wood craftsmanship, the value proposition of Turkish manufacturers of shotguns is currently difficult to match by any producer outside Turkey. If the supply of shotguns from the Turkish manufactures to CZ-USA is discontinued for any reason, no assurance can be given that the Group would be able to find a substitute supplier without a significant delay. This could result in inability of the Group, mainly CZ-USA, to offer and sell shotguns as a product to its customers, which may, in turn, adversely impact its operations, reputation and financial performance and potentially financial conditions.

The Group may face difficulties aligning its capacity with demand.

From time to time, the Group has experienced capacity constraints and was temporarily unable to satisfy the demand for its firearm products on a timely basis. Capacity constraints impact the Group particularly in the United States, where the Group has had significant backorders throughout 2018, 2019 and 2020. The backorders rose significantly to its record levels in January 2021 due to the strong market dynamics. An urgent need to increase its production capacity in the United States is one of the reasons for the acquisition of COLT or potential undertaking of the Little Rock Project. Future significant increases in consumer demand for the Group's products or increased business from military and law enforcement customers may require the Group to further expand its production capacity, particularly through the purchase of additional production equipment and the addition of production space. The Group may not be able to increase its capacity in time to satisfy increases in demand that may occur from time to time, and the Group may not have adequate financial resources to increase capacity to meet demand. Capacity constraints may prevent the Group from satisfying customer orders and result in a loss of the market share to competitors that are not capacity constrained. The Group may also suffer excess capacity and increased overhead costs, particularly if the Group increases its capacity to meet actual or anticipated demand and that demand decreases or does not materialize

Risks related to the Group's financial situation

The Group's business is subject to foreign exchange risk.

The Group's financial statements are denominated in CZK. The majority of the Group's revenue is denominated in EUR and USD, while the majority of the Group's costs, capital expenditures and investments are denominated in CZK. A potential depreciation of CZK by 10 per cent. towards EUR and USD would cause negative impacts on the Group's profit of CZK 90.9 million and CZK 37.1 million, respectively, as of 31 December 2019 (the sensitivity analysis only includes outstanding monetary items denominated in a foreign currency, adjusting their translation at the end of the reporting period by a 10 per cent. change in exchange rates). This currency mismatch represents significant foreign exchange exposure for the Group. Consequently, profit margins are significantly affected by currency fluctuations. CZK appreciation against EUR and USD potentially decreases the Group's profitability and CZK depreciation has the opposite/positive effect. Moreover, foreign exchange fluctuations impact the value of fixed assets (property, plant and equipment) held in the United States (CZK 207.6 million as of 30 September 2020; CZK 231.0 million as of 31 December 2019), as the Group operates in foreign countries, mainly the United States. This is reflected in the translation risk. Fluctuations in the exchange rates between CZK and foreign currencies impact the translation value of assets denominated in foreign currencies. CZK depreciation increases the value of foreign held assets and CZK appreciation decreases this value. This effect further magnifies the impact of the exchange rate fluctuations and could therefore directly and significantly influence profitability of the Group's operations and its financial position.

The Group engages in hedging transactions to partially mitigate the foreign exchange risk. The usual hedging maturity is up to five years. At the same time, the Group has a few long-term contracts and thus for those hedging contracts the future exposure is hedged, without the current existence of the particular contract. This can result in an over-hedged or under-hedged position in case the estimates of future foreign exchange exposure do not materialize. In addition, to the extent these hedges do not qualify for cash flow hedge accounting (under which changes in fair values of the derivatives are recognized in other comprehensive income) changes in the fair values of the derivatives are recognized directly as income or loss in the consolidated statement of profit or loss and other comprehensive income and thus directly affect the Group's results of operations. The Group expects to continue hedging activities in the future. Nevertheless, disruptions such as market crises and economic recessions may limit the availability and effectiveness of the Group's hedging instruments or strategies in relation to foreign exchange risk. In addition, a portion of the Group's hedging transactions do not qualify for hedge accounting under IFRS and as a result fluctuations in their mark-to-market value may result in mark-to-market losses and thus directly negatively affect the Group's profitability and financial position. For example, as a result of the COVID-19 pandemic, CZK depreciated significantly against both EUR and USD in the nine months ended 30 September 2020, which contributed to an increase in the Group's net other financial expenses to CZK 165.7 million in the nine months ended 30 September 2020, from an income of CZK 12.1 million in the nine months ended 30 September 2019, which negatively impacted the Group's profitability and financial position. The materialization of any of these risks could adversely affect the Group's financial condition, results of operations and cash flows.

The Group's ability to export its products is influenced by availability of trade finance products.

The Group identifies developing markets as one of the potential growth areas for its future firearms and accessories sales. Due to the generally higher credit risk in those markets, the Group often seeks trade finance products such as letters of credit and bank guarantees in order to mitigate such risks and facilitate the foreign trade in general. However, the possibility to carry out the export is not dependant just on obtaining an export license by the Group but also on how the particular trade is viewed by financiers. The banks often apply additional requirements to finance firearms trade because the banks might be discouraged by their customers, regulators, other stakeholders or the general public from financing exports of firearms to specific countries or territories or from facilitating firearms trade in general. In addition, political developments also affect the ability of the Group to obtain export financing for exports to politically sensitive countries. Consequently, even if the requisite export license has been granted and all legal requirements have been complied with, the trade financing for any individual export case may be unavailable. The Group may be unable to obtain trade financing at reasonable terms or at all and consequently, the Group would not be able to carry out the export in a particular country.

The inability of the Group to obtain trade financing in time and on reasonable terms may cause the Group to postpone or decline entering into new contracts, prevent it from performing under existing contracts or require it to cease selling its products to certain customers or into certain countries entirely, which would have in the future a material adverse effect on the Group's revenue, financial condition and results of operations.

The Group is exposed to interest rate risk.

The Group is exposed to interest rate risk because the Group has entered into variable-interest financing instruments, including the CZUB Bonds, which carry interest at a floating rate and, variable interest rate loans. Interest rate risk is the risk that fair values of or future cash flows from existing or future financial liabilities may fluctuate due to changes in market interest rates. For the year ended 31 December 2019, a 50 basis point change in the applicable interest rates, with all other variables remaining constant, would have had a CZK 11.3 million positive (in the case of lower interest rates) or negative (in the case of higher interest rates) on the Group's profit. This interest rate sensitivity analysis was determined based on the exposure to interest rates for derivative and non-derivative instruments as of 31 December 2019. Payables with a floating interest rate are subject to the analysis provided that the value of principal remains unchanged throughout the reporting period indicated based on a calculation of the average annual principal.

The Group may be impacted by applicable regulations governing interbank lending rates and may bear interest that could rise significantly, thereby increasing its costs and reducing its cash flow.

Following allegations of manipulation of the London Interbank Offer Rate ("**LIBOR**"), a measure of interbank lending rates, regulators and law enforcement agencies from a number of governments and the EU are conducting investigations into whether the banks that contribute data in connection with the calculation of daily Euro Interbank Offered Rates ("**EURIBOR**"") or the LIBOR may have been manipulating or attempting to manipulate EURIBOR and LIBOR. As a result, EURIBOR, LIBOR, the Prague Interbank Offered Rate ("**PRIBOR**") and other interest rates are indices which are deemed to be "benchmarks" are the subject of recent and ongoing national, international and other regulatory guidance and proposals for reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") which was published in the Official Journal of the EU on 29 June 2016, and applies since 1 January 2018. Some of these reforms are already effective while others are still to be implemented. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. It will, among other things (i) require benchmark administrators to be authorized or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognized or endorsed) and (ii) prevent certain uses by EU supervised entities of benchmarks of administrators that are not authorized or registered (or, if non-EU based, not deemed equivalent or recognized or endorsed). These reforms, including the Benchmarks Regulation, may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted.

On July 27, 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark. As of 30 September 2020, no amount was outstanding under CZUB's revolving credit line, which has a variable interest rate calculated as the sum of PRIBOR, EURIBOR or LIBOR and a margin ranging between 0.80 per cent. to 1.10 per cent, depending on the currency of the relevant drawing (see "*The Group's Business— Financial Indebtedness—Loan Agreement*"). Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR, LIBOR and/or PRIBOR or an elimination of EURIBOR, LIBOR and/or PRIBOR, which could have a material adverse effect on the value of and return on any variable rate debt linked to EURIBOR, LIBOR and/or PRIBOR and on the Group's ability to service debt that bears interest at a variable rate.

The Group is exposed to liquidity risk.

The Group is exposed to liquidity risk, a risk that the Group will not have sufficient available resources to meet its payables arising from financial contracts. Liquidity risk arises mostly in relation to the Group's cash flow generated and used for working capital and from financing activities, particularly for servicing the Group's debt, in terms of both interest and capital, and the Group's payment obligations relating to its ordinary business activities.

The following table includes assets and liabilities based on the residual maturity of undiscounted cash expenditure (residual maturity is the period from the balance sheet date and the date of contractual maturity) as of 31 December 2019. Receivables and payables past their due dates are included in the 'Within 3 months' column. Trade receivables include short-term as well as long-term trade receivables.

31 December 2019	Within 3 months	From 3 to 6 months	From 6 months to 1 year	1 to 5 years	More than 5 years	Carrying amount
Trade receivables	873,741	47,054	21,165	4,182	-	946,142
Long-term payables	-	-	-	-	-	-
Bank loans, bonds and overdraft loans	-	36,958	-	2,250,000	-	2,286,958
Lease payables	1,543	1,543	3,087	3,159	-	9,332
Trade payables	283,862	3,154	601	3,075	0	290,692

Legal and regulatory risks

A large portion of the Group's revenue depends on obtaining and maintaining export licenses.

Export of firearms to foreign countries is subject to the regulation of the countries where the product is manufactured. As the majority of the Group's products are manufactured in the Czech Republic, a large majority of the Group's exports, for example handguns such as the CZ P-10 pistol series, rimfire rifles such as the CZ 457 series, centrefire rifles such as the CZ 557 series, semi-auto carbines such as the CZ Scorpion Evo 3 S1 and semi-auto rifles such as the CZ Bren 2 MS, are currently subject to Czech and EU export restrictions.

The Group spends considerable time and efforts to obtain export licenses, especially in the case of military firearms, this includes obtaining positive opinion from the Czech Ministry of Defence, the Ministry of the Interior, the General Directorate of Customs and Excise and the Ministry of Foreign Affairs and registration to the list maintained by the Czech Ministry of Industry and Trade. After an export license is granted, the Group has to maintain all conditions so that the license is not revoked. If a registered entity breaches the statutory conditions, or the transfer could disrupt public order or the security of the state or its inhabitants, the Czech Ministry of Trade and Industry may suspend the general registration for the transfer of military materiel within EU member states or revoke any license granted under Act No. 38/1994 Coll., on international trade in military materiel (the "**Act on Trade in Military Materiel**"). The denial or revocation of export licenses may cause the Group to postpone or decline entering into new contracts, prevent it from performing under existing contracts or require it to cease selling its products to certain customers or into certain countries entirely. For instance, in 2014 the EU imposed sanctions against Russia, including a firearms embargo, by adopting Council Decision 2014/512/CFSP, and Council Regulation (EU) No 833/2014, which remains in place as of the date of this Prospectus. Before the imposition of those sanctions, Russia was the Group's second most important market after the U.S., but with the imposition of those sanctions, that business ceased.

The delay, denial or revocation of export licenses could have in the future a material adverse effect on the Group's revenue, financial condition and results of operations.

The Group's operations depend on obtaining and maintaining licenses and permits necessary for the operation of its business.

The Group is subject to regulation in the countries in which its products originate. In the nine months ended 30 September 2020 and 2019, more than 95.1 per cent. and 95.0 per cent, respectively, of the Group's firearms originated in the Czech Republic. Therefore, the Group's firearm business is primarily regulated by Czech laws and regulations.

In the Czech Republic, the Group conducts its business operations under the Trade License issued by the Czech Trade Licensing Office and the Arms License issued by the Czech police. Although both licenses have been issued for an indefinite period of time, each of them can be revoked if the Group fails to comply with numerous applicable laws and regulations. Both of the aforementioned licenses require compliance with extensive statutory requirements, regarding, for example, the integrity of responsible persons and the members of the executive bodies of the relevant entities, the maintenance of an evidence of firearms, the security measures ensuring the maintenance of proper conditions for securing firearms or ammunition against abuse, loss or theft and other statutory requirements. Furthermore, Act No. 119/2002 Coll., on firearms and ammunition, as amended (the "**Czech Weapons Act**") stipulates that if an arms license is revoked on grounds of a violation of the act, a new arms license may only be obtained five years after the revocation. A license revocation would therefore have severe impacts on the Group and its ability to continue its operations and, consequently, its financial position. A failure by the Group to comply with applicable laws and regulations may also result in fines.

The Group also produces firearms in the United States and is therefore also subject to numerous federal, state and local laws and regulations in the United States, including the rules and regulations of the United States Bureau of Alcohol, Tobacco, Firearms and Explosives (the "**ATF**"). If the Group fails to comply with ATF rules and regulations, the ATF may impose fines on the Group, or limit the Group's activities in the United States. In addition, the Group will have to apply for relevant licenses for the Little Rock Project and it cannot provide any assurance that all needed licenses will be obtained in time or at all.

Compliance with all applicable laws and regulations is costly and time consuming. Violation of any of these laws, regulations, and protocols could cause the Group to incur fines and penalties and may also lead to restrictions on the Group's ability to produce and sell firearm products which could significantly influence its financial performance and financial position. In addition, these laws, and regulations as well as their interpretation by regulatory authorities, may change at any time. There can be no assurance that such changes to the laws and regulations or to their interpretations will not adversely affect our business.

The Group's performance is influenced by actual or expected changes in firearms control legislation.

Most countries in the world allow civilians to purchase and possess firearms subject to various constraints and regulations imposed by firearm control legislation. Firearm control legislation regulates various activities relating to firearms and ammunition, such as selling firearms and ammunition by or through licensed dealers, as well as acquiring, possessing, owning, using, carrying, handling, trading, repairing, manufacturing, distributing, transporting, importing and exporting, training with, storing, collecting, and disposing of such firearms and ammunition. Firearm control legislation in different countries greatly differ in the degree of restrictiveness, but a major distinction between different national regimes is whether civilian gun ownership is seen as a right (permissive regime) or a privilege (restrictive regime).

Changes in firearm control legislation may adversely affect the Group's operations by limiting the types of firearms products that the Group can produce and/or sell, making it more difficult or cumbersome for distributors or end users to transfer and own the Group's products, or imposing additional costs on the Group or its customers including additional administrative hurdles such as psychological tests, and cool-off periods in connection with the production and/or sale of its firearms products. For example, in May 2020, Canada announced a ban on assault-style weapons.

Federal and state legislatures in the U.S. frequently consider legislation relating to the regulation of firearm, including amendment or repeal of existing legislation. Existing laws may also be affected by future judicial rulings and interpretations. These possible changes to existing legislation or the enactment of new legislation may seek to restrict the makeup of a firearm, including limitations on magazine capacity; mandate the use of certain technologies in a firearm; remove existing legal defences in lawsuits; or ban the sale and, in some cases, the ownership of various types of firearms and accessories. If such restrictive changes to legislation develop, the Group could find it difficult, expensive or even impossible to comply with them, impeding new product development and distribution of existing products. In addition, gun-control activists may succeed in imposing restrictions or an outright ban on private gun ownership in the United States. Such restrictions could have a material adverse effect on the Group's business, operating results and financial condition.

In addition, speculation surrounding increased gun control in the U.S. at the federal, state and local level (prompted by the U.S. presidential, congressional, and state elections, such as the 2020 U.S. presidential election or other developments) and heightened fears of terrorism and crime can affect customer demand for the Group's products. Often, such concerns result in an increase in near-term consumer demand and subsequent softening of demand when such concerns subside. Inventory levels in excess of customer demand may adversely impact operating results.

In 2017, the EU adopted Directive (EU) 2017/853 of the European Parliament and of the Counsel of 17 May 2017 (the "**Gun Ban Directive**", partly as a reaction on the misuse of firearms for criminal purposes and terrorist acts. In particular, the Gun Ban Directive broadens the category of prohibited weapons and obliges competent authorities to regularly monitor holders of authorizations to possess weapons. The Czech Republic has not yet implemented the Gun Ban Directive despite the fact that the deadline for its implementation expired in September 2018. However, pressure from the EU on the Czech Republic and other member states which have not yet implemented the Gun Ban Directive is rising, and in July 2019, the European Commission issued a reasoned opinion urging the Czech Republic and other member states which failed to transpose the Gun Ban Directive into their respective national laws to do so as soon as possible. On 3 December 2019, the European Court of Justice dismissed a lawsuit the Czech Republic had filed against the Gun Ban Directive. As a result, the Ministry of Internal Affairs of the Czech Republic has commenced the preparatory works on a new Czech weapons act that should also implement the Gun Ban Directive. The new law is expected to enter into force in 2022. The new law will likely increase gun control in the Czech Republic in compliance with the relevant EU directives, but its impact on the firearms industry is not yet clear as the draft legislation is still in the preparatory phase and has not yet been introduced in the Czech Parliament for approval. The Group and its customers will have to comply with the new legislation, and this could impact its firearms and accessories sales in the European civilian market and therefore influence the Group's financial performance and financial position.

The Group may be unable to protect its intellectual property or may unintentionally infringe intellectual property rights of third parties.

The Group's success and ability to compete depend on its ability to protect its intellectual property. Particularly the brands CZ-USA, Dan Wesson, Brno Rifles and 4M SYSTEMS, trademarks "CZ", "CZ-USA", "BREN", "DAN WESSON" and "ZBROJOVKA BRNO", and other related trademarks and the designs of the BREN and SCORPION model firearms and CZ P-09 and SHADOW model pistols are crucial for customers' recognition of the Group's products and for the marketing and sales efforts. The Group relies on a combination of patents, copyrights, trade secrets, trademarks, confidentiality agreements and other contractual provisions to protect its intellectual property, but these measures may provide only limited protection. However, the Group's intellectual property rights could still be infringed and/or a third party could circumvent the Group's intellectual property rights by registering patents, utility models or other intellectual property for products which closely emulate the Group's products without directly infringing on the Group's intellectual property rights.

Furthermore, given the increasing complexity of production technologies and the importance of fast product innovation, there is a risk that Group may unintentionally infringe intellectual property rights, in particular patents, trademarks and design rights, of third parties. In the case of such infringement, the Group may be liable for damages as well as litigation costs and may have to withdraw products already produced from the market or purchase a license to use such rights, and such license may not be available on reasonable terms, if at all.

The Group's failure to enforce and protect its intellectual property rights or an unintentional infringement of intellectual property rights of third parties could reduce the Group's firearms and accessories sales, erode margins or damage its reputation.

The Group is exposed to risks from product liability.

The Group is exposed to risks from product liability, in particular from lawsuits by customers alleging defective product design, defective manufacture and/or failure to provide adequate warnings and seeking punitive as well as compensatory damages.

In particular, the Group's management is monitoring developments in an ongoing U.S. case related to a different firearms manufacturer. In November 2019, the U.S. Supreme Court declined to review a case related to the Protection of Lawful Commerce in Arms Act (the "**PLCAA**") enacted by the U.S. Congress in October 2005, which protects firearms manufacturers and dealers from liability when their legally manufactured and lawfully sold products are later used in criminal acts, subject to certain exceptions. The U.S. Supreme Court's decision allows the family members of victims of gun violence to move forward with their suit against a gun manufacturer for damages and could ultimately erode the protections of the PLCAA. Though the Group still believes that the likelihood of success of an action for monetary damages against the Group in the United States significantly decreased after the U.S. Congress enacted the PLCAA, there can be no assurance that plaintiffs will not seek damages from the Group in the United States or elsewhere.

Even if the Group is ultimately successful in defending against any such claims, it may incur significant defence costs. Also, there can be no assurance that the PLCAA will not be repealed, amended or reinterpreted in the future.

Because the nature and extent of liability based on the production or sale of allegedly defective products is uncertain, particularly as to firearms, the Group's resources may not be adequate to cover future product liability and product related occurrences, cases or claims, in the aggregate, and such cases and claims may have a material adverse effect upon the Group's reputation and financial condition. Though certain Group entities maintain product liability insurance, for example, for liability to third parties caused by a faulty product, those insurance policies have limits and a large part of the costs of a complete recall of a product from the market would not be covered by the relevant product liability insurance.

Internal control risks

The nature of the Group's business is highly susceptible to corruption, fraud or other improper activities.

The Group's operations and its participation in various tendering procedures, make the Group highly susceptible to corruption and its management, employees or agents may engage in misconduct, fraud or other improper activities. The Group is exposed to the risk that management, employees or agents, including foreign sales representatives cause export of defence articles or technical data without an export license, pay bribes in order to obtain business, fail to comply with applicable government procurement regulations, violate the government requirements concerning the protection of classified information and misappropriation of government or third-party property and information, which would result in the Group's suspension or debarment from contracting with the governments, as well as the imposition of fines and penalties, which would cause material harm to the Group's business and its reputation.

The Group only recently became a public company and may be adversely affected by this transition or a failure by the Issuer to comply with the additional requirements.

The Issuer became a public company in October 2020. This transition involved, in particular, changes in the Issuer's corporate governance, financial and non-financial reporting requirements as well as the implementation of an internal compliance framework and function. Following the admission of the Issuer's shares on the Prague Stock Exchange, the Issuer became for the first time subject to the legal requirements of a company listed on the regulated market of the Prague Stock Exchange. This is still a new situation for the Issuer and the Issuer has needed to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, listing standards, more detailed financial and non-financial disclosure requirements (for example with respect to the timely publication of financial results or inside information), and securities and potential investor relations issues, which require significant management attention and result in increased costs. In addition, the Group's management had to evaluate the internal control system independently with new materiality thresholds, and to implement necessary changes to its internal control system. Failure to respond to these additional requirements without difficulties or inefficiencies and compliance violations could result in sanctions imposed by regulatory authorities as well as cause the Group to incur significant additional costs and expose the Issuer to civil litigation and penalties.

The Group is exposed to disruptions in its information technology and to cyber-attacks.

The Group depends on its information technology and data processing systems for the efficient operation of its business, and a significant malfunction or disruption in the operation of the systems could disrupt the Group's business. Breakdowns and interruptions in the Group's information technology systems could jeopardize their operation, causing errors in the execution of transactions, inefficient processes, loss of customers and other business interruptions.

The Group uses its information technology systems to collect and store confidential and sensitive data, including information about the Group's business, customers and employees. The remote communication features used by the Group are sensitive to both wilful and unintentional security breaches. In the event of a security breach that allows third parties to access such confidential information, the Group could be subject to lawsuits, fines and other means of regulatory enforcement.

The Group's assets are exposed to the risk of cyber attacks, or threats of intentional disruption, which are increasing in terms of sophistication and frequency, with the consequence that such cyber-incidents may remain undetected for long periods of time. The Group has experienced a malware attack and an occurrence of invoice fraud in the past and, while these have not had a material impact on the Group, there can be no assurance that similar incidents will not occur again in the future and that they will not have a material adverse impact on the Group's reputation, business, financial condition, liquidity or results of operations. The measures taken by the Group may not prevent all instances of cyber-attacks. In case of a severe cyber-attack, the Group's operations could be temporarily disrupted, which could have a material adverse effect on the Group's reputation, business, financial condition, liquidity and results of operations.

Environmental, social and governance risks

The Group's performance is sensitive to social and political pressures due to the controversial nature of firearms.

Given their intrinsic ability to inflict harm on others, firearms are socially and politically controversial products. As a result, the production and sale of firearms is influenced by social and political pressures in addition to regulatory restrictions. For instance, the Group has been facing controversy recently for the alleged use of its high-powered hunting rifles (marketed under the brand name "**Safari Classics**") in South Africa and Mozambique in wildlife crimes. Although the investigations carried out by the United States House Committee on Foreign Affairs and several other U.S. governmental agencies have not concluded that the Group violated any laws in connection with the sale of the Safari Classics rifles, in January 2019, the Group discontinued the production of Safari Classics rifles to prevent their use for illicit purposes. Although the revenues from the sale of Safari Classics rifles accounted for less than 1 per cent. of the Group's total revenues in 2018 and the Group therefore believes that the discontinuation of the Safari Classics brand will not have any material adverse effect on the Group's business and results of operations, the Safari Classics investigations, and any similar investigations in the future, may have an adverse impact on the Group's reputation, which in turn could negatively impact the Group's revenues.

To integrate the core principles of ethical conduct in the Group's business, a code of ethics was adopted on 7 May 2020 and is supposed to be implemented for the entire Group. All the Group's employees and trading partners are required to comply with the code of ethics. However, despite efforts of the Group to counter an illicit trade in the Group's firearms, there can be no assurance that future incidents involving an illicit trade in, or use of, firearms produced by the Group would not have an adverse effect on the Group's reputation will not adversely affect the Group's business, results of operations, financial condition, cash flows and prospects, as a result of social or political pressure or otherwise.

In addition, from time to time, the Group may be subject to informal private or public inquiries and/or formal proxy proposals by activists urging the Group to take certain corporate actions, any of which may not be aligned with the Group's best financial or operational interests. Such activities may adversely affect the Group's business in a number of ways, since responding to such inquiries or proposals could be costly, time consuming, disruptive to operations, and could meaningfully divert the attention of the Group's resources, including those of the management team and employees. For example, such activities could require the Group to retain the services of various professionals to advise on such matters, including legal, financial, and communications advisors, which could be costly. In addition, certain shareholder inquiries and proposals could create perceived uncertainties or concerns as to the Group's future operating environment, legislative environment, strategy direction, or leadership, and such uncertainties or concerns could result in the loss of potential business opportunities, harm the Group's ability to attract new investors, customers, and employees, harm or disrupt the Group's business and financial relationships, result in customer boycotts of the Group's products, and cause the share price to experience periods of decline, volatility, or stagnation. For example, certain activists could pressure financial institutions, customers, vendors, or other businesses and institutions with whom the Group maintains relationships to adopt actions that are not in the best interests of the Group, inconsistent with the legal operations of the Group's business, or contrary to the beliefs of the Group's core customers. Such activities could adversely affect the Group's business, results of operations, financial condition, cash flows and prospects.

Environmental laws and regulations may impact the Group's business.

Despite the fact that the Group's principal production facility in Uherský Brod, Czech Republic, has been in operation for more than 80 years, no comprehensive inspection has been carried out to assess any structural, subsurface or environmental problems that may exist or arise and which could have an adverse impact on the value of the asset. Even when an inspection is undertaken, there is a risk that structural or environmental problems, such as ground water contamination, may not necessarily be observable. For example, the Group previously identified soil and underground water contamination by chlorinated hydrocarbons and oils within its facility in Uherský Brod. This contamination was successfully remedied in full in 2018. The costs associated with the remedial of the soil contamination has not been material; however, further contamination or other environmental impacts of the Group's past, present or future operations could be discovered for which no insurance coverage is in place or available.

It is not possible to predict with certainty the impact of future environmental compliance requirements or of the cost of resolution of future environmental proceedings and claims, in part because the scope of the remedies that may be required is not certain and environmental laws and regulations are subject to modifications and changes in interpretation. Environmental regulations may become more burdensome in the future and any such development, or discovery of unknown conditions, may require the Group to make material expenditures or otherwise materially adversely affect the way the Group operates its business, as well as have a material adverse effect on the Group's results of operations, financial condition, or cash flows.

RISKS RELATED TO NOTES GENERALLY

Risk of Non-payment

Like any other monetary debt, Notes are exposed to the risk of non-payment. Under certain circumstances, the Issuer may be unable to pay interest on the Notes, and the value for the Noteholders upon redemption may be lower than their initial investment; under certain circumstances, the Notes could even be worthless. The Issuer's ability to pay interest on the Notes or repay their nominal value depends in particular on the performance and solvency of the entities with whom it does business. If the Issuer's debtors (current or future) default on their debts, such fact might have a negative impact on its ability to meet its obligations under the Notes in a due and timely manner.

An active secondary market in respect of the Notes may never be established or may be illiquid.

Although an application has been made for the Notes to be admitted to trading on the Regulated Market, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

The Notes may be redeemed prior to maturity.

In the event of an early redemption of the Notes in accordance with the Terms and Conditions, the Noteholders would be exposed to the risk of the value of the yield on the Notes being lower than anticipated due to such early redemption. Also, there can be no assurance that at the relevant time the Noteholders will be able to reinvest the redemption proceeds at an effective interest rate as high as the return that would have been received on such Notes had they not been redeemed. Potential investors should consider such reinvestment risk in light of other investments available at that time.

Return on investment in the Notes may be affected by the interest rate.

Investment in the Notes with interest determined by reference to a reference rate, such as PRIBOR, involves certain risks. In particular, the holder of a Note with a floating interest rate might receive less interest than expected or no interest in respect of such Notes. The market price of such Notes may be volatile as a reference rate, such as PRIBOR, may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices. The timing of changes in a reference rate may affect the actual yield the holders of such Notes will receive, even if the average level is consistent with their expectations. These facts may have an adverse impact on the value and development of the investment in the Notes. The historical experience of a reference rate should not be viewed as an indication of the future performance of such reference rate during the term of the Notes.

The table below sets forth the average reference rate for 6M PRIBOR for the years 2015 to 2020 (*Source*: PRIBOR Rates).

	2020	2019	2018	2017	2016	2015
			(in per cent.)			
PRIBOR…………………...	0.88	2.16	1.36	0.48	0.36	0.39

Return on investment in Notes may be affected by various fees.

The overall return on investment in the Notes may be affected by the fees charged by the agent for the sale/purchase of the Notes (such as the Joint Lead Managers) or charged by the relevant settlement system used by the investor. Any such person or institution may charge fees for the opening and keeping of an investment account, securities transfers, securities safekeeping services, and other services. The Issuer recommends that potential investors in the Notes familiarise themselves with the materials that will serve as the basis for charging fees related to the Notes.

For example, each investor who acquires the Notes from ČS may be charged, in accordance with the subscription instruction, a fee of 0.25% of the nominal amount of the Note to be acquired. There may also be charged regular fees for the keeping of an investment account, which as of the date of this Prospectus, do not exceed 0.04 per cent. per annum of the aggregate nominal amount of the Notes in such an account, but will be at least CZK 25 per calendar quarter. Moreover, each investor who acquires the Notes from Komerční banka may be charged, in accordance with the subscription instruction, a fee of 0.25% of the nominal amount of the Note to be acquired. Each investor who buys the Notes from KB will pay the regular fees of KB for keeping the securities account according to the current KB pricelist. These costs will not exceed 0.02 per cent. per annum of the aggregate nominal amount of the Notes in such an account, including value added tax, but will be at least CZK 15 per month. The regular fees for the keeping of an investment account are capped at CZK 30 per month, subject to the respective agreement. The investor may be required to pay additional fees charged by the intermediator of the purchase or sale of the Notes, the person keeping the records of the Notes, the person who performs the clearing of the Notes transaction, or by another person, e.g. fees for opening and maintaining an investment account, for arranging the transfer of the Notes, services related to custody of the Notes, their registration.Return on investment in the Notes may be negatively affected by the inflation rate.

Prospective investors in or sellers of the Notes should be aware that the value of the investment in real terms may diminish concurrently with inflation, reducing the currency value. As the Notes do not contain an anti-inflation clause, inflation causes a decline in the yield of the Notes. According to the latest CNB forecast published on 5 November 2020, the year-on-year overall inflation will decrease into the tolerance band in late 2020 and early 2021 and return close to the CNB's two per cent. target in late 2021 and early 2022, and remain close to the target in the rest of 2022. If, however, a situation occurs where this forecast is not fulfilled and the inflation rate exceeds the nominal yield on the Notes, the value of the yield on the Notes in real terms will be negative.

Risk of different terms and fees for the Notes in public offering

The terms and conditions of the public offering carried out by the Joint Lead Managers and eventually other selected financial intermediaries, if made concurrently, may differ (including fees charged to the investor). The price and its total amount may reflect any fees charged to the investor by the Joint Lead Managers or third parties in connection with the public offering (initial or secondary) and the registration of the Notes, potentially resulting in different costs the investor may have to incur in order to purchase one Note.

Risk of Order reduction

The prospective buyers of the Notes should be aware that the Joint Lead Managers are entitled to, at their own discretion, reduce the Order, and the overpayment, if any, will be without delay disbursed to the investor's account. If the order is reduced, the prospective investor will not be able to invest in the originally contemplated volume or not at all. Thus, reducing the Order can adversely affect the value of the investment into the Notes.

Some investors may be exposed to movements in exchange rates and to exchange controls.

The Issuer will pay interest on the Notes in Czech Koruna. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**investor's currency**") other than Czech Koruna. These include the risk that exchange rates may significantly change (including changes due to depreciation of Czech Koruna or appreciation of the investor's currency) and the risk that authorities with jurisdiction over the investor's currency may impose or modify exchange controls. An appreciation in the value of the investor's currency relative to Czech Koruna would decrease (i) the investor's currency-equivalent yield on the Notes, (ii) the investor's currency-equivalent value of the principal payable on the Notes and (iii) the investor's currency-equivalent market value of the Notes. In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or none at all.

INFORMATION INCORPORATED BY REFERENCE

The following documents which have previously been published on the Issuer's website https://www.czg.cz/, in section *Investors*, subsection *Financial Results and Presentations*, shall be incorporated in, and form part of, this Prospectus.

