

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD OF NINE MONTHS FROM 1 JANUARY TO 30 SEPTEMBER 2021

Name of the Company: CZG - Česká zbrojovka Group SE
Registered office: Opletalova 1284/37, Nové Město, 110 00 Praha 1
Legal form: European Company (Societas Europaea – SE)
Id. no.: 291 51 961

Components of the condensed consolidated interim financial statements:

Condensed consolidated statement of profit and loss and other comprehensive income

Condensed consolidated statement of financial position

Consolidated statement of changes in equity

Consolidated cash flow statement

Notes to the condensed consolidated interim financial statements

These condensed consolidated financial statements were prepared on 24 November 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER

		30 Sep 2021	30 Sep 2020
	Note	CZK '000	CZK '000
Revenues from the sale of own products, goods and services	8	7,601,998	4,964,212
Other operating revenues		54,764	89,294
Changes in inventories of finished goods and work-in-progress		113,226	(135,590)
Own work capitalised		101,458	91,226
Raw materials and consumables used		(3,515,536)	(2,251,592)
Services		(1,339,224)	(693,888)
Personnel expenses		(1,386,874)	(935,492)
Depreciation and amortisation		(525,858)	(291,709)
Other operating expenses		(201,989)	(20,806)
Operating profit		901,965	815,655
Interest income		12,665	14,176
Interest expense		(117,011)	(81,011)
Other financial revenues	9.1	643,323	378,795
Other financial expenses	9.1	(372,332)	(544,480)
Share in the profit of associates		10,404	10,730
Profit before tax		1,079,014	593,865
Income tax	9.2	(176,179)	(116,350)
Profit for the period		902,835	477,515
Items that may be subsequently reclassified to the statement of profit or loss			
Cash flow hedges – remeasurement of effective portion of hedging instruments		(219,903)	(100,225)
Foreign currency translation of foreign operations		(111,149)	(2,253)
Other comprehensive income:		(331,052)	(102,478)
Comprehensive income for the period		571,783	375,037
Profit attributable to owner of the parent			
Profit for the period		900,565	472,966
Profit attributable to non-controlling interests			
Profit for the period		2,270	4,549
Comprehensive income for the period attributable to:			
Shareholders of the parent company		569,791	371,133
Non-controlling interests		1,992	3,904
Basic	19	27	16
Diluted	19	27	16

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL SITUATION AS AT 30 SEPTEMBER

	Note	30 Sep 2021 CZK '000	31 Dec 2020 CZK '000
ASSETS			
Non-current assets			
Property, plant and equipment	11	2,683,207	2,050,783
Intangible assets	10	3,668,309	770,194
Long-term receivables		72,620	303,260
Equity-accounted securities and investments	15	120,927	110,524
Deferred tax asset		30,898	3,281
Goodwill	7.3, 8	2,348,500	280,686
Total non-current assets		8,924,461	3,518,728
Current assets			
Inventories	12	2,886,895	1,622,702
Trade receivables		1,028,860	585,885
Current tax receivables		25,789	44,938
Other receivables		433,641	127,120
Financial derivatives	16	307,716	529,570
Cash and cash equivalents		3,300,674	2,358,608
Total current assets		7,983,575	5,268,823
Total assets		16,908,036	8,787,551
EQUITY AND LIABILITIES			
Capital and funds			
Share capital		3,374	3,264
Capital funds		2,980,180	2,478,885
Accumulated profits		2,674,539	2,027,994
Equity attributable to the shareholder of the Company		5,658,093	4,510,143
Equity attributable to the shareholder of the Company		5,658,093	4,510,143
Non-controlling interests		6,434	12,543
Total equity		5,664,527	4,522,686
Non-current liabilities			
Bank loans and borrowings	14	5,000,000	2,252,246
Lease liabilities		35,531	75,939
Deferred tax liability		815,650	324,601
Provisions	13	411,251	7,443
Other liabilities		17,679	307
Total non-current liabilities		6,280,111	2,660,536
Current liabilities			
Trade payables		1,180,363	417,503
Bank loans and borrowings	14	2,258,072	19,548
Lease liabilities		19,610	11,436
Provisions	13	253,989	81,274
Current tax liabilities		159,787	23,286
Other liabilities		755,912	727,691
Financial derivatives	16	335,665	323,591
Total current liabilities		4,963,398	1,604,329
Total liabilities		11,243,509	4,264,865
Total equity and liabilities		16,908,036	8,787,551

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD OF NINE MONTHS ENDED 30 SEPTEMBER

	Share capital	Capital funds	Share premium	Funds from the translation of foreign currencies	Funds the from hedge accounting	Accumulated profits	Equity attributable to the shareholder of the Company	Non-controlling interests	Equity
Balance at 31 December 2019	2,984	1,641,721	0	(111,045)	2,442	1,921,501	3,457,603	11,358	3,468,961
Profit for the period	0	0	0	0	0	672,948	672,948	3,623	676,571
Other comprehensive income	0	0	0	273,192	(50,085)	0	223,107	1,414	224,521
Total comprehensive income for the period	0	0	0	273,192	(50,085)	672,948	896,055	5,037	901,092
Dividends	0	0	0	0	0	(328,218)	(327,218)	(4,049)	(332,267)
Impact of spin-off CZ-AUTO	0	0	0	0	0	(207,291)	(207,291)	0	(207,291)
Change in share capital – public subscription of shares	280	0	811,720	0	0	0	812,000	0	812,000
Cost of IPO	0	0	(88,776)	0	0	0	(88,776)	0	(88,776)
Change in non-controlling interests and own interests	0	386	0	(353)	(317)	(30,946)	(31,230)	197	(31,033)
Balance at 31 December 2020	3,264	1,642,107	722,944	161,794	(47,960)	2,027,994	4,510,143	12,543	4,522,686
Profit for the period	0	0	0	0	0	900,565	900,565	2,270	902,835
Other comprehensive income	0	0	0	(219,625)	(111,149)	0	(330,774)	(278)	(331,052)
Total comprehensive income for the period	0	0	0	(219,625)	(111,149)	900,565	569,791	1,992	571,783
Dividends	0	0	0	0	0	(253,025)	(253,025)	(8,101)	(261,126)
Change in share capital – public subscription of shares	110	0	416,267	0	0	0	416,377	0	416,377
Change in Capital funds	0	(297)	0	0	0	0	(297)	0	(297)
Impact of acquisition COLT as at 21/5/2021	0	0	0	0	0	(995)	(995)	0	(995)
Impact of acquisition COLT as at 21/5/2021 - earnout	0	0	416,377	0	0	0	416,377	0	416,377
Change in non-controlling interests and own interests	0	0	0	(278)	0	0	(278)	0	(278)
Balance at 30 September 2021	3,374	1,641,810	1,555,588	(58,109)	(159,109)	2,674,539	5,658,093	6,434	5,664,527

