

COLT CZGROUP

Colt CZ Group SE

**Prospectus of floating rate notes
in the anticipated aggregate nominal amount of up to CZK 1,500,000,000
with the possibility of increase to up to CZK 3,000,000,000
due 18 May 2030
ISIN CZ0003550295**

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 1,500,000,000 (one billion five hundred million Czech Koruna) with the possibility of increase to up to CZK 3,000,000,000 (three billion Czech Koruna) due 18 May 2030 (the **Notes**) or the **Issue**), issued by Colt CZ 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 18 November and 18 May each year, commencing on 18 November 2023. The issue price of all the Notes issued on 18 May 2023 (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 18 May 2030 (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 in the Czech Republic*”.

This Prospectus has been prepared and published for the purposes of an 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. 2023/055200/CNB/570, file no. S-Sp-2023/00019/CNB/572 dated 9 May 2023, which became final and effective

on 11 May 2023. 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 CZ0003550295.

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 10 May 2024. 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 4 May 2023.

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I. 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:

- Information on the performance of the economy of the United States published by Reuters (**Reuters**); available at <https://www.reuters.com/markets/us/us-economy-grows-strongly-fourth-quarter-weekly-jobless-claims-fall-2023-01-26/> (accessed on 26 April 2023), <https://www.reuters.com/world/us/slowing-us-inflation-shifts-investor-focus-earnings-season-2023-04-12/> (accessed on 26 April 2023) and <https://www.reuters.com/world/us/us-job-growth-expected-moderate-remain-brisk-pace-march-2023-04-07/> (accessed on 26 April 2023);
- 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 26 April 2023); and
- Czech National Bank: Forecast (as published from time to time) (**CNB Forecast**); available at <https://www.cnb.cz/en/monetary-policy/forecast/> (accessed on 3 May 2023).

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 (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 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.

II. 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.

III. PRESENTATION OF FINANCIAL AND OTHER INFORMATION

1 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 2022 and 2021, together with the notes thereto (the **Audited 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.

Unless stated otherwise, the financial data concerning the Group presented herein for the years ended 31 December 2022 and 2021 originates from, or has been calculated on the basis of, the Audited 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, 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 this Prospectus references to “**2022**” and “**2021**”, are to the financial year ended 31 December 2022 and the financial year ended 31 December 2021, respectively, and references to “as of” any of these periods ended shall mean as of 31 December 2022 and 31 December 2021, respectively.

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**).

2 Websites

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

3 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.

4 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 beginning on page 100 of this Prospectus.

5 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.

IV. 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

1 Risks related to the Group's business activities and industry

The Impact of the Russian invasion of Ukraine on the Group in 2022

On 24 February 2022, an armed conflict started by Russia invading Ukraine. This invasion is part of the Russian military intervention in Ukraine and an escalation of the Russian-Ukrainian crisis.

In response to Russia's military invasion of Ukraine, the EU has adopted several measures and sanctions against Russia and Belarus, which have complemented the already existing sanctions and restrictive measures, which the EU had been putting in place since 2014.

As for the impact on the respective enterprises, the Czech Republic was affected in greater measure than the United States, especially due to its dependency on Russian gas supplies. The biggest impact from mid-2022 have been the rapidly rising electricity, gas, and fuel prices. Other input commodities have also been affected by shortages and rising prices. The Russian invasion only reinforced supply chain issues, which had already arisen during the COVID-19 pandemic and deteriorated the situation on the labour market.

The Group immediately responded to the situation and mapped the potential risks from embargoes, the growth in energy prices, and input material shortages. The manufacturing plant in the Czech Republic is part of the macroeconomic environment of the Czech Republic, with all current economic impacts, such as the growth in energy prices, inflation, workforce shortages, etc. It faces similar challenges as other business entities, especially rising costs. The Issuer's management has adopted measures to make internal processes more effective and to compensate for the growth of expenses as much as possible.

The current security situation and armed conflict in Ukraine may result in greater interest in our products on the part of military and law enforcement customers, but also in unpredictable negative impact on the Group's operating and financial performance in 2022. In March 2022, the Issuer entered into an amendment to the framework agreement of April 2020 for the supply of small arms with the Czech Ministry of Defence. The amendment was concluded in direct connection with the Russian invasion of Ukraine. Revenues from the sale of

the Group's products to countries on which the European Union imposed sanctions (Russia and Belarus) by the decision of the European Council have made up less than half a per cent of the Group's total revenues over the last years.

Operating companies in North America, specifically in the USA and Canada, have not been directly affected by the Russian invasion of Ukraine. Nonetheless, the Company records further slowdown of the commercial market in the USA, due to increasing inflationary pressures in the United States, which led the Federal Reserve System to increase interest rates in 2022 seven times in total and to a fifteen-year maximum.

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. According to Reuters, U.S. economy, a key commercial market for the Group, grew by 2.1 per cent. in 2022 and is forecasted to grow by 1 per cent. in 2023. As of 31 March 2023, unemployment rate stood at 3.5 per cent., while annualized inflation in March has slowed to 5 per cent. and is expected to decline further. A reverse in the trend of declining inflation in combination with an increase in unemployment rate may result in overall contraction of the U.S. firearms 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.

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 commercial 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, 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.

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 commercial 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 commercial 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 United 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 acquisition of Colt may involve additional risks, increased costs, not produce the benefits expected or the post-acquisition integration may not be successful

The Group's 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, CZ Acquisition II, LLC, a subsidiary of CZ-US Holdings, and TXPATCH8445 Holdings LLC entered into a merger agreement and plan of merger (the **Colt Merger Agreement**) under which the Group acquired 100 per cent. of the equity interest in Colt Holding Company LLC (**Colt**), the parent company of the U.S. firearms manufacturer, Colt's Manufacturing Company LLC as well as its Canadian subsidiary, Colt Canada Corporation (**Colt Canada**) (the **Colt Acquisition**). After having received 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, the Colt Acquisition was successfully closed on 21 May 2021.

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 2025 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 has major business partnership with the Canadian Government, which generated in the years 2021 and 2022 more than 70 per cent. of its revenues. Colt Canada is a member of the Canadian Munitions Supply Program (MSP) which makes Colt Canada the primary source for small arms support, including both manufacturing and repair, for the Canadian Department of National Defense (DND). Colt Canada has served as Canada's small arms strategic source and center for excellence since the 1970's and is supported by a primary source agreement (called Strategic Source Agreement concluded in 2005) to supply military small arms to the Canadian Armed Forces. The Strategic Source Agreement does not specify any particular volumes of arms that shall be ordered but explicitly states that "Colt Canada will be the source for any Small Arms Works." Notwithstanding that Colt Canada 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 similar deterioration could substantially affect financial performance of Colt Canada and Colt overall.;
- Colt requires export permit licences from the relevant U.S. regulatory bodies. As the majority of its revenues are 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 relating to Colt's business and operations, currently unknown to the Group or during the due diligence undiscovered, may result in potential unexpected cost and negatively affect revenue synergies as currently estimated by the management. 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 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. 86.8 per cent. of the Group's revenues in 2022 were generated from sales outside the Czech Republic, 47.9 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. However, on 29 October 2021 it was announced by the United States that it will replace tariffs on aluminium and steel imports from the European Union with a tariff rate quota system. Based on that announcement the EU cancelled retaliatory tariffs from the US which were worth of USD 3 billion of imports. Retaliatory tariffs, nonetheless, still exist after they have been announced by many other trading partners of the United States, including China, the United Kingdom, Canada and India.

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 and composites, 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. In 2022, the Group's R&D team had an average number of 117 full-time equivalent employees and expenditure amounted to approximately CZK 226 million, which allows the Group's technology leadership to be one of its key competitive advantages.

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 small number of production facilities.

The Group's principal production facility in Uherský Brod, Czech Republic and production facilities of Colt in the United States and Canada are critical to the Group's operations (whereas the Group aims to also establish a small arms production facility in Hungary, as described further below). In 2022, 95 per cent. of the Group's revenues came from the sales of goods produced in these facilities. The Group does not have any other significant production capacity which could substitute production in its facilities. The production facilities of the Group 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 in Uherský Brod 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 Group's facilities 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 Hungarian government through a joint stock company Colt CZ Hungary (JV) may not produce the benefits expected.

On December 22, 2022, the Group signed a Joint Venture Agreement (**JVA**) with N7 Holding Ltd., a state-owned Hungarian company. Under the JVA, both parties plan to establish a JV (a joint stock company Colt CZ Hungary), whereas the Group will own a 51 per cent. stake in the JV and the Hungarian government will own a 49 per cent. stake in the JV.

The establishment of the JV should further enhance the existing cooperation between the Group and the government of Hungary under the framework of technology transfer cooperation (the **Framework Agreement**) entered into in 2018 between Colt CZ Defence Solutions s.r.o. (**Colt CZ Defence Solutions**), a member of the Group and HM ARZENÁL Zrt. (**HM ARZENÁL**), a Hungarian company fully owned by the Hungarian state. The aim of the JV is to establish a small arms production facility in Hungary to provide military-grade firearms for the Hungarian Armed Forces. The incorporation of the JV is subject to regulatory approvals and other permissions in Hungary and is expected to become effective in the course of 2023.

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 2022, it represented approximately 40 per cent. of consolidated revenues. 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. As of 31 December 2022, it employed 1,465 people. 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. The Group may 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 2022, average number of Colt's employees in West Hartford was 319. Population of West Hartford stands approximately at 64,000 inhabitants whereas the entire metropolitan area is a home of well over a million people.

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.

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 Group sources complete sporting and hunting shotguns from two Turkish suppliers, Huglu and Akkar, for sale in the United States firearms market. Also, as regards sourcing of the raw materials that the Group uses, it purchases majority of the specially treated steel from a single source that specializes in the production of special steel and super alloys. Even small components may affect the functionality and user experience of the product.

Any shortage on materials or components not dependent on the Group's suppliers as well as 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.

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- 2021. The backorders rose significantly to its record levels in January 2021 due to the strong market dynamics but were reduced during 2022 due to the slowdown of the US commercial market. 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.

The Group may face difficulties complying with the ESG standards and regulatory requirements.

Environmental, social, and governance (ESG) risks include the Group's environmental, social, and governance factors that could cause reputation or financial harm. Not complying with ESG standards, the Group could lose access to funding or financing from ESG-conscious investors, lose socially conscious customers or even violate ESG related regulations, which can result in fines or penalties.

The Group is currently working on developing formally defined ESG strategy and will publish its first comprehensive ESG report by the end of June 2023. The Group is also setting up data collection processes in order to meet regulatory requirements and be able to present ESG related data based on the current market practice.

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

The Group faced various risks related to surge of COVID-19. In the years 2020 and 2021, the COVID-19 pandemic 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. In 2022, the impact of the COVID-19 pandemic on the Group's operation was relatively small, as anti-epidemic measures started to be gradually relaxed already in the first quarter of 2022. The Issuer did not record any restrictions caused by the pandemic for the rest of the year.

2 Risks related to the Group's financial situation

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

The Group's functional currency is CZK and financial statements are denominated in CZK as well. 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 would cause negative impact on the Group's profit of CZK 67.9 million and towards USD it would cause positive impact of CZK 49.5 million, as of 31 December 2022 (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 CZK value of fixed assets (property, plant and equipment) held in the United States (CZK 525 million as of 31 December 2022), 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 may 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. 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 two bond issuances by the Issuer (ISIN CZ0003530776 and ISIN CZ0003537029), which carry interest at a floating rate. Interest rate risk is the risk that fair values of future cash flows from existing or

future financial liabilities may fluctuate due to changes in market interest rates. For the year ended 31 December 2022, a 10 basis point change in the applicable interest rates, with all other variables remaining constant, would have had a CZK 7 million positive (in the case of lower interest rates) or negative (in the case of higher interest rates) on the Group's profit. This risk is fully hedged by (i) derivative transactions – interest rate and cross-currency swaps (whereby the Issuer pays fixed rates and receives floating rate) and (ii) free cash that bears a floating rate interest. This interest rate sensitivity analysis was determined based on the exposure to interest rates for derivative and non-derivative instruments as of 31 December 2022. 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.