Information	**Document**	**Pages**	**Hyperlink**
Consolidated financial statements of the Issuer as of and for the 9 months ended 30 September 2020	CZG – Česká zbrojovka Group SE Consolidated Financial Statements 9M 2020	1-25	https://www.czg.cz/docs/CZG9M2020IFRSftnsincfinal_.pdf
Audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2019	CZG – Česká zbrojovka Group SE Consolidated Audited Financial Results 2019	4-83	https://www.czg.cz/docs/CZG-Ceska-zbrojovka-IFRS-consol-report-eng-signed.pdf
Independent auditor's report relating to the audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2019	CZG – Česká zbrojovka Group SE Consolidated Audited Financial Results 2019	2-3	https://www.czg.cz/docs/CZG-Ceska-zbrojovka-IFRS-consol-report-eng-signed.pdf
Audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2018	CZG – Česká zbrojovka Group SE Consolidated Audited Financial Results 2018	4-80	https://www.czg.cz/docs/CZG-Ceska-zbrojovka_IFRS-consol_eng_signed.pdf
Independent auditor's report relating to the audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2018	CZG – Česká zbrojovka Group SE Consolidated Audited Financial Results 2018	2-3	https://www.czg.cz/docs/CZG-Ceska-zbrojovka_IFRS-consol_eng_signed.pdf

RESPONSIBILITY STATEMENT

The Issuer is responsible for the completeness and accuracy of information contained in this Prospectus. To the best of the Issuer's knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

The information contained in this Prospectus is accurate only as of the date of this Prospectus and any delivery of this Prospectus at any time after the date hereof does not imply that the information in this Prospectus is correct at such subsequent time.

In Prague on the date of this Prospectus.

CZG – Česká zbrojovka Group SE

Name: Lubomír Kovařík

Title: Chairman of the Board of Directors

(*předseda představenstva*)

Name: Jan Drahota

Title: Vice-Chairman of the Board of the Directors

(*místopředseda představenstva*)

SUBSCRIPTION AND SALE

General Information about the Mandated Persons and the Method of Subscription

On the basis of the mandate agreement dated 11 Febraury2021 (the "**Mandate Agreement**"), the Issuer has mandated Česká spořitelna, a.s. ("**ČS**") and Komerční banka, a.s. ("**KB**"), together with ČS, the "**Joint Lead Managers**" and each individually a "**Joint Lead Manager**"), as joint lead managers, with the preparation of the Issue, the public offering and placement of the Notes with the final investors and the admission of the Notes to trading on the Regulated Market of the PSE.

The Issuer intends to issue the Notes in the anticipated aggregate nominal amount of the Issue of up to CZK 4,000,000,000 (four billion Czech Koruna) with the possibility of increase to up to CZK 5,000,000,000 (five billion Czech Koruna) due in 2027. The Notes may be issued in a single issue or in tranches. All the Notes issued as a part of the Issue will be subject to the public offering.

The Joint Lead Managers are committed to making its best effort that can be reasonably expected of it to search for the prospective investors in the Notes and place the Notes with and sell them to such investors. The offering of the Notes will thus be on the 'best efforts' basis. Neither the Joint Lead Managers nor any other persons have assumed a firm obligation to the Issuer to subscribe or buy the Notes.

This Prospectus has been prepared and published for the purpose of a public offering of the Notes and the admission of the Notes to trading on the Regulated Market.

Placement, Offering and Subscription of the Notes

In accordance with Article 2(d) of the Prospectus Regulation, the Notes will be offered by the Issuer through the Joint Lead Managers in a public offering to domestic and foreign qualified and other than qualified (in particular, retail) investors in the Czech Republic, and to selected qualified investors and other potential investors abroad subject to the conditions which do not impose the obligation of the offeror to prepare and publish a prospectus in accordance with the laws applicable in that jurisdiction. The public offering of the Notes by the Joint Lead Managers is expected to last from 25 February 2021 to 10 March 2021.

As part of the public offering, the investors will be approached by a Joint Lead Manager, mainly by means of remote communication, and invited to place an order for the purchase of the Notes (the "**Order**"), provided that the investor must present a valid identity document in order to participate in the public offering. In connection with the placement of the Order, an investor must conclude, or have concluded, an agreement with a Joint Lead Manager for the purpose of, among other things, giving the instruction to arrange the purchase of the Notes under such an agreement and (unless the investor has an account with the Central Depositary or a broker), opening the asset account in the investment instrument register kept by Central Depositary or similar securities records by the Joint Lead Managers, or they may be invited to present the required documents and identification details by the Joint Lead Manager.

The purchase of the Notes from the Joint Lead Managers is conditional on the conclusion of an investment service provision agreement between the investor and a Joint Lead Manager, depositing sufficient funds on the account and on giving the instruction to arrange the purchase of the Notes under that agreement. As part of the public offering in the Czech Republic, the Joint Lead Managers will receive the instructions through their branches in Prague.

There is no minimum amount for which the investor may subscribe and purchase the Notes. The maximum volume of the nominal value of the Notes demanded by the individual investor in the Order is limited by the foreseen aggregate nominal amount of the Notes offered by the Joint Lead Managers. The Joint Lead Managers, may reduce the investor's Order at their discretion and upon consultation with the Issuer (provided that any surplus will be immediately returned in the investor's account stated to the Joint Lead Managers). The final nominal value of the Notes assigned to the individual investor will be stated in the transaction clearing confirmation by e-mail, which will be delivered to the investor by the Joint Lead Managers without undue delay after the execution of the instruction. The investor may not trade in the subscribed Notes before this confirmation is delivered.

Each investor who acquires the Notes from ČS may be charged, in accordance with the subscription instruction, a fee of 0.25% of the nominal amount of the Note to be acquired. They may also be charged regular fees for the keeping of an investment account according to the latest price list at www.csas.cz, link: Price lists – section Investment, part 1.9 Maintenance of records of securities (*in Czech original: Ceník – sekce Investování, část 1.9 Vedení evidence cenných papírů – Navazující evidence ČS)*. As at the date of this Prospectus, these costs do not exceed 0.04 per cent. per annum of the aggregate nominal amount of the Notes in such an account, but will be at least CZK 25 per calendar quarter.

Each investor who acquires the Notes from Komerční banka may be charged, in accordance with the subscription instruction, a fee of 0.25% of the nominal amount of the Note to be acquired. They may also be charged regular fees of KB for keeping the securities account according to the current KB pricelist published on the website www.kb.cz in the section About the bank, About KB, Investment banking regulations, About MiFID II, Contract documents, Contract for the purchase or sale of investment instruments (G-client), Price list for the Contract for the Purchase or Sale of Investment Instruments or in the section Price List and Interest Rate, Price list and interest rate for download, Individuals (depending on the type of contract) (in Czech original: *O bance, Vše o KB, Regulace investičního bankovnictví, Informace k MiFID II, Smluvní dokumentace, Smlouva o obstarávání koupě nebo prodeje investičních nástrojů (G-klient), Sazebník pro Smlouvu o obstarávání koupě nebo prodeje nebo prodeje investičních nástrojů anebo v sekci Ceny a sazby, Kompletní sazebníky, Občané*). These costs will not exceed 0.02 per cent. per annum of the aggregate nominal amount of the Notes in such an account, including value added tax, but will be at least CZK 15 per month. The regular fees for the keeping of an investment account are capped at CZK 30 per month, subject to the respective agreement. The investor may be required to pay additional fees charged by the intermediator of the purchase or sale of the Notes, the person keeping the records of the Notes, the person who performs the clearing of the Notes transaction, or by another person, e.g. fees for opening and maintaining an investment account, for arranging the transfer of the Notes, services related to custody of the Notes, their registration, etc.

On the relevant settlement date according to the agreement on the subscription of Notes concluded by the Issuer and the Joint Lead Managers (the "**Subscription Agreement**"), the Notes will be subscribed by the Joint Lead Managers against the payment of the issue price of the Notes to the Issuer in the manner specified in the Subscription Agreement. On the same date the Notes, except those which will continue to be held and offered by the Joint Lead Manager (in accordance with applicable legislation), will be sold to the investors by the Joint Lead Managers. The total amount of the commission for the subscription and placement of the Notes will correspond to approximately CZK 22,000,000 to CZK 36,000,000.

Each Joint Lead Manager will satisfy the orders placed by the end investors and it will transfer the relevant Notes in the asset accounts of the individual investors maintained in the relevant records regarding investment instruments. Trading may not start before the notification of the amount allocated to investors. At the same time, the Joint Lead Manager will collect the amount corresponding to the purchase price of the Notes from the cash accounts of the end investors.

The purchase price of the Notes issued on the Issue Date will be the same as the Issue Price.

The purchase price of the Notes issued in tranches after the Issue Date will be set by the Joint Lead Managers in agreement with the Issuer on the basis of the current market conditions and the proportionate yield, if any, and it will be published on the Issuer's website https://www.czg.cz/investors and on the website of the relevant Joint Lead Manager; in the case of ČS at www.csas.cz in the section "Documents to Download" and next "Prospectuses and Issue Supplements" (in Czech original: *"Dokumenty ke stažení", dále "Prospekty a emisní dodatky"*);and in the case of KB at www.kb.cz in the section About the bank, About KB, Obligatory published information, Information on Securities, Bond issues of KB clients (in Czech original: *O bance, Vše o KB, Povinně uveřejňované informace, Informace o cenných papírech, Dluhopisy klientů Komerční banky*).

The final results of the public offering, containing also the aggregate nominal amount of all the Notes that the Issue consists of, will be published on the Issuer's website https://www.czg.cz/investors and on the website of the each of the Joint Lead Managers; in the case of ČS at www.csas.cz in the section "Downloads" and "Prospectuses and Issue Supplements" (in Czech original: *"Ke stažení", dále "Prospekty a emisní dodatky"*); and in the case of KB at www.kb.cz in the section About the bank, About KB, Obligatory published information, Information on Securities, Bond issues of KB clients (in Czech original: *O bance, Vše o KB, Povinně uveřejňované informace, Informace o cenných papírech, Dluhopisy klientů Komerční banky*); in each case promptly after its termination.

Admission of the Notes to Trading & Settlement

The Issuer will apply through the Listing Agent (as defined below) for admission of the Notes to trading on the Regulated Market and expects the Notes to be admitted to trading on or around the Issue Date, i.e. 23 March 2021. The estimated amount of fees associated with the admission of the Notes to trading on the Regulated Market is CZK 50,000 as the listing fee and CZK 10,000 as the annual trading fee.

No person has accepted the obligation to act as a market maker. Neither the Issuer nor the Joint Lead Managers can rule out that the Notes may become non-tradable on any market(s) and that the Noteholders will thus be unable to sell the Notes on such a market or markets before maturity.

When listed by the PSE, the Notes will be traded at the PSE and the transactions will be settled in CZK. The settlement will be performed as DVP (*delivery versus payment*) or DFP (*delivery free of payment*) through the Central Depositary or through persons keeping the related records following the standard practices in accordance with the rules and operating procedures of the PSE and the Central Depositary and within the deadlines set by the applicable rules. The subscription of the Notes in the Central Depositary can only be settled through a member of the Central Depositary.

Provision of services and conduct of business by the Joint Lead Managers

The Joint Lead Managers and their respective affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and other members of the Group (including, in some cases, credit agreements, credit lines and other financing arrangements) in the ordinary course of their banking business. The Joint Lead Managers and their respective affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

The Joint Lead Managers and their respective affiliates may provide banking services including financing, to the Issuer, and for which they may be paid fees and expenses. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and/or its affiliates (including the Notes). The Joint Lead Managers may have a lending relationship with the Issuer and its affiliates and may routinely hedge its credit exposure to the Issuer and/or its affiliates consistent with their customary risk management policies. Typically, the Joint Lead Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Issuer or the relevant affiliate, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments (including, without limitation, the Notes).

Restrictions on the Distribution of the Prospectus and the Sale or Purchase of the Notes

The distribution of this Prospectus as well as any offer, sale or purchase of the Notes is restricted by law in some jurisdictions. The Issuer has not asked and will not ask for approval or recognition of this Prospectus (including its supplements, if any) in any other jurisdiction, the Notes will not be registered, permitted or approved by any administrative or other authority in any jurisdiction with the exception of the approval of this Prospectus by the CNB and, accordingly, in the absence of applicable exemption(s), no offering of the Notes will be possible outside of the Czech Republic.

All persons in possession of this Prospectus are responsible for observing any restrictions relating to the offer, purchase and sale of the Notes and the possession and distribution of any documents relating to the Notes (including the Prospectus) in all relevant jurisdictions.

The Issuer informs the prospective Noteholders that the Notes are not and will not be registered in accordance with the Securities Act or by any securities commission or another regulatory body of any state of the U.S. and therefore cannot be offered, sold or transferred in the territory of the U.S. or to U.S. residents (as these terms are defined in Regulation S) other than on the basis of an exemption from the registration obligation according to the Securities Act or as a part of a transaction that is not subject to mandatory registration according to the Securities Act.

The Issuer also notes that the Notes may not be offered or sold in the United Kingdom of Great Britain and Northern Ireland (the "**UK**") by disseminating any material or notice, except for sale to persons authorised to deal in securities in the UK on own account or on behalf of others or under circumstances which do not constitute a public offering of securities within the meaning of the Companies Act 1985, as amended. Any legal acts regarding notes performed in, from, or otherwise in connection with the UK must also be performed in accordance with the Financial Services and Markets Act 2000 (FSMA 2000), as amended, the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, and the Prospectus Regulation, as it forms part of English law by virtue of the European Union (Withdrawal) Act 2018.

In addition to the above, the Issuer asks the subscribers of each Note and the Note acquirers to observe all relevant restrictions in each country (including the Czech Republic) where they would purchase, offer, sell or otherwise transfer the Notes or where they would distribute, make accessible or otherwise circulate this Prospectus including its supplements, if any, or any other offering or promotional material or information in connection with the Notes, in each case at their own expense and irrespective of whether this Prospectus or its supplements or any other offering or promotional material or information in connection with the Notes is recorded in the printed form or in the electronic or any other intangible form.

Any person that acquires any Notes will be deemed to have represented and agreed that (i) such person acknowledges all relevant restrictions on the offer, sale and purchase of the Notes, in particular in the Czech Republic, relating to such person and the relevant method of offer, sale or purchase, (ii) such person will not further offer for sale or sell the Notes without complying with all relevant restrictions applicable to such person and to the relevant method of offer and sale and (iii) before further offering for sale or further selling the Notes, such person will inform the potential buyers that in certain jurisdictions, further offer or sale of the Notes may be subject to legal restrictions, which must be observed.

Granting of Consent to the Use of the Prospectus

The Issuer consents to the use of the Prospectus for the resale or final placement of the Notes by selected financial intermediaries exclusively in the Czech Republic for the period started on 25 February 2021 and ended on 10 March 2021.

The above consent is subject to the conclusion of a written agreement between the Issuer and the relevant financial intermediary regarding the resale or placement of the Notes.

The Issuer uses and will use the Issuer's website https://www.czg.cz/investors#admission-documents to publish the list and identity of all the financial intermediaries who have been granting consent to the use of the Prospectus for resale or final placement of the Notes.

Offering period: 25 February 2021 – 10 March 2021.

The Issuer also assumes responsibility for the contents of the Prospectus with regard to the resale or final placement of the notes by any financial intermediary who has been granted consent to the use of the Prospectus.

INVESTOR NOTICE:

If an offer is presented by a financial intermediary, the financial intermediary will also provide the investors information about the terms of the offering of the Notes applicable at the time when the offer is presented.

Any new information about financial intermediaries which was not available at the time of the approval of the Prospectus will be published in the Issuer's website https://www.czg.cz/investors#admission-documents.

A financial intermediary who uses the Prospectus must specify on his website that the Prospectus is being used with the Issuer's consent.

TERMS AND CONDITIONS OF THE NOTES

The Notes issued by **CZG – Česká zbrojovka Group SE**, a société européene incorporated under the laws of the Czech Republic, with its registered office at Opletalova 1284/37, Nové Město, Praha 1, Postal Code 110 00, Identification Number: 29151961, registered in the Commercial Register maintained by the Municipal Court in Prague, File Number: H 962 (the "**Issuer**"), in the anticipated aggregate nominal amount of up to CZK 4,000,000,000 (four billion Czech Koruna) with the possibility of increase to up to CZK 5,000,000,000 (five billion Czech Koruna), bearing floating interest rate, due in 2027 (the "**Issue**" and the "**Notes**"), are governed by these Terms and Conditions of the Notes (the "**Terms and Conditions**") and by Czech Act No. 190/2004 Coll., on Bonds, as amended (the "**Czech Bonds Act**").

The Issue was approved by the resolution of the Issuer's Board of Directors dated 9 February 2021 and by the resolution of the Issuer's Supervisory Board dated 9 February 2021.

The ISIN of the Notes allocated by the Central Depositary is CZ0003530776. The title of the Notes is CZG VAR/27.

Services of the fiscal and paying agent related to interest payments and Notes redemption will be provided by Komerční banka, a.s., with its registered office at Na Příkopě 33/969, Praha 1, Postal Code 114 07, Identification Number 453 17 054, registered in the Commercial Register maintained by the Municipal Court in Prague, File Number B 1360 (the "**Fiscal and Paying Agent**"). The relationship between the Issuer and the Fiscal and Paying Agent in connection with the performance of payments to the Noteholders (as this term is defined below) and some other administrative services related to the Issue is governed by an agreement between the Issuer and the Fiscal and Paying Agent (the "**Fiscal and Paying Agency Agreement**"). A copy of the Fiscal and Paying Agency Agreement is available for inspection to the Noteholders during regular business hours at the Specified Office of the Fiscal and Paying Agent set out in Condition 11.1.

Services of the calculation agent in connection with the Notes will be provided to the Issuer by Komerční banka, a.s. (the "**Calculation Agent**"), under the terms of the Fiscal and Paying Agency Agreement.

Services of the listing agent related to the admission of the Notes comprising the Issue to trading on the regulated market of Burza cenných papírů Praha, a.s. (the "**PSE**" and "**Regulated Market**") will be provided by Komerční banka, a.s. (the "**Listing Agent**"), under the terms of the Fiscal and Paying Agency Agreement.

For the purpose of the admission of the Notes to trading on the Regulated Market, the Issuer has prepared a prospectus for the Notes (the "**Prospectus**") that includes these Terms and Conditions. The Prospectus constitutes a prospectus for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council 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 repealing Directive 2003/71/EC (the "**Prospectus Regulation**"). The Prospectus has been approved by the Czech National Bank (the "**CNB**") as the competent authority under the Prospectus Regulation in its decision ref. no. 2021/020400/CNB/570, file no. S-Sp-2021/00010/CNB/572 dated 23 February 2021, which became final and effective on 25 February 2021. By approving the Prospectus the CNB certifies that the Prospectus contains all information required by law necessary for the investor to take an investment decision. The CNB assesses neither the financial results nor the financial situation of the Issuer and by approving the Prospectus it does not guarantee the quality of the security or the Issuer's future profitability or its ability to pay the interest on, and the principal of, the Notes.

The CNB carries out supervision of the Issue and the Issuer to the extent resulting from Act No. 256/2004 Coll., on Doing Business on Capital Markets, as amended, Act No. 6/1993 Coll., on the Czech National Bank, as amended, Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, and the Prospectus Regulation, including its implementing legislation.

The terms with capital letters, unless defined otherwise, have the meaning assigned to them in Condition 16. In these Terms and Conditions, reference to any provision of law or regulation is a reference to that provision as extended, amended or re-enacted.

1. General Characteristics of the Notes

1.1 Form, Nominal Amount, Anticipated Volume of the Issue

The Notes will be issued on the Issue Date (as defined in Condition 2.1) as book-entered securities. The nominal amount of each Note is CZK 10,000 (ten thousand Czech Koruna). The anticipated aggregate nominal amount of the Issue is up to CZK 4,000,000,000 (four billion Czech Koruna) (with the possibility of increase to up to CZK 5,000,000,000 (five billion Czech Koruna). In accordance with the Czech Bonds Act, the Issuer is entitled to issue the Notes in a lower aggregate nominal amount than the anticipated aggregate nominal amount. The Issuer is not entitled to issue the Notes in a higher aggregate nominal amount.

1.2 Separation of the Right to Interest

There will be no separation of the right to receive interest payable under the Notes through an issue of coupons as separate securities or otherwise.

1.3 Noteholders

For the purpose of these Terms and Conditions, an owner of the Note (the "**Noteholder**") is any person on whose owner's securities account (in Czech: *účet vlastníka*) with the Central Depositary or in follow-up records (in Czech: *navazující evidenci*) linked to the Central Depositary, the Note is recorded.

Unless and until the contrary is proved to the Issuer and the Fiscal any Paying Agent, the Issuer and the Fiscal and Paying Agent shall treat each Noteholder for all purposes as the owner of the nominal amount of the Notes recorded on their owner's securities account with the Central Depositary or in follow-up records linked to the Central Depositary and the Issuer and the Fiscal and Paying Agent will make all payments to such Noteholder in accordance with these Terms and Conditions. Persons who are owners of the Notes and who are not registered for any reason in the relevant records of owners of book-entered securities will be obliged to promptly notify the Issuer and the Fiscal and Paying Agent in writing of such fact and of their acquisition of the ownership title to the Notes.

1.4 Transfer of the Notes

Transferability of the Notes is not restricted.

The transfer of the Notes will be effective upon the crediting thereof to the owner's securities account with the Central Depositary in accordance with the rules and regulations of the Central Depositary and applicable law. In case that the Notes are recorded in the client's securities account (in Czech: *účet zákazníka*) in the Central Depositary, the transfer of the Notes will be effective (i) upon crediting of the transferred Note to the client's securities account in accordance with the rules and regulations of the Central Depositary and applicable law and the owner of the client's securities account is obliged to promptly register such transfer in the owner's securities account as of the moment of registration thereof in the client's securities account, or (ii) in case of any transfer between the Noteholders within one client's securities account, upon the registration of such transfer in the owner's securities account in the follow-up records linked to the Central Depositary.

1.5 Rating

The Issuer was not assigned any rating by any rating agency registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council or any other company. No individual rating of the Notes has been conducted and thus the Notes are not assigned any individual rating.

2. Issue Date, Issue Price, Method and Place of Notes Subscription

2.1 Issue Date

The issue date of the Notes is scheduled to be 23 March 2021 (the "**Issue Date**"). The Notes may be issued (i) in a single series on the Issue Date or (ii) in tranches during the subscription period ending 12 months after the Issue Date (the "**Issue Period**"). If all the Notes are not issued during the Issue Period, the Notes may also be issued during an additional issue period determined by the Issuer and ending no later than on the Record Date for Nominal Amount Repayment (as defined below). The Issuer will notify the Noteholders, in the same manner as used for publication of these Terms and Conditions, of the determination of such additional issue period.

Without undue delay after the Issue Date and after the expiry of the Issue Period, the Issuer will notify the Noteholders, in the same manner as used for publication of these Terms and Conditions, of the aggregate nominal amount of all issued Notes comprising the Issue.

2.2 **Issue Price**

The issue price of the Notes issued on the Issue Date is equal to 100 per cent. of their nominal value. The issue price of any Notes issued after the Issue Date will be determined by the Issuer taking into account the current market conditions. Where relevant, a corresponding accrued interest amount will be added to the issue price for any Notes issued after the Issue Date.

2.3 **Method and Place of Notes Subscription**

The method and place of subscription for the Notes is set out in the Prospectus (see "*Subscription and Sale*").

3. **Status of the Notes**

The Notes and all payment obligations of the Issuer vis-à-vis the Noteholders under the Notes constitute direct, unconditional, unsecured and unsubordinated liabilities of the Issuer, which are and will rank *pari passu* among themselves and at least *pari passu* with any present and future direct, unconditional, unsecured and unsubordinated liabilities of the Issuer with the exception of liabilities treated preferentially under applicable mandatory laws.

3.1 **No Pre-emptive or Priority Rights**

Neither the shareholders of the Issuer nor any other person has any right of first refusal, pre-emptive or conversion rights in relation to the Notes or any other subscription rights in relation to the Notes.

4. **Issuer's Covenants**

4.1 **Negative Pledge**

So long as any payment obligations from the Notes remain outstanding in accordance with these Terms and Conditions, the Issuer will not create or permit to subsist any Security Interest, other than a Permitted Security Interest, for any payment obligation arising from notes, promissory notes and any other debt securities, which would restrict the rights of the Issuer or its Subsidiaries in relation to its current or future assets or income, unless the Issuer ensures at the same time or prior thereto that the Issuer's obligations under the Notes (i) are equally and rateably secured therewith, or (ii) are secured by such other security as may be approved by resolution of the Meeting (as defined in Condition 13 of these Terms and Conditions).

4.2 **Other Indebtedness**

So long as any payment obligations from the Notes remain outstanding in accordance with these Terms and Conditions, the Issuer or any Material Subsidiary will not enter into any transaction that would directly or indirectly result in any increase of the Group Indebtedness, where as a result of such transaction, (i) the Consolidated Net Indebtedness Ratio would exceed 3.50, or (ii) an Event of Default would occur, threaten to occur or continue. The Consolidated Net Indebtedness Ratio shall be calculated from the latest available Net Indebtedness figures available as of the date of the intended Indebtedness increase. This restriction shall not apply to any guarantees or suretyship in the form of a deed of guarantee, financial guarantee or other forms of guarantee, suretyship, aval or assumption of a joint and several obligation for the benefit of third parties outside the Group, which at any time do not exceed the amount of CZK 100,000,000 (or its equivalent in any other currency). The above restriction further does not apply to indebtedness incurred (i) by operation of law or by virtue of a judicial or administrative decision, (ii) in connection with regular business activities of the Issuer (including documentary letters of credit and bank guarantees issued on behalf of the Issuer or a Material Subsidiary, where applicable),

(iii) in connection with any derivatives concluded by the Issuer or any Subsidiary in order to secure interest rate or foreign exchange rate fluctuations (for the avoidance of doubt, save for any securities derivatives used for speculative purposes only), (iv) in connection with the Project Financing, or (v) in connection with the refinancing of any payment obligations existing as of the Issue Date (but only up to the amount of the payment obligations being refinanced).

4.3 **Transactions Involving Affiliated Companies**

The Issuer will not enter into any agreement with, or engage in any transaction or take any measures vis-à-vis, any affiliate other than on an arm's-length basis.

4.4 **Restriction on Disposal of Assets**

The Issuer or any Material Subsidiary will not transfer or otherwise divest or make available, whether in one single transaction or in a series of (related or unrelated) transactions, any of their assets valued in excess of CZK 100,000,000 (or its equivalent in other currency) if, as a consequence of such transaction, (i) the Consolidated Net Indebtedness Ratio would exceed 3.50, or (ii) an Event of Default would occur, threaten to occur or continue.

The Issuer or any Material Subsidiary may only transfer or otherwise divest or make available, whether in one single transaction or in a series of (related or unrelated) transactions, any of their assets on the following conditions: (i) the transaction is carried out for fair value, and at least 75% of the consideration consists of cash or cash equivalents, or in case of a non cash consideration, such fair value will be confirmed by a prior valuation prepared by an independent expert, auditor, or financial institution (ii) no Event of Default threaten to occur or continues, (iii) for a transaction value of CZK 100,000,000 or more, the Issuer has obtained a prior valuation by an independent expert, auditor, or financial institution, and (iv) the funds thus raised will be used to for operational needs or for the repayment of the issued Notes or to refinance senior payment obligations in relation to the Notes, or for the payment of any dividend or any other profit share, and everytime in accordance with these Terms and Conditions.

The Consolidated Net Indebtedness Ratio shall be calculated based on the latest available figures for Net Indebtedness as of the date of the intended disposal of assets (which shall in any case not be older than 30 days).

4.5 **Restriction on Payments**

So long as any payment obligations from the Notes remain outstanding in accordance with these Terms and Conditions, the Issuer will not (i) declare on the distribution nor distribute any dividends or other profit shares or any share on registered capital, (ii) will not grant any loan or credit to its shareholders, and (iii) will not repay any payment obligation to its shareholder, as a consequence of such transaction, the Consolidated Net Indebtedness Ratio would exceed 3.50, or an Event of Default would threaten to occur or continue. The Consolidated Net Indebtedness Ratio shall be calculated based on the latest available figures for Net Indebtedness as of the date of the intended distribution of dividends, granting of a loan, or repayment of payment obligation to its shareholder. The restrictions under this paragraph does not apply to cash-neutral transactions (such as a set-off of dividends against receivables toward the shareholder, etc.).

4.6 **Defined Terms**

Capitalized terms have the meanings assigned to them in Condition 16.

All coefficients shall be calculated based on financial data taken or derived from the financial statements which were compiled in accordance with the IFRS.

To the extent that the Issuer undertakes in these Terms and Conditions to ensure that a third party will fulfill a certain obligation, this shall be understood to mean that the Issuer warrants the agreed performance by a third party within the meaning of Section 1769, second sentence, of Act No. 89/2012 Coll., the Civil Code, as amended (the "**Civil Code**"), whereas the first sentence of Section 1769 of the Civil Code shall not apply to such cases.

5. Interest

5.1 Interest Rate and Interest Payment Dates

The Notes will bear a floating interest rate equal to (i) the Reference Rate (see definition below in this Condition 5.1) valid for the relevant Interest Period (see definition below in this Condition 5.1) and determined by the Calculation Agent on the Reference Rate Determination Date (see definition below in this Condition 5.1) plus (ii) the margin of 1.80 per cent. p.a. The interest will be paid semi-annually in arrears, on 23 September and 23 March (the **Interest Payment Dates**). The first Interest Payment Date will be 23 September 2021.

"**Reference Rate**" means 6M PRIBOR; **6M PRIBOR** means the interest rate in per cent. p.a. offered for the Czech Koruna that is quoted in "Reuters Screen Service" PRBO page (or any other official source where such rate will be quoted) as the value of the Prague interbank offer rate for Czech Koruna interbank deposits for the 6-month period set out by the administrator of PRIBOR and valid on the Reference Rate Determination Date. If PRIBOR is not quoted in the aforementioned PRBO page (or other official source) for the relevant 6-month period, then the Calculation Agent will determine 6M PRIBOR from (i) PRIBOR for the nearest longer period for which PRIBOR is quoted in the aforementioned PRBO page (or other official source) and (ii) PRIBOR for the nearest shorter period for which PRIBOR is quoted on the aforementioned PRBO page (or other official source), using straight line linear interpolation by reference to the two rates. If 6M PRIBOR cannot be determined on any day according to the preceding paragraph, then the Calculation Agent will determine 6M PRIBOR on such day as the arithmetic mean of the interest rates quoted for the sale of Czech Koruna interbank deposits for such period that corresponds to the relevant 6-month period and the relevant amount is obtained on such day after 11:00 (eleven) a.m. Prague time from at least 3 (three) banks operating in the Prague interbank market selected by the Calculation Agent at its sole discretion. If 6M PRIBOR cannot be determined in this manner, then it will be equal to the 6M PRIBOR determined in accordance with the precedent paragraph on the nearest previous Business Day when 6M PRIBOR was determinable in such a manner.

If the interest rate determined in accordance with this Condition 5.1 is below zero (i.e. the total of the Reference Rate and the margin), the interest rate will be deemed to be zero.

For the avoidance of doubt, if PRIBOR is cancelled or ceases to be generally used in the market for interbank deposits due to the adoption of euro as a lawful currency of the Czech Republic, the rate that will be generally used in the market for interbank deposits in the Czech Republic will be used instead of PRIBOR.

"Reference Rate Determination Date" means the date as of which the Reference Rate for the relevant Interest Period is determined. The Reference Rate Determination Date for the relevant Interest Period will be the second Business Day before the first day of such Interest Period.

For the purposes of these Terms and Conditions, "**Interest Period**" means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date, and each immediately following period from (and including) the Interest Payment Date to (but excluding) the next Interest Payment Date until the maturity date of the Notes (as specified in Condition 6.1). For the purposes of determining the Interest Periods, the Interest Payment Date will not be adjusted according to the Business Day Convention (see Condition 7.3 of these Terms and Conditions).

The Calculation Agent will round the interest rate for each Interest Period on the basis of mathematical rules to two decimal places according to the third decimal place. The Calculation Agent will notify the Fiscal and Paying Agent of the interest rate applicable to each Interest Period promptly after its determination and the Fiscal and Paying Agent will in turn communicate without any undue delay such interest rate to the Noteholders in accordance with Condition 14 of these Terms and Conditions.

The interest will accrue evenly from the first day of each Interest Period to the last day included in such Interest Period at the interest rate set out in this Condition 5.1.

The amount of interest accrued on one Note will be calculated as a multiple of the outstanding nominal amount of such Note, the relevant interest rate (expressed in decimal form) and the day count convention determined in Condition 5.3 of these Terms and Conditions.

The information about the past and the future performance of 6M PRIBOR and its volatility can be obtained by electronic means and free of charge on the website of the Czech National Bank https://www.cnb.cz in the section Financial markets, Money market information, PRIBOR, Fixing of Interest Rates on Interbank Deposits - PRIBOR (in Czech orignal: *Finanční trhy, Peněžní trh, PRIBOR, Fixing úrokových sazeb na mezibankovním trhu depozit – PRIBOR*).

5.2 **End of Interest Accrual**

The Notes will cease to bear interest on the Maturity Date (as this term is defined in Condition 6.1 of these Terms and Conditions) or on the Early Redemption Date (as this term is defined in Conditions 6.3, 9.2, 13.4(a) and 13.4(b) of these Terms and Conditions), unless the payment of any due amount is unlawfully retained or refused by the Issuer although all relevant conditions and requirements for payment on the Maturity Date or the Early Redemption Date have been complied with. In such an event, interest will continue to accrue at the interest rate set out in Condition 5.1 until the earlier of (i) the date on which all amounts due and payable as of that date in accordance with these Terms and Conditions are paid to the Noteholders or (ii) the date on which the Fiscal and Paying Agent notifies the Noteholders that it has received all amounts payable in connection with the Notes, unless any additional unlawful retention or refusal of payments occurs after such notice.

