

CZG – Česká zbrojovka Group SE achieved revenues of CZK 7.6 billion in the nine months of 2021

Prague (25 November 2021) — CZG - Česká zbrojovka Group SE (“CZG”, the “Group” or the “Company”) today announced its consolidated unaudited financial results for the nine months of 2021 ending 30 September.

9M 2021 Financial Highlights

- The Group’s revenues in the first nine months of 2021 amounted to CZK 7.6 bn, up by 53.1% y-o-y, mainly due to higher sales volume in all regions and consolidation of Colt’s revenues from 21 May 2021.
- Normalized EBITDA (net of extraordinary effects connected with the acquisition of Colt) reached CZK 1,613.3 million, up by 45.7 % y-o-y for the first three quarters of 2021.
- Operating profit in the first nine months of 2021 was CZK 902.0 million, up by 10.6% compared to the first nine months of 2020. The lower increase EBIT compared to the EBITDA resulted from higher depreciation and amortization, also due to the Colt’s acquisition.
- Net profit for the first three quarters of 2021 reached CZK 902.8 million, which is 89.1 % more compared to the same period in 2020.
- The number of firearms sold in the first three quarters of 2021 increased by 37.2% compared to the same period in 2020, reaching over 463 thousand units sold.

*„The financial results of the first nine months of 2021 clearly demonstrate that our Group’s strategy, the strength of key brands and the product mix in combination with the pricing policy can meet the expectations of our customers and also deliver long-term value for our investors,” commented **Jan Drahot**, Chairman of the Board of Directors of CZG. „We recorded increased sales in all territories. The United States remain the biggest market for the Group. We are very pleased about continued cooperation with the Army of the Czech Republic where first deliveries commenced under the framework contract. More specifically, it concerned the supply of the BREN 2 assault rifles with accessories,” added Jan Drahot.*

Revenues

Compared with the results as at 30 September 2020, the revenues for the nine months ended 30 September 2021 increased by 53.1% percent to CZK 7.6 billion, mainly thanks to the increase in firearm

sales volumes in all territories (see the table below) and as a result of Colt's revenue consolidation from 21 May 2021.

Regionally, the revenues generated in the Czech Republic went up year-on-year by 6.9 percent to CZK 522.4 million as at 30 September 2021, as lower sales in the first half of 2021 were compensated by the start of deliveries to the Czech Army under the framework contract, which commenced in the third quarter of 2021. Revenues generated in the United States increased year-on-year by 29.6 percent to CZK 4.5 billion for the nine months ended 30 June 2021, mainly as a result of a higher demand in the US commercial market and the consolidation of Colt's revenues. Given the acquisition of Colt, the Group started reporting the revenues in Canada, which reached CZK 329.6 million in the first nine months of 2021, up by 323.8 % y-o-y. Revenues generated in Europe (excluding the Czech Republic) increased year-on-year by 21.7 percent to CZK 733.3 million for the nine months ended 30 September 2021, mainly as a result of to higher sales in Central and Eastern Europe.

Revenues generated in Africa increased by 209.6 percent to CZK 673.3 million for the nine months ended 30 September 2021 as a result of one-off sales to the military and law enforcement sector customers. Revenues generated in Asia increased year-on-year by 79.1 percent to CZK 548.4 million for the nine months ended 30 September 2021 as a result of increased sales to both the military and law enforcement sector customers and commercial customers. Revenues from sales to other parts of the world reached CZK 297.2 million in the first three quarters of 2021 up by 322.7 % y-o-y.

The following table shows the breakdown of the Group's revenues for the reported periods by region.

