

Colt CZ Group SE reached record revenues of CZK 14.6 billion in 2022

Prague (March 23, 2023) — Colt CZ Group SE (“Colt CZ, the “Group” or the “Company”) today announced its preliminary consolidated unaudited financial results for the year 2022 ending 31 December.

2022 Financial Highlights:

- ▶ The Group’s revenues in 2022 amounted to CZK 14,589.8 million, which is on the upper end of the indicated guidance. This amount represents an increase of 36.5% y-o-y. The main reasons for the increase are higher number of sold firearms and an improved product mix as well as the consolidation of Colt’s revenues.
- ▶ In 2022, the adjusted EBITDA net of extraordinary items reached CZK 3,365.3 million, up by 55.2% y-o-y.¹
- ▶ The 2022 net profit after tax reached CZK 2,034.2 million, which is 167.5% more compared to the same period in 2021.
- ▶ The 2022 adjusted net profit after tax reached CZK 2,280.5 million, which is 96.4% more compared to the same period in 2021.
- ▶ The number of firearms sold in 2022 increased by 10.5% compared to the same period in 2021, reaching almost 700 thousand units sold.
- ▶ The Board of Directors will propose a dividend pay-out of CZK 30 per share to the General Meeting for its approval, with an option to choose between cash payment and stock dividend.

“The 2022 results demonstrate that we are on track to achieve our vision of becoming the recognized undisputed leader of the small arms industry. Developments in our key markets in 2022 confirmed that our decision to aim for a balanced ratio between sales to military and law enforcement and commercial customers was correct. We were able to compensate for the relatively significant decline in the US commercial market by selling our products mainly to military customers. We will continue to strive to strengthen our position in this segment as it represents an increased business potential given the worsening security situation globally. Given the positive results, the Company’s Board of Directors decided to

¹ In 2022, EBITDA was adjusted by one-off items related to unrealized acquisitions in 2022 and costs related to the employee stock option plan which are not related to operational performance and value creation in the given period.

propose to the General Meeting a significantly higher dividend in the amount of CZK 30 per share,” commented **Jan Drahota, CEO and Chairman of the Board of Directors of Colt CZ Group.**

Revenues

In 2022, revenues increased by 36.5% to CZK 14.6 billion, mainly thanks to the to higher number of sold firearms, improved product mix and Colt’s revenues consolidation. Hence, the Group recorded revenues on the upper end of its full year guidance.

In 2022, revenues generated in the Czech Republic went up y-o-y by 133.7% to CZK 1.9 billion mainly due to the deliveries to the Czech Army under the framework contract. Revenues generated in the United States increased y-o-y by 11.8% to CZK 7.0 billion in 2022, mainly as a result of the full consolidation of Colt compared to 2021 (Colt’s consolidation since May 21, 2021). The revenues in Canada reached CZK 1.8 billion in 2022, up by 221.6% y-o-y. Revenues generated in Europe (excluding the Czech Republic) increased y-o-y by 50.3% to CZK 1.6 billion in 2022, mainly as a result of higher sales in Central and Eastern Europe.

Revenues generated in Africa declined by 67.7% to CZK 243.3 million in 2022, as large sales to the military and law enforcement customers took place in 2021. Revenues generated in Asia increased y-o-y by 103.9% to CZK 1.5 billion in 2022 as a result of increased sales to both the military and law enforcement customers and commercial customers. Revenues from sales to other parts of the world reached CZK 594.7 million in 2022, up by 12.0% y-o-y.

Breakdown of Group’s revenues for the reported periods by regions:

(in CZK thousand)	FY 2022	FY 2021	Change in %	Share on total revenues 2022 in %
Czech Republic	1,926,379	824,128	133.7%	13.2%
USA	6,983,933	6,248,038	11.8%	47.9%
Canada	1,773,822	551,509	221.6%	12.2%
Europe (excl. the Czech Republic)	1,584,169	1,053,754	50.3%	10.9%
Africa	243,317	752,850	(67.7%)	1.7%
Asia	1,483,412	727,426	103.9%	10.2%
Other	594,742	531,222	12.0%	4.1%
Total	14,589,774	10,688,927	36.5%	100.0%

Overview of the firearm units sold by type:

In units	FY 2022	FY 2021	Change in %
Long firearms	289,479	246,777	17.3%
Handguns	403,912	380,695	6.1%
Total firearms	693,391	627,472	10.5%

EBITDA and Adjusted EBITDA²

In 2022, EBITDA (including extraordinary items) went up by 72.7% to CZK 3,109.1 million compared with the same period last year, primarily due to higher sales and the full consolidation of Colt compared to 2021 (Colt's consolidation since May 21, 2021). On the contrary, the increase of materials consumption related to higher sales and higher input prices and higher personnel costs had a negative impact on profitability. The EBITDA margin in 2022 reached 21.3% compared to 16.8% in 2021.

The adjusted EBITDA in 2022 amounted to CZK 3,365.3 million, up 55.2% y-o-y.

Profit (loss) before tax

Profit (loss) before tax increased in 2022 by 152.9% y-o-y to CZK 2,356.2 million, thanks to higher operating profitability and positive financial results based on gains from derivatives transactions.