5.3 **Day Count Convention for Interest Calculation**

The interest payable on the Notes for a period of less than 1 (one) year will be calculated on the basis of an Act/360 day count convention, i.e., the actual number of days in the period for which the interest is calculated divided by 360.

5.4 **Calculation of Interest**

The amount of interest accrued on one Note over any period of one current year will be calculated as a multiple of the nominal value of such Note and the relevant interest rate (expressed in decimal form). The amount of interest accrued on one Note over any period shorter than one current year will be calculated as a multiple of the nominal value of such Note, the relevant interest rate (expressed in decimal form) and the relevant day-count fraction determined according to the day count convention under Condition 5.3 of these Terms and Conditions. The total interest amount calculated according to this Condition 5.4 will be rounded to two decimal places.

6. **Redemption and Purchase**

6.1 **Redemption at Maturity**

Unless previously redeemed or purchased by the Issuer and cancelled as specified below, each Note will be redeemed by the Issuer at its outstanding nominal amount in a single payment on 23 March 2027 (the "**Maturity Date**").

6.2 **Early Redemption at the Option of the Noteholders**

The Noteholders are not entitled to require early redemption of the Notes before the Maturity Date, except for early redemption pursuant to Conditions 6.3, 9.1, 9.2, 13.4(a) and 13.4(b) of these Terms and Conditions. In such events, the Issuer will repay the nominal amounts of the relevant Notes plus accrued and outstanding interest in accordance with these Terms and Conditions.

6.3 **Early Redemption at the Option of the Noteholders**

6.3.1 ***Early Redemption upon Change of Control***

If a Change of Control occurs, the Issuer shall notify the Fiscal and Paying Agent, as well as the Noteholders, of this fact, and shall do so promptly and in any case no later than within 3 (three) Business Days from learning of the fact, following the procedure set out in Condition 14 of these Terms and Conditions (the "**Issuer's Notice of an Early Redemption Event**"). In the Issuer's Notice of an Early Redemption Event, the Issuer shall outline in broad terms the reasons that led to the Change of Control, and set out the procedure to be followed if one wishes to make a request for early redemption of the Notes.

A "**Change of Control**" is deemed to occur if Mr. René Holeček, born July 28, 1966, residing at Mánesova 475, 738 01 Frýdek-Místek, ceases to be the direct or indirect owner of at least 51% of the shares in the Issuer (or other type of shares in case of corporate transformation) or is otherwise no longer able to influence the management and strategy or other affairs of the Issuer, whether directly or indirectly, through his ownership of a share in which voting rights are vested, or on a contractual basis, or otherwise.

6.3.2 ***Noteholders' Right to Seek Early Redemption***

Within no more than 45 (forty five) days from the Issuer's Notice of an Early Redemption Event becoming public, any Noteholder may at their discretion, by way of a written notice designated for the Issuer and delivered to the Fiscal and Paying Agent at the address of the Specified Office (the "**Early Redemption Notice**"), ask for the early redemption of the Notes held by them, whereas they undertake not to divest these Notes as of that moment, plus any accrued and unpaid interest thereon, in accordance with Condition 5.1 of these Terms and Conditions and as of the Early Redemption Date (as defined in Condition 9.2 of these Terms and Conditions), and the Issuer must redeem such Notes (together with accrued and unpaid interest) as requested, within the time period set out in Condition 9.2 of these Terms and Conditions.

6.3.3 ***Withdrawal of Early Redemption Notice***

Individual Noteholders may withdraw the Early Redemption Notice in writing, but only with respect to the Notes held by such Noteholder, and only if the withdrawal is addressed to the Issuer and delivered to the Fiscal and Paying Agent at the address of the Specified Office before the relevant amounts become due and payable according to the preceding Condition 6.3.2 of these Terms and Conditions. However, such withdrawal of the Early Redemption Notice will not affect any Early Redemption Notice given by other Noteholders.

6.3.4 ***Other Conditions for Early Redemption of Notes***

For the rest, the early redemption of the Notes pursuant to this Condition 6.3 is governed, *mutatis mutandis*, by Condition 7 of these Terms and Conditions.

6.4 **Purchases**

The Issuer is entitled to purchase the Notes at any time on the market or otherwise at any price.

6.5 **Cancellation of the Notes**

The Notes purchased by the Issuer will not be cancelled, unless decided otherwise by the Issuer. If the Issuer does not decide on the cancellation of the Notes purchased by it, it will be entitled to dispose of such Notes at its sole discretion.

6.6 **Applicability of the Payment Terms**

The provisions of Condition 7 of these Terms and Conditions also apply to the redemption and purchase of the Notes under this Condition 6.

7. **Payment Terms**

7.1 **Currency of Payments**

The Issuer undertakes to pay interest on and repay the nominal amount of the Notes solely in the Czech Koruna, or in any other lawful currency of the Czech Republic that might replace the Czech Koruna. Interest will be paid to the Noteholders and the nominal amount of the Notes will be repaid subject to and in accordance with these Terms and Conditions and the tax, foreign exchange and other applicable laws of the Czech Republic in effect at the time of the relevant payment.

In the event that the Czech Koruna in which the Notes are denominated and in which the payments relating to the Notes should be made in compliance with these Terms and Conditions ceases to exist and is replaced by euro, (i) the denomination of such Notes will be changed to Euro in conformity with the applicable laws, and (ii) all monetary liabilities arising from such Notes will automatically and without any further notice to the Noteholders be payable in Euro, with the official rate (i.e. the fixed conversion ratio) being in accordance with the applicable law being used as the exchange rate between the Czech Koruna (CZK) and euro (EUR). Such replacement of the Czech Koruna (i) will not, in any respect, affect the existence or enforceability of the Issuer's liabilities under the Notes, and (ii) for the avoidance of doubt, will not be deemed to constitute any change to these Terms and Conditions or a default or an event of default or an enforcement event under these Terms and Conditions.

7.2 **Payment Date**

The payment of interest on and the repayment of the nominal amount of the Notes will be made by the Issuer through the Fiscal and Paying Agent on the dates specified in these Terms and Conditions (each such date further referred to, according to its meaning, as the "**Interest Payment Date**" or the "**Maturity Date**" or the "**Early Redemption Date**" or also as the "**Payment Date**").

7.3 **Business Day Convention**

If any Payment Date falls on a day that is not a Business Day, such Payment Date will instead fall on the next following Business Day, and the Issuer will not be obliged to pay any interest or any other additional charges by reason of such delay in payment resulting from the application of any Business Day convention (the "**Business Day Convention**").

7.4 **Determination of the Right to Receive Payments Related to the Notes**

The authorised persons to whom the Issuer will pay interest or other amounts on the Notes will be persons on whose owner's securities account kept with the Central Depositary, or in the register maintained by a person keeping follow-up records linked to the Central Depositary, the Notes are recorded at the close of the relevant Record Date for Interest Payment (the "**Authorised Persons**").

"**Record Date for Interest Payment**" is a day falling 30 calendar days prior to the relevant Interest Payment Date; however, for the purposes of determining the Record Date for Interest Payment, the Interest Payment Date will not be adjusted according to the Business Day Convention.

For the purposes of determining the recipient of interest, neither the Issuer nor the Fiscal and Paying Agent will take into account any transfer of any Notes registered in the Central Depositary or in the register maintained by a person keeping follow-up records linked to the Central Depositary after the Record Date for Interest Payment. The authorised persons to whom the Issuer will repay the nominal amount of the Notes shall be persons on whose owner's securities account with the Central Depositary, or in the register maintained by a person keeping follow-up records linked the central registry for securities, the Notes are recorded at the close of the relevant Record Date for Nominal Amount Repayment (also the "**Authorised Persons**").

"**Record Date for Nominal Amount Repayment**" is a day falling 30 calendar days prior to the relevant Maturity Date or the Early Redemption Date; however, for the purposes of determining the Record Date for Nominal Amount Repayment, such Payment Date will not be adjusted according to the Business Day Convention.

For the purposes of determining the recipient of the nominal amount of the Notes, neither the Issuer nor the Fiscal and Paying Agent will take into account any transfer of any Notes registered in the Central Depositary or in the register maintained by a person keeping follow-up records linked to the Central Depositary after the Record Date for Nominal Amount Repayment.

If, according to the entry in the owner's securities account kept with the Central Depositary, or in the register maintained by a person keeping follow-up records linked to the Central Depositary, the Notes with respect to which the payments of interest or other amounts shall be performed by the Fiscal and Paying Agent, are pledged, then the pledgee, recorded in the extract from the register of the Issue, shall be considered an Authorised Person in respect of the Notes, unless (i) it is evident that a person authorised to receive the payments of interest or other amounts attached to the pledged Notes is the respective Noteholder and/or (ii) it is proven to the Fiscal and Paying Agent in other satisfactory manner that the respective Noteholder has the right to receive the payments of interest or other amounts attached to the pledged Notes by virtue of an agreement between such Noteholder and the pledgee.

7.5 **Payments**

The Fiscal and Paying Agent will make payments to the Authorised Persons by means of wire transfer to their accounts kept with a bank in the Czech Republic. The Authorised Person's account details shall be communicated together with an instruction by the Authorised Person to the Fiscal and Paying Agent at the address of the Fiscal and Paying Agent's Specified Office in a verifiable manner no less than five (5) Business Days prior to the Payment Date. Such instruction shall be in the form of a written statement in the Czech or English language with notarised signatures, and contain sufficient details of such bank account to allow the Fiscal and Paying Agent to make the payment, and, in the case of the Authorised Person being a legal entity, the Fiscal and Paying Agent may, at its own discretion, require such instruction to be accompanied by an original or an officially certified copy of an extract from the commercial register or other respective register in respect of the Authorised Person not older than three months from the Payment Date (such instruction, together with the excerpt from the Commercial Register (if applicable), and the other required appendices, if any, is hereinafter also referred to as the "**Instruction**").

The Instruction must be in form and substance reasonably satisfactory to the Fiscal and Paying Agent, and the Fiscal and Paying Agent shall be entitled to require reasonably satisfactory evidence that the signatory of such Instruction had the authority to sign such Instruction on behalf of the Authorised Person. Such evidence shall also be delivered to the Fiscal and Paying Agent no less than five Business Days prior to the Payment Date. In this respect, the Fiscal and Paying Agent shall be authorised to require that (a) a power of attorney be delivered in the event that the Authorised Person is acting through an agent or (b) the instruction from the Authorised Person be subsequently confirmed.

Notwithstanding the foregoing, neither the Fiscal and Paying Agent nor the Issuer will be obliged to examine the correctness, completeness or authenticity of any such Instruction in any manner whatsoever and neither of them will be liable for any damage incurred in connection with any delay in the delivery of such Instruction by the Authorised Person or with the delivery of an incorrect or otherwise defective Instruction. The Instruction will be deemed properly made if it contains all the items required by this Condition, is delivered to the Fiscal and Paying Agent in accordance with this Condition and complies with the requirements of this Condition in all other respects. Upon the Issuer's request, the Fiscal and Paying Agent shall provide the Issuer with other information as set out in the Fiscal and Paying Agency Agreement, if any.

Any Authorised Person who claims tax relief in accordance with any applicable double taxation treaty (to which the Czech Republic is a party) shall deliver to the Fiscal and Paying Agent a certificate of such Authorised Person's tax domicile and such other documents as the Fiscal and Paying Agent and the applicable tax authorities may request, together with the Instruction as an integral part thereof. Notwithstanding such rights, neither the Fiscal and Paying Agent nor the Issuer shall verify the authenticity or completeness of such Instructions, or be liable for any damage incurred in connection with any delay in the delivery of such Instruction by any Authorised Person, or with the delivery of an incorrect or otherwise defective Instruction.

The Issuer's obligation to pay any amount due in connection with the Notes will be deemed discharged in a due and timely manner, if the relevant amount has been remitted to the Authorised Person in compliance with a proper Instruction pursuant to this Condition 7.5 and if such amount is credited to the account of the Authorised Person's bank with the clearing centre of the Czech National Bank not later than on the relevant due date, if the payment is made in the Czech Koruna or in a currency that replaces the Czech Koruna (provided that settlement in such currency is made through the clearing centre of the Czech National Bank).

Neither the Issuer nor the Fiscal and Paying Agent will be liable for any delay in the payment of any amount due caused by the Authorised Person, e.g. by its failure to deliver a proper Instruction in a timely manner. If any Authorised Person fails to deliver to the Fiscal and Paying Agent in time a proper Instruction under this Condition 7.5 of these Terms and Conditions, it will have no right to receive either from the Fiscal and Paying Agent or the Issuer any interest or any other payment on account of such delay if (i) the relevant amount has been remitted to the Authorised Person in accordance with a proper Instruction pursuant to this Condition 7.5 and (ii) such amount has been debited from the Fiscal and Paying Agent's account not later than ten Business Days following the day on which the Fiscal and Paying Agent received the proper Instruction.

Neither the Issuer nor the Fiscal and Paying Agent will be liable for any damage incurred by (i) the failure to deliver in time the proper Instruction or any other documents or information required to be delivered under this Condition 7.5, or (ii) such Instruction or any related document or information being incorrect, incomplete or untrue, or (iii) circumstances beyond the control of the Issuer or the Fiscal and Paying Agent. No Authorised Person will be entitled in any such event to receive any additional payment, other compensation or interest for any such delay in the relevant payment.

7.6 **Change in the Payment Method**

The Issuer and the Fiscal and Paying Agent are jointly entitled to elect to change the payment procedure. However, such change may not affect the position and interests of the Noteholders. The Noteholders will be notified of such change in the same manner as set out in Condition 14. If such change would affect the position and interests of the Noteholders, the Issuer will be obliged to promptly convene the Meeting (as defined in Condition 13) and request the Noteholders to provide their opinion on the Issuer's proposal for any amendment to these Terms and Conditions that requires the Noteholders' consent under applicable laws as set out in Condition 13.

8. **Taxation**

All payments of nominal and interest in respect of the Notes by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Czech Republic or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. The payment of nominal and interest in respect of the Notes may be subject to withholding of tax (including securing tax). Please see section *Taxation* of the Prospectus for further details. If any deduction or withholding is required at the time of such payment, the Issuer shall not be obligated to pay to the Noteholders any additional amounts.

9. **Early Redemption of the Notes upon the Occurrence of Events of Default**

9.1 **Events of Default**

If any of the following events occurs and is continuing (each an "**Event of Default**"):

(a) Payment Default

any payment with respect to the Notes is not paid in accordance with Condition 7 of these Terms and Conditions and the default remains unremedied for over 10 (ten) Business Days after the date on which the Issuer was informed of this fact in writing by any Noteholder by a letter delivered to the Issuer or to the address of the Specified Office; or

(b) Breach of Other Obligations

the Issuer breaches or fails to meet any of its material obligations (other than those set out in paragraph (a) above) in connection with the Notes under these Terms and Conditions, including any obligation set out in Condition 4 of these Terms and Conditions, and such breach of, or failure to meet, the obligation remains unremedied for over 30 (thirty) calendar days of the date on which the Issuer was informed of this fact in writing by any Noteholder by a letter delivered to the Issuer or to the Fiscal and Paying Agent to the address of the Specified Office; or

(c) Cross-default

(i) any payment obligation (other than trade payment obligations) of the Issuer, which in aggregate exceeds CZK 100,000,000 (one hundred million Czech Koruna) or its equivalent in any other currency is not paid by the Issuer when it comes due and remains unpaid after the expiry of any relevant grace period originally agreed; (ii) or any such payment obligation is declared due and payable before the original maturity date other than at the option of the Issuer, or (provided that there has been no event of default, however indicated) at the option of the creditor; or

(d) Illegality

obligations under the Notes cease to be fully or partially legally enforceable or become in breach of applicable laws, or for the Issuer it becomes illegal to meet any of its material obligations under these Terms and Conditions or under the Notes; or

(e) Bankruptcy, Liquidation, Insolvency, etc.

any of the below events occurs and continues for over 30 (thirty) Business Days: (i) the Issuer becomes insolvent, suspends payments under its payment obligations and/or, over a longer period of time, is unable to pay its payment obligations as they fall due, or (ii) an insolvency trustee or liquidator of the Issuer or of the whole or any part of the undertaking, assets and revenues of the Issuer is appointed, or (iii) the Issuer files an insolvency petition or applies for moratorium, or (iv) the Issuer is declared bankrupt or subject to imminent danger of bankruptcy by any court, or (v) insolvency petition is rejected by any court on the grounds of insufficiency of assets of the debtor, or (vi) the respective court renders a final decision or adopts a valid resolution on dissolution of the Issuer with liquidation, or (vii) any pledge or any other similar third-party right is enforced, which would restrict the right of the Issuer to its present or future assets or revenues, and which in aggregate exceeds CZK 100,000,000 (one hundred million Czech Koruna) or its equivalent in any other currency, or (viii) enforcement proceedings with respect to the assets of the Issuer are held to enforce a claim, which in aggregate exceeds CZK 100,000,000 (one hundred million Czech Koruna) or its equivalent in any other currency; or

(f) Delisting

the Notes cease, at the option of Issuer, to be admitted to trading on the regulated market; or

(g) Transformations

as a result of any transformation of the Issuer in which the Issuer participates (in particular a merger, consolidation, transfer of its assets to a shareholder, de-merger, or spin-off), payment obligations under the Notes pass to any entity that will not expressly assume (in a legally valid and enforceable manner) any and all payment obligations of the Issuer under the Notes, unless such assumption of payment obligations of the Issuer under the Notes occurs by operation of law (as to which effect of such a merger, consolidation or de-merger there is no reason to doubt); or

(h) Termination of Business Activities

the Issuer discontinues its business activities or ceases to hold a license to pursue its principal business activities;

then

any Noteholder, at their discretion, by a written notice addressed to the Issuer and delivered to the Fiscal and Paying Agent to the address of the Specified Office (the "**Early Redemption Notice**"), may request early redemption of the Notes held by such Noteholder which the Noteholder undertakes not to dispose of since that moment, plus any accrued and unpaid interest thereon pursuant to Condition 5.1 of these Terms and Conditions, as at the Early Redemption Date (as this term is defined below), and the Issuer is obliged to redeem such Notes (together with accrued and undistributed interest thereon) in accordance with Condition 9.2 of these Terms and Conditions.

9.2 **Maturity of Accelerated Notes**

Any and all amounts payable by the Issuer to any Noteholder according to foregoing Condition 9.1 of these Terms and Conditions will become due and payable as of the last Business Day of the month following the month in which the Noteholder delivered the relevant Early Redemption Notice for the Issuer to the Specified Office of the Fiscal and Paying Agent (the "**Early Redemption Date**"), unless the relevant event of default is remedied by the Issuer before the delivery of the Early Redemption Notice with respect to the relevant Notes or unless the Early Redemption Notice is withdrawn in accordance with Condition 9.3 of these Terms and Conditions.

9.3 **Withdrawal of Early Redemption Notice**

A Noteholder may withdraw, in writing, the Early Redemption Notice but only with respect to the Notes held by such Noteholder and only if such withdrawal is addressed to the Issuer and delivered to the Fiscal and Paying Agent at the address of the Specified Office before the relevant amounts become due and payable according to preceding Condition 9.2 of these Terms and Conditions. However, any such withdrawal of the Early Redemption Notice will not affect any Early Redemption Notices given by the other Noteholders.

9.4 **Other Conditions for Early Redemption of the Notes**

The provisions of Condition 7 of these Terms and Conditions will apply *mutatis mutandis* to the early redemption of the Notes pursuant to this Condition 9.

10. **Statute of Limitations**

All rights connected with the Notes will become statute-barred upon the expiration of ten years from the day when such rights could be exercised for the first time.

11. **Fiscal and Paying Agent**

11.1 **Fiscal and Paying Agent and Specified Office**

Komerční banka, a.s., will act as the Fiscal and Paying Agent. The Fiscal and Paying Agent's specified office and place of payment (the "**Specified Office**") will be at the following address:

Komerční banka, a.s.
Na Příkopě 33/969
114 07 Prague 1

11.2 **Additional and Other Fiscal and Paying Agent and Specified Office**

The Issuer reserves the right to appoint, at any time, an additional or other Fiscal and Paying Agent and to designate an additional or other Specified Office, or to appoint additional payment providers.

The Issuer will give a notice of such change in the Fiscal and Paying Agent or Specified Office and/or of the appointment of additional payment providers to the Noteholders in the manner set out in Condition 14 and any such change will become effective upon the expiration of 15 calendar days following the date of such notice unless a later effective date is specified in the notice. In any event, any such change that would otherwise become effective less than 30 calendar days before or after the Payment Date for any amount payable under the Notes will become effective on the 30th day following such Payment Date.

11.3 **Relationship between the Fiscal and Paying Agent and the Noteholders**

Unless provided otherwise by law or by the Fiscal and Paying Agency Agreement, the Fiscal and Paying Agent will act as an agent of the Issuer when performing its duties under the Fiscal and Paying Agency Agreement, providing no guarantee or security for the Issuer's liabilities under the Notes, and will be in no legal relationship with the Noteholders.

11.4 **Calculation Agent**

(a) Calculation Agent

Komerční banka, a.s. will be the Calculation Agent.

(b) Additional and other Calculation Agent

The Issuer reserves the right to appoint another or additional Calculation Agent, provided such change does not affect the Noteholders' status or interests. If a change of the Calculation Agent occurs, the Issuer will notify the Noteholders of such change in the manner set out in Condition 14 of these Terms and Conditions and any such change will become effective upon the expiration of 15 (fifteen) calendar days following the day of such notice unless a later effective date is set out in such notice. In any case, any change that would otherwise become effective less than 15 (fifteen) calendar days after the date when the Calculation Agent is required to make any calculation in connection with the Notes, such change will become effective on the 15th (fifteenth) calendar day following the date when the Calculation Agent was required to make such calculation.

(c) Relationship between the Calculation Agent and the Noteholders.

The Calculation Agent acts as the Issuer's agent and has no legal relationship with the Noteholders.

12. **Listing Agent**

(a) Listing Agent

Komerční banka, a.s. will be the Listing Agent.

(b) Additional and other Listing Agent

The Issuer reserves the right to appoint another or additional Listing Agent, provided such change does not affect the Noteholders' status or interests. If a change of the Listing Agent occurs, the Issuer will notify the Noteholders of such change in the manner set out in Condition 14 of these Terms and Conditions and any such change will become effective upon the expiration of 15 (fifteen) calendar days following the day of such notice unless a later effective date is set out in such notice.

(c) Relationship between the Listing Agent and the Noteholders

The Listing Agent acts as the Issuer's agent and has no legal relationship with the Noteholders

13. **Noteholders' Meeting**

13.1 **Authority and Convocation of the Meeting**

(a) **Right to Convene the Noteholders' Meeting**

The Issuer or any Noteholder(s) may convene a meeting of the Noteholders (the "**Meeting**") in accordance with these Terms and Conditions and applicable laws if so required to decide on common interests of the Noteholders. The costs of organising and convening the Meeting will be borne by the person who convened the Meeting, unless set out otherwise by law. The costs related to the attendance at the Meeting will be borne by each participant itself. If the convening person is one or more Noteholders, such person will be required, not later than on the date on which a notice of the Meeting is published (see Condition 13.1(c): (i) to deliver to the Fiscal and Paying Agent a request for procuring evidence of the number of all Notes within the Issue entitling the holder(s) to attend the Meeting convened by a Noteholder or the Noteholders, i.e. an extract from the register of the Issue (*in Czech: výpis emise*) maintained by the Central Depositary, and (ii) where relevant, to pay to the Fiscal and Paying Agent an advance to cover the costs associated with its services in relation to the Meeting. The due and timely delivery of the request under item (i) above and the payment of the advance for the costs referred to in item (ii) above are conditions for the valid convocation of the Meeting.

(b) **Meeting Convened by the Issuer**

The Issuer is obliged to promptly convene the Meeting and request the Noteholders to provide their opinion on the Issuer's proposal for any amendment to these Terms and Conditions that requires the Noteholders' consent under applicable laws (each from the events below individually as a "**Material Change**"):

(i) the Issuer's proposal for any amendment to these Terms and Conditions that requires the Noteholders' consent under applicable laws;

(ii) the Issuer’s proposal for its transformation;

(iii) the Issuer’s proposal for entering into an agreement on the sale of a business enterprise or any part thereof or the lease of a business enterprise or any part thereof, irrespective of which party the Issuer is, if the due and timely redemption of the Notes or the distribution of interest thereon may be jeopardised;

(iv) the Issuer’s default in the satisfaction of any rights attached to the Notes which continues for more than 7 (seven) calendar days following the day on which the relevant right could be exercised;

(v) the Issuer’s proposal for filing an application to withdraw the Notes from trading on the Prague Stock Exchange or other European regulated market; and

(vi) any other changes that might significantly impair the Issuer’s ability to discharge its payment liabilities under the Notes.

The Issuer may convene the Meeting to propose a collective action if it has knowledge that any Event of Default has occurred or may occur. This is without prejudice to the Noteholders’ right to request early redemption under Condition 9.1 (Events of Default).

(c) **Notice of the Meeting**

The Issuer is obliged to give notice of the Meeting in a manner set out in Condition 14 (Notices) not later than 15 calendar days prior to the date of the Meeting. If the Meeting is convened by any Noteholder (or the Noteholders), such Noteholder(s) will deliver a notice of the Meeting (containing all statutory elements) sufficiently in advance (at least 20 calendar days prior to the proposed date of the Meeting) to the Issuer at the address of the Specified Office. The Issuer will promptly ensure that such notice of the Meeting is published in the manner and within the time limit specified in the first sentence of this Condition 13.1(c) (however, the Issuer is responsible neither for the content of such notice nor for any delay or default in complying with any statutory time limits by a Noteholder who convened the Meeting). The notice of the Meeting must contain at least (i) the business name, identification number and registered office of the Issuer, (ii) the identification of the Notes, at least the Note title, the Issue Date and the ISIN (or other Note identifiers if no ISIN is available), (iii) the venue, date and time of the Meeting, provided that the date of the Meeting must fall on a date which is a Business Day, (iv) the agenda of the Meeting and, in the case of any proposed amendment(s) to these Terms and Conditions, the specification of the proposed amendment(s) and justification thereof, and (v) the day that is the record date for the attendance at the Meeting. The Meeting shall be authorised to decide on the proposed resolutions that have not been contained in the notice of the Meeting only in the presence of and with the consent of all Noteholders. If the reason for convocation of the Meeting is not continuing, the person, who convened the Meeting, will revoke the convocation of the Meeting in the same manner as convened.

13.2 **Persons Authorised to Attend and Vote at the Meeting**

(a) **Persons Authorised to Attend the Meeting**

A person entitled to attend and vote at the Meeting shall only be (i) the Noteholder recorded as a Noteholder in the register of the Issue maintained by the Central Depositary and in an extract from such Issue register at the close of the Meeting Attendance Record Date or (ii) a person who provides to the Issuer and the Fiscal and Paying Agent a certificate of the custodian in whose owner’s securities account with the Central Depositary the relevant number of the Notes was recorded as of the Meeting Attendance Record Date certifying that such person was a Noteholder as at the Meeting Attendance Record Date and that the Notes held by such person are registered in the securities account of the custodian by reason of their custodianship (the “**Person Authorised to Attend the Meeting**”). The certificate according to the preceding sentence must be in writing (with notarised signatures) and otherwise satisfactory in form and substance to the Fiscal and Paying Agent. In the case of the custodian being a legal entity, the

Fiscal and Paying Agent may, at its own discretion, require such certificate to be accompanied by an original or an officially certified copy of an extract from the commercial register or other respective register in respect of the custodian not older than three months prior to the date of the relevant Meeting. No transfers of the Notes made after the Meeting Attendance Record Date will be taken into account.

"**Meeting Attendance Record Date**" is a day falling seven calendar days prior to the date of the relevant Meeting.

(b) **Voting Rights**

Each Person Authorised to Attend the Meeting will have such number of votes out of the total number of votes that corresponds to the ratio between the nominal amount of the Notes held by such person on the Meeting Attendance Record Date to the total outstanding nominal amount of the Issue on the Meeting Attendance Record Date. No voting right will be attached to any Notes held by the Issuer or any of its Affiliates as of the Meeting Attendance Record Date that have not been cancelled by the Issuer within the meaning of Condition 6.5, and no such Notes will be taken into account when determining the presence of a quorum at the Meeting under Condition 13.3(a). If the Meeting decides on recalling a common proxy, the common proxy (if they are a Person Authorised to Attend the Meeting) may not exercise his/her/its voting right at such Meeting.

(c) **Attendance of the Meeting by Other Persons**

The Issuer is obliged to attend the Meeting, either in person or by proxy. Other persons entitled to attend the Meeting are Noteholders, proxies of the Noteholders, proxies of the Fiscal and Paying Agent, the common proxy of the Noteholders under Condition 13.3(c) (unless he is a Person Authorised to Attend the Meeting) and any guests invited by the Issuer and/or the Fiscal and Paying Agent.

A power of attorney granted by a Noteholder to any proxy must be in writing with a notarised signature of the Noteholder. In the case of a Noteholder being a legal entity, the Fiscal and Paying Agent may, at its own discretion, require from an individual entitled to represent such Noteholder at the Meeting on the basis of a power of attorney or otherwise an original or an officially certified copy of an extract from the commercial register or other respective register in respect of such Noteholder not older than three months prior to the date of the relevant Meeting.

13.3 **Course of the Meeting; Decision-Making**

(a) **Quorum**

The Meeting will constitute a quorum if attended by the Persons Authorised to Attend the Meeting, who were, as of the Meeting Attendance Record Date, owners of the Notes the nominal amount of which represents more than 30 per cent. of the aggregate nominal amount of the issued and outstanding Notes. If the Meeting decides on recalling a common proxy, any votes belonging to the common proxy (if he is a Person Authorised to Attend the Meeting) will not be included in the total number of votes. Before opening the Meeting the Issuer will inform the Meeting, either alone or through the Fiscal and Paying Agent, about the number of all the Notes in respect of which the Persons Authorised to Attend the Meeting are entitled to vote at the Meeting in accordance with these Terms and Conditions.

(b) **Chairman of the Meeting**

The Meeting convened by the Issuer will be chaired by a chairman appointed by the Issuer. The Meeting convened by a Noteholder or the Noteholders will be chaired by a chairman elected by a simple majority of votes of the attending Persons Authorised to Attend the Meeting. Until the chairman is elected, the Meeting will be chaired by a person appointed by the Noteholder(s) who convened the Meeting, and the election of the chairman must be the first item on the agenda of any Meeting not convened by the Issuer.

(c) **Common Proxy**

The Meeting may elect, by resolution, an individual or a legal entity to act as a common proxy. The common proxy is authorised under the law (i) to enforce, on behalf of all of the Noteholders, any rights associated with the Notes to the extent specified in a resolution adopted by the Meeting, (ii) to supervise the compliance with these Terms and Conditions by the Issuer, and (iii) to execute, on behalf of all of the Noteholders, any other acts or protect the Noteholders' interests in the manner and to the extent specified in a resolution adopted by the Meeting. The Meeting may recall the common proxy in the same way in which the common proxy was elected or replace him with a new common proxy. An agreement on appointment of the common proxy shall be publicly available on the Issuer's website specified under Condition 14.

(d) **Decision-Making at the Meeting**

The Meeting will decide on any issues on its agenda in the form of resolutions. Any resolution that (i) approves a proposal on any amendment to these Terms and Conditions that requires the Noteholders' consent under applicable law, or (ii) appoints or recalls a common proxy, will require the affirmative vote of at least three-quarters of the attending Persons Authorised to Attend the Meeting. Unless provided otherwise by law, any other resolutions will require a simple majority of votes of the attending Persons Authorised to Attend the Meeting in order to pass.

(e) **Adjourned Meeting**

If within one hour after the scheduled opening of the Meeting a quorum is not present, then such Meeting will be automatically dissolved without further notice.

If the Meeting convened by the Issuer which is to decide on amendments to the Terms and Conditions does not have a quorum within one hour after the scheduled opening of the Meeting, the Issuer will convene, if necessary, a substitute Meeting to be held not later than six weeks after the scheduled date of the original Meeting. The holding of a substitute Meeting with the unchanged agenda will be notified to the Noteholders not later than 15 calendar days after the scheduled date of the original Meeting. The substitute Meeting convened by the Issuer deciding on amendments to these Terms and Conditions will have no quorum irrespective of the conditions for quorum set out in Condition 13.3(a) above.

13.4 **Certain Additional Rights of the Noteholders**

(a) Consequence of Voting against Certain Resolutions of the Meeting

If the Meeting approved a Material Change in accordance with Condition 13.1(b) of these Terms and Conditions, the Person Authorised to Attend the Meeting who, according to the minutes of such Meeting, voted against a resolution adopted by the Meeting or failed to attend the Meeting (the "**Applicant**") may request the repayment of the nominal amount of the Notes, which such Noteholder owned as of the Meeting Attendance Record Date and which will not be disposed of since such time, together with the pro-rata interest accrued on such Notes in compliance with these Terms and Conditions. This right must be exercised by the Applicant within 30 (thirty) days of the publication date of such Meeting resolution according to Condition 13.5 of these Terms and Conditions by a written notice (the "**Application**") addressed to the Issuer and delivered to the Specified Office of the Fiscal and Paying Agent, failing which the right will terminate. The amounts referred to above will become due and payable within 30 days from the date the Application was delivered to the Fiscal and Paying Agent (the "**Early Redemption Date**").