	Share capital	Capital funds and Funds from the translation of foreign currencies	Accumulated profits	Equity attributable to the shareholder of the Company	Non-controlling interests	Equity
Balance at 31 December 2019	2,984	1,533,118	1,921,501	3,457,603	11,358	3,468,961
Profit for the period	0	0	472,966	472,966	4,549	477,515
Other comprehensive income	0	(101,833)	0	(101,833)	(645)	(102,478)
Total comprehensive income for the period	0	(101,833)	472,966	371,133	3,904	375,037
Dividends	0	0	(328,218)	(328,218)	(4,049)	(332,267)
Impact of spin-off CZ-AUTO	0	0	(207,291)	(207,291)	0	(207,291)
Change in non-controlling interests and own interests	0	0	(21,970)	(21,970)	(9,391)	(31,361)
Balance at 30 September 2020	2,984	1,431,285	1,836,988	3,271,257	1,822	3,273,079

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD OF NINE MONTHS ENDED 30 SEPTEMBER

	Note	30 Sep 2021 CZK '000	30 Sep 2020 CZK '000
<i>Cash flows from principal economic activity (operating activity)</i>			
Profit from ordinary activity before tax		1,068,610	583,135
Depreciation/amortisation of non-current assets		525,858	291,709
Change in allowances and provisions	13	78,846	(101,664)
Loss from the sale of non-current assets		49	(389)
Interest expense and interest income		104,346	66,835
Adjustments for other non-cash operations (write off on assets and inventories, unrealised foreign exchange gains/losses, remeasurement of derivative transactions)		18,674	108,879
Net cash flow from operating activities before changes in working capital		1,796,383	948,505
Change in working capital		(207,386)	393,535
Change in receivables and deferred expenses/ accrued income		(121,922)	178,301
Change in payables and accrued expenses/ deferred income		208,880	(23,953)
Change in inventories	12	(294,344)	239,187
Cash generated by operations		1,588,997	1,342,040
Interest paid		(108,664)	(87,888)
Interest received		9,956	8,631
Income tax paid for ordinary activity	9.2	(214,487)	(169,474)
Net cash flow from operating activities		1,275,802	1,093,309
<i>Cash flows from investing activities</i>			
Acquisition of non-current assets	11, 12	(393,386)	(213,932)
Income from the sale of non-current assets		426	867
Acquisition of subsidiaries - cash		(4,695,237)	-
Acquisition of investment in an associate	15	-	(69,823)
Net cash flow from financing activities		(5,088,197)	(282,888)
<i>Cash flows from financing activities</i>			
Change in payables from financing activities	14	4,971,416	(215,642)
Dividends paid to shareholders	17	(222,166)	(328,218)
Dividends paid to non-controlling interests	17	(36,908)	(4,049)
Net cash flow from financing activities		4,712,342	(547,909)
Net change in cash and cash equivalents		942,066	286,039
Opening balance of cash and cash equivalents		2,358,608	880,315
Effects of exchange rate changes on cash and cash equivalents		42,118	23,527
Closing balance of cash and cash equivalents		3,300,674	1,166,354

CZG - Česká zbrojovka Group SE

**Condensed consolidated interim financial statements for the period of nine months from 1 January to 30 September 2021 prepared under International Financial Reporting Standards as adopted by the European Union
(non-audited)**

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1. GROUP DESCRIPTION

CZG - Česká zbrojovka Group SE, (the “Consolidating Entity” or the “Company” or the “Parent Company”) is a European company recorded in the Register of Companies held by the Municipal Court in Prague on 10 January 2013, having its registered office at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic, corporate ID No. 291 51 961.

The Group is a leading world producer of firearms and tactical accessories for military and law enforcement, personal defence, hunting, sport shooting and other civilian uses. It sells its products in particular under the CZ (Česká zbrojovka), CZ-USA, Colt, Colt Canada, Dan Wesson, Brno Rifles, and 4M Systems brands. The Group among others includes Česká zbrojovka, Colt’s Manufacturing Company, Colt Canada Corporation, CZ-USA, 4M Systems, and CZ Export Praha.

The following table shows entities with an equity interest greater than 10 percent:

Shareholder	Ownership percentage as at	
	30 Sep 2021	31 Dec 2020
Česká zbrojovka Partners SE	81%	91%

The majority owner of the Consolidating Entity is Česká zbrojovka Partners SE, based at Opletalova 1284/37, Nové Město, Prague 1. As at 30 September 2021, René Holeček indirectly held a 100% share in the Company’s voting rights.

The Consolidating Entity and consolidated entities are part of a larger consolidation group of the parent company European Holding Company, SE, based at Opletalova 1284/37, Nové Město, Prague.