The Euro Interbank Offered Rate (**EURIBOR**), the Prague Interbank Offered Rate (**PRIBOR**) and other interest rates or other types of rates and indices which are deemed “benchmarks” (each a **Benchmark** and together, the **Benchmarks**) have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

International proposals for reform of Benchmarks include Regulation (EU) No. 2016/1011, as amended (the **Benchmark Regulation**), which sets out, among other things, the following:

The Benchmark Regulation could have a material impact on Notes linked to a Benchmark, including in any of the following circumstances:

- a rate which is a Benchmark may only be used if its administrator obtains authorisation or is registered and in case of an administrator which is based in a non-EU jurisdiction, if the administrator's legal benchmark system is considered equivalent (Article 30 of the Benchmark Regulation), the administrator is recognised (Article 32 of the Benchmark Regulation) or the Benchmark is endorsed (Article 33 of the Benchmark Regulation) (subject to applicable transitional provisions); and
- the methodology or other terms of the Benchmark could be changed in order to comply with the terms of the Benchmark Regulation, and such changes could have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level.

In addition to the aforementioned Benchmark Regulation, there are numerous other proposals, initiatives and investigations which may impact Benchmarks. Following the implementation of any such potential reforms, the manner of administration of Benchmarks may change, with the result that they may perform differently than in the past, or Benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted.

As of the date of the Prospectus, no amount was outstanding under CZUB's revolving credit line, which has a variable interest rate calculated as the sum of PRIBOR or EURIBOR and a margin ranging between 0.80 per cent. to 1.10 per cent, depending on the currency of the relevant drawing.

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 and/or PRIBOR or an elimination of EURIBOR and/or PRIBOR, which could have a material adverse effect on the value of and return on any variable rate debt linked to EURIBOR 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. As of 31 December 2022, the Group held 3,582,615,000 CZK of cash and cash equivalents and other financial assets.

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 2022. 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 2022	Within 3 months	From 3 to 6 months	From 6 months to 1 year	1 to 5 years	More than 5 years	Total
<i>(CZK thousands)</i>						
Trade and other receivables	1,350,293	25,503	4,538	1,324	0	1,381,658
Other financial liabilities	0	201,644	36,949	240,468	0	479,061
Bonds, bank loans and borrowings	361,301	471,471	507,157	5,908,033	2,102,329	9,350,291
Lease liabilities	6,419	5,930	11,860	34,060	12,736	70,735
Trade and other payables	1,144,563	7,564	0	10,652	0	1,162,779

3 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. Approximately more than 90 per cent. of the Group's revenues depends on obtaining export licenses.

Further, the Group's products manufactured in the Czech Republic, 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.

In the Czech Republic, 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.

Products manufactured in the United States by Colt Canada, for example rifles such as the Colt M4 and M5 and handguns and revolvers such as the Python and Anaconda, which are sold to foreign military, law enforcement and foreign commercial customers are currently subject to United States export restrictions. Products manufactured and sourced in Canada by Colt Canada Corporation, for example rifles such as the Colt Canada C7, C8 and C20 are currently subject to Canadian export restrictions.

In the United States and Canada, obtaining export licenses is also required to export Group's products and services. The issuance of an export license lies within the discretion of the issuing government authority. In the United States, substantially all of Group's export licenses are processed and issued by the Directorate of Defense Trade Controls (**DDTC**) within the U.S. Department of State, in accordance with the Executive Order 13637 and the International Traffic in Arms Regulations (No 22 CFR 120-130) which implement the Arms Export Control Act (No. 22 U.S.C. 2778). In the case of large transactions, DDTC is required to notify the U.S. Congress before it issues an export license. As regulated by the Firearms Act (SC 1995, c. 39), in Canada, export licenses to the United States are processed and issued by the Bureau of Alcohol, Tobacco and Firearms, export licenses to countries other than the United States are processed and issued by Global Affairs Canada, a department of the Government of Canada.

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 2022 and 2021, approximately 57 per cent. and 68 per cent., respectively, of the Group's firearms originated in the Czech Republic.

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.

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.

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 Council of 17 May 2017, which was codified in 2021 into Directive (EU) 2021/555 of the European Parliament and of the Council of 24 March 2021 on control of the acquisition and possession of weapons (codification) (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 had not implemented the Gun Ban Directive within the deadline for implementation (which expired in September 2018). However, pressure from the EU on the Czech Republic and other member states which had not implemented the Gun Ban Directive had been 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 implementing the Gun Ban Directive, which entered into force at the end of January 2021. Changes were made, for example, in the categorization of weapons and ammunition or in the regulation of the acquisition of ownership, possession and carrying of selected categories of weapons and ammunition, restrictions on high-capacity magazines, control and transfer (sharing) of information or firearms license.

The Ministry of Internal Affairs of the Czech Republic is also currently preparing a new amendment to the Czech Weapons Act, which aims to bring about, among others, change the structure of firearms licences, introduction of an intermediate category of weapons, cancellation of physical documents or the introduction of communication with the competent authorities via banking identity and other similar standards. The amendment (planned to enter into force on 1 January 2026) has not yet been submitted to the Chamber of Deputies.

The Group and its customers thus have to comply with the new legislation which is expected to further change and evolve over time, and this could impact its firearms and accessories sales in the European commercial 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 Colt CZ Group, CZ-USA, Dan Wesson, Brno Rifles and 4M SYSTEMS, trademarks "Colt CZ Group", "CZ", "CZ-USA", "BREN", "DAN WESSON", "ZBROJOVKA BRNO" and "Colt", "Colt's Manufacturing", "Colt Defense", "Colt Canada", and other related trademarks and the designs of the BREN and SCORPION model firearms and CZ P-09 and SHADOW model pistols, Colt Cobra, Python and Anaconda revolvers, Colt M4, M5 and M16 rifles, 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.

4 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 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 is currently working on a formally defined ESG strategy and data privacy and cybersecurity are on the key area of materiality of the Group's ESG strategy.

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.

5 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 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 discontinuation of the Safari Classics brand did not have any material adverse effect on the Group's business and results of operations, the Safari Classics investigations, but 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, the Group has adopted a comprehensive compliance programme including the Code of Conduct in 2022 which is binding for all Group companies. Furthermore, individual Group companies have adopted compliance programmes in accordance with their respective local jurisdictions. 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.

Furthermore, Colt is subject to various U.S. and Canadian environmental, health and safety laws and regulations, including those related to the discharge of hazardous materials into the air, water or soil and regulating the generation, storage, treatment, handling, transportation, disposal, investigation, and remediation of hazardous materials. 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. Further, the fact that the nominal amount of each Note is CZK 3,000,000 may contribute to lower liquidity of 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 2016 to 2022 (*Source: PRIBOR Rates*).

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	<i>(in per cent)</i>						
6M PRIBOR.....	6.42	1.29	0.88	2.16	1.36	0.48	0.36

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 retail investor who acquires the Notes from ČS may be charged, in accordance with the subscription instruction, a fee of 0.25 per cent. 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 retail investor who acquires the Notes from KB may be charged, in accordance with the current KB pricelist, a subscription instruction fee based on the aggregate nominal amount of the Notes to be acquired (in case of purchase of Notes in the aggregate nominal amount of less than or

equal to CZK 5,000,000, a fee of CZK 1,700 + 0.10 per cent. of the nominal amount of the Notes so acquired will be charged with the minimum charge being CZK 2,700 and, in case of purchase of Notes in the aggregate nominal amount exceeding CZK 5,000,000, a fee of CZK 4,200 + 0.05 per cent. of the nominal amount of the Notes so acquired will be charged). The fee is calculated on the volume of the trade, excluding accrued interest, whereas the CSDP fee may be added to these fees. 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 investor may be required to pay additional fees charged by the intermediary 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 (which has been a major macroeconomic issue in the Czech Republic for the past two years) causes a decline in the yield of the Notes. According to the latest CNB Forecast published on 3 May 2023, the year-on-year overall inflation is expected to reach 11.2 per cent. in 2023 (down from 15.1 per cent. in 2022) and return close to the CNB's two per cent. target in 2024 (down to 2.1 per cent.). If the CNB Forecast for 2023 is fulfilled or if a situation occurs where the forecast for 2024 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 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.

V. INFORMATION INCORPORATED BY REFERENCE

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

Information	Document	Pages	Hyperlink
Audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2022	Annual financial report 2022 - ESEF format (Czech language)	123-203	https://www.coltczgroup.com/file/866
	Annual Financial Report for 2022 (unofficial pdf version) (English language)	123-203	https://www.coltczgroup.com/file/863
Independent auditor's report relating to the audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2022	Annual financial report 2022 - ESEF format (Czech language)	204-209	https://www.coltczgroup.com/file/866
	Annual Financial Report for 2022 (unofficial pdf version) (English language)	204-209	https://www.coltczgroup.com/file/863
Audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2021	Annual Report 2021 – ESEF format (Czech language)	147-253	https://www.coltczgroup.com/file/679
	Annual Report 2021 – unofficial pdf version (English language)	133-203	https://www.coltczgroup.com/file/754
Independent auditor's report relating to the audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2021	Annual Report 2021 – ESEF format (Czech language)	254-260	https://www.coltczgroup.com/file/679
	Annual Report 2021 – unofficial pdf version (English language)	204-210	https://www.coltczgroup.com/file/754

Any non-incorporated parts of a document referred to herein are either deemed irrelevant for an investor or are otherwise covered elsewhere in this Prospectus.

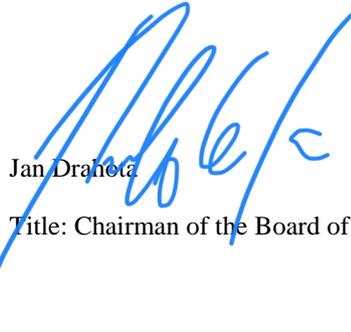
VI. RESPONSIBILITY STATEMENT

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.

Colt CZ Group SE



Jan Drahoš

Title: Chairman of the Board of Directors



Josef Adam

Title: Vice-chairman of the Board of Directors

VII. SUBSCRIPTION AND SALE

1 General Information about the Mandated Persons and the Method of Subscription

On the basis of the mandate agreement dated 13 March 2023 (the **Mandate Agreement**”), the Issuer has mandated Česká spořitelna, a.s., LEI: 9KOGW2C2FCIOJQ7FF485 (**ČS**) and Komerční banka, a.s., LEI: IYKCAVNFR8QGF00HV840 (**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 1,500,000,000 (one billion five hundred million Czech Koruna) with the possibility of increase to up to CZK 3,000,000,000 (three billion Czech Koruna) due in 2030.

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

2 Subscription of the Notes

The Joint Lead Managers will subscribe the Notes in accordance with the agreement on the subscription and purchase of Notes (the **Subscription Agreement**) to be concluded between the Issuer and the Joint Lead Managers, the subject matter of which are the Issuer’s obligation to issue the Notes and the Joint Lead Managers’ obligation to subscribe and buy the Notes on the terms set out in the Subscription Agreement.

The issue price of all the Notes issued on the Issue Date has been set at 100 per cent. of the par value of the Notes. 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.

The Joint Lead Managers will subscribe the Notes and, as the case may be, subsequently offer them to domestic or foreign investors in accordance with the applicable rules and regulations and based upon one or more exemptions from the obligation to publish a prospectus, as per the Prospectus Regulation. In this respect, the Issuer draws attention to the fact that (i) the par value per individual Note exceeds EUR 100,000 (or the equivalent of this amount in Czech Koruna), and (ii) the Notes may only be acquired for a price in excess of the minimum amount of EUR 100,000 (or the equivalent in Czech Koruna).

There is no minimum amount for which the investor may subscribe and purchase the Notes (other than the purchase price of each Note). 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.

3 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. 18 May 2023. 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 15,000 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.

The settlement will be performed on a DVP (delivery versus payment) or DFP (delivery free of payment) basis through the Central Depository and Fiscal and Paying Agent, as applicable, 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 Depository and within the deadlines set by the applicable rules. The settlement will be administered by KB in the role of the Fiscal and Paying Agent (as defined below).

4 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).

5 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.

VIII. TERMS AND CONDITIONS OF THE NOTES

The Notes issued by Colt CZ Group SE, a European company (*Societas Europaea*) incorporated under the laws of the Czech Republic, with its registered office at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Identification Number: 291 51 961, registered in the Commercial Register maintained by the Municipal Court in Prague, File Number: H 962 (the **Issuer**), in the anticipated total nominal value of up to CZK 1,500,000,000 (one billion five hundred million Czech Koruna) with the possibility of increase to up to CZK 3,000,000,000 (three billion Czech Koruna), bearing floating interest rate, due in 2030 (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 4 May 2023 and by the resolution of the Issuer's Supervisory Board dated 3 May 2023.