(in CZK thousand)

	9 months 2021	9 months 2020	Change in %	Share on total revenues 2021 in %
Czech Republic	522,398	219,056	138.5 %	6.9 %
USA	4,497,731	3,470,749	29.6 %	59.2 %
Canada	329,560	77,769	323.8 %	4.3 %
Europe (excl. the Czech Republic)	733,338	602,630	21.7 %	9.6 %
Africa	673,315	217,511	209.6 %	8.9 %
Asia	548,398	306,174	79.1 %	7.2 %
Other	297,258	70,323	322.7 %	3.9 %
Total	7,601,998	4,964,212	53.1 %	100.0 %

The following table includes an overview of the firearm units sold by the Group by type:

In units	9 months 2021	9 months 2020	Change in %
Long firearms	185,229	121,860	52.0 %
Handguns	277,965	215,629	28.9 %
Total firearms	463,194	337,489	37.2 %

EBIT and EBITDA¹

EBITDA went up by 28.9 percent to CZK 1.4 billion for the nine months ended 30 September 2021 compared with the nine months ended 30 September 2020. The increase is attributable to the impact of higher global sales. Normalised EBITDA for the nine months ended 30 September 2021, net of extraordinary effects connected with the acquisition of Colt, amounted to CZK 1.6 billion. These effects mainly include the expenses on professional advisors and other services connected with the Colt acquisition and depreciation of wasting assets related to the project in Arkansas. In the first nine months of 2021, the operating profit reached CZK 902.0 million, up by 10.6 % y-o-y driven primarily by higher sales.

Profit (loss) before tax

Profit (loss) before tax increased by 81.7 percent to CZK 1.1 billion for the nine months ended 30 September 2021 compared with the nine months ended 30 September 2020. The growth relates to higher operating profit and positive impact of financial operations.

Net profit

Profit for the nine months ended 30 September 2021 increased by 89.1 percent to CZK 902.8 million compared with the nine months ended 30 September 2020.

Investments

The Group's cash capital expenditures were CZK 393.4 million in the first nine months of 2021, representing 5.2% of total revenues in this period, in line with the guidance (5-7% of 2021 revenues). The capital expenditures were primarily related to improvements in the Group's production machinery and capacity.

Updated full year 2021 guidance

On the grounds of the favourable development of CZG's financial results and the favourable development of the financial results of the Colt Group as at the date of preparation of this report, the Group's management expects that the total revenues including Colt since the acquisition date (21 May 2021) could reach upper end of the range of previously announced guidance of CZK 10.34 -10.64 billion in 2021. Simultaneously, the expected EBITDA could reach upper end of the range of previously announced guidance of CZK 1.99 – 2.19 billion in 2021.

The main challenge for the Group remains its ability to meet the globally strong market demand and constraints both on the side of its own manufacturing capacity and capacity and availability of its suppliers, influenced among other factors by the prevailing fragile Covid-19 operating environment.

Other key information regarding the Company until the date of this report

The Supervisory Board appointed Mr. Josef Adam as a new member of the Board of Directors of CZG. In his new role, Josef Adam took over the function of the Corporate Secretary from Mrs. Jana Růžičková who resigned from the Board of Directors and was simultaneously co-opted to the CZG Supervisory

¹ The Company's management considers EBITDA to be the key performance indicator in evaluating the Group's business operations. The Group calculates EBITDA based on data included in the audited financial statements. EBITDA is defined as after-tax profit for the period plus income tax less other financial income plus other financial expenses less interest income plus interest expense plus depreciation and amortisation.

Board. In the Supervisory Board, she replaced Mrs. Věslava Piegzová who had resigned from her position. All changes are effective as of 1 November 2021. The co-optation of Mrs. Růžičková to the Supervisory Board will be presented for approval to the next General Assembly meeting. On 9 September 2021, the shareholding of Česká zbrojovka Partners SE in the registered capital and voting rights of CZG decreased to 81.2% as a result of the sale of shares in CZG to two members of management of CZG. The Company's free float increased to 18.8% by completion of these transactions.

On 16 November 2021 the Company announced that its Board of Directors was notified by certain individual shareholders that acquired shares in connection with the Company's acquisition of Colt Holding Company LLC that they sold in the accelerated book-building process, targeted at selected investors meeting certain criteria, 770,057 ordinary shares of the Company, representing no more than 2.3 % of the Company's share capital and the total number of votes in the Company. Price per sale share was set at CZK 476.

The condensed consolidated interim financial statements for the period of nine months from 1 January to 30 September 2021 are attached to this report.

About CZG - Česká zbrojovka Group SE

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

CZG is headquartered in the Czech Republic and has production facilities in the Czech Republic, the United States and Canada. It employs more than 2,000 people in the Czech Republic, the USA, Canada, Germany, and Sweden.

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