Members of the statutory bodies as at 30 September 2021:

Board of directors	
Chair:	Jan Drahota
Vice-chair:	Jana Růžičková
Vice-chair:	Alice Poluchová
Member:	Jan Zajíc
Member:	Jan Holeček
Member:	David Aguilar
Member:	Dennis Veilleux
Supervisory board	
Chair:	Lubomír Kovařík
Member:	Věslava Piegzová
Member:	Vladimír Dlouhý

The consolidation group (the “Group”) comprises the Group and its subsidiaries.

Information in these condensed consolidated financial statements is presented in thousands of Czech crowns (CZK ‘000) if not stated otherwise.

As at 30 September 2021, the Group was composed of the following entities:

Entity	Principal activity	Place of foundation and business operation	Consolidation method	Ownership interest and share in voting rights held by the Group		
				30 Sep 2021	31 Dec 2020	30 Sep 2020
CZ USA HOLDINGS Inc.	Holding company	Kansas City, USA	full	100%	100%	100%
CZ-USA	Purchase and sales of firearms and ammunition	Kansas City, USA	full	100%	100%	100%
CZ-MFG	Production	Little Rock, USA	full	100%	100%	100%
EHC-4M, SE	Holding company	Prague, Czech Republic	full	100%	100%	100%
4M SYSTEMS a.s.	Trade with military material	Prague, Czech Republic	full	100%	100%	54%
Česká zbrojovka a.s.	Production, purchase and sale of firearms and ammunition	Uherský Brod, Czech Republic	full	100%	99%	99%
CZ - Slovensko s. r. o.	Production, purchase and sale of firearms and ammunition	Bratislava, Slovakia	full	100%	99%	99%
ZBROJOVKA BRNO, s.r.o.	Production, purchase and sale of firearms and ammunition	Brno, Czech Republic	full	100%	99%	99%
CZ BRASIL LTDA	Production, purchase and sale of firearms and ammunition	Brazil	equity	49%	49%	49%
Latin America Holding, a.s.	Holding company	Uherský Brod, Czech Republic	full	100%	99%	99%
CARDAM s.r.o.	Research & Development	Dolní Břežany, Czech Republic	equity	33%	33%	33%
CZG VIB s.r.o.	Holding company	Prague, Czech Republic	full	100%	100%	100%
VIBROM s.r.o.	Production	Třebechovice pod Orebem	equity	25%	25%	25%
CZG-Česká zbrojovka Group International s.r.o.	Holding company	Prague, Czech Republic	full	100%	100%	100%
CZ Export Praha, s.r.o.	Purchase and sales of firearms and ammunition	Uherský Brod, Czech Republic	full	100%	100%	100%
EG-CZ Academy	Academy	Quimper, France	equity	20%	20%	20%
Spuhr i Dalby AB	Production and assembly of optics	Löddeköpinge, Sweden	equity	25%	25%	25%
Colt Holding Company LLC	Production, purchase and sale of firearms	West Hartford, Connecticut, USA	full	100%	-	-

CDH II Holdco Inc	Holding company	West Hartford, Connecticut, USA	full	100%	-	-
Colt Defence LLC	Holding company	West Hartford, Connecticut, USA	full	100%	-	-
New Colt Holding Corp.	Holding company	West Hartford, Connecticut, USA	full	100%	-	-
Colt's Manufacturing Company LLC	Production, purchase and sale of firearms	West Hartford, Connecticut, USA	full	100%	-	-
Colt's Manufacturing IP Holding Company LLC	Holds, maintains and licenses Colt USA trademarks	West Hartford, Connecticut, USA	full	100%	-	-
Colt Defence Technical Services LLC	Holding company	West Hartford, Connecticut, USA	full	100%	-	-
Colt International Cooperatief U.A.	Holding company	Amsterdam, Netherlands	full	100%	-	-
Colt Canada Corporation	Production, purchase and sale of firearms	Kitchener, Ontario, Canada	full	100%	-	-
Colt Canada IP Holding Company	Holding company	Kitchener, Ontario, Canada	full	100%	-	-
ColT Canada IP Holding Partnership	Holding of trademarks and intellectual property	Kitchener, Ontario, Canada	full	100%	-	-
CZ Acquisition II, LLC*	Holding company	USA	full	-	100%	-

* As of 21 May 2021, CZ Acquisition II, LLC merged with Colt Holding Company LLC, which is at the same time the successor company.

2. SIGNIFICANT EVENTS IN THE CURRENT REPORTING PERIOD

The financial position and financial performance of the Group were affected by the following events and transactions on a one-off basis:

- On 23 March 2021, CZG – Česká zbrojovka Group SE issued 500,000 bonds with a nominal value of CZK 10 thousand totalling CZK 5,000,000. The issue price of the notes subscribed in the public offer is 100% of the nominal value of the notes. The bonds were admitted to trading on the Regulated Market of the Prague Stock Exchange.
- On 21 May 2021, the Group completed the acquisition of a 100% share in Colt Holding Company LLC (“Colt”), the parent company of Colt’s Manufacturing Company LLC, a US arms producer, and its Canadian subsidiary Colt Canada Corporation (see note 7).
- Česká zbrojovka a.s. (“CZUB”), the main manufacturing company and the main employer of the Group, continued applying the measures to contain the COVID-19 outbreak adopted in 2020. In 2021, CZUB’s management came with new proposals for improving the working environment in the operating units where home office was not feasible. They communicated with the Regional Hygiene Station of the Zlín Region on proposed improvements. The Company’s management always started the regular meetings with the mandatory information on the number of infected employees, quarantined employees, the results of employee testing for COVID-19, and effectiveness of the adopted measures and issued decisions on new extraordinary measures in accordance with the current pandemic status.
- For these purposes, we established a special team to monitor the up-to-date measures and recommendations of the Ministry of Health and to propose new extraordinary measures, or if appropriate to propose cancellations of already invalid/ineffective measures and to regularly check whether the adopted measures are fulfilled in the individual workplaces independently of the employee responsible for work safety and protection of health. The Company’s management was subsequently informed on the results of the inspections.
- The Group’s operations in the United States and Canada were also affected by the COVID-19 in 2021 although the demand for weapons in the U.S. civilian market kept growing in the monitored period. In the United States and Canada, the pandemic mainly decelerated the global supply chain. The extended delivery periods of the production parts had a slightly adverse impact on the outputs of the manufacturing lines, which was compensated by increased volume of supplies from CZUB to CZ-USA and from the business partners from Turkey. All manufacturing facilities, COLT (facilities in the United States and Canada), the Kansas facility and the Dan Wesson facility in the New York state, did not interrupt their operation in 2021, while strictly adhering to the rules stipulated by the Center for Disease Control and Prevention (CDC) and the local administration.
- The Group’s management, having considered all information available and measures adopted by the date of the issuance of this report, concludes that Group has adequate resources to continue its operations in the foreseeable future. For this reason, the Group continues to apply the going concern principle in preparing

its consolidated financial statements. The Group did not apply for any public support in connection with the pandemic and does not consider filing any applications in this respect.

3. BASIC PRINCIPLES OF PREPARATION OF INTERIM REPORT

These condensed interim consolidated financial statements for the nine-months period ended 30 September 2021 have been prepared in line with IAS 34 Interim Financial Reporting.

The condensed interim consolidated financial statements do not include all the notes normally included in the annual financial statements. Accordingly, the condensed interim consolidated financial statements have to be read together with the consolidated financial statements for the year ended 31 December 2020, which were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (“IFRS”).

The condensed interim consolidated financial statements have not been reviewed by an auditor in accordance with applicable regulations.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used are consistent with those of the most recent annual financial statements. A number of new or amended standards became applicable for the current reporting period.

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

5. ESTIMATES AND SOURCES OF UNCERTAINTY

During the preparation of the condensed interim consolidated financial statements, the Group’s management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses. The actual results may differ from these estimates. Apart from this, the Group’s future business may be adversely impacted by factors beyond the Group’s control. In the preparation of these condensed interim consolidated financial statements, the significant judgements made by the management and the key sources of uncertainty in making estimates were the same as those used in the consolidated financial statements for the year ended 31 December 2020.

6. FINANCIAL RISK MANAGEMENT

The Group’s activities give rise to many financial risks: market risk, credit risk and liquidity risk. The condensed interim consolidated financial statements do not include all the financial information on risk management and other information required in annual consolidated financial statements and they should be assessed together

with the annual consolidated financial statements of the Group as at 31 December 2020. No changes in the rules and policies of managing these risks have been made since the end of 2020.

The Group uses financial derivatives to manage financial risks. The method of measurement of financial derivatives and information on the fair value of financial assets and liabilities as at 30 September 2021 and 31 December 2020 are disclosed in note 16 Financial assets and liabilities at fair value.

7. ACQUISITION OF COLT

On 21 May 2021, the Group completed the acquisition of a 100% share in Colt Holding Company LLC (“Colt”), the parent company of Colt’s Manufacturing Company LLC, a US arms producer, and its Canadian subsidiary Colt Canada Corporation.

Colt is one of the world’s leading firearm designers, developers, and producers. It has supplied civilian and military customers and military and law enforcement in the US and around the world for over 185 years.

Colt is a US army supplier and the sole supplier to the Canadian army. It also supplies cutting-edge products to other military and law enforcements all over the world. Colt firearms enjoy an excellent reputation for their precision, reliability, and quality. Colt pistols and revolvers are used by members of armies and military and law enforcements in many countries as well as by hunters and sport shooters around the world. Colt rifles for both civilian and sport use as well as for military and law enforcement are similarly renowned.

CZG and Colt believe that their union will bring significant operational, business and R&D synergies for this joint enterprise, whose total pro-forma revenues for 2020 reached USD 570 million and which has over 2,000 employees in the Czech Republic, United States, Canada, and Germany.

The CZG Group has gained further manufacturing capacities through this acquisition and established a basis for becoming a major firearm supplier and key global partner for both the military and law enforcement sector and the civilian sector.

As at the date of the interim consolidated financial statements, the accounting for the acquisition had not been completed and the presented amounts of assets and liabilities may differ from the final amounts.

7.1 Consideration transferred

	21 May 2021
	CZK '000
Monetary settlement	4,695,237
Issued securities (1,098,620 ordinary shares of CZG)	416,378
Contingent consideration (1,098,620 ordinary shares of CZG)	416,378
	5,527,993

Contingent consideration

The consideration transferred includes an earn-out up to 1,098,620 newly issued shares of CZG provided that the EBITDA of the Group reaches predetermined values in 2021 to 2023. As at the date of the condensed interim consolidated financial statements, the Group expects that the determined EBITDA targets will be achieved, and therefore the contingent consideration is recorded in full in Capital funds.

Acquisition related expenses

In connection with the acquisition, the Group incurred expenses of CZK 142,210 thousand primarily relating to advisory services. These expenses are recorded in Services in the statement of profit and loss and other comprehensive income.