(b) Resolution on Early Redemption of the Notes upon Noteholders' Request

If the Meeting agenda includes a Material Change under Condition 13.1(b) of these Terms and Conditions and the Meeting does not consent to such a Material Change, the Meeting may, even beyond the scope of the agenda, decide that if the Issuer proceeds in conflict with the resolution of the Meeting that disagreed with such a Material Change under Condition 13.1(b) of these

Terms and Conditions, the Issuer will be obliged to repay the nominal amount of the Notes and any pro-rata interest accrued thereon (if relevant) to any Noteholder who requests such early repayment (the "**Applicant**"). This right must be exercised by the Applicant by a written notice (the "**Application**") addressed to the Issuer and delivered to the Specified Office of the Fiscal and Paying Agent. The amounts referred to above will become due and payable within 30 days from the date the Application was delivered to the Fiscal and Paying Agent (the "**Early Redemption Date**").

(c) Requirements as to the Application

The Application will specify the number of Notes the redemption of which is claimed in compliance with this Condition. The Application must be in writing and signed by persons authorised to act on behalf of the Applicant, the authenticity of such signatures to be officially verified. Within the same time limit, the Applicant is obliged to deliver to the Specified Office of the Fiscal and Paying Agent all the documents required for making the payment under Condition 7 of these Terms and Conditions.

13.5 Minutes of the Meeting

Minutes of the business discussed and resolved at the Meeting will be taken by the person who convened the Meeting or by a person authorised by such person within 30 calendar days after the date of the Meeting. The minutes will contain the conclusions of the Meeting, including, without limitation, any resolutions adopted by such Meeting. If the Meeting is convened by a Noteholder or the Noteholders, the minutes of such Meeting must also be delivered to the Issuer at the Specified Office address not later than 30 calendar days after the date of the Meeting. The Issuer is obliged to keep the minutes of the Meeting until the rights under the Notes expire under the statute of limitations. The minutes of the Meeting will be available for inspection by the Noteholders at the Specified Office during regular office hours. The Issuer is obliged, in person or through its authorised person (especially the Fiscal and Paying Agent), to publish information on all resolutions adopted at the Meeting in the manner set out in Condition 14 not later than 30 calendar days after the date of the Meeting.

14. Notices

Any notice to the Noteholders will be valid and effective if published in the English language on the Issuer's website: www.czg.cz by selecting the following sections: *Investors*. If mandatory provisions of applicable laws or these Terms and Conditions determine any other method for publishing any of the notices given hereunder, such notice will be deemed to be validly published upon its publication in the manner prescribed by the relevant legislation. The date of such a notice shall be the date on which it was first published on the above Issuer's website.

15. Governing Law and Submission to Jurisdiction

15.1 Governing law

Any rights and obligations under the Notes will be governed by, and interpreted and construed in accordance with, the laws of the Czech Republic.

15.2 Submission to Jurisdiction

The Czech courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes (a "**Dispute**") and accordingly each of the Issuer and any Noteholders in relation to any Dispute submits to the exclusive jurisdiction of the Czech courts.

15.3 Language Versions

These Terms and Conditions may be translated into other languages. In the event of any inconsistencies between the various language versions, the English language version shall prevail.

16. **Definitions**

In these Terms and Conditions:

"**Business Day**" means any day (other than a Saturday, Sunday or a public holiday) on which banks in the Czech Republic are open for business, and on which foreign exchange transactions and interbank payments in the Czech Koruna, or in any other lawful currency of the Czech Republic that might replace the Czech Koruna, are settled.

"**Cash Funds and Equivalents**" means cash and deposits payable upon demand, along with short-term, highly liquid investments which may instantly be redeemed for a known volume of cash and whose exposure to the risk of a change of value is negligible.

"**Central Depositary**" means Centrální depozitář cenných papírů, a.s., a company with its registered office in Prague 1, Rybná 14, Postal Code: 110 05, Identification No. 250 81 489, registered with the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert No. 4308.

"**Commercial Instruments**" means any performance bonds, advance payment bonds, or documentary letters of credit issued with respect to indebtedness of the Issuer and/or its Subsidiaries arising in the ordinary course of business.

"**Consolidated Net Indebtedness Ratio**" means, as of the reference date, the ratio between (a) Net Indebtedness on such day, and (b) underlying EBITDA for the last complete Reference Period immediately preceding the reference date for which internal accounts are available.

In addition, the following arrangements shall apply for the purposes of calculating underlying EBITDA:

(a) acquisitions that have been made by the relevant person or any of its Subsidiaries, including acquisitions by way of merger or consolidation, or by any entity or any of its Subsidiaries acquired by the relevant person and including any related financing transactions and including increases in any ownership interest in the Subsidiaries, during or after the Reference Period and on or prior to the reference date (or that are to be made on the reference date), will be given pro forma effect (as determined in good faith by the responsible accounting or financial officer of the Issuer) as if they had occurred on the first day of the Reference Period;

(b) underlying EBITDA attributable to discontinued operations as determined in good faith by the responsible accounting or financial officer of the relevant officer in accordance with IFRS shall be excluded, including operations and businesses (and ownership interests in such businesses) disposed of prior to the reference date;

(c) any person which, as of the reference date, is a Subsidiary shall be considered as a Subsidiary for the entire Reference Period; and

(d) any person which, as of the reference date, is not a Subsidiary shall not be considered as a Subsidiary any time before the Reference Period.

For the purposes of calculating the "**Consolidated Net Indebtedness Ratio**" or any of its elements for a given period, the responsible accounting or financial officer of the relevant entity shall in good faith perform a pro forma calculation (including preliminary expenses and cost savings, as well as cost-cutting synergies, which (i) have already occurred or may be reasonably expected to occur (strictly with a view to savings and cost-cutting synergies attributable to the acquisition of another entity) within 12 months from the reference date; and (ii) are reasonably identifiable and factually provable, including (but not limited to) those which have come into existence as a consequence of any actions on the part of the Issuer or any of its Subsidiaries (in particular in relation to any scheme or program aimed at the reduction and saving of costs or in connection with any transaction, investment, acquisition, disposal, restructuring, reorganization) based on a good-faith decision by the CEO or CFO and/or an individual in a similar senior accounting role within the Issuer).

"**underlying EBITDA**" means underlying EBITDA from continued operations, calculated as:

(a) post tax profit;

(b) *minus* post tax profit from discontinued operations;

(c) *plus* income tax;

(d) *minus* other financial income;

(e) *plus* other financial expenses;

(f) *minus* interest income;

(g) *plus* interest expenses; and

(h) *plus* depreciation and amortisation.

"**Finance Lease**" means any lease agreement or hire purchase agreement which qualifies as a finance or capital lease under IFRS.

"**Group**" means, as at any reference date, the Issuer and all entities under the Issuer's control.

"**Group Company**" means, with respect to any person, any investment or entity (other than a Subsidiary of the relevant person) in which that person (directly or indirectly) holds a share, whereas the Joint Venture is not being considered a Group Company.

"**Material Subsidiary**" means any subsidiary of the Issuer whose contribution to underlying EBITDA as per the most recent consolidated financial statements exceeds 10 per cent.

"**Net Indebtedness**" means the total Indebtedness of all members of the Group on a consolidated basis as of the reference date, minus the total amount of the Cash Funds and Equivalents at that date, to the extent that it is not subject to other adjustments and deductions.

"**IFRS**" means the International Financial Reporting Standards in their current wording as adopted by the European Union, which shall be applied consistently throughout.

"**Indebtedness**" means with respect to any person as of any reference date (without double counting), the total outstanding amount of the principal, capital, or nominal value (including any fixed or minimum prepayment or redemption premium) of the debts of such person with respect to:

(a) cash borrowed and any negative balance on accounts kept with banks or other financial institutions;

(b) any acceptance under any acceptance credit or bill discounting facility (or dematerialized equivalent);

(c) any loan for the purpose of purchase of notes or issue of bonds (other than the Commercial Instruments), debentures, promissory notes, obligations, loan stock, or other similar securities;

(d) Finance Leases;

(e) receivables sold or discounted (other than any receivables sold on a non-recourse basis which meet the requirements for derecognition under the IFRS);

(f) any counter-indemnity obligation in respect of a guarantee, suretyship, stand-by, or documentary letter of credit or other instrument (other than the Commercial Instruments) issued by a bank or other financial institution in respect of (i) the underlying indebtedness of the given entity (other than the relevant person) which is covered by one or another of the other subsections of this definition; or (ii) indebtedness of the relevant person in connection with a retirement incentive plan;

(g) any amount raised by the issuance of shares which are redeemable (other than at the option of the issuer) or shares otherwise classified as borrowings under the IFRS;

(h) any part of indebtedness arising from in advanced entered payment agreement or deferred payment agreement if (i) they were arranged primarily as a method of raising funds or financing the acquisition or development of the given asset (property) or service; and (ii) the agreement in question concerns the delivery of assets (property) or services and payment is due more than 180 days after the agreed delivery date;

(i) any amount obtained under any other transaction (including any forward purchase or sale agreement, buy/sell-back transaction, or SLB) having the commercial effect of a borrowing or otherwise qualifying as a borrowing under IFRS; and

(j) any part of indebtedness (without double counting) arising from a guarantee or indemnity for any of the items laid out in paragraphs (a) through (i) above.

The term "**Indebtedness**" does not include any of the following:

(a) any lease of assets which would qualify as an operating lease under the IFRS (in the wording in force on the Issue Date) or any guarantee granted to the relevant person or its Subsidiary in the ordinary course of business and strictly in connection with and in relation to the indebtedness of the relevant person or its Subsidiary within the operating lease arrangement; whereas in the event of any amendment to the IFRS after the Issue Date, the CFO of the relevant person (or an individual in a similar senior accounting role with the relevant person) shall in good faith make a reasonable assessment and determination whether or not the given lease may be considered an operating lease under the IFRS in the wording applicable as of the Issue Date, in accordance with prior practice and applying the principles set out in the IFRS (as of the Issue Date);

(b) any pension debt;

(c) any indebtedness arising from the ordinary course of business;

(d) in connection with the purchase or sale of any enterprise by a relevant person or its Subsidiary: any post-settlement adjustments to which the seller may be entitled, to the extent to which the respective payment has been reflected in the closing balance sheet or is dependent on the performance of such enterprise after closing (settlement) of the transaction;

(e) for the avoidance of doubt: any indebtedness related to claims of staff for damages, or arising because of early retirement or early termination, indebtedness related to a pension fund or contributions to the same or similar claims, debts, or contributions, social security or wage tax payments; and

(f) borrowings made available by the Issuer or any of its Subsidiary to any Group Company with the expectation of future dividend distributions for the welfare of the Issuer or its Subsidiary within 12 months from making available said borrowings, provided that the Group Company has or will have disposable reserves in the form of profit earmarked for distribution, i.e. the funds needed to pay out future dividends for the relevant period.

"**Joint Venture**" means any joint commercial-law subject, be it a company, company without legal entity, enterprise, association, joint venture, partnership, or other entity.

"**Permitted Security Interest**" means a Security Interest:

(a) over shares, ownership interests or other direct equity stakes of the Issuer in any of its Subsidiary, created to secure any financing provided to any Subsidiary by any third party outside the Group; or

(b) encumbering the assets of the Issuer or any Subsidiary in connection with regular business activities of the Issuer or any Subsidiary, or in connection with regular banking operations of the Issuer or any Subsidiary, including, without limitation, any existing or future loans of the Issuer or any Subsidiary secured by a security assignment or by other similar operations; or

(c) encumbering the assets of the Issuer or any Subsidiary in connection with any security derivatives concluded by the Issuer or any Subsidiary in order to secure interest rate or foreign exchange rate fluctuations (for the avoidance of doubt, save for any security derivatives used for speculative purposes only); or

(d) arising from contractual arrangements of the Issuer or any Subsidiary existing as of the Issue Date, including any refinancing of such payment obligations secured by the Issuer; or

(e) established to secure any payment obligations of the Issuer or any Subsidiary arising in connection with Project Financing, provided that the assets or income over which such Security Interest have been created are (i) assets used or to be used in connection with the project to which the Project Financing relates, or (ii) income or receivables arising from operations, failure to meet the agreed parameters or other conditions of expropriation, sale, destruction or damage to such assets; or

(f) arising by operation of law or from a judicial or administrative decision.

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

"**Project Financing**" means an arrangement for the provision of funds that are to be mainly and predominantly used for the financing purposes of any purchase, building, extension or use of any property, and the provider providing such funds accepts that such funds would be repaid by the debtor from the income from the use, operation, compensation for destruction or damage to the financed property, and as of the date of the provision of such financing, the providers of such funds could reasonably assume that the principal and interest from the funds provided will be repaid by such project-related incomes.

"**Prospectus**" means the prospectus in respect of the Notes approved by the Czech National Bank.

"**Reference Period**" means the most recent two complete semi-annual fiscal periods for which relevant financial statements were compiled and made available.

"**Relevant Jurisdiction**" means the Czech Republic or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of nominal and/or interest on the Notes.

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

"**Subsidiary**" means at any particular time any other person (the "second person") in relation to any person (the "first person"),

(a) whose affairs and policies the first person controls or has the power to control, whether by way of ownership interest in the registered capital, agreement, the power to appoint or dismiss members of the governing body of the second person or otherwise; or

(b) whose financial statements are, in accordance with applicable laws and generally accepted accounting principles, consolidated with the first person using accounting method.

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The net proceeds from the issue of the Notes (i.e. after deduction of the expected commissions, fees and estimated expenses in the amount of CZK 31,000,000 or approximately CZK 38,500,000 in case of the maximum increase of the nominal value of the Issue) is expected to be approximately CZK 3,969,000,000 or approximately CZK 4,961,500,000 in case of the maximum increase of the nominal value of the Issue.

The Issuer intends to use the net proceeds for the following purposes and in the following order:

- approximately CZK 3,230,100,000 (equivalent to USD 150 million at an exchange rate of 21.534 CZK/USD as of 5 February 2021) to finance the acquisition of COLT; and
- the remaining balance of the net proceeds for capital expenditures, working capital and other general corporate purposes, including merger or acquisition opportunities.

SELECTED FINANCIAL INFORMATION

The following tables present selected historical consolidated financial information of the Group as of and for the nine months ended 30 September 2020 and 2019 and the years ended 31 December 2019 and 2018. The selected historical consolidated financial information of the Group as of and for the years ended 31 December 2019 and 2018 has been derived from the Audited Financial Statements incorporated by reference into this Prospectus. The information below should be read in conjunction with the information contained in "Presentation of Financial and Other Information" and the Audited Financial Statements incorporated by reference into this Prospectus.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the nine months ended 30 September		For the year ended 31 December	
	2020	**2019[(1)]**	**2019**	**2018[(1)]**
	(unaudited)		(audited)	
	(CZK thousands)			
Revenues from the sale of own products, goods and services	4,964,212	4,502,695	5,958,742	5,339,581
Other operating income	89,294	130,320	101,515	49,466
Changes in inventories of finished goods and works in progress	(135,590)	61,753	52,096	1,943
Own work capitalized	91,226	73,024	104,974	103,919
Raw materials and consumables used	(2,251,592)	(2,251,126)	(2,885,982)	(2,490,602)
Services	(693,888)	(648,770)	(820,386)	(814,033)
Personnel costs	(935,492)	(790,786)	(1,080,522)	(1,045,645)
Depreciation and amortization	(291,709)	(278,856)	(370,601)	(365,189)
Other operating expenses	(20,806)	(57,830)	(116,126)	(118,285)
Operating profit	**815,655**	**740,424**	**943,710**	**661,155**
Interest income	14,176	20,325	27,882	13,231
Interest expense	(81,011)	(64,733)	(85,842)	(47,246)
Other financial income	378,795	202,404	373,252	246,920
Other financial expenses	(544,480)	(190,261)	(346,569)	(159,659)
Share in the profit of associates	10,730	161	22	42
Profit before tax	**593,865**	**708,320**	**912,455**	**714,443**
Income tax	(116,350)	(152,056)	(178,336)	(145,837)
Profit for the period from continued operations	**477,515**	**556,264**	**734,119**	**568,606**
Post-tax profit from discontinued operations	**0**	**19,250**	**15,192**	**32,307**
Post-tax profit for the period	**477,515**	**575,514**	**749,311**	**600,913**
Items that may be subsequently reclassified to the statement of profit or loss				
Cash Flow Hedges – remeasure of effective portion of hedging	(100,225)	(99,229)	148,023	(403,353)
Foreign currency translation of foreign operations	(2,253)	24,867	(7,128)	18,290
Other comprehensive income	**(102,478)**	**(74,362)**	**140,895**	**(385,063)**
Comprehensive income for the period	**375,037**	**501,152**	**890,206**	**215,850**
Profit attributable to owner of the parent				
Profit for the period from continued operations	472,966	537,247	728,084	555,914

Profit for the period from discontinued operations	0	19,250	15,192	32,307
Profit for the period attributable to owner of the parent	472,966	556,497	743,276	588,221
Profit attributable to non-controlling interests				
Profit for the period from continued operations	4,549	19,017	6,035	12,692
Total comprehensive income for the period attributable to:				
Shareholder of the parent company	371,133	483,868	882,840	211,153
Non-controlling interests	3,904	17,284	7,366	4,697
Net earnings per share attributable to the owner of the parent company (CZK per share)				
Basic	16	19	25	20
Diluted	16	19	25	20

(1) All comparative amounts for the nine months ended 30 September 2019 and for the twelve months ended 31 December 2018 have been restated to reflect the reclassification of discontinued operations.

Consolidated Statement of Financial Position

	As of 30 September 2020	As of 31 December 2019	2018
	(unaudited)	(audited)	
		(CZK thousands)	
ASSETS			
Non-current assets			
Property, plant and equipment	1,999,477	1,994,748	2,108,476
Intangible assets	779,860	834,242	922,433
Long-term receivables	291,505	45,322	48,348
Equity-accounted securities and investments	100,372	17,160	644
Deferred tax asset	0	1,464	0
Goodwill	280,686	280,686	280,686
Total non-current assets	**3,451,900**	**3,173,622**	**3,360,587**
Current assets			
Inventories	1,714,758	1,747,427	1,772,415
Trade receivables	733,962	915,799	579,422
Current tax receivables	21,624	7,385	5,234
Other receivables	162,893	137,080	101,722
Financial derivatives	285,566	236,486	258,450
Cash and cash on bank accounts	1,166,354	805,503	1,345,628
Assets held for sale and for distribution to owners	0	525,273	62,296
Total current assets	**4,085,157**	**4,374,953**	**4,125,167**
Total assets	**7,537,057**	**7,548,575**	**7,485,754**
EQUITY AND PAYABLES			
Capital and funds			
Share capital	2,984	2,984	2,984
Capital funds	1,431,285	1,533,118	1,393,554
Accumulated profits	1,836,988	1,921,501	1,884,709
Equity attributable to the shareholder of the Issuer	**3,271,257**	**3,457,603**	**3,281,247**

Equity attributable to the shareholder of the Issuer	3,271,257	3,457,603	3,281,247
Non-controlling interests	1,822	11,358	28,128
Total equity	**3,273,079**	**3,468,961**	**3,309,375**
Non-current liabilities			
Bank loans and borrowings	2,252,645	2,252,688	2,253,987
Other payables		-	125,000
Lease payables	57,165	57,313	1,918
Deferred tax liability	223,877	248,033	254,752
Provisions	6,450	25,053	36,276
Other long-term payables	3,551	905	899
Total Non-current liabilities	**2,543,688**	**2,583,992**	**2,672,832**
Current liabilities			
Trade payables	463,179	284,906	323,711
Short-term bank loans and overdrafts	71,370	36,958	32,253
Lease payables	5,581	6,173	2,910
Provisions	60,984	45,837	37,061
Current tax payables	132,850	70,127	43,911
Other payables	311,495	394,387	431,206
Financial derivatives	674,831	339,252	570,199
Liabilities related to assets held for sale and for distribution to owners	0	317,982	62,296
Total Current liabilities	**1,720,290**	**1,495,622**	**1,503,547**
Total liabilities	**4,263,978**	**4,079,614**	**4,176,379**
Total liabilities and equity	**7,537,057**	**7,548,575**	**7,485,754**

Consolidated Cash Flow Statement

	For the nine months ended 30 September		**For the year ended 31 December**	
	2020	**2019**	**2019**	**2018**
	(unaudited)		(audited)	
	(CZK thousands)			
Cash flows from principal economic activity (operating activity)				
Profit from ordinary activity before tax	583,135	731,857	932,129	751,731
Adjustments for non-cash transactions	365,370	242,314	508,201	356,290
Depreciation/amortisation of non-current assets	291,709	314,332	412,904	406,689
Change in allowances and provisions	(101,664)	17,038	28,534	9,063
Loss from the sale of non-current assets	(389)	(405)	(3,688)	(437)
Interest expense and interest income	66,835	48,048	63,023	38,883
Adjustments for other non-cash operations (deficit and damage on assets an inventories, unrealised profits/losses, remeasurement of derivative transactions)	108,879	(136,699)	7,428	(97,908)
Net cash flow from operating activities before changes in working capital	948,505	**974,171**	**1,440,330**	**1,108,021**
Change in working capital	**393,535**	**(578,048)**	**(678,604)**	**40,160**
Change in receivables and deferred expenses/ accrued income	178,301	(168,795)	(454,246)	(76,283)
Change in payables and accrued expenses/ deferred income	(23,953)	(167,584)	(134,519)	152,669

Change in inventories	239,187	(241,669)	(89,839)	(36,226)
Cash generated by operations	**1,342,040**	**396,123**	**761,726**	**1,148,181**
Interest paid	(87,888)	(75,177)	(75,555)	(42,495)
Interest received	8,631	20,657	16,911	14,193
Income tax paid for ordinary activity	(169,474)	(160,177)	(197,966)	(190,826)
Net cash flow from operating activities	**1,093,309**	**181,426**	**505,116**	**929,053**
Cash flows from investing activities				
Acquisition of non-current assets	(213,932)	(144,426)	(274,356)	(396,666)
Income from the sale of non-current assets	867	405	4,488	11,034
Acquisition of subsidiaries	0	(164,293)	(164,293)	-
Income from the sale of subsidiaries	0	(1,114)	(1,114)	-
Acquisition of investment in an associate	(69,823)	0	-	-
Net cash flow from investing activities	**(282,888)**	**(309,428)**	**(435,275)**	**(385,632)**
Cash flows from financing activities				
Proceeds from issued bonds	-	0	-	750,000
Repayments of loans and borrowings	(250,054)	(216,500)	(216,500)	(39,180)
Proceeds from loans and borrowings	34,412	61,977	254,759	28,494
Changes in equity	*(332,267)*	*(537,997*	*(573,977)*	*(260,467)*
Dividends paid to shareholders	(328,218)	(560,000)	(560,000)	(255,000)
Dividends paid to non-controlling interests	(4,049)	(13,977)	(13,977)	(5,467)
Net cash flow from financing activities	**(547,909)**	**(728,500)**	**(535,718)**	**478,847**
Net change in cash and cash equivalents	**286,039**	**(850,083)**	**(465,313)**	**1,022,268**
Opening balance of cash and cash equivalents	**880,315**	**1,345,628**	**1,345,628**	**323,360**
Effects of exchange rate changes on cash and cash equivalents	23,527	6,419	564	-
Closing balance of cash and cash equivalents	**1,166,354**	**495,545**	**880,315**	**1,345,628**

Key Performance Indicators

This Prospectus contains certain financial measures that are not defined or recognized under IFRS and which are considered to be "alternative performance measures" as defined in the "ESMA Guidelines on Alternative Performance Measures" issued by the European Securities and Markets Authority on 5 October 2015 (the "**Alternative Performance Measures**"). This Prospectus presents the following Alternative Performance Measures defined in this Prospectus: underlying EBITDA from continued operations, underlying EBITDA margin from continued operations, net financial debt and net leverage ratio. The Issuer has included the Alternative Performance Measures in the Prospectus because they represent key measures used by management to evaluate the Group's operating performance. Further, management believes that the presentation of the Alternative Performance Measures is helpful to prospective investors because these and other similar measures and related ratios are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. Management also believes that the presentation of Alternative Performance Measures facilitates operating performance comparisons on a period-to-period basis to exclude the impact of items, which management does not consider being indicative of the Group's core operating performance.

The Alternative Performance Measures are not sourced directly from the Audited Financial Statements, but are derived from the financial information contained therein. These measures have not been audited or reviewed by an independent auditor. The Alternative Performance Measures are not defined in the IFRS and should neither be treated as metrics of financial performance or operating cash flows nor deemed an alternative to profit. Those performance measures should only be read as additional information to, and not as a substitute for or superior to, the financial information prepared in accordance with the IFRS as adopted by the EU. The Alternative Performance Measures should not be given more prominence than measures sourced directly from the Audited Financial Statements. The Alternative Performance Measures should be read in conjunction with the Audited Financial Statements. There are no generally accepted principles governing the calculation of the Alternative Performance Measures and the criteria upon which the Alternative Performance Measures are based can vary from company to company, limiting the usefulness of such measures as comparative measures. Even though the Alternative Performance Measures are used by management to assess the Group's financial results and these types of measures are commonly used by investors, they have important limitations as analytical tools and, by themselves, do not provide a sufficient basis to compare the Issuer's performance with that of other companies and should not be considered in isolation or as a substitute to the revenue, profit before tax or cash flows from operations calculated in accordance with IFRS for analysis of the Group's position or result. The Alternative Performance Measures have limitations as analytical tools, such as:

- they do not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Group's working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on the Group's debt;
- although depreciation and amortisation are non-monetary charges, the assets being depreciated and amortised will often need to be replaced in the future and the Alternative Performance Measures do not reflect any cash requirements that would be required for such replacements;
- some of the exceptional items the Issuer eliminates in calculating the Alternative Performance Measures reflect cash payments that were made, or will be made in the future; and

the fact that other companies in the Group's industry may calculate the Alternative Performance Measures differently than the Issuer does, which limits their usefulness as comparative measures.

	As of and for the nine months ended 30 September		**As of and for the year ended 31 December**	
	2020	**2019**	**2019**	**2018**
	(CZK thousands, unless otherwise indicated)			
Underlying EBITDA from continued operations	1,118,094	1,019,441	1,314,333	1,026,386
Underlying EBITDA margin from continued operations	22.52 per cent	22.64 per cent	22.1 per cent	19.2 per cent
Net income margin	9.6 per cent	12.4 per cent	12.3 per cent	10.6 per cent
Net financial debt at the end of the period	1,220,407	1,885,207	1,547,629	945,440
Net leverage ratio (x)	0.9x	n/a	1.2x	0.8x

Underlying EBITDA from continued operations

The Group calculates underlying EBITDA from continued operations based on the figures included in the Audited Financial Statements and the Unaudited Interim Financial Statements. Underlying EBITDA from continued operations is defined as post-tax profit for the period less post-tax profit from discontinued operations plus income tax less other financial income plus other financial expenses less interest income plus interest expenses plus depreciation and amortization.

Underlying EBITDA margin from continued operations

Underlying EBITDA margin from continued operations is defined as underlying EBITDA from continued operations as a percentage of revenues from the sale of own products, goods and services. Underlying EBITDA margin from continued operations allows for a comparison of one company's performance relative to others in its industry.

The following is a reconciliation of Post-tax profit for the period to underlying EBITDA from continued operations for the periods indicated.

	For the nine months ended 30 September		For the year ended 31 December	
	2020	**2019**	**2019**	**2018**
		(CZK thousands)		
Post-tax profit for the period ………………	**477,515**	**575,514**	**749,311**	**600,913**
Post-tax profit from discontinued operations ..	0	19,250	(15,192)	(32,307)
Profit for the period from continued operations …………………………………	**477,515**	**556,264**	**734,119**	**568,606**
Income tax …………………………………...	116,350	152,056	178,336	145,837
Interest income ………………………………	(14,176)	(20,325)	(27,882)	(13,231)
Interest expense ……………………………...	81,011	64,733	85,842	47,246
Depreciation and amortization ………………	291,709	278,856	370,601	365,189
Other financial income ………………………	(378,795)	(202,404)	(373,252)	(246,920)
Other financial expenses …………………….	544,480	190,261	346,569	159,659
Underlying EBITDA from continued operations ……………………………….…	**1,118,094**	**1,019,441**	**1,314,333**	**1,026,386**

Net income margin

Net income margin is defined as profit for the period from continued operations as a percentage of revenue from the sale of own products, goods and services, each as shown in the consolidated statement of profit or loss and other comprehensive income in the Audited Financial Statements and the Unaudited Interim Financial Statements. Net income margin is used in ratio analysis to determine the proportional profitability of a business.

Net financial debt at the end of the period

The Group defines net financial debt as long-term and short-term bank loans and borrowings and lease payables (non-current and current), less cash and cash equivalents as reported in the Audited Financial Statements and the Unaudited Interim Financial Statements. Net financial debt is used by the Group to assess its indebtedness to financial institutions, including banks, leasing companies and bond investors. The following table sets forth the Group's net financial debt for the periods indicated.

	As of 30 September 2020	As of 31 December	
		2019	**2018**
		(CZK thousands)	
Bank loans and borrowings	2,252,645	2,252,688	2,253,987
Short-term bank loans and overdrafts	71,370	36,958	32,253
Lease payables (current and non-current)	62,746	63,486	4,828
Less: Cash and cash equivalents	(1,166,354)	*(805,503)*	*(1,345,628)*
Net financial debt at the end of the period	**1,220,407**	**1,547,629**	**945,440**

Net leverage ratio

Net leverage ratio is defined as the ratio of net financial debt at the end of the period to underlying EBITDA from continued operations for the period, except that the net leverage ratio as of 30 September 2020 is calculated based on underlying EBITDA from continued operations for the twelve months ended 30 September 2020. Underlying EBITDA from continued operations for the twelve months ended 30 September 2020 is calculated as underlying EBITDA from continued operations for 2019 less underlying EBITDA from continued operations for the nine months ended 30 September 2019 plus underlying EBITDA from continued operations for the nine months ended 30 September 2020.

The terms underlying EBITDA from continued operations, underlying EBITDA margin from continued operations, Net income margin, Net financial debt at the end of the period and Net leverage ratio do not represent the terms of the same or similar names as may be defined by any documentation for any financial liabilities of the Group.

THE GROUP'S BUSINESS

Overview

The Group's management believes the Group is one of the leading European producers of firearms for military and law enforcement, personal defence, hunting, sport shooting and other civilian use. It markets and sells its products under the CZ (Česká zbrojovka), CZ-USA, Dan Wesson, Brno Rifles and 4M SYSTEMS brands. The Group is headquartered in the Czech Republic and has production facilities in the Czech Republic and the United States. It has over 80 years of history. The Issuer is the holding company of the Group.

In 2019, the Group generated CZK 6.0 billion of revenues and CZK 1.3 billion of underlying EBITDA from continued operations. In 2019, 22.9 per cent. of revenues were generated in the Czech Republic, 50.7 per cent. in the United States and 14.0 per cent. in Europe (excluding the Czech Republic). In 2019, the Group sold 374,276 firearms to customers in 90 countries on six continents. In 2019, the Group had an average recalculated headcount of 1,619, based in the Czech Republic and the United States. In the nine months ended 30 September 2020, the Group generated CZK 5.0 billion of revenues and CZK 1.1 billion of underlying EBITDA from continued operations. In the nine months ended 30 September 2020, 4.4 per cent. of revenues were generated in the Czech Republic, 70.0 per cent. in the United States and 12.1 per cent. in Europe (excluding the Czech Republic). In the nine months ended 30 September 2020, the Group sold 337 thousand firearms to customers in more than 90 countries on six continents. In the nine months ended 30 September 2020, the Group had an average recalculated headcount of 1,625, based in the Czech Republic, the United States and Germany.

The design, production, assembly and sale of firearms and tactical accessories are reported in the Group's production, purchase and sale of firearms and accessories segment (the "**Firearms and Accessories Segment**"). The Group's other revenues and expenses from transactions that are not reported as part of the Firearms and Accessories Segment, such as revenues from temporary non-firearm production using the Group's excess production capacities from time to time, are reported in its other segment (the "**Other Segment**"). In 2019, the Group's shareholder decided to spin-off all of the Group's assets related to the production of automotive and aviation components (the "**Automotive and Aviation Business**"), other than certain buildings, to CZ-AUTO SYSTEMS a.s., a newly established entity controlled directly by the Major Shareholder. The spin-off was registered in the Commercial Register on 31 March 2020, while the effective date of the spin-off for financial and accounting purposes was 2 January 2020. As a result of the decision, the Automotive and Aviation Business was classified as discontinued operations in the Issuer's condensed consolidated statement of profit or loss and other comprehensive income for the nine months ended 30 September 2019, being part of the Unaudited Interim Financial Statements, restated for the reclassification of discontinued operations and as discontinued operations in the Issuer's consolidated statement of profit or loss and other comprehensive income for 2019, with comparative amounts for the year 2018, being part of the Audited Financial Statements, restated for the reclassification of discontinued operations. In the Issuer's consolidated statement of financial position as of 31 December 2019, being part of the Audited Financial Statements, and the Issuer's consolidated statement of financial position as of 30 September 2019, being part of the Unaudited Interim Financial Statements, the assets and liabilities of the Automotive and Aviation Business are shown as assets and liabilities held for sale for distribution to owners, respectively. The cash flow statements for the nine months ended 30 September 2019 and the years ended 31 December 2019 and 2018 include the cash flows for both continued and discontinued operations.

The table below sets forth a breakdown of the Group's revenues by regions for the periods indicated.

	For the nine months ended 30 September		**For the year ended 31 December**	
	2020	**2019[(1)]**	**2019**	**2018[(1)]**
	(unaudited)		(audited)	
	(CZK thousands)			
Czech Republic ……………………………...	219,056	953,608	1,366,980	1,093,615
United States …………………………….......	3,470,749	2,335,462	3,018,113	2,830,049
Europe (excl. the Czech Republic) ………….	602,630	705,657	832,787	750,333
Africa ……………………………..................	217,511	74,411	132,712	137,929
Asia ……………………………....................	306,174	182,784	312,833	253,081
Other …………………………...…………	148,092	250,773	295,317	274,574
Total ……………………………………...	**4,964,212**	**4,502,695**	**5,958,742**	**5,339,581**

(1) All comparative amounts for the nine months ended 30 September 2019 and for the twelve months ended 31 December 2018 have been restated to reflect the reclassification of discontinued operations.