The ISIN of the Notes allocated by the Central Depository is CZ0003550295. The title of the Notes is COLTCZ VAR/30.

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. 2023/055200/CNB/570, file no. S-Sp-2023/00019/CNB/572 dated 9 May 2023, which became final and effective on 11 May 2023. 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 of legislation regulating public offering of securities and the admission of securities to trading on a regulated market.

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 3,000,000 (three million Czech Koruna). The anticipated total nominal value of the Issue is up to CZK 1,500,000,000 (one billion five hundred million Czech Koruna), with the possibility of increase to up to CZK 3,000,000,000 (three billion Czech Koruna). In accordance with the Czech Bonds Act, the Issuer is entitled to issue the Notes in a lower total nominal value than the anticipated total nominal value.

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 Depository or in follow-up records (in Czech: *navazující evidenci*) linked to the Central Depository, 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 Depository or in follow-up records linked to the Central Depository 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 and prove these facts to them in a convincing manner.

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 Depository in accordance with the rules and regulations of the Central Depository and applicable law. In case that the Notes are recorded in the client's securities account (in Czech: *účet zákazníka*) in the Central Depository, 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 Depository 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 Depository.

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 18 May 2023 (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 total nominal value 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 together with the Joint Lead Managers 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

As 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

As 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. For the avoidance of doubt, it is not necessary to calculate the Consolidated Net Indebtedness Ratio if it is absolutely evident that the transaction in question would not cause the Consolidated Net Indebtedness Ratio to exceed 3.50. 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 per cent. 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 every time 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

As 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 fulfil 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 18 November and 18 May (the **Interest Payment Dates**). The first Interest Payment Date will be 18 November 2023.

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 “Refinitiv Screen Service” PRIBOR= page or “Bloomberg Terminal” PRIBOR6M 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 PRIBOR= or PRIBOR6M 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 PRIBOR= or PRIBOR6M page (or other official source) and (ii) PRIBOR for the nearest shorter period for which PRIBOR is quoted on the aforementioned PRIBOR= or PRIBOR6M 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, Fixing of Interest Rates on Interbank Deposits - PRIBOR (in Czech: *Finanční trhy, Peněžní trh, 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, 13.4.1 and 13.4.2 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 18 May 2030 (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, 9.2, 13.4.1 and 13.4.2 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 per cent. 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 Depository, or in the register maintained by a person keeping follow-up records linked to the Central Depository, 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 Depository or in the register maintained by a person keeping follow-up records linked to the Central Depository 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 Depository, 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 Depository or in the register maintained by a person keeping follow-up records linked to the Central Depository after the Record Date for Nominal Amount Repayment.

If, according to the entry in the owner's securities account kept with the Central Depository, or in the register maintained by a person keeping follow-up records linked to the Central Depository, 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.

If the above documents (especially the proof of tax domicile) are not delivered to the Fiscal and Paying Agent in the time period stipulated for the delivery of the Instruction, the Fiscal and Paying Agent will act as if the documents have not been delivered at all. The Authorised Person may, unless it applies for the refund with the relevant tax authority on its own, subsequently deliver such documents proving entitlement to a tax benefit and request the Issuer through the Fiscal and Paying Agent to refund the withholding tax or its part. In such a case, the Issuer has the right to require the Authorised Person to pay CZK 15,000 for each such delayed refund application as a lump sum covering additional expenses incurred by the Issuer in connection with such refund application, additional administrative costs and correspondence and communication with relevant tax authorities. In this case, the Issuer will pay the amount corresponding to the refunded withholding tax to the Authorised Person only after (i) such Authorised Person pays the relevant compensation amount under this paragraph to the Issuer

and (ii) the Issuer has already received amount corresponding to the refunded withholding tax from the relevant tax authority. The Issuer is not required to take any other steps, make any other applications or enforce any claim or assist with an enforcement of any claim in connection with the refund of the withholding tax or its part.

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 principal 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. If any such deduction or withholding is so required, the Issuer shall not be obligated to pay to the Noteholders any additional amounts in respect of any such withholding or deduction.

The payment of principal and interest in respect of the Notes may be subject to withholding tax and securing tax, as applicable. Please see section *Taxation* of the Prospectus for further details.

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**):

9.1.1 *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

9.1.2 *Breach of Other Obligations*

the Issuer breaches or fails to meet any of its material obligations (other than those set out in paragraph 9.1.1 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

9.1.3 *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

9.1.4 *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

9.1.5 *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

9.1.6 *Delisting*

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

9.1.7 *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

9.1.8 **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.
Václavské náměstí 796/42
114 07 Prague 1
Czech Republic

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**

11.4.1 *Calculation Agent*

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

11.5 **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' position 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.

11.6 **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**

12.1.1 *Listing Agent*

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

12.1.2 *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' position 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.

12.1.3 *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

13.1.1 *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 13.1.3: (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 Depository, 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.

13.1.2 *Meeting Convened by the Issuer*

The Issuer is obliged to promptly convene the Meeting and request the Noteholders to provide their opinion on: (each from the events below individually as a **Material Change**):

- (a) the Issuer's proposal for any amendment to these Terms and Conditions that requires the Noteholders' consent under applicable laws;
- (b) the Issuer's proposal for its transformation;
- (c) 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;
- (d) 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;
- (e) 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
- (f) 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*).

13.1.3 *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 13.1.3 (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**

13.2.1 *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 Depository 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 Depository 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.

13.2.2 *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 13.3.1. 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.

13.2.3 *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 13.3.3 (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**

13.3.1 ***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.

13.3.2 ***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.

13.3.3 ***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.

13.3.4 ***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.

13.3.5 ***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 13.3.1 above.

13.4 **Certain Additional Rights of the Noteholders**

13.4.1 *Consequence of Voting against Certain Resolutions of the Meeting*

If the Meeting approved a Material Change in accordance with Condition 13.1.2 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**).

13.4.2 *Resolution on Early Redemption of the Notes upon Noteholders' Request*

If the Meeting agenda includes a Material Change under Condition 13.1.2(b)-(f) 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 13.1.2 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**).

13.4.3 *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.coltczgroup.com 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.

Any notice to the Issuer will be valid and effective (i) upon its delivery by registered post (or in a similar way) or courier; or (ii) upon its delivery by an e-mail, whereas the Issuer agrees that the return receipt confirms such delivery. For a purpose of a due notification, any such notice shall contain the ISIN of the Notes.

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

Any disputes between the Issuer and the Noteholders that may arise based on, or in connection with, the issue of the Notes, including any disputes with respect to these Terms and Conditions, will be settled with final effect by the Municipal Court in Prague.

The court competent to resolve any disputes between the Issuer and the Noteholders in relation to the Notes (including disputes relating to non-contractual obligations arising therefrom and disputes concerning their existence and validity) is solely the Municipal Court in Prague, unless the agreement on the choice of territorial jurisdiction is not possible in a particular case and the law provides for another locally competent court.

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 Depository 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) 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 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) 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).

EBITDA is calculated as:

- (a) profit for the period;
- (b) plus income tax;
- (c) minus other financial income;
- (d) plus other financial expenses;
- (e) minus interest income;
- (f) plus interest expense;
- (g) minus gains/losses from derivative transactions;
- (h) minus share in the profit of associates after tax;
- (i) minus profit from the investments in associates (successive acquisition);
- (j) 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 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 Lead Managers means Česká spořitelna, a.s. and Komerční banka, a.s.

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 four complete quarterly fiscal periods for which relevant financial statements were compiled and made available.

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.

IX. 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) is expected to be approximately CZK 1,491 million or approximately CZK 2,982 million in case of the maximum increase of the nominal value of the Issue.

The Issuer intends to use the net proceeds for:

- capital expenditures;
- working capital;
- financing of potential M&A transactions; and
- general corporate purposes.

X. SELECTED FINANCIAL INFORMATION

The following tables present selected historical consolidated financial information of the Group as of and for the years ended 31 December 2022 and 2021. The selected historical consolidated financial information of the Group as of and for the years ended 31 December 2022 and 2021 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.

1 Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December

	2022	2021
	(audited)	(audited)
	(CZK thousands)	
Revenues from the sale of own products, goods and services	14,589,774	10,688,927
Other operating income	133,270	61,679
Change in inventories developed internally	521,050	166,666
Own work capitalized	151,781	139,611
Raw materials and consumables used	(7,326,333)	(5,113,073)
Services	(1,769,028)	(1,764,899)
Personnel costs	(2,888,813)	(2,088,146)
Depreciation and amortization	(910,435)	(789,623)
Other operating expenses	(238,086)	(190,090)
Allowances	(64,498)	(99,871)
Operating profit	2,198,682	1,011,181
Interest income	440,453	50,038
Interest expense	(612,056)	(204,985)
Other financial income	172,833	32,488
Other financial expenses	(133,802)	(168,509)
Gains or losses from derivative transactions	236,826	184,139
Share in the profit of associates after tax	14,302	27,196
Profit from the investments in associates (successive acquisitions)	38,932	-
Profit before tax	2,356,170	931,548
Income tax	(321,978)	(171,086)
Profit for the period	2,034,192	760,462
Items that may be subsequently reclassified to the statement of profit or loss		
Cash flow hedges – remeasurement of effective portion of hedging instruments	948,231	(42,836)
Foreign currency translation of foreign operations	(125,035)	(153,438)
Other comprehensive income	823,196	(196,274)
Comprehensive income for the period	2,857,388	564,188
Profit for the period attributable to:		
Owner of the parent company	2,034,192	760,462
Non-controlling interests	-	-
Comprehensive income for the period attributable to:		
Owner of the parent company	2,857,388	564,188
Non-controlling interests	-	-
Net earnings per share attributable to the owner of the parent company (CZK per share)		

Basic	60	23
Diluted	59	23

2 Consolidated statement of financial position

For the year ended 31 December

	2022	2021
	(audited)	(audited)
	<i>(CZK thousands)</i>	
Assets		
Non-current assets		
Intangible assets	3,462,131	3,505,464
Goodwill	2,457,416	2,390,127
Property, plant and equipment	3,066,251	2,810,115
Equity-accounted securities and investments	39,401	109,445
Financial derivatives	1,181,097	171,195
Trade and other receivables	35,515	58,999
Other receivables	6,560	11,163
Total non-current assets	10,248,371	9,056,508
Current assets		
Inventories	3,797,557	2,861,673
Trade and other receivables	1,346,143	1,012,879
Provided loans	7,700	197,973
Other financial assets	756,834	-
Financial derivatives	217,123	156,118
Other receivables	304,005	148,098
Tax assets	-	6,357
Cash and cash equivalents	2,825,781	3,573,467
Total current assets	9,255,143	7,956,565
Total assets	19,503,514	17,013,073
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	3,410	3,374
Share premium	1,366,386	1,139,211
Capital funds	1,641,512	1,641,512
Cash flow hedge reserve	1,068,214	119,983
Foreign exchange translation reserve	-326,433	-201,398
Accumulated profits (including current profit)	3,928,282	2,539,146
Equity attributable to the owner of the Company	7,681,371	5,241,828
Equity attributable to the owner of the Company	7,681,371	5,241,828
Non-controlling interests	-	-
Total equity	7,681,371	5,241,828
Non-current liabilities		
Bonds, bank loans and borrowings	6,972,898	4,972,647
Financial derivatives	28,684	270,515
Lease liabilities	46,796	32,606
Other financial liabilities	240,468	372,531
Trade and other payables	7,825	5,422
Other payables	21,169	27,357
Provisions	23,654	63,695
Deferred tax liability	731,308	789,646
Employee benefit liabilities	265,280	357,707
Total non-current liabilities	8,338,082	6,892,126
Current liabilities		

Bonds, bank loans and borrowings	208,597	2,317,579
Financial derivatives	38,610	20,097
Lease liabilities	23,939	20,695
Other financial liabilities	238,593	185,568
Trade and other payables	1,154,955	1,116,373
Other payables	1,479,267	1,073,755
Provisions	51,371	50,780
Tax liabilities	269,096	76,156
Employee benefit liabilities	19,633	18,116
Total current liabilities	3,484,061	4,879,119
Total liabilities	11,822,143	11,771,245
Total equity and liabilities	19,503,514	17,013,073