7.2 Acquired assets and liabilities taken over as at the date of acquisition

	21 May 2021
	CZK '000
Property, plant and equipment	512,441
Intangible assets	3,037,571
Other non-current assets	48,908
Inventories	926,626
Trade and other receivables	318,817
Cash and cash equivalents	319,499
Deferred tax liability	(607,228)
Other non-current liabilities	(411,953)
Trade payables	(419,617)
Other current liabilities	(264,885)
Fair value of acquired identifiable net assets	3,460,179

7.3 Goodwill

	21 May 2021
	CZK '000
Consideration transferred	5,527,993
Fair value of acquired identifiable net assets	3,460,179
Goodwill	2,067,814

Goodwill primarily includes expected synergies arising from the integration of Colt into the existing activities of the Group. It is not expected that reported goodwill will be tax effective.

8. INFORMATION ABOUT SEGMENTS AND REVENUES

Segment reporting is prepared in accordance with IFRS 8 Operating Segments defining requirements for the disclosure of financial information on the Group's operating segments.

As at 30 September 2021 and 31 December 2020, substantially all assets and liabilities, expenses and revenues of the Group related to the Production, purchase and sale of firearms and accessories.

The Group's management, as chief operating decision makers, uses EBITDA (profit before tax minus interest expense plus interest income minus other financial revenues plus other financial expenses and plus depreciation, and amortisation) as the segment performance measure in deciding how to allocate resources and in assessing performance. The segment performance measure and related information presented is based on IFRS measurement and recognition principles.

The table below specifies revenues from the sale of own products, goods and services by the most significant regions (in CZK '000):

Revenues from the sale to external customers		
	30 Sep 2021	30 Sep 2020
Czech Republic	522,398	219,056
United States	4,497,731	3,470,749
Canada	329,560	77,769
Europe (apart from the Czech Republic)	733,338	602,630
Africa	673,315	217,511
Asia	548,398	306,174
Others	297,258	70,323
Total	7,601,998	4,964,212

The Group has production facilities in the Czech Republic, USA and Canada. Out of the total carrying amount of property, plant and equipment of CZK 2,683,207 thousand as at 30 September 2021 (31 December 2020: CZK 2,050,783 thousand), the value of items located in the USA is CZK 507,579 thousand (31 December 2020: CZK 181,167 thousand) and in Canada CZK 136,420 thousand (31 December 2020: CZK 0); the remainder is in the Czech Republic.

As for intangible assets located outside the Czech Republic, out of the total amount of intangible assets of CZK 3,668,309 thousand (31 December 2020: CZK 770,194 thousand), CZK 2,304,327 thousand (31 December 2020: CZK 3 017 thousand) was located in the USA and CZK 656,111 thousand (31 December 2020: CZK 0) in Canada as at 30 September 2021. As at 30 September 2021, goodwill of CZK 280,686 thousand (31 December 2020: 280,686 thousand) relates to activities in the Czech Republic, while CZK 1,884,114 thousand (31 December 2020: CZK 0) relate to the USA and CZK 183,700 thousand to Canada (31 December 2020: CZK 0).

9. PROFIT AND LOSS INFORMATION

9.1 Significant events and transactions

- Profit/ Loss on financial derivatives: The Group manages its exposure to currency and interest rate risk by using derivative instruments. As not all of the derivatives are accounted for as hedging instruments, the amount of financial expenses was impacted by the decrease in fair value of open financial derivatives. In the nine-months period ended 30 September 2021, the Group recognised a loss from derivative instruments of CZK 20,545 thousand (CZK 303,484 thousand in the nine-months period ended 30 September 2020) in Other financial expenses. In the nine-months period ended 30 September 2021, the Group recognised a gain from derivative instruments of CZK 148,833 thousand (CZK 100,939 thousand in the nine-months period ended 30 September 2020) in Other financial revenues. In the nine-months period ended 30 September 2021, the Group recognised a loss of CZK 220,928 thousand from the remeasurement of financial derivatives classified as hedging instruments (CZK 100,225 thousand in the nine-months period ended 30 September 2020) in Other comprehensive income.
- The Group recognised foreign exchange losses of CZK 267,150 thousand in Other financial expenses and foreign exchange gains of CZK 419,180 thousand in Other financial revenues.
- Other financial expenses also include expenses related to the issue of bonds of CZG Česká zbrojovka Group SE of CZK 31,412 thousand.
- The consolidated statement of profit and loss and other comprehensive income for the period from 1 January to 30 September 2021 includes the transactions of the COLT Group for the period from 21 May to 30 September 2021, when the COLT Group became part of the CZG Group.

9.2 Income tax

Income tax expense is recognised based on the estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate for the period from 1 January to 30 September 2021 is 16.3 % (30 September 2020: 19.6 %).

10. INTANGIBLE ASSETS

The following tables summarise the changes in intangible assets from 1 January 2021 to 30 September 2021:

Acquisition cost

GROUP	Opening balance	Additions arising from acquisition	Additions	Disposals (incl. transfers)	Impact of exchange rate fluctuations	Closing balance
Trademarks and logos	233,000	1,479,193	-	-	(65,789)	1,777,982
Research and development	271,108	-	15,193	(7)	67	286,361
Software	194,008	4,896	21,345	(788)	75	219,536
Licenses, patents and other intellectual property rights	73,211	860,520	69	(7)	36,008	969,801
Contractual customer relations	864,727	107,065	-	-	5,851	977,643
Other non-current intangible assets	57,956	585,898	-	(20)	21,000	664,834
Non-current intangible assets under construction	40,616	-	34,952	(31,519)	-	44,049
Total	1,734,626	3,037,572	71,559	(32,341)	128,790	4,940,206

Accumulated amortisation and carrying value

GROUP	Opening balance	Amortisation	Sales, liquidation, disposals	Disposals (transfers)	Impact of exchange rate fluctuations	Closing balance	Carrying amount
Trademarks and logos	-	-	-	-	-	-	1,777,982
Research and development	(151,549)	(20,506)	-	-	(31)	(172,086)	114,275
Software	(153,914)	(10,278)	-	730	10	(163,452)	56,084
Licenses, patents and other intellectual property rights	(45,011)	(49,881)	(1)	8	(-279)	(95,164)	874,637
Contractual customer relations	(583,691)	(67,779)	-	-	-	(651,470)	326,173
Other non-current intangible assets	(26,917)	(159,877)	-	-	419	(186,375)	478,459
Non-current intangible assets under construction	(3,350)	-	-	-	-	(3,350)	40,699
Total	(964,432)	(308,321)	(1)	738	119	(1,271,897)	3,668,309

The Group's management has considered and assessed all assumptions used in determining the value-in-use calculations of the recoverable amount of the cash generating unit to which goodwill and intangible assets with indefinite useful lives belong. The Group's management has concluded its assumptions as disclosed in the most recent annual financial statements are still appropriate and that there is no indication of impairment.