General information

The Issuer was incorporated in the Czech Republic on 10 January 2013 and is registered in the Commercial Register maintained by the Municipal Court in Prague, Section H 962, with company identification number 291 51 961. The Issuer is a European Company (*Societas Europaea*) governed by (i) the laws of the Czech Republic and EU laws applicable to commercial companies in the Czech Republic, in particular Act No. 90/2012 Coll., on Business Corporations ("**Czech Corporations Act**"), Czech Act no. 627/2004 Coll., on the European company, and Council Regulation (EC). No 2157/2001 of 8 October 2001 on the Statute for a European company (SE), and (ii) specific provisions of Czech and EU law in relation to manufacturing and trading activities relating to firearms as described in further detail in "*-Firearms Regulation*" below, including the Czech Weapons Act. The registered office of the Issuer is Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic. The Issuer's telephone number is +420 222 814 617 and its website is www.czg.cz. The Issuer's website does not form part of this Prospectus unless that information is incorporated by reference into this Prospectus.

As of the date of this Prospectus, the Issuer's share capital was CZK 3,263,800 and was fully paid up. It was divided into 32,638,000 ordinary registered book-entry shares with nominal value of CZK 0.10 each. According to article 2 of the Issuer's articles of association (the "**Articles of Association** "), the scope of business of the Issuer includes: a) management of its own assets; b) manufacturing, trade and services other than those listed in Annex 1 through 3 of the Act No. 455/1991 Coll., on trade licensing, as amended (the "**Trade Licensing Act**"); and c) accounting consulting, bookkeeping, tax accounting.

Strengths

Well-established manufacturer of high quality firearms with recognized brands

The Group markets and sells its firearms under the CZ (Česká zbrojovka), CZ-USA, Dan Wesson and Brno Rifles brands. The Group believes that its brands are globally recognized among firearms customers and valued especially for good craftsmanship, which is backed by the Group's more than 80 years of experience in the firearms business and the iconic status of some of its products. For example, in 2019, the CZ P-10S Optics Ready line was awarded On Target Magazine Editor's Choice Award (*Source*: On Target Magazine) and Gun News Daily ranked the CZ 75 pistol third among the ten best handguns for home defence and among the most reasonably priced (*Source*: Guns News Daily: 10 Best Handguns). Gun News Daily also described the CZ 75 to be the world's most copied pistol and the archetypal example of a "Wonder Nine" pistol, which are nine millimetre semi-automatic handguns with a double stack high-capacity magazine and all steel frame (*Source*: Guns News Daily: Most Copied). In 2018, the CZ Scorpion EVO 3 S1 was awarded Editor's Choice for Best Pistol-Caliber Carbine by Ballistic's Best magazine (*Source*: Ballistic's Best) and, in 2017, it was awarded TTAG's Editor's Choice Award for best new firearm of 2015 (*Source*: TTAG). The Group has sold over one million CZ 75 pistols and the CZ P-10 C was awarded the "Handgun of the Year 2017" award by the prestigious American magazine Guns & Ammo. The Group's firearms are also used by numerous military and law enforcement customers, such as armed forces in the Czech Republic, Hungary, Poland, Slovakia, Portugal, Romania, Jordan and Serbia; police and border units in the Czech Republic, Colombia, Kenya, Indonesia, Malaysia, Mexico, Poland, Romania, Malaysia, Slovakia, Slovenia, Singapore, Uzbekistan, and Vietnam; and France's counterterror special force, the Groupe d'intervention de la Gendarmerie nationale.

The Group's cash capital expenditures were CZK 282 million in the nine months ended 30 September 2020, CZK 435 million in 2019 and CZK 385 million in 2018. These capital expenditures were primarily related to improvements in the Group's production machinery. The Group believes providing superior product quality to its customers is the key to the Group's business model and paramount to its success, as the firepower, safety and readiness of the Group's firearms are mission-critical for the Group's customers. A holistic quality management system in the Group's production facilities ensures compliance with the Group's high quality standards and, without exception, each of Group's firearms must pass functional tests and quality checks prior its delivery to a customer.

The Group's commitment to the highest industry quality standards and technological prowess are also underlined by successes of the Group's products in expert shooting events. For example, in October 2019, David Miller and a CZ-USA team of five shooters set a new Guinness World Record of 14,167 sporting clays shot by a team of five in 12 hours. They used the CZ 1012 shotgun, which uses the energy of recoil to eject the spent shell and load the next round and was proved by being put through the wringer of firing over 5,000 rounds without any cleaning or lubrication. In addition, according to the NRA's Shooting Sports USA publication, the Group's CZ Shadow 2 was the most popular handgun in the production division at the 2018 USPSA National Championships, and was used by 48 per cent. of participants, while the closest competitor-produced weapon was chosen by only 20 per cent. of participants in the production division.

In addition, in 2019, the Group was selected to represent the Czech Republic in the European Defence Agency's (the "**EDA**") project titled Additive Manufacturing of Metallic Auxetic Structures and Materials for Lightweight Armour ("**AMALIA**"). The Group supports AMALIA's aim to enhance the performance of the EU ballistic and blast protections by providing R&D support and manufacturing samples.

Technological leader in designing innovative products supported by continuous investment and R&D spend

The Group's R&D and ability to innovate are crucial to its business, as the Group's customers, particularly military and law enforcement customers, demand innovative, reliable and state of the art products. The Group's technology leadership is also one of its key competitive advantages, and the Group's product innovations have formed the backbone of its success. The Group's substantial financial and human capital investments into R&D activities enabled the Group to substantially shorten its innovation cycle and offer products that are technological and functional class leaders (see examples above in "*—Well-established manufacturer of high quality firearms with recognized brands*") in their respective categories faster than would have been possible a decade ago. The Group spent an average of 1.92 per cent. of its revenue on R&D over the last three years. Most of the Group's product portfolio was introduced less than five years ago, three generations of assault rifles were introduced in the last 10 years and 73.4 per cent. of the Group's revenue in 2018 was generated by products introduced in 2015 or later. The Group also plans to launch new generations of products, including the CZ Scorpion EVO 4 submachine gun, the BREN HPR military assault rifle, the CZ P-11 hammer fired pistol and a new sport shooting centrefire rifle and has dozens of new products and product innovations in its R&D pipeline. In addition, the Group acquired a 33 per cent. shareholding in CARDAM s.r.o. **("CARDAM")** to further strengthen its production and product spectrum and to expand its technological expertise. CARDAM is a strategic investment, established together with the Czech Academy of Science in 2016, to comprehensively support the Group's R&D infrastructure. CARDAM provides complete engineering solutions for product development, new materials and surface treatment applications, and advanced manufacturing processes, with a focus on additive technologies.

As of 30 September 2020, the Group's R&D team consisted of an average recalculated headcount of 85, including product designers, mathematical analysts, material specialists, advanced chief designers and project leaders, who utilize not only their know-how and knowledge, but also state-of-the-art R&D methods, laboratory equipment and resources to develop new firearms, new customer product customizations and applications, technologies, processes and methods for market-driven solutions. The Group also performs quality-related work in-house, which is designed to ensure that the Group's products maintain a consistently high quality standard. The Group's R&D efforts also benefit from the favourable political and social view of the defence industry and the production of firearms in the Czech Republic, where the Group's headquarters and its key production facility are based. The Group is a member of the Czech Defence and Security Industry Association, an umbrella association for companies from the military and security equipment segment. The Group also supports and houses the SŠ-COPT Uherský Brod secondary school on site and provides vocational training on site, which also helps the Group to attract talent. Precision engineering and craftsmanship have a longstanding tradition in the Czech Republic, which is home to over 10 technical universities and one of the few secondary schools for gunsmiths and engravers in continental Europe, and 29 of the Czech Top 100 companies are in the manufacturing segment (*Source*: Czech Top 100). The Czech Republic spent 1.93 per cent. of its GDP in 2018 on R&D, the second highest amount in the Central and Eastern European region, according to the OECD.

The Group designs and manufactures its firearms predominantly in-house and also in cooperation with, primarily, its military and law enforcement customers. For example, the Group developed both generations of the assault rifles CZ 805 BREN and CZ BREN 2 in cooperation with the Czech Army and a modified CZ BREN 2 in cooperation with the *Groupe d'intervention de la Gendarmerie nationale*, one of France's premier counterterror special forces. This provides the Group with deep insight into customers' requirements and preferences. The Group's strong R&D roots and culture enable the Group to quickly react to new trends in the firearms industry, such as the trend towards polymer frame pistols, as well as give the Group the ability to customize its products for the most sophisticated customers, in particular for military and law enforcement customers. The Group utilizes new technologies and materials such as polymers and composites, mathematical simulations and algorithm development, moreover, "Industry 4.0," which is a concept built around the idea of cyber-physical systems, combining mechatronic systems and digital services, and including, robotics and automations, digital design and production management, digitalization and high-precision manufacturing processes, such as steel, aluminium and alloy metalwork.

The Group's technological leadership is demonstrated by the significant numbers of competitive sports shooters that use the Group's firearms to win awards. Among these is Eric Grauffel, who holds seven overall IPSC World Champion titles and eight European Champion titles, including the 2019 European Champions title, and Maria Guschina, who holds three overall IPSC World Champion titles.

Global player offering complete solutions to diverse customer base

The Group's broad portfolio of handguns, long guns and tactical accessories, such as ballistic vests, grenades and ammunition, enables it to serve a broad variety of firearm users, from civilians purchasing firearms for personal defence, hunting, sport shooting and other civilian uses, to federal, state or local governments and agencies, including military and law enforcement units. The Group produces a wide range of firearms, including dozens of models, in three main categories for the civilian market: (i) pistols (including, steel frame pistols and polymer frame pistols which can be further split into hammer fired and striker fired pistols), (ii) revolvers and (iii) hunting guns (which can be split into three categories: centrefire rifles, rim fire rifles and shotguns) and five main categories for the military and law enforcement market: (a) pistols, (b) submachine guns, (c) assault rifles, (d) sniper rifles and (e) grenade launchers. Moreover, the firearms the Group produces for the military and law enforcement market are available in semi-automatic versions for the civilian market.

The Group is able to meet a variety of customer requirements through a wide range of products and product customization options. For example, in order to further expand its reach to even the most demanding of civilian customers, the Group recently launched an online firearm configurator, which allows customers to customize some of the Group's products. The online firearm configurator was initially available only in the Czech Republic and included the CZ P-10 pistol, the CZ Scorpion EVO 3 submachine gun in a semi-automatic version and the CZ 457 rim fire rifle. However, based on positive customer feedback and requests for additional products, the Group intends to include additional products in the online firearm configurator and also make it available to civilian customers in other Key Markets and has already expanded it to Slovakia and Poland. The Group also intends to evaluate potential applications of the on-line firearm configurator for military and law enforcement customers.

The Group has expanded into more than 90 markets globally. In 2019, the Group generated CZK 6.0 billion of revenues, of which 50.7 per cent. was generated in the United States, 22.9 per cent. in the Czech Republic and 14.0 per cent. in Europe (excluding the Czech Republic), and CZK 1.3 billion of underlying EBITDA from continued operations. In 2019, the Group sold 374,276 firearms to customers in 90 countries on six continents. In the nine months ended 30 September 2020, the Group generated CZK 5.0 billion of revenues, of which 4.4 per cent. were generated in the Czech Republic, 70.0 per cent. in the United States and 12.1 per cent. in Europe (excluding the Czech Republic). In the nine months ended 30 September 2020, the Group sold 337 thousand firearms to customers in more than 90 countries on six continents. In their respective 2019 financial years, the Group's peers Savage Arms Inc. (Vista Outdoor Inc. divested its firearms business (Savage Arms, Inc.) on 5 July 2019; it continues to produce ammunition in its shooting sports segment; figure shown here is for Vista Outdoor Inc.), Sturm, Ruger & Company, Inc., Smith & Wesson Brands, Inc. and Heckler & Koch AG, generated approximately 82.8 per cent, 95.0 per cent, 95.0 per cent. and 25.1 per cent, respectively, of their revenues in the United States. The Group ranks among the largest exporters in the Czech Republic based on the Economic Chamber of the Czech Republic's Exporter of the Year ranking, in the category "volume of exports" the Group ranked 22nd in 2019 and 26th in 2018.

With its main production facility located in the Czech Republic, the Group also benefits from the relatively low production costs in the country, which allows the Group to offer an attractive value proposition. The Group's sales efforts also benefit from its non-U.S. customer base. Imports and exports of defence articles and services to and from the United States and U.S. persons are subject to the U.S. International Traffic in Arms Regulations ("**ITAR**") and the U.S. Export Administration Regulations (the "**EAR**"), which restrict and control the flow of defence and military-related items and services, including firearms, from, and through the United States and U.S. persons. The Group's sales that do not involve the flow of defence articles, other military-related items, and services to or from the U.S. or U.S. persons, directly or indirectly, are not subject to the ITAR or the EAR (see "*Regulatory Overview— U.S. Firearms Regulation*". Accordingly, the Group's non-U.S. activities provide the Group a competitive advantage over its U.S.-based competitors because the Group can serve military and law enforcement customers that exclude from their tender processes any products and producers which are subject to the ITAR or the EAR (for example recent tenders in Germany and France). The Group's management believes these factors form a solid foundation for the Group's further growth.

Track record of growth and profitability and sound financial profile

The Group has a proven track record of strong financial results in terms of growth and profitability. The Group has demonstrated consistently above-market growth and consistent profit expansion, driven especially by growth in product sales, geographic expansion, particularly in the U.S., operational efficiency initiatives and optimisation of asset utilisation.

The Group's revenues have consistently increased year on year, from CZK 5.3 billion in 2018 to CZK 6.0 billion in 2019. The Group's revenue growth translated into high profit margins. The Group's underlying EBITDA from continued operations increased from CZK 1,026.4 million in 2018 to CZK 1,314.3 million in 2019.

With its main production facility located in the Czech Republic, the Group benefits from the relatively high real labour productivity growth and relatively low cost of labour in the country when compared to the rest of the EU (including the UK). According to Eurostat Labour, real labour productivity growth from 2015 to 2019 was 8.7 per cent. in the Czech Republic compared to 2.9 per cent. for the EU (28 members), 2.8 per cent. in Austria, 0.4 per cent. in Belgium, 1.8 per cent. in Germany and 0.1 per cent. in Italy and the average compensation of employees per hour worked in the Czech Republic is 48.1 per cent. of the EU average level, 36.9 per cent. of the Austrian level, 29.3 per cent. of the Belgian level, 34.7 per cent. of the German level and 50.0 per cent. of the Italian level (*Source:* Eurostat Labour).

The Group also has a relatively low level of financial leverage. The Group's net leverage ratio, defined as the ratio of net financial debt to underlying EBITDA from continued operations for the last twelve months, was 0.9x as of 30 September 2020 and 1.2x as of 31 December 2019, compared to 0.8x as of 31 December 2018. Well capitalised and liquid Czech banking and financial markets provide the Group with financial flexibility to finance organic growth initiatives (capital expenditures) and potential acquisitions. The favourable political and social view of the defence industry and the production of firearms in the Czech Republic allows the Group to access external funding sources, including state export financing agencies, for financing potential projects with military and law enforcement customers outside the Czech Republic.

Experienced management team and supportive, stable shareholders

The Group has a dedicated management team with extensive experience in the firearms industry, high employee loyalty and a demonstrated history of enhancing efficiency and driving growth. The Group's management team members have diverse backgrounds and combined firearms and military and law enforcement experience. The Group believes that its management team has accumulated significant experience in the firearms industry. For example, Lubomír Kovařík, who began his career as a pilot in the Army of the Czech Republic, has worked in the Group since 2006, Alice Poluchová has over 20 years of experience in the U.S. firearms market and David Aguilar served as the Acting Commissioner of U.S. Customs and Border Protection, the highest-ranking career officer in the U.S.'s largest federal law enforcement organization. The Group's management team's achievements include the Group's revenue momentum from 2017 to 2019, in particular due to the growth in the number of firearms sold by the Group. As a result of the long-term experience and know-how of the Group's workforce and managers, the Group is able to promptly respond to each customer's unique requirements for its firearms.

The Group's main production facility in Uherský Brod, a town of approximately 16,500 inhabitants, is situated in a rural region with a moderate cost of living, a skilled workforce at affordable wages and, most importantly, a long tradition of firearms manufacture and metal craftsmanship in general. The Group is the biggest employer in Uherský Brod and plays an important role in the region's industry. The Group believes that the combination of these favourable factors has enabled the Group to attract and retain a loyal and productive workforce. In 2019, the Group had an average recalculated headcount of 1,619, of which 1,453 were located in Uherský Brod. The average employee churn rate (defined as the number of employees who left of own their own initiative, by mutual agreement or by resignation as a percentage of the total number of employees) at the Group's main production facility in Uherský Brod was 3.9 per cent. in 2019. In the nine months ended 30 September 2020, the Group had an average recalculated headcount of 1,647, of which 1,450 were located in Uherský Brod.

The Group's well-defined ownership structure enables it to align investors' interests with those of its management. The Group also benefits from its long-standing supportive majority owner, Mr. Holeček. The modern Group is a personal achievement of Mr. Holeček and the other co-owners and managers. Mr. Holeček's support has enabled the Group to pursue longer-term strategies aimed at steady, stable and maintainable growth and to see them through to fruition. It is the Group's understanding that Mr. Holeček does not intend to dilute his share below 50 per cent. in the foreseeable future. In addition, Lubomír Kovařík and Jan Drahota are minority shareholders in the Major Shareholder. The Group is also in the process of evaluating the implementation of an employee shareholding program to further align the interests of the Group's management and employees with investors' interests. In addition, the Group has established international market standard corporate governance structures to align all stakeholders' interests.

Strategy

The Group believes that it can execute a mixed growth strategy, combining external growth driven by potential acquisitions, including the ongoing acquisition of COLT, and organic growth driven by internal resources and the currently postponed Little Rock Project.

Penetration of military and law enforcement markets

Currently, the group generates most of revenues from sales to the civilian market. The Group intends to focus on increasing its penetration of military and law enforcement markets particularly in Western Europe, the United States and select markets in Asia. The Group's management believes the military and law enforcement market offers greater growth opportunities than the civilian market due to the current political and security situation and the rather long investment gap in most developed countries. The Group also believes that increased sales to military and law enforcement customers will enhance the Group's brand recognition generally, supporting the Group's aim of positioning its products as premium brands.

The Group believes that it is well positioned to further penetrate the military and law enforcement market. The Group can capitalize on its experience gained from supplying firearms to military and law enforcement customers for many years and can offer full firearm and ammunition solutions to existing and new military and law enforcement customers. In addition, it is critical to obtain the appropriate export licenses in order to be able to export firearms and the Group has a successful track record of obtaining the necessary approvals for export from the EU.

The Group has been upgrading its product offering to include all relevant types of handguns (mainly pistols), submachine guns and advanced assault rifles, including the addition of the CZ 457 rim fire rifle series, the CZ 455 Mini Sniper rim fire rifle, the CZ Shadow 2 Orange sport special pistol and three new models to the CZ P-10 polymer frame pistol series in 2019 and 2020. Also, the Group intends to intensify its firearms and accessories sales and marketing efforts in order to penetrate the military and law enforcement market, including through presentations and testing events for military and law enforcement customers. The Group has also strengthened its footprint in Germany and Western Europe with new senior sales roles hires and the Group's P-10 handgun is undergoing testing to be certified for use by German law enforcement. In order to increase its success rate in reaching and concluding agreements with various military and law enforcement customers, CZUB set up a tender support department that specifically monitors and assesses various opportunities within this market. In order to increase the Group's penetration of the market, the Group also actively seeks, selects and cooperates with external governmental agencies, partners and experts, such as various supply and procurement agencies and hires experienced experts with military background and a long-term experience within the defence industry. These individuals actively seek new opportunities as well as provide feedback to the research and development teams assuring the Group maintains a highly competitive product portfolio.

Growth through opportunistic acquisitions

In order to fulfil the Group's vision, the Group continuously monitors and evaluates opportunities for growth through opportunistic acquisitions. The Group is primarily looking at acquisition opportunities among its competitors in the firearms production industry, particularly those with significant sales to, and a proven track record with, military and law enforcement customers in order to help the Group penetrate that market further. In addition, in anticipation of potential changes in the needs and preferences of military and law enforcement customers, which could result in the digitalization of small firearms, and further integration of optics and optoelectronics, the Group is focusing on acquisition opportunities among optics and optoelectronics producers and designers. The Group may also consider the acquisition of ammunition producers and designers that would be complementary to the Group's firearms products due to the importance of seamless functioning of the Group's products with the relevant ammunition and the increasing demand of military and law enforcement customers for ammunition with more impact. The Group considers the ideal enterprise value of potential acquisition targets to be in the area of EUR 50 to 300 million. However, the enterprise value of the potential acquisition target is highly dependent on the relevant market in which it operates and its position in such market.

On 11 February 2021, the Group entered into the COLT Acquisition Agreement (see "- *Material Contracts - COLT Acquisition Agreement*" below for more information). Through this acquisition, the Group plans to establish a substantial production presence in the United States and acquire COLT's strong customer base. See also "*Risk Factors - The Group's ongoing acquisition of COLT may involve additional risks, increased costs and may not be successful*" and "*– Recent Developments - Acquisition of COLT*" below for more information.

In order to be able to execute the Group's acquisition strategy in a transparent manner and in line with the interests of all stakeholders, the Group has decided to create an acquisition committee, which will help the Group to ensure a disciplined approach to M&A activity.

Generate growth by expanding its presence in the U.S. and the EU

The Group has expanded into more than 90 markets globally and continues to expand its presence in growth markets, particularly in the U.S. The especially dynamic trends in the U.S. in recent years underscore the importance of further expanding not only the Group's production capabilities, but also its degree of localization. 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 types of firearms it offers, including modifications and upgrades to the current product mix. The Group intends to continue upgrading its existing production facilities in the Czech Republic to stimulate the organic growth of the Group and to enhance its production efficiency and optimize inventory management and order fulfilment.

The Group has also decided to strategically expand its production capacities in the United States by constructing a new production facility in Little Rock, Arkansas, which will potentially serve as the Group's North American headquarters and second major production facility, in addition to its existing main facility in Uherský Brod (see "*The Group's Business—Facilities and Production—United States—Little Rock Project*"). The Group believes that the new production facility in Little Rock will help the Group to better serve the U.S. market, the largest and most important small arms market globally, to compete in more tender processes with U.S. law enforcement and military customers as its products will be eligible for consideration under the Buy American Laws, and thereby further strengthen its brand recognition in the U.S. In addition, greater production capacity in the U.S. will provide the Group with flexibility to switch production between the EU and the U.S. if needed, for example due to regulatory or cost structure changes in one or the other location. As of date of this Prospectus, the Group has all the necessary internal approvals to start construction of the Little Rock Project. At the same time, the Board of Directors of the Group decided in December 2020 to further postpone the process as the ongoing acquisition of COLT can potentially present a suitable medium term substitute to the Little Rock Project and could provide the Group with the needed additional production capacity in the U.S. Therefore, depending on the completion of the acquisition and integration of COLT, the Group will review its strategy of establishing production presence in the U.S. The Group currently estimates that the COLT acquisition could result in the Little Rock being postponed by approximately three to five years. See "*– Recent Developments - Acquisition of COLT*" below.

The Group has also recently entered into the Framework Agreement with HM ARZENÁL, a Hungarian company fully owned by the Hungarian state, granting HM ARZENÁL a license to manufacture and sell certain types of CZ firearms in Hungary. Any excess production capacity from the Hungarian facility represents additional production capacity potentially available to support the Group's organic growth ambitions (see "*The Group's Business—Framework Agreement on Technology Transfer Cooperation*").

In addition to its geographic expansion, the Group is also developing a wider product portfolio. Among other things, the new additions will include optics and optoelectronics with the aim to support the anticipated shift to the use of smart and integrated firearms among military and law enforcement customers which are being developed by the Group and its partners. The Group also plans to introduce services, such as specialty training programs for law enforcement agencies.

Recent Developments and Trends

Acquisition of COLT

On 11 February 2021, the Group entered into the COLT Acquisition Agreement (see "*- Material Contracts - COLT Acquisition Agreement*" below for more information) to acquire the entire share capital of COLT, the indirect owner of the U.S. firearms manufacturer Colt's Manufacturing Company LLC and its Canadian subsidiary, Colt Canada Corporation. Through this acquisition, the Group plans to establish a substantial production presence in the United States and to acquire COLT's strong customer base. Closing of the transaction is conditional upon regulatory approvals and the Group's ability to finance the transaction.

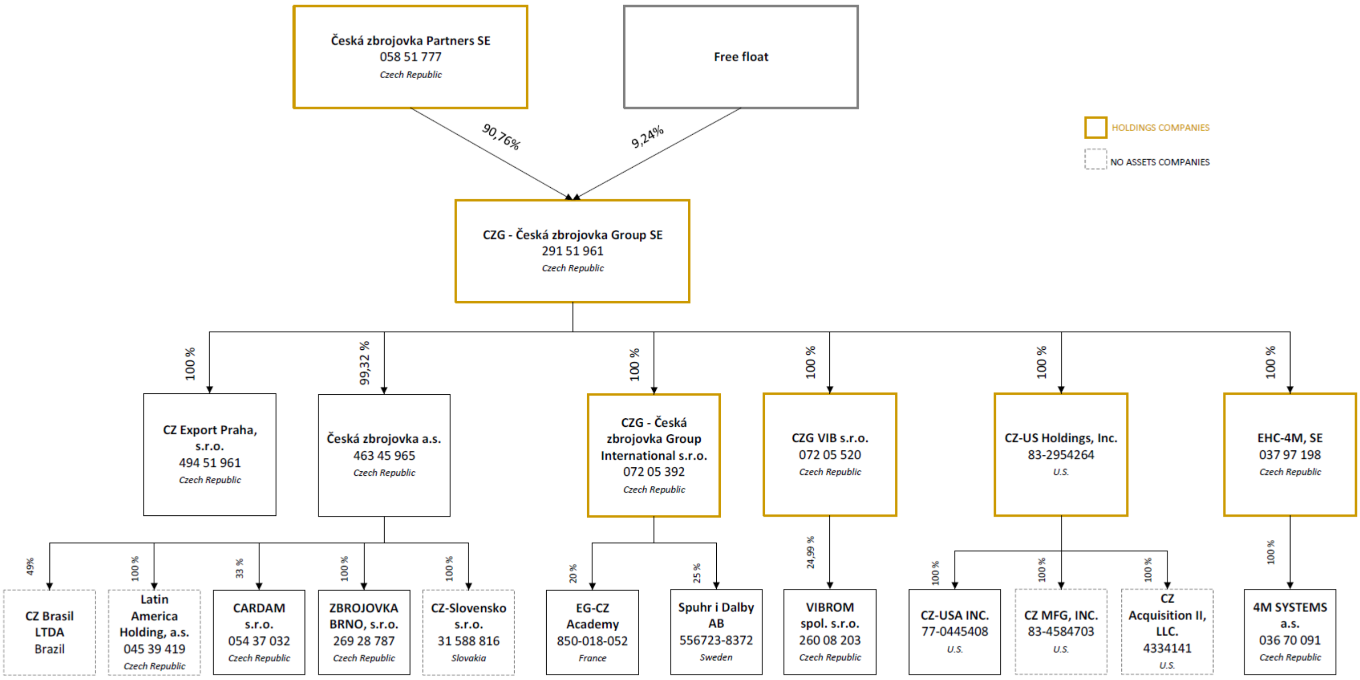
COLT has been one of the world's leading designers, developers, and manufacturers of firearms. It has supplied civilian, military and law enforcement customers in the US and throughout the world for over 175 years. COLT is a supplier to the U.S. military, the exclusive supplier to the Canadian military and it also supplies its products to other armed forces around the world. COLT firearms enjoy a reputation throughout the world for their accuracy, reliability and quality. COLT's pistols and revolvers are carried by military and law enforcement personnel in numerous countries and are used by hunters, sportsmen and sportswomen worldwide, as well as COLT's commercial, sporting, military and law enforcement rifles.

COVID-19

The negative impact of COVID-19 on the Group's production has been limited so far. The Group has not experienced major interruptions of its production process in its main production facility in Uherský Brod; initially, the Group decided to halt production for one day to evaluate the government recommendations and implement adequate measures and subsequently daily production was slowed for approximately two months, but has since returned to full production capacity. At the same time, the Group had to temporarily close its manufacturing facility in Norwich, New York, beginning on 22 March 2020, cease production of its Dan Wesson products and, effective 11 April 2020, reduce its workforce in the U.S. by 35 employees effective 11 April 2020. In May and June 2020, the facility gradually started to re-hire employees and restart production and, as of 31 December 2020, there are 29 employees at Dan Wesson. As a result of the closure and increased demand for Dan Wesson products in the U.S., the Group had sold its entire stock of Dan Wesson products by August 2020 and, despite the restart of production in its Norwich, N.Y. facility, is not currently able to satisfy the continued increased demand for Dan Wesson products in the U.S. The Group has implemented various safety measures including providing its workers with face masks, vitamins and disinfectants, regular workplace disinfection, rescheduling of work shifts to smaller groups to effectively implement and enforce social distancing, implementing home office for white collar employees and imposing strict schedule for office rotations/occupation. CZUB also formed a crisis team to coordinate communication with employees via dedicated platforms. The Group has also actively cooperated with the Czech Ministry of Health’s regional hygiene station and donated face masks to the city of Uherský Brod. Those measures have been applied since the introduction of the state of emergency in the Czech Republic and the United States and have been gradually lifted with the loosening of the measures in line with the relevant government recommendations.

Group Structure

The following chart shows the structure of the Group and the shareholding interest in each Group company:



As of the date of this Prospectus, the majority shareholder of the Issuer is Česká zbrojovka Partners SE, incorporated as a European Company (*Societas Europaea*) in the Czech Republic, having its registered office at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic, Id. No. 05851777, registered with the Commercial Register maintained by the Municipal Court in Prague, File No. H 1879, LEI: 3157003YXPXM8ML04Q29, telephone: +420 222 814 610, e-mail: info@czpartners.cz (the “**Major Shareholder**”), who holds 90.76 per cent. of the shares and voting rights in the Issuer, while the remaining 9.24 per cent. of the Issuer’s shares are in free-float. The Issuer’s shares are admitted to trading on the Regulated Market of the PSE. The majority shareholder of the Major Shareholder is European Holding Company, SE (“**EHC**”) which holds 90 per cent. of the share capital and voting rights in the Major Shareholder. EHC is owned and controlled by Mr. René Holeček, who controls 100 per cent. of the share capital in EHC. The remaining 10 per cent. of the Major Shareholder’s share capital is held as follows: (i) 5 per cent. by Mr. Lubomír Kovařík, chairman of the Issuer’s board of directors and president of the Group, (ii) 2.5 per cent. by Mr. René Holeček, chairman of the Issuer’s supervisory board (resulting in Mr. René Holeček’s total direct and indirect shareholding in the Issuer, including through holdings in the Major Shareholder, of 83.95 per cent. of share capital and voting rights of the Issuer), and (iii) 2.5 per cent. by Mr. Jan Drahota, vice-chairman of the Issuer’s board of directors and Group head of finance.

Accordingly, the Major Shareholder directly exercises ultimate control over the Issuer. The control of the Major Shareholder over the Issuer is based on its ownership of 90.76 per cent. of the share capital and voting rights. The Major Shareholder is a Czech holding company with the shareholding in the Issuer being its only material asset. The Issuer uses standard statutory mechanisms to prevent the Major Shareholder's potential misuse of its position and control over the Issuer, including the statutory instrument of the report on relations between the related entities. Management of the Issuer is not aware of any arrangements, the operation of which could result in a change in control of the Issuer. Except for the funding agreement described in "—*Financial Indebtedness*" below, the Issuer is not dependent upon other Group members or its parent companies.

History

The history of the Group dates back to 1936. The table below sets forth the most significant milestones in the development of the Group:

1936	A firearms factory was established in Uherský Brod by the predecessor of CZUB.
1949	CZUB became the number one small firearms producer in the Czech Republic.
1959	The factory in Uherský Brod commenced production of the Model 58 (in Czech: *vz. 58*) submachine gun, today classed as an assault rifle. The Model 58 represented an alternative to the Kalashnikov assault rifle. The production of the Model 58 continued at the Uherský Brod factory until 1984 with nearly a million pieces produced for the Czech Armed Forces and for export.
1975	The factory in Uherský Brod commenced the production of the Model CZ 75 pistol, which has reached an iconic status in its class, with more than one million pieces sold to date (see "*The Group's Business—Firearms and Accessories Business—Handguns*").
1992	CZUB was transferred to the National Property Fund of the Czech Republic (in Czech: *Fond národního majetku České republiky*), a governmental entity established by the Czech state in order to implement the large-scale privatization of state assets in accordance with approved privatization projects and to manage state property pending its privatization; and incorporated as a joint stock company.
1997	CZ-USA was established in the United States as a subsidiary of CZUB to handle firearms and accessories sales and servicing in the United States.
2001	Mr. René Holeček became one of the two key shareholders of the Group.
2004	A firearms division of Zbrojovka Brno was acquired and contributed to a newly-founded Zbrojovka Brno company (now a subsidiary of CZUB which focuses on the development and production of break-action firearms).
2005	The Group acting through CZ-USA acquired Dan Wesson Firearms, consisting of its certain trademarks, equipment and related assets (e.g. completed firearms and parts) (see "*The Group's Business—Facilities and Production—Facilities—United States—New York Production Facility*").
2007	The one millionth Model 75 pistol was produced.
2011	The Group entered into an agreement with the Ministry of Defence of the Czech Republic to rearm the Czech Army with a total contract value of approximately CZK 1,200 million.
2013	On 10 January 2013, the Issuer was incorporated for an indefinite period of time.
2014	Mr. René Holeček became the controlling majority shareholder of the Group.
2015	CZ-USA launched its Law Enforcement department, which focuses on firearm sales through public tenders in the United States. Since then, noteworthy deliveries were made to the Utah State Highway Patrol and several sheriff's departments in various states. The Group expanded its product portfolio to include tactical accessories with the acquisition of a majority stake in 4M SYSTEMS.

