REGULATORY ANNOUNCEMENT

CZG – Česká zbrojovka Group SE achieved record revenues of CZK 10.7 billion in 2021 according to preliminary results

Prague (24 March 2022) — CZG - Česká zbrojovka Group SE ("CZG", the "Group" or the "Company") today announced its preliminary consolidated unaudited financial results for 2021 ending 31 December.

2021 Financial Highlights

- The Group's revenues amounted to CZK 10.7 billion, up by 56.7% y-o-y, mainly due to higher sales volume in all regions, product mix and consolidation of Colt's revenues from 21 May 2021.
- Adjusted EBITDA (net of one-offs and extraordinary effects) in 2021 reached CZK 2,168.8 million, up by 49.6% y-o-y.
- Adjusted Net profit in 2021 reached CZK 1,161.0 million, which is 71.6% more compared to 2020.
- The number of firearms sold in 2021 increased by 34.2% compared to 2020, reaching over 627 thousand units sold.
- The Board of Directors will propose a dividend pay-out of CZK 25 per share to the General Meeting for its approval.

„Year 2021 was again a record one for our Group, which confirms that our global sales strategy and focus on products and R&D help us grow our sales in a profitable manner and, at the same time, deliver long-term value for our investors. Our business is generating robust cash flow, and we keep investing into our production capacity, products, and capabilities. At the same time, we believe that our shareholders deserve to benefit from CZG's success. Therefore, the Board of Directors has decided to propose a significantly increased divided of CZK 25 per share," commented **Jan Drahota, Chairman of the Board of Directors of CZG**. *„We remain confident that we can grow further, which is why our financial targets for 2022 remain ambitious and we expect further significant growth of both revenues and EBITDA. Additionally, we intend to reflect our enlarged and integrated Group and the importance of both key brands by changing the Group's name to Colt CZ Group SE,"* added Jan Drahota.

Revenues

Compared with the results achieved in 2020, the revenues in 2021 increased by 56.7% to CZK 10.7 billion, mainly thanks to the increase in firearm sales and higher revenues in all territories and because of Colt's revenue consolidation from 21 May 2021.

Regionally, the revenues generated in the Czech Republic went up year-on-year by 151.0% to CZK 821.7 million in 2021, based on the acceleration of deliveries to the Czech Army in the second half of 2021. Revenues generated in the United States increased year-on-year by 38.7% to CZK 6.3 billion in 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 551.5 million in 2021, up by 461.1% y-o-y. Revenues generated in Europe (excluding the Czech Republic) increased year-on-year by 12.5% to CZK 1,053.8 million in 2021, mainly because of higher sales in Central and Eastern Europe.

Revenues generated in Africa increased by 81.6% to CZK 752.8 million in 2021 due to one-off sales to the military and law enforcement sector customers. Revenues generated in Asia increased year-on-year by 86.2% to CZK 727.4 million in 2021 as a result of increased sales to both the military and law enforcement sector customers and commercial customers. Revenues from sales to the other parts of the world reached CZK 531.2 million in 2021 up by 264.5% y-o-y.

Group's revenues for the reported periods breakdown by regions:

(in CZK thousand)	FY 2021	FY 2020	Change in %	*Share on total revenues 2021 in %*
Czech Republic	821,860	327,419	151.0%	*7.7%*
USA	6,250,307	4,506,751	38.7%	*58.5%*
Canada	551,509	98,288	461.1%	*5.2%*
Europe (excl. the Czech Republic)	1,053,754	945,690	12.5%	*9.9%*
Africa	752,850	414,641	81.6%	*7.0%*
Asia	727,426	390,575	86.2%	*6.8%*
Other	531,222	244,030	264.5%	*5.0%*
Total	**10,688,927**	**6,829,106**	**56.7%**	***100.0%***

Overview of the firearm units sold by the Group by type:

In units	FY 2021	FY 2020	Change in %
Long firearms	246,777	161,754	52.6 %
Handguns	380,695	305,709	24.5 %
Total firearms	**627,472**	**467,463**	**34.2 %**

Adjusted EBITA and EBITDA[1]

EBITDA went up by 24.2% to CZK 1.8 billion in 2021 compared to the year 2020. The increase is attributable to the impact of higher global sales and consolidation of Colt.

Adjusted EBITDA in 2021, net of extraordinary one-off items connected with the acquisition of Colt, amounted to CZK 2,168.8 million, up 49.6% y-o-y. These one-offs mainly include the expenses on professional advisors and other services connected with the Colt acquisition, impairment of the project in Arkansas and release of inventory step up.

Profit (loss) before tax

Profit (loss) before tax increased by 9.4% to CZK 931.1 million in 2021 compared with 2020 due to the significant growth of operational performance of the Group. At the same time, it was negatively influenced by one-off items related to the Colt acquisition and significant growth of D&A also related to the Colt acquisition.

Net profit and Adjusted net profit

Profit for the period in 2021 increased by 12.3% to CZK 760.0 million compared with 2020. Adjusted net profit in 2021, adjusted by the expenses related to the financing of the acquisition, including equity earnout, reached CZK 1,161.0 million, which is 71.6% more compared to 2020.

Investments

The Group's cash capital expenditures were CZK 651.9 million in 2021, up by 98.1% y-o-y and represent 6.1% 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 and majority was realized in the production plant based in the Czech Republic.

The 2022 outlook and guidance

The Group's management expects that the total revenues could reach **CZK 14.4–14.8 billion** in 2022, which represents an increase of 35–39% when compared with total consolidated revenues achieved in 2021. The expected EBITDA could reach **CZK 3.0–3.3 billion in 2022**, which represents an increase of 36–50% when compared with the adjusted consolidated EBITDA recorded in 2021.

The capital expenditures of the Group in 2022 may reach a 5% share of the 2022 expected revenues, which is in line with the medium-term target of the Company.

The current security situation and military conflict in Ukraine may bring increased interest for the Group's products from Military and Law Enforcement customers but could also bring unpredictable adverse impacts on the operational and financial performance of the Group in 2022. In March 2022, CZG concluded an amendment to the Framework Agreement for the purchase of small arms signed in April 2020, with the Czech Ministry of Defense. The amendment will enable the Army of the Czech

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[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 less share in the profit of associates plus depreciation and amortisation.

Republic to receive small arms supplies with the value of up to CZK 1.18 billion in addition to the originally agreed limit of CZK 2.35 billion.

The continuous uncertainty related to the COVID-19 pandemic may cause further disruptions to the supply chain and logistics. However, the Company has been able to take adequate measures to deal with those impacts based on its previous experience. The Company's ability to produce and meet customer demand when it comes to the product mix and price remains the main challenge for the Group in 2022. Operating cost control will be key. The Company will experience the pressure of increased commodity prices, including gas and electricity, although these represent a relatively small part of the Group's OPEX. In addition, we expect an increase in personal costs in the main production facilities, based on the newly renegotiated collective agreements for the upcoming period. Nevertheless, CZG believes to be able to partially pass through some of the costs onto sales price. Some of the key customer contracts are inflation-linked.

Proposed Dividend Payment

The Company will propose a dividend payment of CZK 25 per share from the consolidated net profit for 2021. The proposed dividend payout is more than 3 times higher than the dividend paid last year (CZK 7.5 per share). The dividend payout is subject to the approval by the General Meeting.

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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