11. PROPERTY, PLANT AND EQUIPMENT

The following tables summarise the changes in property, plant and equipment from 1 January 2021 to 30 September 2021:

Acquisition cost

GROUP	Opening balance	Additions arising from acquisition	Additions	Disposals (transfers)	Impact of exchange rate fluctuations	Closing balance
Land	117,419	195,289	-	(52,715)	11,283	271,276
Buildings	1,096,442	192,028	29,842	(2,180)	6,666	1,322,798
Machinery, instruments and equipment	3,077,348	94,648	150,932	(56,500)	7,264	3,273,692
Other non-current tangible assets	7,329	16,458	1,627	(11)	900	26,303
Other non-current tangible assets under construction	53,692	6,665	111,758	(79,977)	(425)	91,713
Prepayments made for non-current tangible assets	146,402	7,353	293,231	(125,668)	1,007	322,325
Total	4,498,632	512,441	587,390	(317,051)	26,695	5,308,107

Accumulated depreciation and carrying value

GROUP	Opening balance	Depreciation	Sales, liquidation	Impact of exchange rate fluctuations	Closing balance	Carrying amount
Land	-	-	-	-	-	271,276
Buildings	(520,743)	(47,436)	1,331	(347)	(567,195)	755,603
Machinery, instruments and equipment	(1,904,698)	(165,838)	35,226	(1,301)	(2,036,611)	1,237,081
Other non-current tangible assets	(1,986)	(2,155)	8	-	(4,133)	22,170
Prepayments made for non-current tangible assets	(1,870)	(1,779)	2,222	-	(1,427)	320,898
Other non-current tangible assets under construction	(18,552)	(329)	3,347	-	(15,534)	76,179
Total	(2,447,849)	(217,537)	42,134	(1,648)	(2,624,900)	2,683,207

Machinery, instruments and equipment and Buildings as at 30 September 2021 include rights of use arising from lease contracts of CZK 53,367 thousand (CZK 107,360 thousand as at 31 December 2020). Additions to the rights of use arising from lease contracts amounted to CZK 32,423 thousand in 2021 (CZK 10,131 thousand in 2020). These primarily include lease contracts for warehouses and office space, cars and office technical equipment.

Depreciation for the nine-months period ended 30 September 2021 includes depreciation of rights of use arising from lease contracts of CZK 13,927 thousand (CZK 7,574 thousand in 2020).

12. INVENTORIES

The structure of inventories as at 30 September 2021 and 31 December 2020 is as follows (in CZK '000):

	30 Sep 2021	31 Dec 2020
Material	566,900	385,842
Work-in-progress and semi-finished products	1,120,900	314,317
Finished products	884,760	595,237
Goods	270,530	257,313
Prepayments made for inventories	43,804	69,993
Total	2,886,895	1,622,702

The valuation of redundant, obsolete and slow-moving inventories is decreased to the selling price net of the costs of sale. As at 30 September 2021, allowances for inventories of CZK 280,024 thousand (31 December 2020: CZK 133,202 thousand) were included in the statement of financial position. Increase in allowances for inventories is mainly due to the acquisition of the COLT Group, which contributes to the total increase in the amount of CZK 135,095 thousand. In the nine-months period ended 30 September 2021, an impairment loss of CZK 2,778 thousand was established in the profit and loss (gain of CZK 54,518 thousand in the nine-months period ended 30 September 2020). The remainder of the change in the allowances for inventories is mainly due to exchange rate differences on the translation of foreign subsidiaries.

13. CURRENT AND NON-CURRENT PROVISIONS

Provisions	Balance at 30 Sep 2021	Balance at 31 Dec 2020
Legal disputes	(20,350)	-
Warranty repairs	(47,508)	(10,054)
For outstanding vacation days	(44,244)	(4,240)
For employee benefits – bonuses	(139,883)	(66,385)
Others	(2,004)	(595)
Total current provisions	(253,989)	(81,274)
Warranty repairs	(6,649)	(761)
For employee benefits – bonuses	(350,504)	(6,689)
Others	(54,098)	7
Total non-current provisions	(411,251)	(7,443)
Total provisions	(665,240)	(88,717)

In the period from 1 January 2021 to 30 September 2021, provisions were increased by CZK 576,523 thousand (nine-months period ended 30 September 2020: net decrease of CZK 3,456 thousand). The main reason was the increase arising from the acquisition of the COLT Group amounting to CZK 379,675 thousand for non-current provisions and CZK 108,636 thousand for current provisions. Provisions are primarily established for employee bonuses under IAS 19.