3 Consolidated Cash Flow Statement

For the year ended 31 December

	2022	2021
	(audited)	(audited)
	<i>(CZK thousands)</i>	
Cash flows from principal economic activity (operating activity)		
Profit from ordinary activity before tax	2,356,170	931,548
Depreciation/amortisation of non-current assets	910,435	789,623
Change in allowances and provisions	20,024	136,836
Profit(-)/Loss(+) from the sale of non-current assets	-12	-2,340
Interest expense and interest income	171,603	154,947
Share in the profit of associates	-14,302	-27,196
Unrealized foreign exchange gain and losses	-229,330	-132,775
Contingent consideration – remeasurement	21,671	141,722
Partial settlement of contingent consideration	227,211	-
Profit from the investments in associates (successive acquisition)	-38,932	-
Cash flow hedges – remeasurement of effective portion of hedging instruments	948,231	-41,811
Share-based payments	198,360	-
Adjustments for other non-cash operations	25,616	-3,688
Net operation cash flows before changes in working capital	4,596,745	1,946,866
Change in working capital		
Change in receivables and deferrals	-1,408,655	51,356
Change in liabilities and accruals	143,517	230,620
Change in inventories	-850,259	-410,095
Cash flow from operating activities	2,481,348	1,818,747
Paid interest	-480,233	-84,098
Interest received	353,258	44,934
Income tax paid for ordinary activity	-454,197	-256,624
Net cash flow from operating activities	1,900,176	1,522,959
Cash flows from investing activities		
Acquisition of non-current assets	-679,725	-633,256
Acquisition of subsidiaries – opening balance	-226,189	-4,695,237
Acquisition of subsidiaries –cash and cash equivalents	28,674	319,499
Acquisition of other investments	-	-595
Acquisition of other financial assets	-756,834	-
Provided loans	190,000	60,000
Employee benefit liabilities	-39,679	-28,558
Net cash flow from investing activities	-1,483,753	-4,978,147
Cash flows from financing activities		
Proceeds from the issue of bonds	1,984,796	4,972,647
Dividends paid to owners	-843,416	-253,025
Dividends paid to non – controlling interests	-	-8,101
Repayment of loans and interest	-2,319,825	-40,747
Net cash flow from financing activities	-1,178,445	4,670,774
Net change in cash and cash equivalents	-762,022	1,215,586

Opening balance of cash and cash equivalents	3,573,467	2,358,608
Effect of exchange rate on cash and cash equivalents	14,336	-727
Closing balance of cash and cash equivalents	2,825,781	3,573,467

4 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: EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, net profit margin, adjusted net profit, adjusted net profit margin, adjusted earnings per share (**EPS**), 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.

<i>(unaudited, in CZK thousands, unless indicated otherwise)</i>	As of and for the year ending 31 December	
	2022	2021
EBITDA ⁽¹⁾	3,109,117	1,800,804
EBITDA margin ⁽²⁾	21.3 per cent.	16.8 per cent.
Adjusted EBITDA	3,365,297	2,168,797
Adjusted EBITDA margin	23.1 per cent.	20.3 per cent.
Net profit margin	13.9 per cent.	7.1 per cent.
Adjusted net profit	2,280,464	1,161,221
Adjusted net profit margin	15.6 per cent.	10.9 per cent.
Adjusted EPS ⁽³⁾ <i>(in CZK)</i>	67	34
Net financial debt at the end of the period	3,669,615	3,770,060
Net leverage ratio (x)	1,18 x	1,42 x

⁽¹⁾ Referred to as "EBITDA" in the annual report.

⁽²⁾ Referred to as "EBITDA margin" in the annual report.

⁽³⁾ The Group calculates net earnings per share, adjusted as profit for the period divided by the number of shares issued by the Company.

4.1 EBITDA

The Group calculates EBITDA based on the figures reported in the Audited Financial Statements. EBITDA is calculated as post-tax profit for the period plus income tax less other financial income plus other financial expenses less gains/losses from derivative transaction less interest income plus interest expenses less share in the profit of associates after tax and profit from the investments in associates plus depreciation and amortization.

4.2 EBITDA margin

The EBITDA margin is defined as a percentage of EBITDA and revenues from the sale of own products, goods, and services.

4.3 Adjusted EBITDA

In 2022, adjusted EBITDA was calculated as EBITDA less extraordinary one-time costs associated with unrealized acquisitions and share-based payments associated with the employee option plan. In 2021, adjusted EBITDA was calculated as EBITDA less expenses on professional advisors and other services connected with the acquisition of Colt, the wasting assets depreciation in relation to a project in Arkansas, and the revaluation of inventories and their allowances in connection with the acquisition of Colt. Expenses on professional advisors and expenses associated with unrealized acquisitions are presented under Services in the consolidated statement of profit or loss and other comprehensive income of the Audited Financial Statements. Share-based payments are presented under Personnel expenses and Other operating expenses in the consolidated statement of profit or loss and other comprehensive income of the Audited Financial Statements. The wasted investment cost is presented under Other operating expenses in the consolidated statement of profit or loss and other comprehensive income of the Audited Financial Statements. Adjusted EBITDA margin

Adjusted EBITDA margin is defined as a percentage of Adjusted EBITDA and revenues from the sale of own products, goods, and service.

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

<i>(in CZK thousands, unless indicated otherwise)</i>	As of and for the year ending 31 December	
	2022	2021
Post-tax profit for the period	2,034,192	760,462
Income tax	321,978	171,086

Interest income	440,453	50,038
Interest expense	612,056	204,985
Depreciation and amortization	910,435	789,623
Other financial income	172,833	32,488
Other financial expenses	133,802	168,509
Gains/losses from derivative transactions	236,826	184,139
Share in the profit of associates after tax	14,302	27,196
Profit from the investments in associates (successive acquisition)	38,932	0
EBITDA	3,109,117	1,800,804
One-time expenses for services related to acquisitions	47,474	144,087
Wasted assets depreciation	0	61,471
Share based payments (ESOP)	208,706	0
Release of inventory step up	0	162,435
Adjusted EBITDA	3,365,297	2,168,797

4.4 Net profit margin

Net profit margin is calculated as profit for the period as a percentage of revenue from the sale of own products, goods, and services, each as shown in the consolidated statement of profit and loss and statement of profit and loss and other comprehensive income in the Audited financial Statements. Net Profit Margin is used in a ratio analysis to determine the proportional profitability of a business.

4.5 Adjusted net profit

Adjusted net profit is calculated as the net profit less extraordinary items that are generally unrelated to the current period's operations and value creation. 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 earn out 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 earn out related to the Colt acquisition and by financing cost related to bond issue.

The following is a reconciliation of Post-tax profit for the period to Adjusted Net profit for the periods indicated.

<i>(in CZK thousands, unless indicated otherwise)</i>	As of and for the year ending 31 December	
	2022	2021
Profit attributable to the owner of the parent company:	2,034,192	760,462
Share based payments related to the employees option plan (ESOP)	208,706	0
One-time expenses for services related to acquisitions	47,474	144,087
One-time expenses related to Colt acquisition – inventory step up	0	162,435
Wasted assets depreciation	0	61,471
One-time financial expenses connected with bond issue	7,402	4,059
Elimination of the revaluation of contingent consideration for the Colt acquisition to market value (earn-out)	21,671	118,868
Tax effect on the adjustment	-38,981	-90,161
<i>Numerator</i>		
Adjusted net profit	2,280,464	1,161,221
<i>Denominator</i>		
Average number of shares issued (thousands)	34,053	33,756
Net earnings per share (CZK/share) attributable to the owner of the parent company, adjusted	67	34

4.6 Adjusted net profit margin

Adjusted net profit margin is calculated as adjusted net profit for the period as a percentage of revenue from the sale of own products, goods, and services, each as shown in the consolidated statement of profit and loss and statement of profit and loss and other comprehensive income in the Audited Financial Statements.

4.7 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 and other financial assets as reported in the Audited 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.

<i>(in CZK thousands, unless indicated otherwise)</i>	For the year ended 31 December	
	2022	2021
Bank loans and borrowings including Short-term bank loans and overdrafts	7,181,495	7,290,226
Lease payables (current and non-current)	70,735	53,301
Less: Cash and cash equivalents and Other financial assets	3,582,615	3,573,467
Net financial debt at the end of the period	3,669,615	3,770,060

4.8 Net leverage ratio

Net leverage ratio is defined as the ratio of net financial debt at the end of the period to EBITDA (referred to as "EBITDA" in the Audited Financial Statements) for the period.

EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, net profit margin, adjusted net profit, adjusted net profit margin, EPS, net financial debt 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.

XI. THE GROUP'S BUSINESS

1 Overview

The Group's management believes the Group is one of the worldwide leading producers of firearms for military and law enforcement, personal defence, hunting, sport shooting and other commercial use. It markets and sells its products under the Colt, CZ (Česká zbrojovka), Colt Canada, CZ-USA, Dan Wesson, Spuhr i Dalby and 4M Systems brands. The Group is headquartered in the Czech Republic and has production facilities in the Czech Republic, the United States, Canada and Sweden. It has over 80 years of history in the Czech Republic and over 170 year in the US. The Issuer is the holding company of the Group.

In 2022, the Group generated CZK 14.59 billion of revenues and CZK 3.11 billion of EBITDA. In 2022, 13.2 per cent. of revenues were generated in the Czech Republic, 47.9 per cent. in the United States, 12.2 per cent. in Canada and 10.9 per cent. in Europe (excluding the Czech Republic). In 2022, the Group sold 693 thousands of firearms to customers in more than 90 countries on six continents. In 2022, the Group had an average recalculated headcount of 2,205, based in the Czech Republic, the United States, Canada, Sweden and Germany.

As at 31 December 2022 and 2021, the production, purchase, and sale of firearms and accessories represents the only activity of the Group and related revenues and expenses represent substantially all revenues and expenses of the Group. The table below sets forth a breakdown of the Group's revenues by regions for the periods indicated.

	FY 2022	FY 2021	Year-on-year change	Share on total revenues in 2022
	<i>(in CZK thousands)</i>			<i>(in per cent.)</i>
Czech Republic	1,926,379	824,128	133.7	13.2
United States	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

2 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.coltczgroup.com. 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 3,410,191 and was fully paid up. It was divided into 34,101,910 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.

3 Strengths

3.1 Well-established manufacturer of high quality firearms with recognized brands

The Group markets and sells its firearms under the Colt, CZ (Česká zbrojovka), Colt Canada, CZ-USA, Dan Wesson, Spuhr i Dalby and 4M Systems 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. The Group's firearms are also used by numerous military and law enforcement customers, such as armed forces in the Czech Republic, Canada, Hungary, Netherlands, 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, Thailand, Uzbekistan, and Vietnam; and France's counterterror special force, the Groupe d'intervention de la Gendarmerie nationale.

The Group's cash capital expenditures (Acquisition of non-current assets) were CZK 679.7 million in 2022. These capital expenditures were primarily related to improvements in the Group's production machinery, mainly in the production plan of Česká zbrojovka a.s. Uherský Brod. 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.

The World Police & Fire Games (WPFG) 2022 was held in Rotterdam, the Netherlands, from 22 to 31 July. Personnel from police, fire, customs and corrections services from all over the world competed in a total of 62 disciplines. Two members of the CZ Shooting Team, Ljubisa Momcilovic and Miguel Ramos, took part in the Police Action Pistol (PAP) discipline, which is similar to sport shooting according to IPSC rules. CZ Shooting Team won three gold medals and one silver.

The 14th edition of the European Championship Combined Game Shooting Final took place from 1 - 3 July 2022 at the TAV Piancardato sports club shooting range in the Italian village of Collazzone, which is located within the province of Perugia in the Umbria region. The Czech national team took home a total of five medals - four gold and one bronze. All Czech competitors used CZ 527 Varmint centrefire rifles.

The nineteenth IPSC Handgun World Shooting Championship was held from 16 November to 3 December 2022 in Pattaya, Thailand. CZ was the main sponsor of this exciting competition, which featured 1,600 of the best shooters from 50 countries around the world. In addition to its sponsorship, CZ's international team recorded the greatest success in its history by dominating two of the three main divisions. Members of the CZ Shooting Team took home a total of five medals in the individual competitions - four gold and one silver – and placed second and third in the team competition.