2016 The Group commenced the production of CZ BREN 2, the second generation of the BREN assault rifle.

The Group entered into an agreement with the Ministry of Defence of the Czech Republic to supply the Czech Army with a total contract value of approximately CZK 476 million.

2018 CZ EXPORT entered into the Framework Agreement with HM ARZENÁL, a Hungarian company fully owned by the Hungarian state (see "*Material Contracts—Framework Agreement on Technology Transfer Cooperation*" below).

The Group also further expanded its portfolio with the acquisition of a stake in the production technology company VIBROM.

2019 The Group reached an agreement with the State of Arkansas to build a production facility in Little Rock, Arkansas (see "*—Facilities and Production—Facilities—United States—Little Rock Project*" below).

2020 The Group entered in the Czech Army Framework Agreement with the Ministry of Defence of the Czech Republic to supply the Czech Army with firearms from 2020 to 2025 with a total contract value of approximately EUR 90 million (see "*—Material Contracts—Framework Agreement with the Ministry of Defence of the Czech Republic*" below).

The Group further strengthened its focus on the military and law enforcement market with the acquisition of a minority stake in Spuhr i Dalby AB, the renowned Swedish manufacturer of class leading optical mounting solutions for weapons.

In September 2020, the Issuer undertook an initial public offering, in which its Major Shareholder (prior to the offering sole shareholder) offered existing shares and the Issuer offered newly issued shares to investors in a public offering in the Czech Republic and in private placements in certain other jurisdictions. In October 2020, the newly issued shares were admitted to trading on the Regulated Market of the PSE. As of the date of this Prospectus, 9.24 per cent. of the Issuer's shares are in free-float.

2021 On 11 February 2021, the Group entered into the COLT Acquisition Agreement (see "- *Material Contracts - COLT Acquisition Agreement*" below for more information).

Firearms and Accessories Business

The Group's business is operated mainly through CZUB, CZ-USA, CZ EXPORT and 4M SYSTEMS a.s. ("**4M SYSTEMS**") (and marketed under the CZ (Česká zbrojovka), CZ-USA, Dan Wesson, Brno Rifles and 4M SYSTEMS brands. The Group designs, produces, assembles, markets and sells firearms. The Group addresses a broad variety of end-user customers, ranging from federal, state or local governments and agencies, including military and law enforcement units, to civilians purchasing firearms for hunting, sport shooting or personal defence purposes.

The Group produces a wide range of firearms including pistols, revolvers, assault rifles, submachine guns, grenade launchers, sniper rifles, shotguns and rim fire and centrefire rifles. The Group's main products include the CZ 75 family models, CZ P-10, and CZ P-09/07 model pistols, the CZ Scorpion EVO 3 submachine gun, or the CZ BREN 2 assault rifle. The Group also produces components for firearms, including sights, triggers, stocks, grips and spare parts.

The Group also markets and sells a wide portfolio of tactical accessories, including tactical and ballistic equipment, such as ballistic vests, helmets and other protection, combat uniforms, backpacks and firearms accessories, such as handgun holsters, magazine pouches and slings. The Group's main accessories products include a ballistic t-shirt CZ 4M SPIRIT, a plate carrier CZ 4M RAPTOR 2.0 Modular Protection System and tactical trousers CZ 4M OMEGA.

In 2019 and 2018, the Group sold 374,276 and 402,055 firearms, respectively, and during 2019 generated CZK 6.0 billion of revenue and CZK 1.3 billion of underlying EBITDA from continued operations. In the nine months ended 30 September 2020 and the nine months ended 30 September 2019, the Group sold 337 thousand and 285 thousand firearms respectively, and during the nine months ended 30 September 2020 generated CZK 5.0 billion of revenue and CZK 1,118.1 million of underlying EBITDA from continued operations.

The firearms produced by the Group can be split into the following categories: handguns and long guns.

Handguns

The portfolio of the Group's handguns is formed primarily by pistols. The Group's handguns portfolio also includes revolvers; however, their impact on the Group's revenues is minor. The production of pistols has formed the bedrock of the Group's production portfolio since 1957 and includes dozens of different designs and modifications. The Group's most successful pistol model is the CZ 75, which is still being produced in an improved form.

Through the acquisition of the American handgun manufacturer Dan Wesson in 2005, the Group has expanded its portfolio of handguns by adding the popular pistol models of the 1911 type. Revolvers are produced by the Group under the Dan Wesson brand. In the United States, the Dan Wesson brand is generally considered an upmarket brand due to its long-term history and revolver expertise.

The Group's portfolio of handguns includes handguns for both military and law enforcement use and civilian use. The Group's handgun products are used by a wide customer base, ranging from federal, state or local governments and agencies, including military and law enforcement units, to civilians purchasing firearms for hunting, sport shooting or personal defence purposes.

In 2019, 2018 and 2017, the Group produced 231,973 and 277,839 and 189,773 handguns, respectively. In the six months ended 30 June 2020 and the six months ended 30 June 2019, the Group produced 106,178 and 116,890 handguns, respectively.

Handguns can be split into pistols and revolvers with pistols being further split into steel frame pistols (*e.g.* CZ 75 Family and Shadow 2) and polymer frame pistols (*e.g.* CZ P-07, CZ P-09 and CZ P-10) which can be further split into hammer fired and striker fired pistols. The Group covers all main markets of handguns due to, among other things, its capacity to produce steal frame pistols.

The table below contains most notable products in the handguns category for the Group:

CZ 75 family	Pistols in the CZ 75 family are semi-automatic handguns based on the locked breech principle. The CZ 75 line is equipped with a large-capacity double-column magazine. The CZ 75 family line is directed at all types of customers, including military and law enforcement customers and civilian customers. The CZ 75 family also includes the CZ 75 Compact which is an all-metal compact-size pistol designed primarily as a service firearm and for concealed carry. CZ 75 Compact is primarily marketed to military and law enforcement customers.
CZ Shadow 2	CZ Shadow 2 represents the second generation of a standard-sized, all-metal competition pistol which was developed in collaboration with CZUB's shooting team participating in International Practical Shooting Confederation ("**IPSC**") competitions. Recently, the CZ Shadow 2 family was extended by a top-tier model Shadow 2 Orange. The CZ Shadow 2 is primarily marketed to a civilian customer base including sportsmen in particular. It is particularly popular among IPSC competitors worldwide, but also among United States Practical Shooting Association ("**USPSA**") and International Defensive Pistol Association ("**IDPA**") members and competitors.
CZ P-07	CZ P-07 is a polymer compact pistol, designed primarily as a service firearm and for concealed carry. The CZ P-07 follows the CZ 75 P-07 DUTY, while introducing a number of innovative features, such as fiberglass reinforced thermostable polymer frame and a durable finish on the slide, barrel and other major parts. The CZ P-07 is offered in versions for military and law enforcement and for civilian use and is marketed to all types of customers, ranging from military and law enforcement to civilian customers.
CZ P-09	The CZ P-09 is a pistol designed primarily for military and law enforcement units and for personal defence. The frame of the CZ P-09 is produced from a mechanically and thermally extremely stable glass fibre-reinforced polymer material. The CZ P-09 is offered in versions for military and law enforcement

	customers and for civilian customers and is marketed to all types of customers, ranging from military and law enforcement to civilian customers.
CZ P-10 family	The CZ P-10 family of pistols functions on a "striker-fired principle" (*i.e. hammerless pistol*). They are suitable for personal defence and armed forces. The family is produced in different frame sizes to satisfy particular needs of specific client groups. The CZ P-10 C has a compact size and, as such, is suitable for concealed carry. The CZ P-10 family is produced with a mechanically and thermally stable polymer frame reinforced with glass fibre. In 2017, the CZ P-10 C was awarded the "Handgun of the Year 2017" award by the prestigious American magazine Guns & Ammo. The CZ P-10 C is offered in special, slightly tuned and modified versions, for both the military and law enforcement market and the civilian market.

Long guns

The Group's long guns are comprised of production for military and law enforcement use (assault rifles, submachine guns and sniper rifles) as well as civilian use (especially rim fire and centrefire rifles, shotguns or combos), which means that the Group covers all the main markets for long guns up to a certain calibre. The Group discontinued its production of air guns as of the end of 2019, mainly because air guns represent an insignificant fraction of the Group's firearms production.

In 2019, 2018 and 2017, the Group produced 142,303 and 124,216 and 134,655 long guns, respectively. In the six months ended 30 June 2020 and 2019, the Group produced 95,152 and 76,374 long guns, respectively.

The table below contains most notable products in the long guns category for the Group:

CZ Scorpion EVO 3	The CZ Scorpion EVO 3 is a modern submachine gun chambered in 9x19 millimetre ammunition rounds. The CZ Scorpion EVO 3 enables the adjustment of fire in fully-automatic fire, three-round bursts, and single shots. The CZ Scorpion EVO 3 is produced in versions for military and law enforcement and for civilian use and while it is primarily marketed to military and law enforcement customers, the semi-automatic version is popular with civilian customers in the United States.
CZ BREN 2	The CZ BREN 2 is a multi-calibre assault rifle. The CZ BREN 2 is the successor of the CZ 805 BREN. The system of the CZ BREN 2 is based on a tried-and-tested gas system with a three-position adjustable regulator of the piston mechanism. The materials used in this firearm are fire-proof or highly flame-resistant and impact-resistant with a high resistance against mechanical damage. The CZ BREN 2 is primarily marketed to military and law enforcement customers. A modified CZ BREN 2 as a submachine gun is also produced for civilian use. Due to the use of different components, the civilian version cannot be modified for automatic use.
CZ 457	The CZ 457 is the successor of the popular model CZ 455, which is being discontinued and replaced by the advanced CZ 457 model. The CZ 457 is a magazine-fed bolt-action rim fire rifle. The CZ 457 has hammer-forged, hand-lapped steel barrels, a trigger that is adjustable for weight of pull and the capability to interchange barrels in different contours and calibres by simply removing two set screws from the receiver. The CZ 457 Synthetic has an ambidextrous polymer stock that suits both right- and left-handed shooters. The CZ-457 LUX features the classic design of a European hunting rifle. The CZ 457 LRP is tuned to hit targets at extreme distances. The CZ 457 is marketed to civilian customers including, primarily, sportsmen, hunters and outdoorsmen.
CZ 557	The CZ 557 is a universal centrefire rifle with a universal system of sights. It is equipped with adjustable open sights on the barrel and a weaver rail on the receiver. The CZ 557 is primarily marketed to civilian customers including, primarily, sportsmen, hunters and outdoorsmen.

Tactical Accessories

In 2016, the Group expanded its product portfolio to include tactical accessories. Within the Group, 4M SYSTEMS designs, markets and sells a wide ranging portfolio of tactical accessories, including tactical and ballistic equipment, such as ballistic vests, helmets and other protection, combat uniforms, backpacks, and firearms accessories, such as handgun holsters, magazine pouches and slings. The Group's tactical accessories target a variety of end-user customers, ranging from federal, state or local governments and agencies, including military and law enforcement units, to civilians purchasing tactical accessories for hunting, sport shooting or personal defence purposes. The sale of tactical accessories enables the Group to provide its customers with the full set of weapon equipment and such cross-selling is particularly welcomed by military and law enforcement customers.

The Group's core competence lies in the design, precise machining and production of firearms. The Group therefore made a strategic decision to outsource most of the production of tactical accessories to external suppliers. The Group's key external suppliers of tactical accessories are located primarily in the Czech Republic, the Socialist Republic of Vietnam, the People's Republic of China and the Republic of Korea.

The table below contains most notable products in the tactical accessories category for the Group:

CZ 4M SPIRIT	The CZ 4M SPIRIT is a ballistic t-shirt for concealed wearing. The design of the t-shirt is geared towards achieving the maximum stealth required by secret operations for personal protection. The CZ 4M SPIRIT is primarily marketed to military and law enforcement units.
CZ 4M RAPTOR 2.0 Modular Protection System	The CZ 4M RAPTOR 2.0 is a plate carrier and compact modular system designed specifically for special units. It is a lightweight and mobile plate carrier. The CZ 4M RAPTOR 2.0 is the result of continuing development of plate carriers of the RAPTOR type which members of the Czech Army's 601st Special Forces Group use as their standard means of ballistic protection. The CZ 4M RAPTOR 2.0 is primarily marketed to military and law enforcement units.
CZ 4M OMEGA	The CZ 4M OMEGA tactical trousers are made of highly breathable tear-resistant material designed for a wide range of special military and security operations. The CZ 4M OMEGA is primarily marketed to military and law enforcement units.

Industry

The Group designs, produces, assembles and sells firearms and tactical accessories for a wide range of customers. Key market segments include the civilian market segment and the military and law enforcement market segment. The Group sells its products worldwide, but the most important markets for the Group's products are the United States, the Czech Republic and Europe (excluding the Czech Republic)

Key Geographic Markets for the Group

The United States represented 50.7 per cent, the Czech Republic represented 22.9 per cent. and Europe (excluding the Czech Republic) represented 14.0 per cent, of the Group's revenues in 2019. As a traditional Czech firearms producer, the Group continues to have a particularly significant presence in the Czech Republic.

Key Market Segments for the Group

The Group produces a wide range of firearms including pistols, revolvers, assault rifles, submachine guns, grenade launchers, sniper rifles, shotguns, and rim fire and centrefire rifles as well as components for firearms, including sights, triggers, stocks, grips and spare parts. The Group also markets a broad portfolio of tactical accessories, including firearms accessories, tactical and ballistic equipment, such as ballistic vests, helmets and other protection, combat uniforms, backpacks and firearms accessories, such as handgun holsters, magazine pouches and slings. There is a wide range of applications for the Group's products including for civilian use and for military and law enforcement use. The expected global demand for small firearms was approximately 1.09 billion units in 2019 and is expected to rise to 1.26 billion units in 2023. The civilian market segment represents the largest consumer of small firearms with approximately 62.0 per cent. of volume demand and the military and law enforcement market segment represents approximately 38.0 per cent. of volume demand (*Source:* BIS Small Arms Market Report).

Market Drivers

The civilian market segment includes personal defence, hunting, sport shooting and other civilian use. As shown in the chart titled "Value of global firearms market 2017-2023, by application", civilian demand for firearms for personal defence is expected to grow. According to the BIS Small Arms Market Report, the increase is a result of the increasing number of female shooters purchasing firearms for personal defence because of rising security concerns in developed markets, mainly North America and Europe. In addition, the BIS Small Arms Market Report, expects a growing number of participants in hunting and shooting sports to drive civilian demand (from a market value of USD 1.48 billion in 2017 to a forecasted market value of USD 1.75 billion in 2023) with a medium impact over the next one to two years and a high impact over the next three to five years.

The Group's customers in the military and law enforcement market segment are federal, state or local governments and agencies. According to the BIS Small Arms Market Report, the military and law enforcement market segment will be driven by (i) rising demand for handguns for law enforcement with a high impact over the next one to two years and a high impact over the next three to five years and (ii) an increase in defence expenditures with a medium impact over the next one to two years and a high impact over the next three to five years. There has been an increase in the overall defence spending of various countries all over the world. The growing defence budget of the different countries is playing a major part in the defence modernization program adopted for strengthening their military forces. Global military expenditure is estimated to have reached USD 1,922.10 billion in 2019 (*Source*: SIPRI Military Expenditure Database), its highest level since 1988 (*Source*: SIPRI Trends). The 15 countries with the highest military expenditures in 2019, include the United States (USD 719 billion), China (USD 266 billion), France (USD 52 billion), Germany (USD 51 billion), the UK (USD 50 billion) and Italy (USD 28 billion) (at constant 2018 prices and exchange rates).

Competition

The Group's main competitors are small arms and light weapons producers. The Group's management believes the following weapons producers are the Group's competitors in its key markets.

- Browning International S.A. (Belgium) – manufacturer of products including rifles, shotguns and handguns for clay shooting, big game hunting, tracker and practical shooting, among others (*Source*: BIS Small Arms Market Report);
- Fabbrica Di Armi Pietro Beretta SPA (Italy) – manufacturer of shotguns, pistols, rifles and premium guns for a variety of purposes such as hunting, competition sports and target shooting among others (Source: BIS Small Arms Market Report). The Group believes their product portfolio is the most comparable to the Group's in terms of breadth of offering;
- Glock Gesellschaft m.b.H. (Austria) – producer of pistols for the civilian market and the military and law enforcement market and the largest importer of firearms to the United States (Source: BIS Small Arms Market Report);
- Heckler & Koch GmbH (Germany) – producer of small firearms mainly for the military and law enforcement market;
- Kalashnikov Concern (Russia) – largest firearms manufacturer in Russia, producing pistols, assault rifles, sniper rifles and sporting rifles for the civilian market and the military and law enforcement market;
- O.F. Mossberg & Sons (U.S.) – manufacturer of rim fire rifles, centrefire rifles and shotguns, among others for the civilian market and the law enforcement market;
- Savage Arms Inc. (formerly part of Vista Outdoor Inc.) (U.S.) – manufacturer rim fire rifles, shotguns, centrefire rifles and modern sporting rifles for the civilian market;
- SIG SAUER GmbH & Co. KG (Switzerland) – producer of pistols and assault rifles mainly for the military and law enforcement market, which also occupies a very strong position in the U.S. civilian market (repeatedly ranks among the top of five most sold manufacturers in terms of revenue) (*Source*: Gunbroker). In 2020, Sig Sauer announced its intention to close its European factory, located in Germany (*Source*: https://sigsauer.de/); and

- Taurus Holdings Inc. (Brazil, U.S.**)** – manufacturer of revolvers and pistols for the civilian market and the military and law enforcement market.

Marketing and Distribution

The Group's products are marketed to the military and law enforcement markets and the civilian markets under multiple brands including CZ (Česká zbrojovka), CZ-USA, Dan Wesson, Brno Rifles and 4M SYSTEMS.

Military customers include members of regular army units and members of various military special forces units. Law enforcement customers include, among others, members of the federal and municipal police, members of the border patrol, members of the prison service and VIP protection units. Civilian customers include hunters and outdoor enthusiasts, sport shooters, including those competing in competitions held by the IPSC, the USPSA, the IDPA, as well as other competitions, such as various rim fire rifle and centrefire rifle cup competitions. The last category of civilian customers is identified as hobby, home protection and personal defence users.

The Group's marketing campaigns and initiatives are based on careful evaluation of each market, its customer groups and possible legal limitations within that market. The Group's marketing analysts periodically assess market potential and carry out in-depth research which is then used by the Group's marketing communications specialists and external marketing agencies to create effective marketing materials relevant to a specific end-customer group. The Group sells mainly through the following distribution channels: wholesale, tenders, direct sale and on-line. The Group sells mainly to wholesalers and distributors for the civilian market and mainly by way of tenders to military and law enforcement customers, but also directly to end-user customers via the Group's two company retail stores (located in the Czech Republic) and via its own e-shop for firearms accessories.

In 2019 and 2018, the Group had only one customer, different in each of the years, accounting for more than 10 per cent. of the Group's consolidated revenues (with sales to that customer amounting to CZK 763.4 million in 2019 and CZK 571.0 million in 2018).

Suppliers

The Group's production of firearms relies on external suppliers of materials, parts, and even complete products (*i.e.* firearms, accessories, ammunition, etc.). The Group utilizes numerous raw materials, including steel, wood, aluminium and certain alloys. The Group also utilizes various types of supplied components, especially polymers and plastic firearms parts, pistol magazines, machining firearms parts and metal powder injection moulding ("**MIM**") parts for handguns.

The Group maintains relationships with more than 2,000 suppliers of various parts, commodities, materials and services via a combination of short-and medium-term contracts, some of which contain minimum purchase requirements (primarily those with utility companies), but often without volume requirements or fixed prices, with a variety of suppliers, as well as long-term relationships with vendors. For example, the Group works with Rheinmetall Waffe Munition GmbH for the development and supply of medium and high caliber ammunition as well as pyrotechnic products. The Group sources complete sporting and hunting shotguns from two Turkish suppliers, Huglu (Huğlu Av Tüfekleri İmali Alım-Satım Küçük Sanat Kooperatifi temsilciler) and Akkar (Akkar Silah Sanayi), for sale in the United States firearms market. All such Turkish-made shotguns are marketed and sold under the CZ-USA brand. There is no written agreement between CZ-USA and Akkar or Huglu. The cooperation between Akkar and CZ-USA started in 2012 on a non-exclusive basis. The cooperation between Huglu and CZ-USA originally started in 2003 (see "*Risk Factors—The Group may experience difficulty in obtaining goods from its suppliers.*").

The Group deems the following contractual relationships to be the most significant for the Group's production process: supplies of pistol magazines, machining firearms parts (mainly slides) and MIM parts for handguns and rifles.

With respect to the supply of steel, the Group purchases a majority of the specially treated steel it uses from a single source that specializes in the production of special steel and super alloys.

Facilities and Production

Facilities

The Group's material assets are primarily its production, distribution and storage facilities. Accordingly, the Group's material assets consist primarily of buildings, warehouses and other structures, as well as real estate (plots of land) on which these structures are located, and the machinery and equipment housed by these structures (e.g. production lines).

The Group owns or leases various properties in Uherský Brod, Prague and Brno in the Czech Republic and Kansas City, Kansas, Norwich, New York and Little Rock, Arkansas in the U.S. The majority of this real estate is used as production plants for the production of the Group's products. The Group owns its production facility in Uherský Brod and leases its production facilities in Brno, Kansas City and Norwich.

The table below sets forth the Group's production or distribution facilities as of the date of this Prospectus:

Country	**Location**	**Title**	**Total area (approximately)**	**Brief Description**
Czech Republic	Uherský Brod	Owned	204,915 m^2 (2.2 million ft^2)[(1)]	Main production facility of the Group
Czech Republic	Prague	Leased	1,831.8 m^2 (19,700 ft^2)	Offices and small storage
Czech Republic	Brno	Leased	1,071 m^2 (11,500 ft^2)	Ancillary production facility, limited mainly to customized production
U.S.	Kansas City, Kansas	Leased	5,295 m^2 (57,000 ft^2)	Main distribution centre for North America, assembly, customization and limited production
U.S.	Norwich, New York	Leased	2,322 m^2 (25,000 ft^2)	Production facility for Dan Wesson handguns
U.S.	Little Rock, Arkansas	Owned	260,000 m^2 (2,789,617 ft^2)	Construction site for the Little Rock Project facility[(2)]

(1) The total area of buildings and facilities within this location was approximately 43.925 m^2 (472,804 ft^2).
(2) The planned logistics and manufacturing plant will be approximately 18,000 m^2 (193,750 ft^2).

Czech Republic

The Group's products are mainly produced in CZUB's production facility located in Uherský Brod with a total area of approximately 204,915 m^2 (square meters) (2.2 million ft^2 (square feet)). The Group also operates another facility in Brno, the Czech Republic, which is an ancillary facility supporting the main production of firearms in Uherský Brod.

CZUB's production facility located in Uherský Brod is a fully integrated firearm manufacturing plant with state of the art manufacturing capabilities, which allows the Group to control the complete production process and to cover multiple functions and operations from Uherský Brod, including casting, cold hammering, coating and heat treatment, all in-house. The Group produced more than 85 per cent. of its firearms in this facility in 2019. The Group's firearms production process is qualified to ISO 9001:2015 quality control standards throughout the production process. In addition, the Group utilizes specifically tailored testing procedures and analyses depending upon the nature of the firearms and material that is being produced. Upon completion, each firearm is tested for endurance and reliability. Each firearm is proof fired and checked for function and accuracy before it leaves the factory.

The process of producing firearms involves the utilization of modern computerized numerical control ("**CNC**") technologies, i.e., the automated computer control of machining tools such as drills, boring tools or lathes. CNC technologies are utilized with elements of robotics to secure the efficiency of the production process.

United States

Kansas City Distribution, Assembly and Production Facility

The Group leases its Kansas City distribution, assembly and production facility (the "**Kansas City Facility**") consisting of two buildings with a total area of approximately 5,295 m^2 (57,000 ft^2). The Kansas City Facility is the Group's main facility in the United States.

In 2016, CZ-USA launched assembly operations that focus on customizing the Group's existing products produced in the Czech Republic for the U.S. market. CZ-USA's own assembly capabilities and its cooperation with U.S. stock producers allowed CZ-USA to significantly increase the Group's presence in the United States civilian market by combining the barrelled action made in the Czech Republic with stock and accessories made in the U.S. In particular, the customization of the CZ Scorpion EVO 3's barrelled actions manufactured in the

Czech Republic with parts produced in the U.S. to create a carbine version of the CZ Scorpion EVO 3, opened up a new market for CZ-USA.

The Kansas City Facility's production focuses on the assembly of CZ P-10 pistols, the CZ Scorpion EVO 3 carbine and a variety of CZ rim fire rifles in the United States.

In addition, the Kansas City Facility functions as a distribution centre for the North American markets. All warranty and repair work is also performed in the Kansas City Facility. The Kansas City Facility also houses a well-stocked parts department which benefits from its location in the Midwest when it comes to onward distribution.

New York Production Facility

The Group leases its New York production facility with a total area of approximately 2,322 m^2 (25,000 ft^2).

In 2005, CZ-USA purchased certain patents, trademarks, equipment and related assets (e.g. completed firearms and parts) of the traditional American firearms manufacturer Dan Wesson Firearms located in Norwich, New York. CZ-USA then revived the production of premium revolvers and 1911 pistols under the Dan Wesson brand. The pistols and revolvers are currently produced by the Group in Norwich, New York, and subsequently marketed and sold under the Dan Wesson brand.

Little Rock Project

The Group decided to build its North American headquarters and a production facility in Little Rock, Arkansas (the "**Little Rock Project**"). The implementation of the Little Rock Project is planned to be done via a newly established company, CZ-MFG, which is a wholly-owned subsidiary of CZ-US Holdings, Inc. According to the Group's plan, the facility is expected to manufacture, warehouse and distribute the Group's high-end, precision firearms, while employing up to 300 workers over the first five years of its operation. The State of Arkansas has agreed to support the building of the production facility with incentives including a training program, tax refund program, land donation program and, subject to fulfilment of the granted incentives conditions (in particular, defined job creation), a forgivable loan. The total amount of incentives is expected to exceed USD 23.4 million. The total area of the plot is approximately 260,000 m^2 (2,798,617 ft^2) and is subject to the land donation program. The planned logistics and manufacturing plant will be approximately 18,000 m^2 (193,750 ft^2). The Group estimates that the new manufacturing facility will significantly increase its current overall production capacity, which will help address the Group's current production capacity constraints relative to the demand for the Group's products in the U.S.

The final business plan of the Little Rock Project was approved by the Issuer's Board of Directors on 2 July 2020. As of date of this Prospectus, the Group has all the necessary internal approvals to start construction of the Little Rock Project. At the same time, the Board of Directors of the Group decided in December 2020 to further postpone the process as the ongoing acquisition of COLT can potentially present a suitable medium term substitute to the Little Rock Project and could provide the Group with the needed additional production capacity in the US. Therefore, depending on the completion of the acquisition and integration of COLT, the Group will review its strategy of establishing production presence in the U.S. The Group currently estimates that the COLT acquisition could result in the Little Rock being postponed by approximately three to five years. See "– *Recent Developments - Acquisition of COLT*" above.

The Group believes that if undertaken, the Little Rock Project will establish a substantial production presence for the Group in the United States and it is expected to provide the Group with strategic advantages, not only in terms of marketing, but also because this may allow the Group to produce certain non-importable pistols for which there exists high demand and sell them to federal agencies in compliance with quotas contained in the Buy American Laws, without the need to purchase significant parts from other United States producers.

If undertaken, the Group intends to use its Czech-based resources extensively, especially R&D and engineering, in the process of factory design, production layout and implementation of the entire project, and together with the local, U.S.-based resources in the construction and fit-out phases of construction, and flexible travel is thus paramount for the successful implementation of the Little Rock Project.

The products to be produced in the Little Rock production facility include mainly new firearms, such as the CZ P-10 micro, the CZ Scorpion EVO 3+, the CZ Scorpion EVO 4, the CZ P-11, the Bren 2 and a new generation of Dan Wesson pistols, such as the DWX model.

Production

The Group controls the entire production process beginning with planning and through to manufacturing, assembly and inspection and adheres to strict quality control standards. To begin, production is planned based on a master production plan and includes the ordering of raw materials and purchased parts such as, springs, screws and polymer frames. Then, the Group manufactures the majority of its firearms' components and performs casting, cold hammering, surface coating and heat treatment in-house. Next, the Group assembles those components into the final product. Finally, the Group inspects each firearm. For safety, the Group performs a pressure test that is supervised by state authorities, firing two rounds under 25 per cent. increased pressure. For reliability, the Group fires the product at a shooting range, which can potentially be supervised by state authorities for products purchased pursuant to a government contract. For accuracy, the Group checks a scattering of each firearms' shots and the position of its midpoint. Once a firearm is properly inspected, it moves on to packaging and shipment.

Research and Development

The Group has one research and development team, which is split between two locations – Uherský Brod and Prague. The majority of the R&D team is part of CZUB and based in Uherský Brod and the rest are part of CARDAM, a partially owned subsidiary of CZUB (see "*—Group Structure*"). The main goals of the Group's R&D are to improve the reliability, functionality, quality, safety and durability of the Group's products as well as to develop innovations for the Group's products. The Group's R&D also works to address the industry and technology trends towards a higher degree of product customization and personalisation, shorter product life cycles, modularity of design, the use of new materials (polymers and metals) and new production technologies, such as MIM and additive manufacturing and the integration of optical targeting systems and electronic systems. The core competencies of the Group's R&D include:

- Product development, product development management, mechanical design, additive manufacturing and experimental development;
- Applied research and development of the new technologies and materials such as metals, polymers and composites as well as coating systems;
- Mathematical simulations and development of algorithms;
- Electronics, mechatronics and safety systems; and
- Industry 4.0, which is a concept built around the concept of cyber-physical systems, combining mechatronic systems and digital services, and including, robotics and automations, automated communication, digital design and production management, automated reporting, gradual smart connection of key production processes, digital tracing of product life and digitalization.

The Group has a structured R&D process encompassing applied research, product development and engineering. The Group's applied research begins in-house and expands to CARDAM, universities and the European Defence Agency. CARDAM is an R&D workplace that focuses on the realization of innovative, technically and technologically advanced solutions and products by using sophisticated mathematical simulations and additive technologies. CARDAM provides complete engineering solutions for the development of new applications and manufacturing processes. One of the founding members and owners of CARDAM is the Institute of Physics of The Czech Academy of Sciences (in Czech: *Akademie věd České republiky*), which cooperates with the Group and supports the Group's R&D activities with essential and unique scientific resources, know-how and laboratory equipment and has several projects with the Group in the pipeline. The Group has also established a close R&D collaboration with the Czech Institute of Informatics, Robotics and Cybernetics ("**CIIRC**") at the Czech Technical University in Prague (in Czech: *České vysoké učení technické v Praze*).

For product development, the R&D team continuously works to improve current product designs, production processes and raw material utilization and to develop new designs and production processes for the Group's products, including through collaboration with military and law enforcement customers as the Czech Army and the National Gendarmerie Intervention Group (*Groupe d'intervention de la Gendarmerie nationale*), one of France's premier counterterror special forces.

Within engineering, the Group's R&D team focuses on annual innovation projects, support for production series products, cost savings projects, new technologies and materials, such as polymers, composites and surface treatments, and high-precision manufacturing processes. One of Group's achievements through R&D is the CZ P-10 pistol models, which are produced from advanced mechanically and thermally stable polymers and a striker-fired semi-automatic firing mechanism. This type of trigger system prevents the firearm from discharging unless the trigger is fully depressed, even if the pistol is dropped.

As of 30 September 2020, the Group's R&D team consisted of an average recalculated headcount of 85, including product designers, mathematical analysts, material specialists, advanced chief designers and project leaders, who utilize not only their know-how and knowledge, but also state-of-the-art research and development methods, laboratory equipment and resources.

In 2019 and 2018, the Group's R&D expenses amounted to CZK 97.5 million and 97.0 million, respectively; corresponding to an average of 1.6 per cent. of the Group's revenues in 2019. Of the Group's total R&D spend in 2019, CZK 20.7 million was capitalized. In the nine months ended 30 September 2020, the Group's R&D expenses amounted to CZK 84.0 million; corresponding to 1.7 per cent. of the Group's revenue in the nine months ended 30 September 2020.

Firearms Regulation

All segments of the Group's business are subject to applicable Czech and foreign laws and regulations. This section is not meant to be a comprehensive or complete description of the entire regulatory framework accompanying and/or pertaining to the main determinants of the Group's business, but a summary only intended to underline the main legal acts and regulatory requirements necessary to be fulfilled in order for the Group to operate its business.