14. BANK LOANS AND BORROWINGS

				30 Sep 2021	31 Dec 2020
	Deadlines/terms	Interest rate %	Total limit in CZK '000	Amount in CZK '000	Amount in CZK '000
Komerční banka, a.s. a Česká spořitelna, a.s.	30 Sep 2021	1M Pribor + margin % p.a.	500,000	-	-
Bonds of Česká zbrojovka a.s.	27 Jan 2022	6M Pribor + margin % p.a.	2,250,000	2,250,000	2,250,000
Bonds of CZG - Česká zbrojovka Group SE	23 March 2027	6M Pribor + margin % p.a.	5,000,000	5,000,000	-
Citizens Bank & Trust Company	30 Sep 2021	Prime lending rate + margin % p.a.	128,322	-	-
Česká spořitelna, a.s.	28 Feb 2022	1D Pribor + margin % p.a.	40,000	8,072	19,548
Total			7,918,322	7,258,072	2,269,548
Instalment next year				2,258,072	19,548
Instalments in the following years				5,000,000	2,250,000

15. INTEREST IN ASSOCIATES

In May 2020, the Group purchased a 25% share in Spuhr i Dalby AB, a Swedish manufacturer of optical solutions for a consideration of CZK 69,823 thousand. As at the date of the transaction, the carrying amount of the Group's interest in the associate could be summarised as follows:

	6 May 2020 CZK '000
Net assets of the associate	218,263
Proportion of the Group's interest (25%)	54,566
Goodwill	15,257
Carrying amount	69,823

The carrying amount of all equity-accounted investments changed as follows in the nine-month period ended 30 September 2021.

	30 Sep 2021 CZK '000
Beginning of the period	110,524
Share in profit/ (loss) of equity accounted investments	10,403
End of the period	120,927

The table below provides aggregated financial information about the Group's share in associates' current and non-current assets, current and non-current liabilities, revenues and profit as at 30 September 2021 and for the nine-months period ended 30 September 2021.

	30 Sep 2021
	CZK '000
Current assets	58,802
Non-current assets	69,086
Current liabilities	4,063
Non-current liabilities	19,548
Revenues	50,332
Profit from continuing operations	10,403

The Group had no significant transactions with its associates in the nine-months period ended 30 September 2021.

16. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

This note provides an update on the judgements and estimates made by the Group in determining the fair value of the financial instruments since the last annual financial statements. As at 30 September 2021 and 31 December 2020, assets and liabilities representing financial derivatives are measured at fair value.

The fair value of interest rate swaps and currency forwards is determined based on the present value of future cash flows based on market data (yield curves of referential interest rate swaps, spot foreign exchange rates and forward points). For currency options, the respective option model is used (primarily the Black-Scholes model or its modifications), with the specific input data including the volatility of currency exchange rates reflecting specific realisation rates of individual transactions ("volatility smile").

The fair values of derivative transactions are classified as level 2, whereby the market data used in models originate from active markets.

The following table provides an overview of nominal values and positive or negative fair values of open trading derivatives as at 30 September 2021 and 31 December 2020 (CZK '000):

CZK '000	30 Sep 2021			31 Dec 2020		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Put option	144,740	3,171		202,980	797	-
Call option	1,605,986		25,465	2,304,811	-	69,592
Forwards	114,151	6,169	-	812,173	33,250	254
Total	1,864,877	9,340	25,465	3,319,964	34,047	69,846

The following table provides an overview of nominal values and positive or negative fair values of open hedging derivatives as at 30 September 2021 and 31 December 2020 (CZK '000):

CZK '000	30 Sep 2021			31 Dec 2020		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Interest rate swap	1,700,000	46,830	-	1,700,000	13,959	4,254
Put option	4,458,382	77,415	-	6,311,029	112,153	-
Call option	4,458,382	-	82,518	6,311,029	-	210,533
Currency swap	3,877,025	2,657	98,205	1,981,629	3,821	31,714
Forwards	4,197,010	171,474	23,101	3,828,200	365,589	7,244
Cross currency swap*	3,212,700	-	106,376	-	-	-
Total	21,903,499	298,376	310,200	20,131,887	495,522	253,745

* Trading derivatives were concluded on 17 May 2021. On 21 May 2021, hedge accounting was applied and these derivatives of CZK 3,212,700 are recorded as hedging derivatives.

The remaining financial assets and liabilities are measured at amortised cost. For all of these instruments, the fair values are not materially different to their carrying amount, since the interest rate is either close to the current market rates or the instruments are of a short-term nature.

17. PROFIT DISTRIBUTION

In the nine-months period ended 30 September 2021, the Group paid out a dividend of CZK 253,025 thousand. The liability to the shareholders amounting to CZK 2,052 thousand is recorded in Other liabilities.

18. TRANSACTIONS WITH RELATED PARTIES

The Group's related parties include subsidiaries, associated companies and key management personnel and their family members. Transactions that the Group ensures for related parties primarily include trade receivables and provided loans, and costs of transactions with related parties include remuneration to members of the supervisory board and board of directors and trade payables. Transactions with related parties are part of regular activity and are implemented at arm's length.

During the nine-months period ended 30 September 2021, the Company conducted the following transactions with related parties:

Key management personnel:

During the nine-months period ended 30 September 2021, key management personnel included all members of the board of directors and supervisory board. Short-term benefits provided to key management personnel (including gross remuneration, annual bonuses, health and social insurance and additional pension insurance) amounted to CZK 24,940 thousand.

The Company provided no other benefits (e.g. monetary or non-monetary benefits related to the termination of office of a body's member, or share-based payments) to its key management personnel.