On 14 December 2022, a brand new multifunctional indoor shooting range, the EG-CZ Academy, had its grand opening in the picturesque town of Quimper in the French province of Brittany. One of the world's most sophisticated facilities of its kind, its design and construction was a joint effort between Ceska zbrojovka (CZ), a leading manufacturer of small arms, and Eric Grauffel, a sport shooting icon and nine-time IPSC World Champion. The EG-CZ Academy is the first officially approved professional sport shooting center in France.

3.2 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. This is increasingly supported by synergic cooperation between our brands. The Group spent an average of 1.6 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. 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.

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 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.

3.3 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 commercial 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 commercial 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 commercial 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 commercial customers, the Group provides an online firearm configurator, which allows customers to customize some of the Group's products. The online firearm configurator is now available in seven countries including the USA. 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 2022, the Group generated CZK 14.6 billion of revenues, of which 47.9 per cent. was generated in the United States, 13.2 per cent. in the Czech Republic, 12.2 per cent. in Canada and 10.9 per cent. in Europe (excluding the Czech Republic), and CZK 3.1 billion of EBITDA. In 2022, the Group sold 693 thousands firearms to customers in more than 90 countries on six continents. 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, the Group ranked 3rd in 2022 in the category "highest number of export destination" and the 3rd in 2021 in the category "volume of exports".

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. 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.

3.4 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 10.7 billion in 2021 to CZK 14.6 billion in 2022. The Group's revenue growth translated into high profit margins. The Group's EBITDA increased from CZK 1,800.8 million in 2021 to 3,109.1 CZK million in 2022.

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 EBITDA for the last twelve months, was 1.18x as of 31 December 2022 and 1.42x as of 31 December 2021. 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.

3.5 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, 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 2022, in particular due to the growth in the number of firearms sold by the Group and the successful acquisition of Colt 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 production facility of Česka zbrojovka a.s. is located in Uherský Brod, Czech Republic, 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 2022, the Group had an average recalculated headcount of 2,205, of which 1,627 were located in the Czech Republic, of which 1 559 were located at CZUB in Uherský Brod.

Second Group's production let has two main production facilities. Colt's domestic U.S. production facility is located in West Hartford, Connecticut United States of America and Colt's Canadian production facility is located in Kitchener, Ontario, Canada. In 2022 Colt had an average headcount of 440 of which an average of 123 were

employed by Colt Canada located in Kitchener, Ontario and an average of 317 were employed by Colt's Manufacturing Company LLC located in West Hartford, Connecticut. Out of it, the United Automobile, Aerospace & Agricultural Implement Workers of America (the **Union**) represented an average of 207.

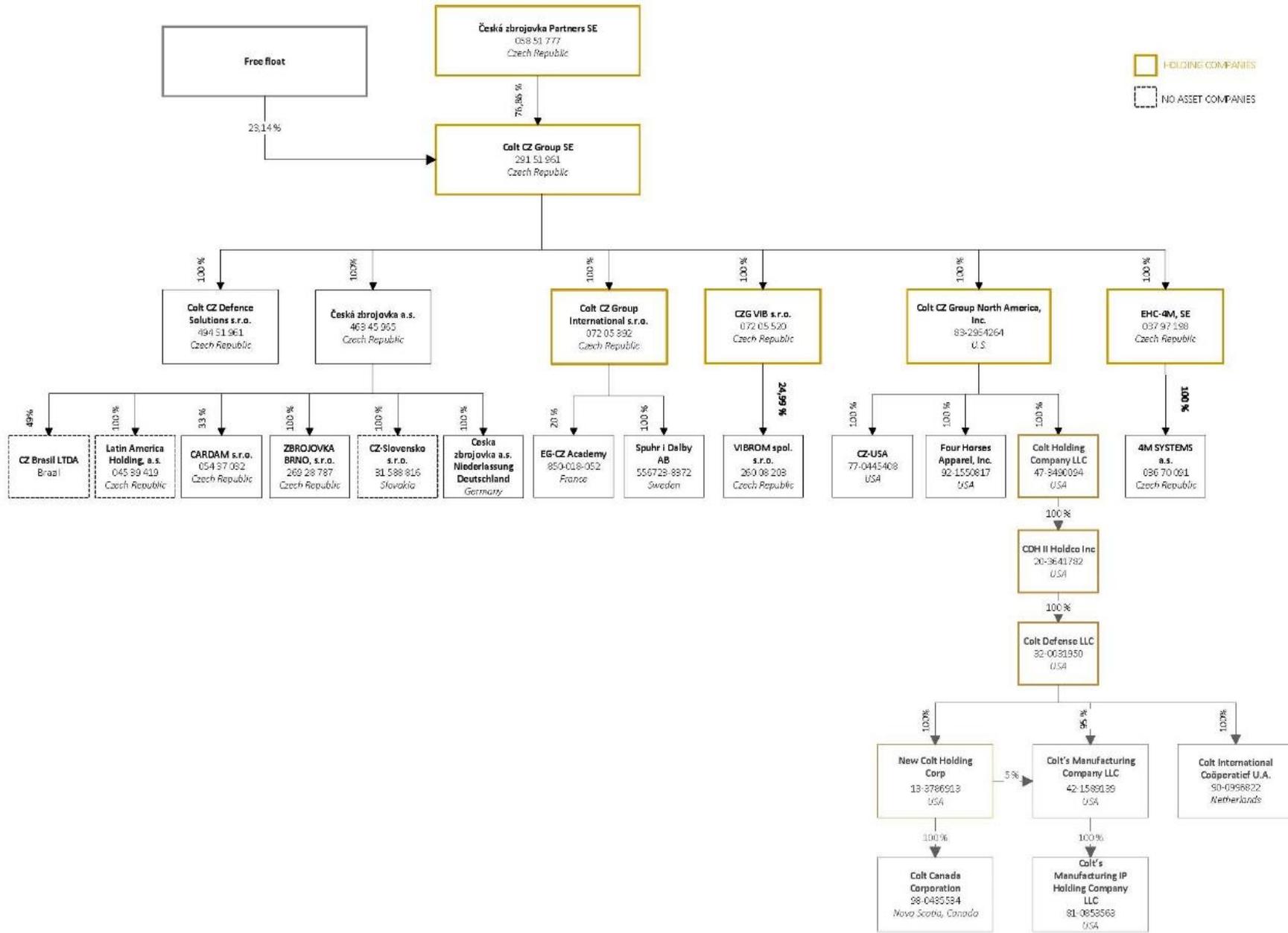
The Group's well-defined ownership structure enables it to align investors' interests with those of its management. The Group also benefits from its long-standing supportive majority owner, Mr. Holeček. The modern Group is a personal achievement of Mr. Holeček and the other co-owners and managers. Mr. 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 51 per cent. in the foreseeable future. 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.

4 Recent Developments and Trends

There has been no material negative change in the prospects of the Issuer or the Group since the date of its last published audited consolidated financial statements (i.e. from 31 December 2022). There has been no significant change in the financial performance of the Issuer or the Group since the end of the last financial period for which the audited consolidated financial statements were published until the date of preparation of this Prospectus.

5 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:



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 76.86 per cent. of the shares and voting rights in the Issuer, while the remaining 23.14 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 87.5 per cent. of the share capital and voting rights in the Major Shareholder, the remaining 12.5 per cent. stake is held by the Holeček Family Foundation. EHC is owned by Mr. René Holeček, who owns 25 per cent. of the share capital in EHC directly, with the remaining 75 per cent. of the share capital in EHC being held by OMNES holdingový nadační fond, whose ultimate owner is Mr. René Holeček (whereas Mr. René Holeček and OMNES holdingový nadační fond act in concert when exercising their shareholder rights). 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 76.86 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. The Issuer is not dependent upon other Group members or its parent companies.

6 History

The history of the Group dates back to 1836. The table below sets forth the most significant milestones in the development of the Group:

1836	Samuel Colt is issued the US Patent for the first Colt firearm.
1847	Samuel H. Walker of the US Army collaborates with Colt to develop a more powerful revolver, known as the Walker.
1873	The single action army revolver is introduced and secures a US government contract.
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.
1963	Colt received its first government contract for the M16 rifle.
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 " <i>The Group's Business—Firearms and Accessories Business—Handguns</i> ").
1992	CZUB was transferred to the National Property Fund of the Czech Republic (in Czech: <i>Fond národního majetku České republiky</i>), 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*”).
Colt Defence LLC purchased Diemaco and renamed it to Colt Canada.
- 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 Colt CZ Defence Solutions entered into the Framework Agreement with HM ARZENÁL, a Hungarian company fully owned by the Hungarian state.
The Group also further expanded its portfolio with the acquisition of a stake in the production technology company VIBROM.
- 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, 18.8 per cent. of the Issuer’s shares are in free-float.

2021 On 21 May 2021, the Group successfully completed acquisition of Colt where it acquired the entire share capital of Colt.

2022 Rebranding of the Group to Colt CZ Group SE.

The Group completed the acquisition of the remaining stake in Spuhr i Dalby.

2022 Entering into cooperation with N7 Holding Ltd., a state-owned Hungarian company through a Joint Venture Agreement.

7 Firearms and Accessories Business

The Group’s business is operated mainly through Colt, CZUB, Colt Canada, CZ-USA, Colt CZ Defence Solutions, Spuhr i Dalby and 4M SYSTEMS a.s. (**4M SYSTEMS**) and marketed under both Colt and CZ (Česká zbrojovka), Colt Canada, CZ-USA, Colt CZ Defence Solutions 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 1911 Colt family models, 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 and M4/M5 assault rifles and revolvers Python and Anaconda. 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 2022, the Group sold 693,391 firearms, and during 2022 generated CZK 14.6 billion of revenue and CZK 3.11 billion of EBITDA.

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

7.1 Handguns

The portfolio of the Group’s handguns is formed by pistols and revolvers. 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 COLT 1911 and 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 Colt and 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 commercial 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 2022 and 2021, the Group sold 403,912 and 380,695 handguns, respectively.

Handguns can be split into pistols and revolvers with pistols being further split into steel frame pistols (e.g. COLT 1911, CZ 75 Family, Cobra Series, Model P, Shadow 2 and Modern Sporting Rifles) 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 steel frame pistols.

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

COLT 1911	The iconic Colt 1911 Pistols are still very popular more than a century after their introduction and today are offered in both traditional models like the Classic (similar to WWII Colt A1) or updated models like the Colt Competition
CZ 75 family	Pistols in the CZ 75 family are semi-automatic metal compact 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 commercial customers.
Cobra Series & Model P	Colt helped to originate and popularize Single and Double Action Revolvers and, given their renewed popularity, Colt recently successfully relaunched and updated many of its timeless designs with significant commercial success.
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.
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 is offered in versions for military and law enforcement and for commercial use and is marketed to all types of customers, ranging from military and law enforcement to commercial 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 commercial customers and is marketed to all types of customers, ranging from military and law enforcement to commercial 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.

7.2 **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 commercial 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.

In 2022 and 2021, the Group sold 289,479 and 246,777 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 commercial use.

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 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 commercial use.

Moders Sporting Rifles (MSR) Colt successfully sells its popular MSRs (Colt Carbine Series) into both the Law Enforcement and Commercial markets. Colt’s M4-inspired MSRs are marketed under the Colt Carbine Series, better identifying key attributes of these rifles.

M4 In service since 1994 and having been used heavily by U.S. armed forces during the Global War on Terrorism, including Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom, the M4 is the primary infantry weapon and service rifle of U.S. Army and U.S. Marine Corps combat units. The M4 Carbine is a 5.56×45mm NATO, air-cooled, gas-operated, direct impingement, magazine-fed carbine with a 14.5 inch barrel and a telescoping stock.

M5 Colt has once again enhanced the AR platform with its most recent offering the M5. Setting a new standard in performance with fully ambidextrous functionality, enhanced accuracy, and modular rail design.

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, handlapped 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.

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 commercial customers including, primarily, sportsmen, hunters and outdoorsmen.

Advanced Military The Group provides through Colt a range of other advanced weapon systems and Equipment / Services capabilities such as the Eagle Grenade Launcher, the C20 sniper rifle, the C6A1 General Purpose Machine Gun, and bespoke engineering services.

7.3 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.

8 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 İmalı 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.