Relevant Czech and EU Legislation

Manufacturing and trading activities relating to firearms in the Czech Republic are primarily subject to the Czech Weapons Act, which implements the relevant EU legislation, in particular Council Directive 91/477/EEC of 18 June 1991 on control of the acquisition and possession of weapons, as amended (the "**Firearms Directive**"), and Trade Licensing Act. Further, Act No. 156/2000 Coll., on the authentication of certain types of firearms, ammunition and pyrotechnics (the "**Firearms Authentication Act**") sets forth the obligations of firearm manufacturers, importers, distributors and other persons related to the firearm authentication procedure conducted by the Czech Authority for Firearms and Ammunition Testing (in Czech: *Český úřad pro zkoušení zbraní a střeliva*). The procedures conducted by the Czech Authority for Firearms and Ammunition Testing is further regulated by Ministerial Decree No. 335/2004 Coll., on the implementation of certain provisions of the Firearms Authentication Act.

Regarding EU legislation, the Firearms Directive was amended by Directive (EU) 2017/853 of the European Parliament and of the Council of 17 May 2017 (the "**Gun Ban Directive**"). The Czech Republic has not implemented the Gun Ban Directive into Czech law despite its implementation deadline in September 2018. In July 2019, the European Commission issued a reasoned opinion urging the Czech Republic and other member states that failed to transpose the Gun Ban Directive into their respective national laws to do so as soon as possible. This step follows the letters of formal notice, which the European Commission sent to the relevant member states in November 2018. The member states concerned have two months since the day of notification to notify back the European Commission of the measures taken. Otherwise, the European Commission may decide to take further steps before the Court of Justice of the EU (see "*Risk Factors—The Group's performance is influenced by actual or expected changes in firearms control legislation*").

In response to the Gun Ban Directive, a draft amendment to the Czech constitutional act No. 2/1993 Coll., the Charter of Fundamental Rights and Freedoms, prepared by the Senate of the Parliament of the Czech Republic, has been submitted to the Czech Parliament. The proposed draft amendment introduces a right to defend oneself as well as the lives of others with a weapon as a constitutional right.

Manufacturing and Trade Licenses

All persons conducting business relating to manufacturing or trading of firearms are required to obtain the following licenses: (i) a trade license under the Trade Licensing Act, (ii) an arms licence under the Czech Weapons Act and (iii) an export licenses under Act No. 228/2005 Coll., on control of trade in products whose possession is restricted for security reasons in the Czech Republic and the Act on Trade in Military Materiel.

Handling of Firearms

Handling of firearms (both military and non-military) is primarily subject to the Czech Weapons Act and Governmental Regulation No. 217/2017 Coll., on security requirements for weapons, ammunition, black hunting dust, smokeless dust, matches and ammunition depot (the "**Security Requirements Regulation**"). The Security Requirements Regulation further elaborates requirements under the Czech Weapons Act on handling with firearms (both military and non-military). Compliance with the Czech Weapons Act and the Security Requirements Regulation is overseen by the relevant police office; in this regard the relevant police office may, in particular, require access to the documentation relating to controlled firearms, request the submission of the relevant security material or to oversee the destruction thereof.

U.S. Firearms Regulation

In addition to Czech and EU regulation, the U.S. manufacture, sale, and purchase of firearms are subject to extensive federal, state, and local government regulation. The primary federal laws and regulations are: the Gun Control Act of 1968, the National Firearms Act of 1934, the Arms Export Control Act of 1976, the International Traffic in Arms Regulations and the Export Administration Regulations, which have been amended from time to time.

Intellectual Property

The Group owns patents, utility models, industrial patterns, trademarks and know-how. All the mentioned intellectual property, including the CZ brand, is essential for the Group to successfully conduct its business and exercise its overall business strategy and without it, the Group could not operate on the market. The intellectual property has been accumulated by the Group companies over decades of development, production and sales of firearms and accessories and it is essential for the Group to be and remain profitable and it also defines its business model and competitive advantage. The Group's annual costs for renewals and updates of its intellectual property rights are approximately CZK 3.0 million. The Group's intellectual property is specifically protected in the following regions: Asia, Africa, Latin America, Europe and the U.S. The Group's key brands include CZ (Česká zbrojovka), CZ-USA, Dan Wesson, Brno Rifles and 4M SYSTEMS. The Group's intellectual property consists mainly of trademarks "CZ", "CZ-USA", "BREN", "DAN WESSON" and "ZBROJOVKA BRNO", including other related trademarks in various forms. The Group owns several designs of their products registered mainly in the EU and the United States. The Group's most important registered designs are those of the BREN and SCORPION model firearms and CZ P-09 and SHADOW model pistols. As of the date of the Prospectus, there were ongoing patent proceedings for the Group's results of R&D (for example, there are patent applications pending in connection with CZ P-10 - a trigger mechanism for automatic and semiautomatic pistols in certain regions while in the US, the patent number US 10,274,227 was granted. Additionally, European patent EP3374721 in connection with the CZ P-10 and firing pin mechanism for automatic and semiautomatic pistols was validated in Austria, Belgium, Switzerland and Lichtenstein, Germany, France, Italy, Poland, Slovakia, Turkey. The patent for sear for automatic and semiautomatic pistols was granted in Russia (application 2018120384) and the proceedings are undergoing in several other countries. There are ongoing other proceedings in relation to patents, trademarks and other intellectual property continuously created and exploited by the Group.).

Generally, where the research and development expense are underwritten by customers, such customers demand use rights to the resulting intellectual property. As a result, in order to maintain proprietary rights within the Group, the Group's research and development is mostly self-funded.

In certain cases, the Group grants licenses to its customers whereby the ability to produce certain components or to assemble the Group's products is licensed to such customers, for example, to HM ARZENÁL in relation to assembly and production of firearms in Hungary (see "*—Material Contracts—Framework Agreement on Technology Transfer Cooperation*" below).

Material Contracts

COLT Acquisition Agreement

On 11 February 2021, CZ-US Holdings as parent, CZ ACQ as merger subco, and COLT and TXPATCH8445 Holdings LLC as stock holder representatives entered into an agreement and plan of merger between CZ ACQ and COLT as the indirect owner of the U.S. firearms manufacturer Colt's Manufacturing Company LLC and its Canadian subsidiary, Colt Canada Corporation.

Subject to the terms and conditions of the COLT Acquisition Agreement, the Group shall acquire the entire share capital of COLT for an upfront purchase price of USD 220 million (equivalent to CZK 4,737,480,000 million at an exchange rate of 21.534 CZK/USD as of 5 February 2021) in cash and 1,098,620 newly issued ordinary shares of the Issuer, which is subject to a final approval of the Issuer's General Meeting. The purchase price may be further increased in case certain pre-defined EBITDA performance criteria of the Group for the years 2021, 2022 and 2023 are reached. This earn-out part would consist of approximately up to 1.1 million newly issued shares of the Issuer. The closing of the transaction is conditional upon, among other things, the Group's ability to finance the transaction and obtaining: (i) an unconditional approval of the transaction by the U.S. Committee on Foreign

Investment, (ii) a clearance under the Investment Canada Act, (iii) an approval of the U.S. International Traffic in Arms Regulations, and (iv) an approval under the U.S. Hart-Scott-Rodino Antitrust Improvements Act. If these conditions are not satisfied or waived on or before 30 June 2021, either party may terminate the COLT Acquisition Agreement. The agreement includes customary warranties and interim period covenants. The Issuer currently intends to finance approximately USD 150 million (equivalent to CZK 3,230,100,000 million at an exchange rate of 21.534 CZK/USD as of 5 February 2021), excluding interest, of the purchase price from the net proceeds from the issue of the Notes (see "*Use and Estimated Net Amount of Proceeds*") and the remaining part from the Issuer's existing cash resources, including the proceeds from the Issuer's initial public offering which took place in 2020.

Framework Agreement on Technology Transfer Cooperation

On 6 March 2018, the Group, acting through CZ EXPORT, entered into a framework agreement on technology transfer cooperation (the "**Framework Agreement**") with HM ARZENÁL, a Hungarian company fully owned by the Hungarian state. The Framework Agreement sets out a legal framework for the conclusion of four separate Production Contracts, all of which have been executed between the parties, each for the transfer, assembly and production of the Group's firearms, namely up to 200,000 firearm units of (i) CZ P-07, (ii) CZ P-09, (iii) CZ Scorpion EVO 3 A1, and (iv) CZ BREN 2, with an expected total value of more than EUR 100 million.

The Production Contracts establish the legal framework allowing HM ARZENÁL to put into operation a sufficiently equipped own factory in Hungary (the "**Factory**") suitable for the serial production of the above-mentioned firearms (together the "**Production Firearms**" and each separately a "**Production Firearm**") and to manufacture several components related to the production of the Production Firearms (the "**Components**"). According to the Framework Agreement, the main commercial purpose of the transaction for HM ARZENÁL is to allow for the rearmament of the Hungarian armed forces and law enforcement agencies with the Production Firearms produced by HM ARZENÁL using the Group's technology. HM ARZENÁL may also sell Production Firearms to third parties either pursuant to agreements made on a government to government basis or with the Group's prior written approval. The Group's aim is to fully service the Hungarian military and law enforcement market for small arms from its portfolio.

Pursuant to the Production Contracts, the cooperation between the parties consists of two consecutive stages. The first stage has already been finished. During the first stage, the parties aimed to sufficiently equip and put into operation the Factory and to train HM ARZENÁL's workers. During the first stage HM ARZENÁL also agreed to start its own production of the Production Firearms, first exclusively from the components supplied by the Group and, after the Factory is equipped with the necessary equipment, also partly from the Components manufactured in the Factory by HM ARZENÁL. The second stage, which is the serial production of the Production Firearms, was scheduled to begin after the successful completion of the first stage.

The Production Contracts have been concluded for a fixed term of five years with an automatic extension for an additional period of five years unless the parties agree on its termination.

The first stage had already been finished and the second stage has been put in motion. The Factory has been built and equipped with the necessary machinery. HM ARZENÁL's workers have already mastered the gun assembly of the Production Firearms from components supplied by the Group and HM ARZENÁL is preparing to manufacture the Components.

Framework Agreement with the Ministry of Defence of the Czech Republic

In April 2020, the Czech Ministry of Defence and CZUB have entered into a framework agreement for the supply of up to 39,000 small arms (the "**Czech Army Framework Agreement**"). The deal is worth CZK 2.35 billion (exclusive of value-added tax) and covers the period until 2025. The final price will depend on the number of the weapons the ministry will order within narrower purchase order contracts in accordance with the military's needs. It includes up to 16,182 BREN 2 modular assault rifles, 21,280 CZ P-10 pistols, 1,646 CZ 805 G1 grenade launchers and 94 Scorpion carbines. As of date of this Prospectus, the Ministry of Defence placed four orders under the Czech Army Framework Agreement in the total amount of CZK 381.99 million (including value-added tax), which shall be delivered in the second half of 2021.

CZUB Bonds

In 2016, CZUB issued CZK 1.5 billion floating rate bonds due January 2022, followed by a second tranche in the amount of CZK 750.0 million issued in January 2017 and sold to investors in 2018 (with corresponding impact in the financial statements), increasing the total nominal amount to CZK 2.25 billion (the "**CZUB Bonds**"). The CZUB Bonds are redeemable by CZUB in 2021 at par and bear interest at a floating rate of 6M PRIBOR plus margin in the amount of 1.70 per cent. per annum. The CZUB Bonds are listed on the Regulated Market of the PSE.

The terms and conditions of the CZUB Bonds impose certain restrictions on CZUB regarding the disposal of its assets, incurrence of financial indebtedness, pledging, mortgaging or otherwise encumbering its property, carrying out transactions with related parties and payment of dividends or other distributions to its shareholders. In particular, CZUB is prohibited from declaring or paying dividend, make any other distribution of profit, return capital, provide loan or credit, and/or repay any debt, in each case to any of its shareholders, if CZUB's consolidated net debt-to-EBITDA ratio would exceed 3.0 as a result of any such payment or transaction. Because dividends from CZUB represent an important source of revenues for the Issuer, the ability of the Issuer to pay dividends to its shareholders would depend also on the level of consolidated indebtedness of CZUB. Apart of the above-described indebtedness covenant, the terms and conditions of the CZUB Bonds contain a change of control clause, subject to which CZUB must give notice of a change of control event (such an event being at such time as Mr. René Holeček ceases to directly or indirectly own at least 51 per cent. of CZUB or otherwise loses control over CZUB) and all holders of the CZUB Bonds shall have the option to request redemption of their CZUB Bonds within 45 days after the change of control notification.

Loan Agreement

On 12 November 2015, CZUB entered into a loan agreement with Komerční banka, a.s., as original lender, arranger, agent and security agent, and Česká spořitelna, a.s., as original lender and arranger, for the purposes of debt refinancing, investments and financing of operating and corporate needs (the "**Loan Agreement**"). The terms of the Loan Agreement were amended in December 2019 in order to align the terms with those of the CZUB Bonds. The loan originally consisted of a revolving credit line in the amount of CZK 700 million and two term loans in the aggregate amount of CZK 1.45 billion. As of 30 September 2020, the revolving credit line was not drawn. The interest rate applicable to the revolving credit line is calculated as the sum of PRIBOR, EURIBOR or LIBOR and a margin ranging between 0.80 per cent. to 1.10 per cent, depending on the currency of the relevant drawing. The final repayment date of all the loans is 30 September 2021. As of the date of this Prospectus, the two term loans were fully repaid and thus, only the revolving credit line is available to CZUB and it is occasionally used by CZUB.

Pursuant to the Loan Agreement a consent of Komerční banka, a.s., as agent, is required for a change of control, which is defined as any change resulting in (i) the decrease of the ultimate owner's share on the registered capital of CZUB below 2/3, (ii) ultimate owner ceasing to be in direct or indirect control of CZUB, or (iii) the Issuer ceasing to own 2/3 share on the registered share capital of CZUB.

The Loan Agreement also restricts CZUB from paying dividends, in line with the terms of the CZUB Bonds. Under the Loan Agreement, CZUB must also maintain level of debt-service coverage ratio on and over 5:1 and fulfil other non-financial covenants.

The obligations under the Loan Agreement are secured, among others, by a pledge over certain movable assets and receivables of CZUB created in favour of the security agent.

Financing arrangements

The Group's principal sources of liquidity have been cash generated from its operating activities, borrowings under credit facilities and proceeds from the issuance of debt or equity instruments. While the Group is considering various financing options, it expect these sources to continue to be the primary financing sources of the Group's activities also going forward.

Legal Proceedings

The Group may from time to time be subject to governmental, regulatory and legal or arbitral proceedings and claims, including those described below. Other than the proceedings described below, there have been no governmental, regulatory and legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) during the 12 months prior to the date of this Prospectus which may have, or have had a significant effect on the financial position or profitability of the Group.

Administrative lawsuit against the Ministry of Defence of the Czech Republic

In 2015, CZUB entered into an agreement with the Ministry of Defence of the Czech Republic (in Czech: *Ministerstvo obrany České republiky*) (the "**MoD**") for the sale of ballistic vests for a purchase price in the amount of CZK 68.0 million (the "**MoD Contract**"). Pursuant to the MoD Contract, CZUB was required to obtain from the Czech Defence Standardisation, Codification, and Government Quality Assurance Authority (in Czech: *Úřad pro obrannou standardizaci, katalogizaci a státní ověřování jakosti*) (the "**Defence Certification Authority**") a certification of quality for the ballistic vests prior to their delivery to the MoD. The certification criteria were stipulated in the MoD Contract. The Defence Certification Authority refused to grant the ballistic vests the required certification of quality, as a result of which CZUB could not fulfil the MoD Contract. CZUB appealed against the decision of the Defence Certification Authority to the MoD, but the appeal was dismissed. Subsequently, both CZUB and the MoD withdrew from the MoD Contract.

In 2016, CZUB filed an administrative lawsuit against the MoD in the Municipal Court in Prague, challenging the decision of the MoD to dismiss CZUB's appeal. In April 2019, the court held the decisions of both the Defence Certification Authority and the MoD unlawful and set them aside. On 8 June 2020, the MoD Contract was terminated by mutual agreement of CZUB and the MoD, and the parties agreed that no further actions will be undertaken by them in respect of the MoD Contract and the administrative proceeding was terminated.

Legal proceeding between Latin America Holding, a.s. as claimant against R&T Comércio de Importação e Exportação Ltda. (« R&T ») and CZ Brasil Indústria e Comércio de Armas e Munições Ltda (« CZ Brasil ») as defendants

CZ Brasil was originally founded as a joint venture with local partner R&T with an intention to enhance the visibility of the Group on the Brazilian market. The project is no longer actively pursued by the Group. The joint venture with the former partner has resulted in a dispute after the executive director of CZ Brasil refused to consent to a transfer of CZUB's shares in CZ Brasil to a different Group company, Latin America Holding, a.s., as permitted by the terms of the joint venture agreement. As a result, Latin America Holding, a.s. brought suit against CZ Brasil and R&T, seeking consent to the share transfer. Brazilian courts held CZ Brasil's executive director's withholding of the consent unlawful and ordered him to give his consent to the transfer. As of the date of this Prospectus, the consent is being enforced through an enforcement proceeding.

The court has partially ruled in favour of the petitioner and ordered R&T to execute the signature of the amendment of CZ Brasil's articles of association. R&T has not disputed the ruling and thus, the ruling came into force. As of the date of this Prospectus, R&T has not fulfilled its obligation and the ruling is being enforced.

Legal dispute between CZUB and R&T

In 2014, CZUB issued to R&T invoices related to the sale of products of CZUB, which were delivered during 2014. R&T failed to pay the invoices. As a result, CZUB brought suit against R&T for payment. The court has partially ruled in favour of CZUB as the petitioner and upheld its claim for automatic acceptance by R&T of the invoices (values of USD 116,231, USD 123,625 and USD 5,861.20) as the claimable debentures. The judgement amount is increased by the default interest rate of 1 per cent. per month until the court hearing, which took place on 16 September 2015. R&T has not disputed the ruling and thus, the ruling came into force. As of the date of this Prospectus, R&T has not fulfilled its obligation, and the ruling is being enforced.

Employees

The Group's employees are based in the Czech Republic, the United States and Germany. Around the date of the Prospectus, the Group's average recalculated headcount was 1,647 employees. The table below provides average recalculated headcount data for the Group's continued operations for the nine months ended 30 September 2020 and for the years ended 31 December 2019 and 2018.

	For the nine months ended 30 September 2020	For the year ended 31 December 2019	2018
		(*number*)	
Average recalculated headcount……………..	1,647	1,619	1,718

The table below sets forth information on the geographical split of the Group's employees as of 30 September 2020.

	As of 30 September 2020 *(average recalculated headcount)*
Czech Republic …………………………………………………………………	1,532
United States ………………………………………………………………...	121
Germany …………………………………………………………………..	3

Total ……………………………………………………………………………….	1,647

Most of the Group's employees are covered by an incentive program that makes the amount of their bonuses conditional on the accomplishment of their individual or collective goals and on the financial results achieved by the Group's companies at which they are employed. In addition to offering training and other benefits, the size and diversity of the Group's operations provide development and promotion opportunities for new employees.

The Group also employs temporary and agency workers (up to 10 per cent. of its total workforce) in order to maintain a degree of flexibility and be able to quickly respond to fluctuations in demand for its products. CZUB is subject to collective bargaining agreement which is set to remain in force until 31 March 2021. Under this collective bargaining agreement, pay raises for the relevant CZUB's employees (in the Czech Republic) are guaranteed, and CZUB provides its employees with social benefits such as travel compensation at rates above those set forth in the applicable labour legislation, a contribution to private pension insurance, or above-standard medical care. ZO OS KOVO ČESKÁ ZBROJOVKA a.s. operates as a workers' council within CZUB.

Environmental and Health and Safety Matters

The Group is subject to, and must comply with, a variety of national and international laws and regulations regarding the protection of the environment, health and safety. These laws and regulations address, among other things, the identification, acceptance, treatment, storage, handling, transportation and disposal of hazardous and solid materials and waste, air and water emissions, soil and water contamination, noise, the prevention or minimization of climate change, and exposure of employees and others to hazardous materials or waste. In order to satisfy environmental responsibilities and to comply with environmental laws and regulations, the Group maintains policies relating to the environmental standards of performance for its operations and conducts programs to monitor compliance with various environmental regulations. In the normal course of the Group's manufacturing operations, it may become subject to governmental proceedings and orders pertaining to waste disposal, air emissions and water discharges into the environment.

The Group's principal production facility in Uherský Brod, Czech Republic has been in operation for more than 80 years, but no comprehensive inspection has been carried out and contamination or other environmental impacts of the Group's past, present or future operations could be discovered for which no insurance coverage is in place (See "*Risk Factors—Environmental laws and regulations may impact the Group's business*"). Historically, the Group identified soil and underground water contamination by chlorinated hydrocarbons and oils within its facility in Uherský Brod. This contamination was successfully remedied in full in 2018. The Group conducts further monitoring in two year intervals. The Group also periodically reviews the probable and reasonably estimable environmental costs in order to create or update any environmental reserves.

In connection with the COVID-19 health crisis, the Group undertook safety measures to protect its employees including providing its workers with face masks, vitamins and disinfectants, regular workplace disinfection, rescheduling of work shifts to smaller groups to effectively implement and enforce social distancing, implementing home office for white collar employees and imposing a strict schedule for office rotations/occupation. CZUB also formed a crisis team to coordinate communication with employees via dedicated platforms.

Insurance

The Group possesses insurance coverage that the Group believes to be adequate for the risks of the business in which is engaged. Although its insurer does not cover punitive damages, the Group believes that all of its insurance policies meet industry standards.

The Group also maintains insurance for its buildings and inventory as well as business interruption insurance, third-party liability insurance for environmental damage (contamination) (which is limited to CZK 5 million), and various other insurance policies which the Group believes provide it with adequate protection against the ordinary risks associated with conducting its business.

Corporate Social Responsibility

Corporate Social Responsibility is an integral part of the Group's activities. In 2019, the Group donated more than CZK 8.0 million to over 60 projects of charities, non-profit organizations and sports clubs focused on defence, the security and health system, education and culture both regionally and nationally. Some of the key projects supported by the Group include: The Endowment Fund of Paediatric Oncology Krtek of the Children's Medical Centre of the University Hospital Brno, which specializes in complex oncology treatment of nurslings, infants, and adolescents; the "450 ml NADĚJE" (*hope)* project to recruit new volunteer blood donors; the Sparta Praha Ice Hockey Club "Tribute to Heroes" project to honour the members of the Integrated Rescue System and the

Czech Armed Forces who lost their lives whilst on duty; the Karlovy Vary International Film Festival or the Zlín Czech-Slovak theatre festival "Setkání Stretnutie" (*Meeting*). In addition, the Group donated the proceeds from the auction of the special edition of the pistol CZ 75 "Republika" commemorating the 100th anniversary of the birth of the Czechoslovak state to the Czech Army's Military Solidarity Fund and to the Policemen and Firefighters' Foundation. In 2020, the Group has been also participating in the development and production of protective face masks (RP95-M) to help fight the impacts of the COVID-19 pandemic in the Czech Republic. The face masks are produced by CARDAM and are primarily provided to the Czech Republic, specifically to the Ministry of Health of the Czech Republic.

MANAGEMENT

General overview

The Issuer has a two-tier board system consisting of the Board of Directors (in Czech: *představenstvo*) (the "**Board of Directors**") and the Supervisory Board (in Czech: *dozorčí rada*) (the "**Supervisory Board**"). The Board of Directors represents the Issuer in all matters and is charged with its day-to-day business management, while the Supervisory Board is responsible for the supervision of the Issuer's activities and of the Board of Directors in their management of the Issuer and resolves on matters defined in the Czech Corporations Act and the Articles of Association, particularly matters with material impact on the value of the ownership interests in the Issuer. Under the Czech Corporations Act, the Supervisory Board may not make management decisions.

The Supervisory Board may form committees from among its members and delegate decision making power to any such committees as permitted by law. The committees' respective tasks, authorizations and processes are determined by the Supervisory Board. As provided for by the Supervisory Board's rules of procedure, the Supervisory Board has formed a remuneration committee (the "**Remuneration Committee**"), an acquisition committee (the "**Acquisition Committee**") and a regulatory and ethical matters committee (the "**Regulatory and Ethical Matters Committee**"). Pursuant to the Articles of Association, the Issuer formed an audit committee (the "**Audit Committee**" members of which are elected by the General Meeting and a employee committee (the "**Employee Committee**" (members of which are elected by the employees' representatives or the employees themselves).

Board of Directors

The Board of Directors represents the Issuer in all matters, unless such matter is specifically entrusted to the Supervisory Board or the General Meeting, and is responsible for the Issuer's management and day-to-day operations and acts on the Issuer's behalf. The business address of each member of the Board of Directors is at Opletalova 1284/37, Nové Město, 110 00 Prague 1, the Czech Republic.

The Articles of Association provide that the Board of Directors consists of seven members that are elected and recalled by the Supervisory Board. A member of the Board of Directors is appointed for a period of five years and may be reappointed. The Supervisory Board may recall a member of the Board of Directors at any time. The Board of Directors appoints its Chairman and two Deputy Chairmen from amongst its members.

The Board of Directors constitutes a quorum if a majority of its members is present or otherwise takes part in a meeting. The Board of Directors adopts a decision by a majority vote of all its members. In case of a tie vote, the vote of the Chairman decides. Members of the Board of Directors may participate in the meetings through telephone or other remote means. When necessary, a decision may be made by the Board of Directors without holding a meeting.

In accordance with the Articles of Association, meetings of the Board of Directors are called by the Chairman or a Deputy Chairman of the Board of Directors or, in their absence, by any member of the Board of Directors, at least once a month. The Board of Directors shall convene upon the request of any member of the Board of Directors or the Chairman of the Supervisory Board.

The following table sets out the name and principal position of each member of the Board of Directors.

Name	Position on the Board of Directors / Position in senior management	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
Lubomír Kovařík ……...	Chairman of the Board of Directors / President	17 January 2020	17 January 2025
Jan Drahota ……...........	Vice-Chairman of the Board of Directors / Head of Finance	17 January 2020	17 January 2025
Andrej Chrzanowski …..	Member of the Board of Directors	17 January 2020	17 January 2025
Jan Zajíc ……...	Member of the Board of Directors	24 November 2020	24 January 2025
Alice Poluchová ……….	Vice-Chairman of the Board of Directors / CEO of CZ-USA	17 January 2020	17 January 2025
David Aguilar ……......	Member of the Board of Directors	17 January 2020	17 January 2025
Jana Růžičková …….....	Member of the Board of Directors	17 January 2020	17 January 2025

Lubomír Kovařík

Chairman of the Board of Directors, President of the Group

Mr. Kovařík graduated from Military Air Force University and also completed a Master of Business Administration degree at Sheffield University. He began his career as a pilot in the Army of the Czech Republic, where he reached the rank of major before he retired from the military in the mid-1990s. He began his civilian career in 1995 as manager in the company Aulis. After a year, he joined Škoda Praha as Production Director, where he worked his way up to the position of Chief Executive Officer. He later worked for Eltodo EG and Mavel. From 2006 to 2017, he served as Chief Executive Officer of CZUB. Since 2018, he has been President and Chairman of the board of directors of the Major Shareholder.

Mr. Kovařík is primarily responsible for the Group's strategic business development and its key commercial efforts in the areas of military and law enforcement and public affairs.

Jan Drahota

Vice-Chairman of the Board of Directors, Group Head of Finance

Mr. Drahota studied Finance at the University of Economics, Prague and holds a Master of Business Administration degree from the University of Chicago, Booth School of Business. Before joining the Group at the level of the Major Shareholder in 2014, Mr. Drahota worked for about 15 years in the financial markets and investment banking field, spending most of his career in Société Générale Group, most recently as its Managing Director, Head of Central and Eastern Europe, based in Paris. From 2014 to 2015, he served as a senior advisor to the Deputy Minister of Finance of the Czech Republic, he also served as an advisor to the Minister for Health with regards to corporate governance of publicly held hospitals and institutions. Mr. Drahota has broad non-executive director experience and is currently acting, *inter alia*, as a representative of the Ministry of Finance on the supervisory board of ČEPS, a.s. (the sole Czech energy transmission grid owner and operator).

Mr. Drahota is primarily responsible for finance functions across the Group's companies and implementation of the Group's strategy, including its merger and acquisition initiatives.

Andrej Chrzanowski

Member of the Board of Directors, Group Head of R&D and Technical Functions

Mr. Chrzanowski graduated from the Mechanical Engineering department at the Czech Technical University in Prague in 2002. From 2002 to 2006, he held technical and managerial positions in the research and development centre of Ingersoll Rand in the Czech Republic. From 2006 to 2013, he was the Technical Director of the Czech company Wikov. From 2013 to 2015, he was the Technical Director at CZUB. Since 2016 to 2019, he served as the Chief Executive Officer of CARDAM, and since 2018 he has been a member of the supervisory board of the Major Shareholder and member of the Academy Assembly of the Czech Academy of Sciences.

Mr. Chrzanowski is primarily responsible for R&D and technical functions across the Group.

Jan Zajíc

Member of the Board of Directors

Jan Zajíc graduated in Economics and Management at the Faculty of Business and Economics of Mendel University in Brno. Prior to joining CZUB, he held various managerial positions in industrial companies in the Czech Republic and abroad. He started his career in Fatra, the plastic producer based in Napajedla, then in the Continental Barum plants in Otrokovice and Púchov, Slovakia. In the Continental Group, he held various positions in the financial management and controlling at the production plant in Kuala Lumpur, Malaysia, and subsequently at the company's headquarters in Hannover, Germany. Mr. Zajíc has been working at CZUB as is chief financial officer since 2019. Since November 2020, he has served as chief executive officer and chairman of the board of directors of CZUB.

Mr. Zajíc represents CZUB, the key operating entity, on the Board of Directors.

Alice Poluchová

Vice-Chairman of the Board of Directors

Mrs. Poluchová has a Master's degree in Management from the Business College of the Silesian University, Karviná, Czech Republic. She joined the Group directly after her graduation in 1995, as the Export Sales Manager in the Czech Republic. She relocated to the United States in 1998 and became the Vice President and Treasurer of the newly established CZ-USA. In 2004 she was appointed to the positions of President and Chief Executive Officer of CZ-USA. Mrs. Poluchová has been instrumental in the growth of CZ-USA, which has helped transform the Group into a sizeable player in the small arms market. She has established a strong team that is continuously growing the Group's presence and recognition in the United States.

Mrs. Poluchová represents the North American activities in the Board of Directors of the Group.

David Aguilar

Member of the Board of Directors

Mr. Aguilar retired from his career in the U.S. Government's service on 31 March 2013 where he served 35 years with U.S. Customs and Border Protection and the United States Border Patrol, acquiring a wealth of knowledge and experience in border law enforcement and administration, domestic and international policing, strategy, tactics, and policy development. He served the last three and a half years of his career as the Acting Commissioner of U.S. Customs and Border Protection, the highest-ranking career officer in the U.S. largest federal law enforcement organization.

Mr. Aguilar's leadership, professional integrity and commitment to excellence have earned him numerous awards, including the Presidential Rank Award in 2008, the President's Excellence Award in 2005, the Department of Homeland Security Distinguished Service Medal, the Washington Homeland Security Roundtable Lifetime Achievement Award, and the Institute for Defence and Government Advancement Lifetime Achievement Award. Currently, besides his role in the Group, David is a Principal at Global Security and Innovative Strategies, where he advises clients on a broad range of national homeland and international security matters including border security and logistics, global trade and commerce, supply chain management and security, risk management, viability assessments, and strategic planning and implementation. Mr. Aguilar focuses on tailoring global risk management solutions related to supply chain security, customs compliance, and all issues related to border protection at and between international ports of entry.

Mr. Aguilar acts as an independent, non-executive member of the Board of Directors.

Jana Růžičková

Member of the Board of Directors

Mrs. Růžičková graduated from the University of Economics in Prague. She has been engaged in several companies which belong to the portfolio of the EHC (majority shareholder of the Major Shareholder) since 1996 and the Group specifically, since 1997. She acts as the key economics expert and is responsible for audit, accounting, tax and legal matters of the Group. She specializes in corporate restructuring and M&A transactions. She is a member of the supervisory boards and boards of directors of several companies within the Group.

The table below sets forth principal activities performed by members of the Board of Director outside the Issuer where these are significant with respect to the Issuer:

Name	Position held
Lubomír Kovařík	Česká zbrojovka Partners SE – chairman of the board of directors
Jan Drahota	Česká zbrojovka Partners SE – member of the board of directors Česká zbrojovka Defence SE – chairman of the board of directors ČEPS, a.s. – member of the supervisory board ČEPS, a.s. – member of the audit committee DCF Partners, s.r.o. – executive hypo360.cz, SE – member of the board of directors Zero Emissions Debt Finance, a.s. – statutory director Zero Emissions Debt Finance, a.s. – chairman of the administrative board
Andrej Chrzanowski	Česká zbrojovka Partners SE – supervisory board member Knoflíkářský průmysl Žirovnice a.s. – supervisory board member Moran Investment, a.s. – supervisory board member

	Nadace RUDOLF – administrative board member
Jan Zajíc	ITeuro, a.s. – chairman of the supervisory board
Alice Poluchová	None
David Aguilar	U.S. Border Patrol Foundation – board of directors member Global Security and Innovative Strategies – principal Homeland Security Dialogue – forum advisory board member University of Houston – Borders, Trade, and Immigration Institute External Advisory Board member Drone Aviation Holding Corp-chairman of the board SAP NS2 advisory board member Aviation Holding Corp-board of directors member
Jana Růžičková	AUTO-CZ International a.s. - member of the supervisory board Minezit SE - sole member of the board of directors RAIL CARGO a.s. - sole member of the board of directors CZ AGRO Servis a.s. - member of the supervisory board M&H Management a.s. - statutory director Kykulin Trade a.s. - sole member of the board of directors Silesia Invest SE - sole member of the board of directors

Supervisory Board

The Supervisory Board is an independent body of the Issuer that primarily oversees the Board of Directors. The Supervisory Board may not, under the Czech Corporations Act and the Articles of Association make management decisions. However, certain key decisions of the Board of Directors are subject to prior approval of the Supervisory Board. The business address of each member of the Supervisory Board is at Opletalova 1284/37, Nové Město, 110 00 Prague 1, the Czech Republic.