The Group records the following outstanding balances with related parties as at 30 September 2021 and the following transactions with related parties in the nine-months period ended 30 September 2021:

Entity	Relationship	Liabilities as at 30 Sep 2021	Purchases from 1 Jan to 30 Sep 2021	Receivables as at 30 Sep 2021	Income from 1 Jan to 30 Sep 2021
AIT group - Advanced Industrial Technology a.s. (dříve AUTO-CZ International a.s.)	subsidiary of intermediate parent company	-	-	2	20
CZ Agro Servis a.s.	company controlled by the same ultimate owner	-	-	32	253
CZ Agro zemědělská s.r.o.	company controlled by the same ultimate owner	-	-	2	17
CZ-AUTO SYSTEMS a.s.	subsidiary of intermediate parent company	1,626	10,836	262,277	35,549
CZ-SKD Solutions a.s. (Česká zbrojovka CZ-AUTO a.s.)	subsidiary of intermediate parent company	1,243	7,220	234	207
CZUB zdravotní s.r.o.	company controlled by the same ultimate owner	1	2,506	144	29
Česká zbrojovka Defence SE	subsidiary of intermediate parent company	-	-	7	60
Česká zbrojovka Partners SE	intermediate parent company	-	-	29	229
EHC zdravotní s.r.o.	company controlled by the same ultimate owner	-	-	11,705	774
European Holding Company SE	parent company	-	-	29	229
IT eCompany Management a.s.	company controlled by the same ultimate owner	-	-	2	20
ITeuro, a.s.	company controlled by the same ultimate owner	753	4,300	-	-
Keriani a.s.	associate of parent company	1,067	8,113	2,299	-
Kykulin Trade a.s.	company controlled by the same ultimate owner	-	-	2	17
Lundmonte s.r.o.	company controlled by the same ultimate owner	-	-	3	32
M&H Management a.s.	company controlled by the same ultimate owner	-	-	2	140
Minezit SE	company controlled by the same ultimate owner	-	-	5	51
RAIL CARGO a.s.	company controlled by the same ultimate owner	-	-	2	17
Robousy, s.r.o.	company controlled by the same ultimate owner	-	-	23	183
Silesia Invest SE	company controlled by the same ultimate owner	-	-	2	17
Total		4,690	33,605	276,801	37,844

The Group records the following outstanding balances with related parties as at 30 December 2020 and the following transactions with related parties in the nine-months period ended 30 September 2020:

Entity	Relationship	Liabilities as at 31 Dec 2020	Purchases from 1 Jan to 30 Sep 2020	Receivables as at 31 Dec 2020	Income from 1 Jan to 30 Sep 2020
AIT group - Advanced Industrial Technology a.s. (dříve AUTO-CZ International a.s.)	subsidiary of intermediate parent company	-	-	1	13
CZ-AUTO SYSTEMS a.s.	subsidiary of intermediate parent company	777	11,020	263,686	31,371
CZUB zdravotní s.r.o.	company controlled by the same ultimate owner	-	2,472	324	28
Česká zbrojovka Defence SE	subsidiary of intermediate parent company	-	-	5	46
Česká zbrojovka Partners SE	Intermediate parent company	-	654	5	50
EHC zdravotní s.r.o.	company controlled by the same ultimate owner	-	-	10,899	733
European Holding Company SE	parent company	-	-	5	46
ITeuro, a.s.	company controlled by the same ultimate owner	-	4,376	2,024	-
Keriani a.s.	associate of parent company	515	6,834	2,299	1
M&H Management a.s.	company controlled by the same ultimate owner	-	-	5	-
Silesia Invest SE	company controlled by the same ultimate owner	-	-	1	13
TRX, s.r.o.	company controlled by the same ultimate owner	85	630	-	-
Total		1,377	25,986	279,254	32,301

19. NET EARNINGS PER SHARE

Basic and diluted earnings per share were determined as follows:

	30 Sep 2021	30 Sep 2020
Numerator (CZK '000)		
Profit after tax attributable to the owner of the parent company	900,565	472,966
Denominator (number of shares in '000)		
Basic	33,371	29,838
Diluted	33,737	29,838
Net earnings per share (CZK/ share) attributable to the owner of the parent company		
Basic	27	16
Diluted	27	16

On 30 March 2021, the General Meeting of the Company decided to increase the Company's share capital by a cash contribution of CZK 109,862 by issuing 1,098,620 new shares with a nominal value of CZK 0.1. On 21 May 2021, pursuant to the purchase agreement, these shares were used to pay part of the purchase price for the acquisition of COLT. In addition, the Company plans to issue a further 1,098,620 shares by the end of 2021 as a part of the potential earn-out consideration for the COLT acquisition based on the Group's performance between 2021 and 2023 (see note 7.1). This had an impact on the calculation of diluted net earnings per share.

20. CONTINGENT LIABILITIES

As at 30 September 2021, the Group had issued no guarantees in respect of third-party liabilities.

As at 30 September 2021, the Group recorded no significant legal disputes where the Group acts as a defendant; it also did not record any investments or environmental or other off-balance sheet commitments, with exceptions in the USA mentioned below. In the USA, the Group is a party to several ongoing legal claims and litigations that are common in the Group's business activity. If it is probable that a loss will be incurred and if the loss can be plausibly estimated, the Group establishes a provision (see note 13). The Group's management regularly monitors and evaluates the development of individual legal claims and litigations. The Group's management is currently not aware of the existence of potential losses that may have a significant unfavourable impact on the Group's results of operation and its cash flows.

As at 30 September 2021, the Group records environmental liabilities of CZK 13,244 thousand to which a full provision was established. No other environmental liabilities are recorded.

21. SUBSEQUENT EVENTS

On 1 November 2021, changes were made to the Company's Board of directors and Supervisory Board. Ing. Jana Růžičková resigned from the Board of Directors and became a new member of the Supervisory Board. JUDr. Josef Adam, LL.M. became a new member of the Company's Board of Directors. At the same time Ing. Věslava Piegzová, MBA has resigned from the Supervisory Board. The changes in the Company's statutory bodies were not recorded in the Commercial Register as at the date of preparation of the condensed consolidated interim financial statements.

No other events occurred subsequent to the balance sheet date that would have a material impact on the condensed consolidated interim financial statements.