9 Facilities and Production

9.1 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 and Prague in the Czech Republic and West Hartford, Connecticut, Kansas City, Kansas and Norwich, New York in the U.S., Kitchener, Ontario in the Canada and Sweden, Löddeköpinge.

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

<u>Country</u>	<u>Location</u>	<u>Title</u>	<u>Total area (approximately)</u>	<u>Brief Description</u>
Czech Republic	Uherský Brod	Owned	204,915 m2 (2.2 million ft2) ⁽¹⁾	Production facility mainly for the CZ products
Czech Republic	Prague	Leased	1,831.8 m2 (19,700 ft2)	Offices and small storage
U.S.	West Hartford, Connecticut	Owned	84,983 m2 (0.91 million ft2)	Production facility mainly for the Colt products
U.S.	Kansas City, Kansas	Leased	5,295 m2 (57,000 ft2)	Main distribution centre for North America, assembly, customization and limited production
U.S.	Norwich, New York	Leased	2,322 m2 (25,000 ft2)	Production facility for Dan Wesson handguns
Canada	Kitchener, Ontario	Owned	4,552 m2 (49,000 ft2)	Production and assembly facility mainly for Colt products

Canada	Kitchener, Ontario	Leased	743 m2 (8,000 ft2)	Warehouse storage space
Sweden	Löddeköpinge	Leased	1,680 m2 (18,077ft2)	Production facility for Spuhr's product portfolio

⁽¹⁾ The total area of buildings and facilities within this location was approximately 43.925 m2 (472,804 ft2).

Czech Republic

The main Group's production facility in the Czech Republic is located in Uherský Brod with a total area of approximately 204,915 m2 (square meters) (2.2 million ft2 (square feet)).

CZUB's production facility located in Uherský Brod is a fully integrated firearm manufacturing plant with state of the art manufacturing capabilities, which allows CZUB 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. CZUB produced more than 80 per cent. of its firearms in this facility in 2020. The CZUB's firearms production process is qualified to ISO 9001:2015 quality control standards throughout the production process. In addition, the CZUB 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

Colt production facility

Colt's headquarters is located in West Hartford, Connecticut United States of America. The West Hartford facility is company owned and is approximately 300,000 square feet facility on 21 acres (approx. 27,871 m2 facility on 85,000 m2). The West Hartford facility is located in Connecticut Opportunity Zone, which allows for complete manufacturing and maintenance capabilities and includes active testing/firing range, metallurgical and metrology laboratories, magnetic particle inspection, heat treat and packaging. The West Hartford facility has separate onsite administrative offices and conference rooms.

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 m2 (57,000 ft2). 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 m² (25,000 ft²).

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.

Colt Canada's assembly and production facility

Colt Canada is located in Kitchener, Ontario Canada. The Kitchener facility is company owned and Colt Canada also leases warehouse space used for storage of firearm components, not any assembled weaponry or ammunition are located at the leased warehouse. The Kitchener facility is approximately 49,000 square feet (approx. 4,552 m²) and the warehouse is approximately 8,000 square feet (approx. 743 m²). The Kitchener facility allows for complete manufacturing, repair and maintenance capabilities, precision manufacturing equipment and management offices and conference rooms. The Kitchener facility is conveniently located near Toronto, Canada.

Spuhr i Dalby, Sweden

Spuhr i Dalby is located in Löddeköpinge, Sweden. The Löddeköpinge facility is leased. The Löddeköpinge facility is approximately 18,077 square feet (approx. 1,680 m²) and is divided into the production part which is approximately 15,064 square feet (approx. 1,400 m²) and the office space which is approximately 3,013 square feet (approx. 280 m²). The Löddeköpinge facility allows for complete manufacturing, repair and maintenance capabilities, precision manufacturing equipment and management offices. The Spuhr i Dalby Facility's production focuses on the production of scope mount systems, and low weight upgrade kits for weapons.

9.2 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.

10 Material Contracts

10.1 Colt Merger Agreement

On 11 February 2021, CZ-US Holdings, a 100 per cent. owned subsidiary of the Issuer, CZ Acquisition II, LLC, a 100 per cent. owned subsidiary of CZ-US Holdings, Colt Holding Company LLC, and TXPATCH8445 Holdings LLC entered into the Colt Merger Agreement. The Colt Acquisition was successfully completed on 21 May 2021.

10.2 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. In 2021, revenues under the Czech Army Framework Agreement totalled

CZK 520.35 million (excluding value-added tax). For the year 2022, the revenues were CZK 1,466.87 million (excluding value-added tax).

On 9 March 2022, CZUB concluded an amendment to the framework agreement for the purchase of small arms, signed in April 2020, with the Ministry of Defense. The amendment will enable the Army of the Czech Republic to receive small arms supplies with the value of up to CZK 1.18 billion higher than the originally agreed limit of CZK 2.35 billion. Based on the amended contract, CZUB will, among other things, increase the supply of the CZ BREN 2 assault rifles, CZ P-10 pistols, and other small arms, including accessories, depending on the current needs of the Army of the Czech Republic.

10.3 CZG Bonds

CZG Bonds VAR 27

In March 2021, the Issuer issued CZK 5 billion floating rate bonds due March 2027 (the **CZG Bonds VAR 27**). The CZG Bonds VAR 27 are redeemable by the Issuer in 2027 at par value and bear interest at floating rate of 6M PRIBOR plus margin in the amount of 1.80 per cent. per annum. The CZG Bonds VAR 27 are listed on the Regulated Market of the PSE.

The terms and conditions of the CZG Bonds VAR 27 impose certain restrictions on the Issuer 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, the Issuer 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 the Issuer's consolidated Net Indebtedness Ratio would exceed 3.5 as a result of any such payment or transaction. Apart from the above-described indebtedness covenant, the terms and conditions of the CZG Bonds VAR 27 contain a change of control clause, subject to which the Issuer must give notice of a change of control event (such an event being at such time when Mr. René Holeček ceases to directly or indirectly own at least 51 per cent. of CZUB or otherwise loses control over the Issuer) and all holders of the CZG Bonds VAR 27 shall have the option to request redemption of their CZG Bonds VAR 27 within 45 days after the change of control notification.

CZG Bonds VAR 29

In January 2022, the Issuer issued a total of 666 Notes with a nominal value of CZK 3,000,000 each and with the total nominal value of CZK 1,998,000,000 due January 2029 (the **CZG Bonds VAR 29**). The CZG Bonds VAR 29 are redeemable by the Issuer in 2029 at par value and bear interest at floating rate of 6M PRIBOR plus margin in the amount of 1.40 per cent. per annum. The CZG Bonds VAR 29 are listed on the Regulated Market of the PSE.

The terms and conditions of the CZG Bonds VAR 29 impose certain restrictions on the Issuer 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, the Issuer 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 the Issuer's consolidated Net Indebtedness Ratio would exceed 3.5 as a result of any such payment or transaction. Apart from the above-described indebtedness covenant, the terms and conditions of the CZG Bonds VAR 29 contain a change of control clause, subject to which the Issuer must give notice of a change of control event (such an event being at such time when Mr. René Holeček ceases to directly or indirectly own at least 51 per cent. of Colt CZ Group or otherwise loses control over the Issuer) and all holders of the CZG Bonds VAR 29 shall have the option to request redemption of their CZG Bonds VAR 29 within 45 days after the change of control notification.

11 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 expects these sources to continue to be the primary financing sources of the Group's activities also going forward.

12 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.

12.1 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.

12.2 Mexico vs Colt et al.

The Mexican government has filed a lawsuit against Colt and several other U.S. firearms manufactures alleging that their actions, both negligent and intentional, have contributed to cartel violence in Mexico. Allegations largely consist of accusations that the manufactures are aware that their firearms find their way to Mexico illegally and are used for illegal purposes, that the defendants actively assist and facilitate the illegal trafficking of firearms, that defendants' products are designed and marketed as military-style assault weapons. This lawsuit has been dismissed. However, the Mexican government has filed an appeal and Colt and other defendants are preparing responses.

12.3 Gary vs Colt

This lawsuit commenced in 1999, but has only become active again in 2021 after a long period of dormancy. There is a low likelihood of any judgment against Colt in this case, although substantial attorney's fees will likely be incurred before Colt obtains a dismissal.

12.4 Carp 2 case

Colt executed a letter of intent with a company called Carp 2 in which Colt offered to Carp 2 an option to purchase a parcel of land on Colt's West Hartford property. There is a dispute as to whether Carp 2 has the right to execute the option to purchase Colt's property, however, Colt is not willing to sell the property.

Carp 2 filed suit against Colt in December 2021 seeking to compel Colt to participate in the legal discovery process so that Carp 2 may determine if they have a basis to sue Colt for damages. It is too early in the dispute to determine the likelihood of Carp 2 prevailing on either their suit to compel discovery or on any subsequent suit for damages. The risk of a judgment against Colt is moderate.

12.5 Buffalo and Rochester v Colt

In December, 2022, the City of Buffalo and Rochester, New York filed a lawsuit against manufacturers, including Colt. The allegations in the complaints are very similar to the allegations made in the municipal cases that were filed against the firearms industry in the late 1990s and early 2000s. Both complaints allege that the defendants are aware that firearms are diverted to the illegal market and that the defendants could take steps to reduce or prevent this. They claim that the defendants do not do so, however, because they are intentionally serving the illegal market for firearms by manufacturing and selling more firearms than for which there is demand in the

legitimate market. These lawsuits clearly indicate that the anti-gun lobby is not relenting in their efforts to use the courts to further their agenda.

XII. MANAGEMENT

1 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**), a Committee for Strategic investments and acquisitions (the **Acquisition Committee**) and a Compliance and ethics committee (the **Compliance and Ethics 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).

2 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
Jan Drahota	Chairman of the Board of Directors / CEO	1 July 2021	17 January 2025
Josef Adam	Vice-Chairman of the Board of Directors	1 November 2021	1 November 2026
Jan Zajíc	Member of the Board of Directors	24 November 2020	24 January 2025
David Aguilar	Member of the Board of Directors	17 January 2020	17 January 2025
Jan Holeček	Member of the Board of Directors	1 July 2021	1 July 2026
Dennis Veilleux	Member of the Board of Directors	1 July 2021	1 July 2026

Jan Drahota

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

Josef Adam

Vice-Chairman of the Board of Directors

Mr. Adam is a graduate of the Faculty of Law of Charles University in Prague and the joint LL.M. programme of Nottingham Trent University and the Faculty of Law of Masaryk University in Brno. Before joining the Group, Josef Adam worked for two years as an attorney and partner at HAVEL & PARTNERS, law firm. Josef Adam also has broad executive director experience. He worked for eleven years in various managerial positions at Airport Prague, Czech Aeroholding and Czech Airlines, including nine years as a member of the Board of Directors, where, in addition to the legal department, he also managed the finance, HR and IT departments. Within the Group, Josef Adam is responsible for legal affairs, compliance and risk management.

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.

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.

Jan Holeček

Member of the Board of Directors

Mr. Holeček studied economy and finance at Bentley University, USA. In 2016 he started his career in Siemens as market analyst, later on as business development specialist. In 2017 he joined CZUB starting first as an analyst and later on as marketing director. Since 2019 he has been the member of the Board of Directors of CZUB responsible for sales. He is member of the Board of Directors of the Issuer since July 2021 and is responsible for global sales.