The Articles of Association provide that the Supervisory Board consists of three members that are elected and recalled by the General Meeting. A member of the Supervisory Board is appointed for a period of five years. A member of the Supervisory Board may be reappointed. The General Meeting may recall a member of the Supervisory Board at any time. The Supervisory Board appoints its Chairman from amongst its members. Members of the Supervisory Board cannot simultaneously be a member of the Board of Directors.

The Supervisory Board constitutes a quorum if a majority of its members is present or otherwise takes part in a meeting. The Supervisory Board adopts a decision by a majority vote of all its members. Members of the Supervisory Board may participate in the Supervisory Board meetings through telephone or other remote means. When necessary a decision may be made by the Supervisory Board without holding a meeting.

In accordance with the Articles of Association, meetings of the Supervisory Board are called by the Chairman of the Supervisory Board. Members of the Supervisory Board are required to attend General Meetings.

The following table sets out the name and principal position of each member of the Supervisory Board:

Name	Position	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
René Holeček …….........	Chairman of the Supervisory Board	17 January 2020	17 January 2025
Vladimír Dlouhý …….....	Member of the Supervisory Board	17 January 2020	17 January 2025
Věslava Piegzová …….....	Member of the Supervisory Board	17 January 2020	17 January 2025

René Holeček

Chairman of the Supervisory Board

Mr. Holeček graduated from Department of Economics and Management in metallurgy at the Technical University in Ostrava. In 1990, he started his career in banking working at Komerční banka and Pragobanka in various executive positions. Since 1994, Mr. Holeček has become an entrepreneur and industrialist investor. He was part of the landmark privatization of Třinecké železárny and since then he has built an outstanding industrial track record. Together with his business partner at the time, he bought CZUB when it was on the verge of bankruptcy and managed to turn around the business to become one of the leading small arms manufacturers worldwide. Since 2014, he controls the vast majority of the Issuer's shares.

Vladimír Dlouhý

Member of the Supervisory Board

Mr. Dlouhý is a graduate of the University of Economics in Prague. He subsequently earned a Master of Business Administration degree at the Catholic University of Louvain, Belgium in 1978 and pursued postgraduate studies in mathematical statistics and probability at Charles University in Prague.

Mr. Dlouhý began his professional career as a lecturer. In 1983, he moved to the Czechoslovak Academy of Sciences as a researcher and later became Deputy Director of the Forecasting Institute. In 1989, Mr. Dlouhý was invited by Václav Havel to join the first post-communist government and until 1992 he served as the Minister of Economy of Czechoslovakia. After the split of the country, he served as Minister of Industry and Trade of the Czech Republic until June 1997. Simultaneously, he was a member of the Czech Parliament and vice-chairman of Civic Democratic Alliance, which was part of the governing coalition.

In 1997, he announced his departure from politics and currently serves as an International Advisor for Central and Eastern Europe at Goldman Sachs. Between 1997 and 2010, he served as a Senior Advisor to ABB Group, covering Central Europe and later the Czech Republic exclusively. He also served as a non-executive director, for KSK Power Ventur, Hyderabad, India. Currently, he is also a member of the Advisory Board for Meridiam Infrastructure, Paris, France, and of the Supervisory Board of Kooperativa, Prague, Czech Republic. Since 2014, he has been the president of the Czech Chamber of Commerce.

Mr. Dlouhý is also an Associate Professor of Macroeconomics and Economic Policy at Charles University in Prague. Between 2000 and 2011, he was a member the Board of International Overseers at the Illinois Institute of Technology, Chicago, USA. He is also a member of the Trilateral Commission and in the past he was a Deputy Chairman of its European Group. From 2009 to 2012, he was a member of the European Advisory Group to the Managing Director of the International Monetary Fund.

Mr. Dlouhý is an author of numerous publications.

Věslava Piegzová

Member of the Supervisory Board

In 1978, Mrs. Piegzová graduated from the VŠB, Technical University in Ostrava, Faculty of Economics. From 1978 to 1996, she was employed at TŘINECKÉ ŽELEZÁRNY, a. s. in Třinec, initially, as a member of the accounting and reporting department and later became a leader of the team responsible for the implementation of the financial and controlling systems. In 1996, she was appointed as chief financial officer of Vesuvius CR, a producer of isostatic pressed refractory for steel industry. At the same time, she began an MBA programme at the Ostrava branch of the Open University of London and eventually completed her degree at Newport International University. In 2001, she returned to TŘINECKÉ ŽELEZÁRNY, a. s. as the Director for Strategy of Moravia Steel and also a member of the management board. From 2005 to 2006, she also served as the General Manager of Barrandov Studios, which also belonged to the TŘINECKÉ ŽELEZÁRNY, a. s. group. From 2007 to 2010, Mrs. Piegzová became chief financial officer and chairman of the board of directors of České loděnice a.s. in Děčín, a former ship-building company. Then in 2010, she became CFO at České loděnice to Barkmet a.s., also a ship-building company. In 2013, Mrs. Piegzová joined CZUB as its chief financial officer and later became the Vice-Chairman of its board of directors. In 2020, Mrs. Piegzová became a member of the Supervisory Board.

The table below sets forth principal activities performed by members of the Supervisory Board outside the Issuer where these are significant with respect to the Issuer:

Name	Position held
René Holeček	RAIL CARGO a.s. – supervisory board member TRX, s.r.o. – executive Minezit SE – supervisory board member Silesia Invets SE – supervisory board member EHC – supervisory board member Česká zbrojovka Partners SE – supervisory board member Česká zbrojovka Defence SE – supervisory board member
Vladimír Dlouhý	Goldman Sachs – International Advisor for Central Eastern Europe Czech Chamber of Commerce – President Meridiam Infrastructure – Advisory Board member Kooperativa pojišťovna, Vienna Insurance Group – supervisory board member
Věslava Piegzová	CZ-AUTO SYSTEMS a.s. – supervisory board member

Audit Committee

The majority of members of the Audit Committee are required to be independent and professionally qualified pursuant to applicable provisions of the Czech Act No. 93/2009 Coll., on Auditors, as amended (the "**Czech Act on Auditors**"), and at least one member of the Audit Committee is required to be a current or former statutory auditor or a person whose knowledge and previous experience in the area of accounting entail the presumption and proper performance of the functions of a member of the Audit Committee, with respect to the business of the Issuer. The chairman of the Audit Committee is required to be independent pursuant to applicable provisions of the Czech Act on Auditors. The business address of each member of the Audit Committee is at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic.

The Articles of Association provide that the Audit Committee consists of three members that are appointed for a period of five years. A member of the Audit Committee may be reappointed. No member of the Audit Committee may be a member of the Board of Directors. The powers, responsibilities and decision-making process of the Audit Committee are defined by the Articles of Association, the Czech Act on Auditors and the rules of procedure of the Audit Committee.

Key responsibilities and powers of the Audit Committee include, *inter alia,* monitoring the effectiveness of the Issuer's internal control and risk management system, the effectiveness of the Issuer's internal audit and ensuring its functional independence; the process of preparation of the Issuer's consolidated and non-consolidated financial statements; and the statutory audit process.

The following table sets out the name and principal position of each member of the Audit Committee:

Name	Position	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
Věslava Piegzová….........	Chairman of the Audit Committee	17 January 2020	17 January 2025
David Ondroušek …….....	Member of the Audit Committee	17 January 2020	17 January 2025
Tomáš Machuča …….....	Member of the Audit Committee	17 January 2020	17 January 2025

David Ondroušek

Member of the Audit Committee

Mr. Ondroušek worked for more than ten years in Deloitte's Audit Department, followed by 10 months in the WOOD & Company Finance Department and is currently working with Staněk, Tomíček & Partners tax offices. Mr. Ondroušek is a licensed auditor of the Chamber of Auditors of the Czech Republic and a member of the international professional organization Association of Chartered Certified Accountants. In addition to providing audit services, he focuses primarily on IFRS and transfer pricing advice.

Tomáš Machuča

Member of the Audit Committee

Mr. Machuča graduated from the Faculty of Law at Masaryk University in Brno, in 2013 and from the Faculty of Management and Economics at Tomas Bata University in Zlín, in 2017. After his studies at Faculty of Law, he started his career as a company lawyer at CZUB. He currently holds the position of Head of the Legal Department and also acts as corporate secretary. In addition, he is responsible for corporate compliance and the protection of personal data at CZUB.

As of the date of this Prospectus, the members of the Audit Committee did not perform any principal activities outside the Issuer where these are significant with respect to the Issuer, with the exception of Věslava Piegzová stated above.

Remuneration Committee

The key function of the Remuneration Committee is to ensure integrity and fairness of the remuneration system for senior management of the Group.

Committee for the Assessment of Strategic Investments

The key task of the Committee for the Assessment of Strategic Investments is to approve and review proposals of the senior management for potential M&A transactions and/or joint venture initiatives in order to ensure the industrial logic and desired financial benefits for the Group.

Regulatory and Ethics Committee

The Regulatory and Ethics Committee is responsible for implementing the Code of Ethics and the Code of Conduct within the Group and for overseeing compliance with the Code of Ethics and the Code of Conduct.

Employee Committee

The Issuer formed an Employee Committee, the members of which are Issuer employees, elected by the employees' representatives or the employees themselves. The Employee Committee is, in particular, entitled to obtain a report on the development of the business of the Issuer at least once a year, information on proposed agendas for the meetings of the Board of Directors and the Supervisory Board and copies of all documents presented to the General Meeting. The Board of Directors is obliged to inform the Employee Committee without undue delay about any extraordinary facts that might be detrimental to the interests of employees.

Conflicts of Interest

There are no conflicts of interest between the duties of the members of the Board of Directors, Supervisory Board Members, Audit Committee Members and other senior managers to the Issuer and their private interests or other duties.

TAXATION AND FOREIGN EXCHANGE REGULATION IN THE CZECH REPUBLIC

This chapter summarises certain tax aspects of Czech laws regarding the acquisition, ownership and selling of the Notes and does not purport to be a comprehensive description of all tax-relevant aspects that may be of importance when deciding on investing in the Notes. This summary does not describe any tax aspects resulting from the laws of any state other than the Czech Republic. This summary does not specifically comment on or take into account the impact of the U.S. Foreign Account Tax Compliance Act ("**FATCA**") or any of its aspects.

This summary is based upon the law, administrative practice and prevailing interpretations as in effect on the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to the holders of the Notes. In this respect, it should specifically be noted that the summary reflects the significant changes to the taxation of bonds (incl. the Notes) as introduced by the latest amendment to the Czech income taxes act No. 609/2020 which became effective as of 1 January 2021 (further referred to as the "2021 ITA Amendment"). The 2021 ITA Amendment has been approved by the Czech Parliament and promulgated in the Collection of Laws of the Czech Republic and, accordingly, has become a law. That said, the 2021 ITA Amendment has not been signed by the president of the Czech Republic and there is a risk that the presidential actions can render both the enactment as well as the effective date of the 2021 ITA Amendment susceptible to challenge in front of the courts. Furthermore, it should be noted that the new 2021 ITA Amendment rules affecting taxation of bonds (incl. the Notes) are untested in practice and there is neither any prevailing interpretation nor any administrative guidance available.

The description below does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities and commodities and certain investment funds) may be subject to a special tax regime.

The description below assumes that the person receiving any payments arising from the Notes is the beneficial owner of such income, notably that such person is not an agent or an intermediary, or who otherwise receives such payments on behalf of another person.

It is recommended that parties interested in acquiring the Notes consult their legal and tax advisors with regard to the tax, foreign exchange and legal consequences of purchasing, selling or holding the Notes and receiving payments under the tax and foreign exchange legislation in effect in the Czech Republic and the countries where such parties reside, as well as countries in which proceeds from holding or selling the Notes could be taxed.

The Issuer is, under certain conditions, obliged to withhold and pay withholding tax on income from the Notes.

Interest Income

Interest income on the Notes (with the exception of Discount as described below) paid to:

(a) an individual, or

(b) a taxpayer other than an individual who is not treated as a resident of the Czech Republic for tax purposes and does not hold the Notes through a permanent establishment in the Czech Republic,

is generally subject to a withholding tax to be withheld (and paid to the tax authorities) by the Issuer. The tax rate is 15 per cent. or 35 per cent., unless decreased or eliminated by an applicable double taxation treaty (or, in respect of Taiwan, under the Czech Act on elimination of double taxation with Taiwan; which hereinafter is also included in the term "double taxation treaty"). The 15 per cent. rate is applicable with respect to:

(a) Czech tax resident individuals, and

(b) recipients (whether individuals or not), who are tax residents in (i) an EU/EEA-member state, or (ii) a country or jurisdiction with which the Czech Republic has an effective double tax treaty or an effective double (or multilateral) treaty on the exchange of information.

The 35 per cent. rate is applicable with respect to other Czech tax non-resident recipients. The withholding tax represents final Czech tax liability in respect of the interest income on the Note, save for certain exceptions in the case of an individual or a taxpayer other than an individual who are not treated as residents of the Czech Republic for tax purposes (either of them further referred as the "**Non-Czech Holder**"), but are tax residents in an EU/EEA-member state and decide to include the interest income in a Czech self-assessment tax return where the withheld tax would be credited against the tax liability declared in the tax return with any overpayment being refunded subject to standard rules.

Interest income on the Notes paid to the Non-Czech Holder who is not an individual and holds the Notes through a permanent establishment in the Czech Republic, is generally subject to a securing tax to be withheld (and paid to the tax authorities) by the Issuer, unless the recipient of the interest is a tax resident in an EU/EEA-member state or the obligation to withhold is waived based on a tax authority's decision. The rate of the securing tax is 10 per cent. (applicable on a gross basis). Such interest income recipient is, irrespective whether or not being a tax resident in an EU/EEA-member state and whether the obligation to withhold is waived based on a tax authority's decision, obliged to file a tax return and therein declare the interest income (and claim related expenses, if any). This means that the interest income would be taxed on a net basis (rather than on a gross basis) using standard corporate income tax rate of 19 per cent. (the 10 per cent. securing tax, if applicable, would be credited against the tax liability declared in a tax return with any overpayment being refunded subject to standard rules).

Interest income on the Notes paid to a taxpayer other than an individual, who is treated as a resident of the Czech Republic for tax purposes, is not subject to withholding tax. Such holder of the Notes would include the interest income (on an accrual basis) in its general tax base (subject to corporate income tax at a rate of 19 per cent.).

A double tax treaty between the Czech Republic and the country of which the recipient of interest income is resident for tax purposes may reduce or even eliminate the tax imposed on such income in the Czech Republic. The entitlement to such benefit under a double tax treaty is generally conditional upon meeting conditions specified in the relevant double tax treaty the satisfaction of which may need to be proved to the Issuer. For example, evidence of the recipient's tax residence in the other state or of beneficial ownership of the income by the recipient may have to be produced to the Issuer who bears a corresponding burden of proof with respect to the tax authorities. Interest paid to a related foreign legal entity may be, under certain conditions, fully exempt from the Czech corporate income tax (including any withholding tax) under the Council Directive 2003/49/EC of 3 June 2003, on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States (Interest and Royalties Directive), as implemented in the Czech tax law.

Selected categories of taxpayers (for example, charitable foundations or the Guarantee Fund of securities traders) are exempt from tax on interest income, subject to certain conditions.

Capital gains/Losses

Non-Czech Holders

Income realised by a Non-Czech Holder not holding the Notes through a permanent establishment in the Czech Republic, from the sale of the Notes to another Non-Czech Holder, not purchasing the Notes through a permanent establishment in the Czech Republic, will not be subject to taxation in the Czech Republic.

Income realised by a Non-Czech Holder, whether holding the Notes through a permanent establishment in the Czech Republic or not, from the sale of the Notes to (i) an individual or to a taxpayer other than an individual who is, in each case, for tax purposes treated as a resident of the Czech Republic (either of them further referred to as the "**Czech Holder**") or to (ii) a Non-Czech Holder acquiring the Notes through a permanent establishment in the Czech Republic, will be subject to taxation in the Czech Republic, unless such income is exempt from tax (as described further below) or the selling Non-Czech Holder is resident for tax purposes in a country within the meaning of a double taxation treaty between that country and the Czech Republic, pursuant to the terms of which the right to tax that income is conferred exclusively to the former country and the Non-Czech Holder is entitled to enjoy the benefits of that double taxation treaty.

Income realised by Non-Czech Holders holding the Notes in connection with the business activities through a permanent establishment in the Czech Republic from the sale of the Notes will be subject to taxation in the Czech Republic regardless of the status of the buyer.

If income realised by a Non-Czech Holder from the sale of the Notes is subject to taxation in the Czech Republic (as discussed in the foregoing paragraphs), a Czech Holder or a permanent establishment in the Czech Republic of a Non-Czech Holder paying that income will be obliged to withhold an amount of 1 per cent. on a gross basis representing the securing tax, unless the Non-Czech Holder selling the Notes is a tax resident in an EU/EEA-member state or the obligation to withhold is waived based on a tax authority's decision. The recipient is, irrespective whether or not being a tax resident in an EU/EEA-member state and whether the obligation to withhold is waived based on a tax authority's decision, obliged to file a tax return and therein declare the income (and claim expenses, in particular the purchase price of the Notes). The tax securing will be credited against the final tax liability of the Non-Czech Holder selling the Notes with any overpayment being refunded subject to standard rules.

Income realised by a Non-Czech Holder from the sale of the Notes to (i) a Czech Holder or to (ii) a Non-Czech Holder acquiring the Notes through a permanent establishment in the Czech Republic, will be exempt from taxation in the Czech Republic, if the selling Non-Czech Holder is an individual who has held the Notes for more than three consecutive years prior to their sale or his/her (gross) worldwide income from the sale of securities (including the Notes) in a given calendar year does not exceed the amount of CZK 100,000, provided, in each case, that the Notes have not been held in connection with the business activities of the Non-Czech Holder, or if so, the Notes are sold more than three years following the termination of such business activities.

Taxable gain realised by a Non-Czech Holder from the sale of the Notes is generally subject to Czech corporate income tax of 19 per cent. or progressive personal income tax of 15 and 23 per cent., depending on the individual's applicable tax bracket (the threshold, calculated including this and most other types of income, for the higher bracket is 48 times the average wage, which amounts to CZK 1,701,168 in 2021).

The above rules apply equivalently if the Notes are sold to the Issuer.

Permanent establishments of Non-Czech Holders who are subject to Czech accounting standards for entrepreneurs or to Czech accounting standards for financial institutions may be required to re-measure the Notes to fair value for accounting purposes, whereby the unrealised gains and losses would be accounted for as revenue or expense, respectively. Such revenue is generally taxable and the corresponding expense is generally tax deductible for Czech tax purposes.

Czech Holders

Any gains upon the sale of the Notes will generally be taxable, unless exempt from tax, at the standard tax rates (as stated below) and in the case of Czech Holders who keep accounting books and hold the Notes as part of their business property (in principle, all legal entities and certain individuals), any losses will generally be tax deductible. By contrast, a loss realised by a Czech Holder who is an individual other than that mentioned in the preceding sentence is generally non-deductible, except where such loss is compensated by taxable gains on sales of other securities realised in the same calendar year and the income from the sale of the Notes is not exempt from tax.

In the case of Czech Holders who are individuals, any gain derived from the sale of the Notes is exempt from Czech personal income tax if the individual has held the Notes for more than three consecutive years prior to their sale or if his/her (gross) worldwide income from the sale of securities (including the Notes) in a given calendar year does not exceed the amount of CZK 100,000, provided, in each case, that the Notes have not been held in connection with the business activities of the Czech Holder or if so, the Notes are sold more than three years following the termination of such business activities.

Taxable gain realised by a Czech Holder from the sale of the Notes is generally subject to Czech corporate income tax of 19 per cent. or progressive personal income tax of 15 and 23 per cent., depending on the individual's applicable tax bracket (the threshold, calculated including this and most other types of income, for the higher bracket is 48 times the average wage, which amounts to CZK 1,701,168 in 2021). In the specific case of a Czech Holder who is an individual and holds the Notes as part of its business property, the respective income is also subject to social security and health insurance levies. Czech Holders are generally obliged to declare such income in their annual tax returns on a self-assessment basis.

The above rules apply equivalently if the Notes are sold to the Issuer.

Czech Holders who are subject to Czech accounting standards for entrepreneurs or to Czech accounting standards for financial institutions and hold the Notes for the purposes of trading may be, under certain conditions, required to re-measure the Notes to fair value for accounting purposes, whereby the unrealised gains or losses would be accounted for as revenues or expenses, respectively. Such revenues are generally taxable and the corresponding expenses are generally tax deductible for Czech tax purposes.

Discount

In this section, "discount" refers to the excess of the amount payable by the Issuer to the noteholders upon the maturity of the Notes (or upon their early redemption) over the acquisition value of the Notes in the hands of the holder. This would include, but not be limited to, an issue of the Notes at less than their nominal value.

Czech and Non-Czech Holders who keep accounting books may be required to recognize the discount on accrual basis.

Non-Czech Holders

If the Notes were acquired with a discount, income realised by a Non-Czech Holder upon the Note's maturity will be subject to taxation in the Czech Republic, unless the Non-Czech Holder is resident for tax purposes in a country within the meaning of a double taxation treaty between that country and the Czech Republic, pursuant to the terms of which the right to tax that income is conferred exclusively to the former country and the Non-Czech Holder is entitled to enjoy the benefits of that double taxation treaty.

If such income realised by a Non-Czech Holder upon the Note's maturity (or upon its early redemption) is subject to taxation in the Czech Republic (as discussed in the foregoing paragraph), the Issuer will be obliged to withhold an amount of 1 per cent. on a gross basis of the whole amount paid by the Issuer (not only the discount, but also including the principal) representing the securing tax, unless the Non-Czech Holder is a tax resident in an EU/EEA-member state or the obligation to withhold is waived based on a tax authority's decision. Such income recipient is, irrespective whether or not being a tax resident in an EU/EEA-member state and whether the obligation to withhold is waived based on a tax authority's decision, obliged to file a tax return and therein declare the income (and claim expenses, in particular the purchase price of the Notes). The tax securing will be credited against the final tax liability of the Non-Czech Holder with any overpayment being refunded subject to standard rules.

Taxable discount realised by a Non-Czech Holder upon the Note's maturity (or upon its early redemption) is generally subject to Czech corporate income tax of 19 per cent. or progressive personal income tax of 15 and 23 per cent. depending on the individual's applicable tax bracket (the threshold for, calculated including this and most other types of income, for the higher bracket is 48 times the average wage, which amounts to CZK 1,701,168 in 2021).

Czech Holders

The discount realised by a Czech Holder upon the Note's maturity (or upon its early redemption) is generally subject to Czech corporate income tax of 19 per cent. or progressive personal income tax of 15 and 23 per cent. depending on the individual's applicable tax bracket (the threshold for, calculated including this and most other types of income, for the higher bracket is 48 times the average wage, which amounts to CZK 1,701,168 in 2021).

Notification of Individuals' Exempt Income

In respect of each occasion at which individuals receive income exempt from Czech personal income taxation exceeding CZK 5,000,000, they are obliged to notify the Czech tax authorities of the amount of such tax-exempt income (and certain details of it) within the deadline for Czech personal income tax filing for the relevant year.

Other Czech taxes

No Czech transfer tax, VAT, stamp duty or any other similar tax or duty is payable in the Czech Republic in respect of or in connection with the acquisition, holding and disposal of the Notes.

ENFORCEMENT OF CIVIL LIABILITIES AGAINST THE ISSUER

This chapter contains only general information and relies on information obtained from publicly available sources. The Issuer or its advisers make no representation as to the accuracy or completeness of the information included herein. Any prospective purchasers of the Notes should therefore not rely upon the information included herein and are recommended to contact their legal advisers for consultation about the enforcement of claims in respect of the Issuer's private law liabilities within any relevant jurisdiction.

The Terms and Conditions provide, among other things, that the courts of the Czech Republic shall have jurisdiction to settle any disputes, which may arise out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes).

The recognition and enforcement of foreign judgments in civil and commercial matters in the Czech Republic is governed by EU law, public international treaties and Czech law. EU Regulation 1215/2012 of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the "**Regulation 1215/2012**") is directly applicable in the Czech Republic. Based on this regulation, court rulings issued by any court authority in the EU member states with regard to civil and commercial matters are enforceable in the Czech Republic, subject to the rules set forth in the Regulation 1215/2012 and, conversely, court rulings issued by court authorities in the Czech Republic with regard to civil and commercial matters are reciprocally enforceable in the EU member states.

As from 1 January 2021, the Regulation 1215/2012 no longer applies in the UK. As a result, persons enforcing a judgment obtained before English courts no longer benefit from the recognition of such judgment in EU courts (including the Czech Republic) under the Regulation 1215/2012. However, on 28 September 2020, the UK deposited an instrument of accession to the Hague Convention on Choice of Court Agreements 2005 (the "**Hague Convention**"). The Hague Convention is an international convention which requires contracting states to recognise and respect exclusive jurisdiction clauses in favour of other contracting states and to enforce related judgments. As the Czech Republic already is a party to the Hague Convention by virtue of being a member state of the EU, judgments handed down by a UK court should be recognised and enforced under the Hague Convention in the Czech Republic. However, the scope of the Hague Convention is limited to contracts containing exclusive jurisdiction clauses and there is no assurance that such judgments will be recognised on exactly the same terms and in the same conditions as under the Regulation 1215/2012.

According to the EC Regulation No. 593/2008 of 17 June 2008 on the law applicable to contractual obligations, parties to a contract may, subject to the terms set out therein, select the law which will govern their contractual relations in civil and commercial matters and Czech courts will give effect to such choice of law. In addition, EC Regulation No. 864/2007 on the law applicable to non-contractual obligations of 11 July 2007 allows parties to make a choice with respect to governing law of their non-contractual obligations in civil and commercial matters, subject to the terms set out therein. Unless parties to the dispute agreed otherwise, or unless courts of a different member state have an exclusive jurisdiction, foreign entities are able to bring civil proceedings before Czech courts against individuals and legal entities domiciled therein. In court proceedings, Czech courts apply their respective national procedural rules and their judgments are enforceable in their respective jurisdictions, subject to certain statutory limitations on the ability of creditors to enforce judgments against certain assets.

Any person bringing an action in the Czech Republic may be required to: (i) submit to the court a translation in the Czech language (apostilled if applicable pursuant to respective international treaties) of any relevant document prepared by a sworn translator authorised by such court; and (ii) pay a court filing fee.

In the event that court judgments against the Issuer are issued by court bodies of non-EU member states, the following rules shall apply:

(a) In cases where the Czech Republic concluded an international treaty with a specific country on the recognition and enforcement of court rulings, the recognition and enforcement of court rulings issued in such country is processed in accordance with the provisions of the applicable international treaty.

(b) If no international treaty on the recognition and enforcement of court rulings exists, then the rulings of foreign courts shall be recognised and enforced in the Czech Republic in accordance with Czech Act No. 91/2012 Coll., on private international law, as amended (the "**Czech Private International Law Act**") and other relevant legislation. In the event of a foreign ruling against a Czech individual or legal entity, such a foreign ruling shall be recognised and enforced if, among other things, actual reciprocity has been established regarding the recognition and enforcement of judgments rendered by Czech courts in the relevant country.

The Czech Ministry of Justice may, upon agreement with the Czech Ministry of Foreign Affairs and other ministries, declare that reciprocity has been established with respect to a particular foreign country. Such declaration is binding on the Czech courts and other state authorities. If such declaration of reciprocity has not been issued with regard to a particular country, however, this does not automatically mean that reciprocity cannot be established in a given case. In such cases, the recognition of reciprocity would be assessed as part of the proceedings by the Czech court based on the actual situation in a given country with regard to the recognition of judgments of Czech authorities.

On the other hand, even if reciprocity has been established and declared by the Ministry of Justice with respect to judgments issued by judicial bodies of a particular foreign country, such judgments may not be recognised and enforced under applicable provisions of Czech law if, for example: (i) the matter falls within the exclusive jurisdiction of the courts of the Czech Republic, or in the event that the proceedings could not have been conducted by any authority of a foreign state, should the provisions on the jurisdiction of Czech courts be applied for considering the jurisdiction of the foreign authority (unless the party against whom the decision was issued voluntarily submitted to the authority of the foreign body); (ii) proceedings are underway before a Czech court with regard to the same legal relations and if said proceedings commenced prior to the proceedings abroad, in which the judgement whose recognition has been proposed was issued; (iii) a Czech court has issued or recognised a final judgment in the same matter, or proceedings regarding the same matter are pending before a Czech court; (iv) the foreign authority deprived the party to the proceedings against whom the judgment was made of the opportunity to properly participate in the proceedings (i.e., in particular, if such party had not been duly served for the purposes of the initiation of the proceedings); or (v) the recognition of a foreign judgment would be contrary to the public order in the Czech Republic.

Foreign exchange regulation

The issue and acquisition of the Notes is not subject to any foreign exchange regulation in the Czech Republic. Under Czech Constitutional Act No. 110/1998 Coll., on security of the Czech Republic, the Czech Government or its Prime Minister may declare an emergency (in Czech *nouzový stav*). If the Czech Government declares an emergency, payments in foreign currency or abroad generally, interbank transfers of monies from abroad to the Czech Republic and/or sale of securities (including the Notes) abroad may be suspended in accordance with Czech Act No. 240/2000 Coll., on crisis management and amendment to certain acts, as amended, for the duration of such emergency. Such an emergency may be declared for a maximum period of 30 days unless prolonged by the approval of the Chamber of Deputies of the Parliament of the Czech Republic.

GENERAL INFORMATION

Corporate Information

The Issuer is a European Company (*Societas Europaea*) established under the laws of the Czech Republic and applicable EU laws, registered in the Commercial Register maintained by the Municipal Court in Prague, File No. H 962, with company identification number 29151961. Its registered seat is Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic, its telephone number is +420 222 814 617 and its website is www.czg.cz.

Authorisation

The creation and issue of the Notes has been authorised by the resolution of the Issuer's Board of Directors dated 9 February 2021 and by the resolution of the Issuer's Supervisory Board dated 9 February 2021.

Legislation Under Which Notes have been Created

The Notes are to be issued in accordance with the Czech Bonds, Czech Act No. 89/2012 Coll., Civil Code, and the Prospectus Regulation.

Expenses Related to Admission to Trading

Application has been made for the Notes to be admitted to trading on the Regulated Market. It is expected that the admission of the Notes to trading on the Regulated Market will be granted on or around the Issue Date. The estimated amount of fees associated with the admission of the Notes to trading on the Regulated Market is CZK 50,000 as the listing fee and CZK 10,000 as the annual trading fee.

Events Specific to the Issuer

The Issuer is not aware of any event specific to it or to the Group which would have a material impact on the assessment of the Issuer's solvency.

Significant/Material Change

Since 31 December 2019 there has been no material adverse change in the prospects of the Group.

Since 30 September 2020, there has been no significant change in the financial or trading position of the Group.

Legal or Arbitration Proceedings

Save as described in this Prospectus (See "*The Group's Business-Legal Proceedings*"), there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Group.

Statutory Auditor

The Audited Financial Statements were audited by Deloitte Audit s.r.o., an independent registered auditor with its registered seat in Italská 2581/67, Vinohrady, 120 00 Prague 2, Czech Republic, Id. No. 49620592, registered with the Commercial Register kept by the Municipal Court in Prague, File No. C 24349; and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic, under License No. 79. On behalf of Deloitte, the auditors' reports on the Audited Financial Statements were signed by Petr Michalík, holding auditor's certificate No. 2020, and whose relevant audit reports are included in the Audited Financial Statements.

The Issuer declares that neither Deloitte Audit s.r.o. nor any of its members, employees or agents has any material interest in the Issuer. In connection with this statement, the Issuer especially took into account the Auditors' potential ownership of securities issued by the Issuer, potential prior participation in any governing bodies of the Issuer, or potential affiliation with other entities involved in the Issue.

Documents on Display

For as long as the Notes are admitted to trading on the Regulated Market and at least for the period of validity of this Prospectus, copies of the following documents are available electronically on the website of the Issuer www.czg.cz in section *Investors* and also for inspection during regular business hours from 9 a.m. to 4 p.m. CET at the Issuer's registered office at Opletalova 1284/37, Nové Město, 110 00 Prague 1, the Czech Republic, and at the Specified Office of the Fiscal and Paying Agent:

(a) the constitutional documents of the Issuer;

(b) the Fiscal and Paying Agency Agreement.

In addition, the Consolidated Financial Statements, this Prospectus and any supplements to the Prospectus will be available, in electronic format, on the website of the Issuer www.czg.cz in section *Investors*.

Interest of Persons Involved in Issuance and Offering of Notes

The Issuer is not aware of any interest of persons involved in the issuance and offering of the Notes which would be material for the Issue, except for any fees payable to Komerční banka acting as coordinator, joint lead manager, fiscal and paying agent, and the listing agent and the calculation agent, and Česká spořitelna, acting as joint lead manager, in connection with the offering and subscription and sale of the Notes.

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THE ISSUER

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Czech Republic

JOINT LEAD MANAGERS

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Olbrachtova 1929/62
140 00 Prague 4
Czech Republic

Komerční banka, a.s.
Na Příkopě 33, čp. 969
110 00 Prague 1
Czech Republic

FISCAL AND PAYING AGENT, LISTING AGENT

Komerční banka, a.s.
Na Příkopě 33, čp. 969
110 00 Prague 1
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