The FX hedging of the CZK against the EUR and USD, when the market rates were below the value of the average hedging rates within the Group, resulted in gains from derivatives transactions used for hedging in 2022.

Net profit/ Adjusted Net profit³

Profit after tax in 2022 increased by 167.5% to CZK 2,034.2 million compared with the same period last year. Adjusted net profit after tax in 2022 increased by 96.4% to CZK 2,280.5 million compared with the same period last year.

Investments

² In 2022, EBITDA was adjusted by one-off items related to 2022 unrealized acquisitions and payments related to the employee stock option plan which are not related to operational performance and value creation in the given period. In 2021, EBITDA was adjusted by one-off items related to costs of professional advisors and other services connected with the Colt acquisition, impairment of the project in Arkansas and release of inventory step up.

³ In 2022, net profit was adjusted by one-off items related to 2022 unrealized acquisitions and payments related to the employee stock option plan, cost of revaluation of equity earnout related to the Colt acquisition and by financing cost related to bond issue which are not related to operational performance and value creation in the given period. In 2021, net profit was adjusted by one-off items related to costs of professional advisors and other services connected with the Colt acquisition, impairment of the project in Arkansas, release of inventory step up and cost of revaluation of equity earnout related to the Colt acquisition and by financing cost related to bond issue that are generally unrelated to the current period's operations and value creation.

The Group's cash capital expenditures were CZK 679.7 million in 2022, up by 7.3% y-o-y. This represents a 4.7% share of the total revenues, which is better than the 2022 guidance (approximately 5 – 7% of 2022 revenues). Capital expenditures were primarily spent on the modernization of the Group's production facilities and capacities, with the majority of expenditures being realized at the Česká zbrojovka a.s. production plant based in the Czech Republic.

2023 Guidance

Given the current development on the global markets as well as in the Czech Republic, including uncertainties on the demand side and inflationary pressures on the cost side, the management of the Company has decided to present the 2023 guidance in three different scenarios. The guidance will be further specified during the course of the year based on the business development.

In 000' CZK	Guidance	Yoy change in %
Scenario I Pessimistic		
Revenues	15,100 – 15,500	3.5% -6.2%
Adjusted EBITDA	3,100 – 3,300	(7.9%) - (1.9%)
Scenario II Neutral		
Revenues	16,100 – 16,500	10.4% - 13.1%
Adjusted EBITDA	3,400 – 3,600	1.0% - 7.0%
Scenario III Group Ambition		
Revenues	16,400 – 16,900	12.4% - 15.8%
Adjusted EBITDA	3,600 – 3,800	7.0% - 12.9%

The capital expenditures of the Group in 2023 may reach a 5% share of the 2023 expected revenues, which is in line with the medium-term target of the Company.

In 2023, the operational and financial situation of the Group will continue to be affected directly or indirectly by the consequences related to the war in Ukraine.

The Czech Republic has been impacted more than the United States, primarily because of the country's energy dependence on Russia and dependence on energy transit from Russia. Since the end of 2022, the Group's companies in the Czech Republic have been dealing with rising electricity, gas and fuel prices, a higher inflation, increase in prices and partial interruptions in the supply of input materials. The Russian invasion exacerbated supply chain issues that had already arisen during the covid pandemic. The Company believes that its total energy costs should stay at similar levels as in 2022. The reasons are the reduction of energy consumption at the back of austerity measures, decline of energy market prices and state subsidy in the Czech Republic. The Company believes that it will be able to partially pass through

some of the costs onto sales price. Creating the right product mix and sales mix will be key to maintaining the Group's profitability in this inflationary environment in 2023.

The 2023 sales may be affected by the current slowdown in the most important commercial market for the Group, which is the United States of America. The slowdown is a certain correction to the rapid growth in the previous years triggered by the domestic situation in the US. Thanks to the increasing labor productivity at the plant in Uherský Brod and the ability to achieve the same results with a lower headcount, the Group is ready respond to a further fluctuation in demand on the commercial market in the USA by adjusting the production cycles and product mix structure, optimizing the headcount and other measures in its production facility in the Czech Republic.

Proposed Dividend Payment

The Company will propose a dividend payment of CZK 30 per share from its net profit for 2022. Compared with the payment of CZK 25 per share last year, this is a 20% increase. The shareholders will be able to choose between a cash dividend and stock dividend, based on their discretion. The dividend payout is subject to the approval by the General Meeting which will be held by the end of the first half of 2023.

About Colt CZ Group SE

Colt CZ Group (Colt CZ) is one of the leading producers of firearms for military and law enforcement, personal defense, hunting, sport shooting, and other commercial use. It markets and sells its products mainly under the Colt, CZ (Česká zbrojovka), Colt Canada, CZ-USA, Dan Wesson, Spuhr, and 4M Systems brands.

Colt CZ Group is headquartered in the Czech Republic and has production facilities in the Czech Republic, the United States, Canada, and Sweden. It employs more than 2,000 people in the Czech Republic, the USA, Canada, Sweden, and Germany. Colt CZ is owned by Česká zbrojovka Partners SE from 76.9%, with the remaining 23.1% being a free float.

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