Dennis Veilleux

Member of the Board of Directors

Dennis Veilleux is the Chief Executive Officer of Colt Holding Company LLC. With 35 years of experience in the industry, Mr. Veilleux has deep expertise in firearms manufacturing, design and business. Since joining Colt in 2006 and prior to being appointed CEO in 2013, Mr. Veilleux served in several key positions for Colt, including Executive Director of Engineering, Vice President of Manufacturing, and Chief Operating Officer. Before Colt he spent three years with GE Armament Systems where he participated in the manufacture and development of military weapon systems, he worked eight years at Sturm Ruger and eight years at U.S. Repeating Arms Company (FN 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
Jan Drahota	<p><i>Past positions:</i> THERMAL-F, a.s. – Vice-Chairman of the Supervisory Board (10/2014 – 03/2018) Česká exportní banka, a.s. – Member of the Supervisory Board (06/2017 – 06/2019) CZ-AUTO SYSTEMS a.s. – Member of the Supervisory Board (09/2019 – 11/2019) Zero Emissions Debt Finance, a.s. – Executive Director (09/2015 – 01/2021) Česká zbrojovka Partners SE – Member of the Board of Directors (02/2018 – 10/2021) ČEPS, a.s. – Member of the Supervisory Board (02/2015 – 11/2022)</p> <p><i>Present positions:</i> DCF Partners, s.r.o. – Executive Director (01/2012 – to date) Zero Emissions Debt Finance, a.s. – Chairman of the Management Board (9/2015 – to date) hypo360.cz, SE – Member of the Board of Directors (10/2016 – to date) Česká zbrojovka Defence SE – Member of the Board of Directors (11/2021 – to date)</p>
Jan Zajíc	<p><i>Past positions:</i> None</p> <p><i>Present positions:</i> ITEuro, a.s. – Chairman of the Supervisory Board (10/2020 – to date) Sdružení pro rozvoj Zlínského kraje – Management Member (09/2021 – to date)</p>
David Aguilar	<p><i>Past positions:</i> Global Security and Innovative Strategies – Principal (04/2014 - 05/2022) Drone Aviation Holding Corp – Member of the Board of Directors (05/2019 – 04/2021) University of Houston – Borders, Trade, and Immigration Institute External Advisory Member of the Board of Directors (term expired)</p>

SAP NS2 advisory - Member of the Board of Directors (04/21 – 04/22) (term expired)

Present positions:

U.S. Border Patrol Foundation – Member of the Board of Directors (2013 – to date)

Spectredge Wireless Inc. (Non publicly held) - Member of the Board of Directors (2013- to date)

Josef Adam

Past positions:

České aerolinie a.s. – Member of the Board of Directors (4/2014 – 10/2018)

ellipse aero s.r.o. – Member of the Supervisory Board (12/2020 – 01/2022)

KOVACO Electric, a.s. – Member of the Supervisory Board B (01/2020 – 04/2021)

Present positions:

European Holding Company – Member of the Supervisory Board (11/2021 – to date)

Dennis Veilleux None

Jan Holeček None

3 **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
Lubomír Kovařík	Chairman of the Supervisory Board	17 January 2020	17 January 2025
Vladimír Dlouhý	Member of the Supervisory Board	17 January 2020	17 January 2025
Jana Růžičková	Member of the Supervisory Board	1 November 2021	1 November 2026

Lubomír Kovařík

Chairman of the Supervisory Board

Mr. Kovařík graduated from Military Air Force University and he also completed an MBA program at Sheffield University. He started in the army as a pilot. He reached the rank of lieutenant in the Army Air Force. His pilot's career ended in the mid-1990s and he began his civilian career in 1995 as manager in company Aulis. After a year he joined Škoda Praha as Production Director, where he worked his way up to the position of CEO. He later worked for Eltodo EG and Mavel. Between 2018 – July 2021, he was the President and Chairman of the Board of Directors of the Issuer.

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.

Jana Růžičková

Member of the Supervisory Board

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. Mrs. Růžičková also held position of Vice-Chairwoman of the Issuer's Board of Directors until 31 October 2021.

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
Lubomír Kovařík	<p><i>Past positions:</i> Česká zbrojovka Partners SE – Chairman of the Board of Directors (02/2018–10/2021) CZ-SKD Solutions a.s – Member of the Board of Directors (01/2019–09/2020)</p> <p><i>Present positions:</i> Česká zbrojovka Defence SE – Chairman of the Board of Directors (11/2021 – to date) Holeček Family Foundation – Vice-Chairman of the Management Board (12/2021 – to date)</p>
Vladimír Dlouhý	<p><i>Past positions:</i> National Committee of International Chamber of Commerce in the Czech Republic – Chairman (01/2015–12/2018)</p> <p><i>Present positions:</i> BOHEMIAE Foundation, v likvidaci – Vice-Chairman (03/1999 – to date) Academia Medica Pragensis Foundation – Inspector (07/2002 – to date) Tatra Aerospace, a.s., „v likvidaci“ – Member of the Board of Directors (10/2003 – to date) Czech Chamber of Commerce – President (06/2014 – to date) Výzkumný ústav pro podnikání a inovace, z.ú. – Chairman of the Management Board (07/2017 – to date) Kooprativa insurance company, Vienna Insurance Group – Member of the Supervisory Board (01/2019 – to date) Meridiam Infrastructure – Member of Advisory Committee – to date Goldman Sachs – Member of International Advisory Committee – to date</p>
Jana Růžičková	<p><i>Past positions:</i> CZ AGRO Servis a.s. – Member of the Supervisory Board (06/2014–06/2019) V.F.H EKONOMICKÝ SERVIS a.s. – Member of the Supervisory Board (01/2011–12/2020) RAIL CARGO a.s. – Member of the Board of Directors (02/2008–06/2020) CZ-SKD Solutions a.s. – Member of the Supervisory Board (11/2017–09/2020) M&H Management a.s. – Executive Director and Chairwoman of the Management Board (02/2014–01/2021) Minezit SE – Member of the Board of Directors (07/2013–11/2021) Kykulin Trade a.s. – Executive Director and Chairwoman of the Management Board (04/2015–11/2021) Minezit Property Investments a.s. – Member of the Board of Directors (02/2008 – 10/2022)</p> <p><i>Present positions:</i> IT eCompany Management a.s. – Member of the Supervisory Board (11/2014 – to date) Silesia Invest SE – Member of the Board of Directors (09/2016 – to date) CZ AGRO Servis a.s. – Chairwoman of the Supervisory Board (06/2019 – to date) AIT Group - Advanced Industrial Technology Group a.s. – Member of the Supervisory Board (09/2019 – to date) Česká zbrojovka Partners SE – Member of the Board of Directors (10/2021- to date) M&H Management a.s. – Member of the Board of Directors (10/2021 – to date) European Holding Company, SE – Member of the Board of Directors (11/2021 – to date) Kykulin Trade a.s. – Member of the Management Board (11/2021 – to date) Minezit SE – Chairwoman of the Board of Directors (11/2021 – to date) Holeček Family Foundation – Member of the Supervisory Board (12/2021 – to date) Lundmonte s.r.o. – Executive Director (01/2022 – to date) Minezit Property Investments a.s. – Member of the Supervisory Board (10/2022 – to date)</p>

4 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

Věslava Piegzová

Chairwoman of the Audit Committee

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 chairwoman 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 shipbuilding company. In 2013, Mrs. Piegzová joined CZUB as its chief financial officer and later became the Vice-Chairwoman of its board of directors. From January 2020 until October 2021, Mrs. Piegzová was a member of the Supervisory Board of the Issuer. Mrs. Piegzová is Chairwoman of the Audit Committee since 17 January 2020 and her office term expires on 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 who held several director's positions in the organization related to the majority shareholder René Holeček.

5 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.

6 Acquisition Committee for 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.

7 Compliance 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.

8 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. Jan Drahota, Josef Adam, Lubomír Kovařík, Jana Růžičková and Věslava Piegzová act on the elected bodies of companies owned by the Company's majority shareholder. The Company does not consider such positions a conflict of interest.

XIII. TAXATION IN THE CZECH REPUBLIC

Prospective purchasers of any Notes issued under this Prospectus acknowledge that the tax laws including, in particular, the tax laws of the Czech Republic as a country of tax residence of the Issuer and the tax laws of the country where the respective purchaser is tax resident, may have an impact on income from the Notes. Therefore, prospective purchasers of any Notes are advised to consult their own tax advisers as to the tax consequences of purchasing, holding and disposal of the Notes as well as receiving income from the Notes under the tax laws of any country in which income from holding and disposal of the Notes can become subject to tax including, in particular, the countries stated at the beginning of this paragraph. Only these advisers are in a position to take into account all relevant facts and circumstances and to duly consider the specific situation of the prospective purchaser. A similar approach should be taken by the prospective purchasers of any Notes in relation to the foreign-exchange-law consequences arising from the purchase, holding and disposal of the Notes.

*The description below represents a brief summary of selected material tax aspects of the purchase, holding and disposal of the Notes, and foreign-exchange regulations in the Czech Republic. The summary is mainly based on Act No. 586/1992 Coll., on Income Taxes, as amended (**Income Taxes Act**), Act No. 240/2000 Coll., on Crisis Management and on Amendments to Certain Acts, as amended (**Crisis Act**), the Constitutional Act No. 110/1998 Coll., on the Security of the Czech Republic, as amended (**Constitutional Act on the Security of the Czech Republic**) and on other related laws which are effective as at the date of this Prospectus as well as on the administrative practice or the prevailing interpretations of these laws and other regulations as applied by Czech tax, administrative and other authorities and bodies and as these are known to the Issuer at the date of this Prospectus. The information contained herein is neither intended to be nor should be construed as legal or tax advice. The description below is solely of a general nature (i.e. it does not take into account, for example, specific tax treatment of certain taxpayers such as investment, mutual or pension funds) and may change in the future depending on changes to the relevant laws that may occur after this date, or in the interpretation of these laws which may be applied after that date. In this respect, please note that the below description of Czech tax treatment of the Notes has been significantly affected by Act No. 609/2020 Coll., which amends some acts in the field of taxes and some other acts (**2021 ITA Amendment**). The 2021 ITA Amendment has significantly changed the tax regime of bonds or notes (further only notes) issued after 31 December 2020. The new rules are quite controversial. Therefore, the tax regime of notes (including the Notes) is currently associated with many ambiguities. In the Issuer's opinion, the summary below represents a rational interpretation of the relevant provisions of the Income Taxes Act in relation to notes.*

The following summary assumes that the person to whom any income is paid in connection with the Notes is the beneficial owner of such income (within the OECD meaning of this term), i.e. it does not act, for example, as a proxy, agent, depositary or in any other similar position in which any such payments would be received on account of another person or entity.

For the purposes of this section (Taxation in the Czech Republic), the following terms have the following meaning:

Beneficial Owner means an income recipient who is treated as the beneficial owner of such income (as interpreted by the OECD) under the Income Taxes Act as well as for the purposes of a relevant Tax Treaty (if any).

Coupon Note means a note whose issue price is equal to its nominal value. For the avoidance of doubt, a Coupon Note is not a note whose yield is determined by the combination of the Discount and the Coupon.

Coupon means any note yield other than a note yield that is determined by the difference between the nominal value of a note and its issue price (i.e. yield determined as the Discount). For the avoidance of doubt, the Coupon also includes the Early Redemption Premium.

Czech Permanent Establishment means a permanent establishment in the Czech Republic under the Income Taxes Act as well as under a relevant Tax Treaty (if any).

Czech Tax Non-Resident means a taxpayer who is not a tax resident of the Czech Republic under the Income Taxes Acts or under a relevant Tax Treaty (if any).

Czech Tax Resident means a taxpayer who is a tax resident of the Czech Republic under the Income Taxes Acts as well as under a relevant Tax Treaty (if any).

Discount means a positive difference between the nominal value of a note and its lower issue price.

Discounted Note means a note whose issue price is lower than its nominal value. For the avoidance of doubt, a Discounted Note is also a note with a yield that is determined by the combination of the Discount and the Coupon.

Early Redemption Premium means any extraordinary yield paid by an issuer in the event of early redemption of a note.

Legal Entity means a taxpayer other than an individual (i.e. a taxpayer that is subject to corporate income tax but that may not necessarily have a legal personality).

Tax Security means a special amount collected by means of a deduction at source made by the Withholding Agent (for example by the issuer of a note or by the buyer of a note) upon payment of taxable income which serves essentially as an advance with respect to tax that is to be self-assessed by the recipient of the relevant income (i.e. unlike the Withholding Tax, the amount so withheld does not generally represent a final tax liability).

Tax Treaty means a valid and effective tax treaty concluded between the Czech Republic and another country under which the Czech Tax Non-Resident is treated as a tax resident of the latter country. In the case of Taiwan, the Tax Treaty is Act No. 45/2020 Coll., on the elimination of double taxation in relation to Taiwan, as amended.

Withholding Agent means a payer of (taxable) income who is responsible for making the deduction of (i) the Withholding tax or (ii) the Tax Security, as applicable, and their remittance to the tax authorities.

Withholding Tax means a tax collected by means of a deduction at source made by the Withholding Agent (for example by the issuer of the note) upon payment of taxable income. Save in certain circumstances, such tax is generally considered as final.

1 Interest Income

1.1 Czech Tax Residents

(a) Individuals

The yield in the form of the Coupon paid to an individual is subject to the Withholding Tax at a rate of 15 per cent. This tax represents a final taxation of the Coupon in the Czech Republic.

The yield in the form of the Discount paid to an individual is not subject to the Withholding Tax. Instead, it is included in the general tax base, which is subject to personal income tax at a progressive rate of 15 per cent. and 23 per cent. depending on the individual's applicable bracket (the threshold for the higher bracket is 48 times the average wage, amounting to CZK 1,935,552 in 2023). However, the general tax base does not include the amount of the Discount, but rather the (positive) difference between the nominal value of the Note paid by the Issuer (or the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any) and the price at which the individual acquired the Note. If an individual holds the Note that is a Coupon Note until its maturity (or early redemption) and the individual acquired such Note on a secondary market at an amount below the nominal value of the Note (or below the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any), such (positive) difference is also included in the individual's general tax base.

(b) Legal Entities

The yield (whether in the form of a Discount or a Coupon) paid to a Legal Entity is not subject to the Withholding Tax, but it is rather included in the general tax base, which is subject to corporate income tax at a flat rate of 19 per cent. A Legal Entity that is an accounting unit is generally required to recognise the yield in its profit and loss statement on an accrual basis.

1.2 *Czech Tax Non-Residents*

(a) *Individuals*

The yield in the form of a Coupon paid to an individual is subject to the Withholding Tax at a rate of 15 per cent. or 35 per cent. The 35 per cent. rate applies to recipients who do not have a Czech Permanent Establishment to which the Notes are attributable and, at the same time, are tax residents of neither (i) an EU/EEA member state nor (ii) a country with which the Czech Republic has an effective double tax treaty or an effective double (or multilateral) treaty on the exchange of information. The 15 per cent. rate applies to all other recipients. This tax generally represents a final taxation of the Coupon in the Czech Republic. However, an individual who is a tax resident of an EU/EEA member state may decide to include the Coupon in his/her tax return filed in the Czech Republic for the relevant tax year. In such a case, the above Withholding Tax represents an advance payment which is credited against the final Czech tax liability as declared in the tax return.

The yield in the form of a Discount paid to an individual is not subject to the Withholding tax. Instead, it is included in the general tax base, which is subject to the personal income tax at a progressive rate of 15 per cent. and 23 per cent. depending on the individual's applicable bracket (the threshold for the higher bracket is 48 times the average wage, amounting to CZK 1,935,552 in 2023). However, the general tax base does not include the amount of the Discount, but rather the (positive) difference between the nominal value of the Note paid by the Issuer (or the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any) and the price at which the individual acquired the Note. However, if the Notes are not attributable to the individual's Czech Permanent Establishment, the taxable amount cannot exceed the Discount (i.e., if such difference is higher, the amount of the Discount will be included in the general tax base). Furthermore, if an individual is not a tax resident of an EU/EEA member state, the Issuer will withhold the Tax Security at the rate of 1 per cent. applicable to the gross amount paid (i.e. the nominal value of the Note upon the maturity or the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any). This Tax Security is creditable against the final tax liability as declared in a Czech tax return for the relevant tax year (any Tax Security overwithholding is generally refundable). If (i) an individual holds the Note that is a Coupon Note until its maturity (or its early redemption), (ii) the individual acquired such Note on a secondary market for an amount below its nominal value (or below the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any) and (iii) such Note is attributable to that individual's Czech Permanent Establishment, such (positive) difference is also included in the individual's general tax base (However, there are arguments supporting a conclusion that such difference is out of scope of Czech taxation).

(b) *Legal Entities*

The yield in the form of a Coupon paid to a Legal Entity where the Note is not attributable to its Czech Permanent Establishment is subject to the Withholding Tax at a rate of 15 per cent. or 35 per cent. The 35 per cent. rate applies to recipients that are tax residents of neither (i) an EU/EEA member state nor (ii) a country with which the Czech Republic has an effective double tax treaty or an effective double (or multilateral) treaty on the exchange of information. The 15 per cent. rate applies to all other recipients. This tax generally represents a final taxation of the Coupon in the Czech Republic. However, a Legal Entity that is a tax resident of an EU/EEA member state may decide to include the Coupon in its tax return filed in the Czech Republic for the relevant tax year. In such a case, the above Withholding Tax represents an advance payment which is credited against the final self-assessed tax liability as declared in the tax return. The yield in the form of a Coupon paid to a Legal Entity where the Note is attributable to its Czech Permanent Establishment is not subject to the Withholding Tax. Instead, it is included in the general tax base, which is subject to corporate income tax at a flat rate of 19 per cent. Furthermore, if the Legal Entity is not a tax resident of an EU/EEA member state, the Issuer will withhold a Tax Security at the rate of 10 per cent. applicable to the amount of the Coupon (on a gross basis). This Tax Security is creditable against the final tax liability as declared in a Czech tax return for the relevant tax year (any Tax Security overwithholding is generally refundable).

The yield in the form of a Discount paid to a Legal Entity is not subject to the Withholding tax. Instead, it is included in the general tax base, which is subject to corporate income tax at a rate of 19 per cent. However, the

general tax base does not include the amount of the Discount, but rather the (positive) difference between the nominal value of the Note paid by the Issuer (or the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any) and the price at which the Legal Entity acquired the Note. However, if the Notes are not attributable to the Legal Entity's Permanent Establishment, the taxable amount cannot exceed the Discount (i.e. if such difference is higher, the amount of the Discount will be included in the general tax base). Furthermore, if the Legal Entity is not a tax resident of an EU/EEA member state, the Issuer will withhold the Tax Security at the rate of 1 per cent. applicable to the gross amount (i.e. the nominal value of the Note at maturity or the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any). This Tax Security is creditable against the final tax liability as declared in a Czech tax return for the relevant tax year (any Tax Security overwithholding is generally refundable). If (i) a Legal Entity holds a Note that is a Coupon Note until its maturity (or its early redemption), (ii) the Legal Entity acquired such Note on a secondary market for an amount below the nominal value of the Note (or below the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any) and (iii) such Note is attributable to that Legal Entity's Czech Permanent Establishment, such (positive) difference is also included in its general tax base (However, there are arguments supporting a conclusion that such difference is out of scope of Czech taxation).

A Legal Entity that is an accounting unit and where the Notes are attributable to its Czech Permanent Establishment is generally required to recognise the yield (whether in the form of a Discount or a Coupon) in its profit and loss statement on an accrual basis.

2 Capital gains/losses

2.1 Czech Tax Residents

(a) Individuals

Capital gains from the sale of the Notes that have not formed part of the business assets of an individual are generally exempt from personal income tax if:

- the total annual (worldwide) gross income (i.e. not gains) of that individual from the sale of securities (including the Notes) does not exceed the amount of CZK 100,000, or
- such gains are derived from the sale of the Notes which the individual has held for more than three years prior to their sale (however, income from a future sale of the Notes where a purchase agreement is concluded after 3 years but where income arises within 3 years from their acquisition is not tax-exempt).

If the Notes formed part of the business assets of an individual, the exemption upon their sale may still apply but only if the Notes are sold no earlier than 3 years after the termination of the individual's business activities.

Taxable gains from the sale of the Notes realized by an individual are included in the general tax base, which is subject to personal income tax at a progressive rate of 15 per cent. and 23 per cent. depending on the individual's applicable bracket (the threshold for the higher bracket is 48 times the average wage, amounting to CZK 1,935,552 in 2023). If an individual has held the Notes in connection with his/her business activities, such gains are also subject to social security and health insurance contributions. Losses from the sale of the Notes realized by an individual are generally tax non-deductible, except where such losses are compensated by taxable gains on the sale of other securities and the income from the sale of the Notes is not tax-exempt.

(b) Legal Entities

Capital gains from the sale of the Notes are included in the general tax base, which is subject to corporate income tax at a flat rate of 19 per cent. Losses from the sale of the Notes realized by Legal Entities are generally tax deductible.

2.2 Czech Tax Non-residents

Capital gains from the sale of the Notes realized by a Czech Tax Non-Resident are subject to taxation in the Czech Republic provided that:

- the Notes are attributable to a Czech Permanent Establishment of the Czech Tax Non-Resident selling the Notes, or
- the Notes are acquired by (i) a Czech Tax Resident or (ii) a Czech Tax Non-Resident acquiring the Notes through his/her/its Czech Permanent Establishment.

Therefore, capital gains realized by a Czech Tax Non-Resident where the Notes are sold to another Czech Tax Non-Resident and where such Notes are attributable to neither (i) a Czech Permanent Establishment of the seller nor (ii) a Czech Permanent Establishment of the buyer, are out of scope of Czech taxation.

(a) Individuals

Capital gains from the sale of the Notes that have not formed part of the business assets of an individual are generally exempt from personal income tax if:

- the total annual (worldwide) gross income (i.e. not gains) of the individual from the sale of securities (including the Notes) does not exceed the amount of CZK 100,000, or
- such gains are derived from the sale of the Notes which the individual has held for more than three years prior to their sale (however, income from a future sale of the Notes where a purchase agreement is concluded after 3 years but where income arises within 3 years from their acquisition is not tax-exempt).

If the Notes formed part of the business assets of an individual, the exemption upon their sale may still apply but only if the Notes are sold no earlier than 3 years after the termination of the individual's business activities.

Taxable gains from the sale of the Notes realized by an individual are included in the general tax base, which is subject to personal income tax at a progressive rate of 15 per cent. and 23 per cent. depending on the individual's applicable bracket (the threshold for the higher bracket is 48 times the average wage, amounting to CZK 1,935,552 in 2023). If an individual has held the Notes in connection with his/her business activities, such gains may also be subject to social security and health insurance contributions. Losses from the sale of the Notes realized by an individual are generally tax non-deductible, except where such losses are compensated by taxable gains on the sale of other securities and the income from the sale of the Notes is not tax-exempt.

Furthermore, if the Notes are sold by an individual who is not a tax resident of an EU/EEA member state, a buyer acting as a Withholding Agent may be required to withhold a Tax Security amounting to 1 per cent. of the gross purchase price. The buyer will act as a Withholding Agent if he/she/it is:

- a Czech Tax Resident, or
- a Czech Tax Non-Resident and the acquired Notes are attributable to his/her/its Czech Permanent Establishment.

Any Tax Security withheld is creditable against the final tax liability as declared by the Czech Tax Non-Resident selling the Notes in a Czech tax return for the relevant tax year (any Tax Security overwithholding is generally refundable).

(b) *Legal Entities*

Capital gains from the sale of the Notes that are subject to Czech taxation are included in the general tax base, which is subject to corporate income tax at a flat rate of 19 per cent. Losses from the sale of the Notes realized by the Legal Entities are generally tax deductible. However, according to certain interpretations, such losses are not tax deductible for a Czech Tax Non-Resident that does not keep its accounting books under the Czech accounting rules.

Furthermore, if the Notes are sold by a Legal Entity which is not a tax resident of an EU/EEA member state, a buyer acting as the Withholding Agent may be required to withhold a Tax Security amounting to 1 per cent. of the gross purchase price. The buyer will be acting as a Withholding agent if he/she/it is:

- a Czech Tax Resident, or
- a Czech Tax Non-Resident and the acquired Notes are attributable to his/her/its Czech Permanent Establishment.

Any Tax Security withheld is creditable against the final tax liability as declared by the Czech Tax Non-resident selling the Notes in a Czech tax return for the relevant tax year (any Tax Security overwithholding is generally refundable).

3 Benefits under Tax Treaties

A Tax Treaty may reduce or even fully eliminate Czech taxation of both interest income from the Notes or capital gains from their sale (including a Tax Security withholding). Such Tax Treaty relief is usually applicable on the condition that the income recipient that is a Czech Tax Non-Resident does not hold the Notes through his/her/its Czech Permanent Establishment. Furthermore, the entitlement to particular Tax Treaty benefits is generally conditional on presenting documents proving that the income recipient qualifies for the Tax Treaty benefits including, in particular (i) a tax residency certificate issued by the relevant tax authorities and (ii) a beneficial ownership declaration of the income recipient.

4 Reporting Obligation

An individual holding the Notes (whether a Czech Tax Resident or a Czech Tax Non-Resident) is obliged to report to the Czech tax authorities any income earned in connection with the Notes if such income is exempt from taxation in the Czech Republic and exceeds, in each individual case, CZK 5,000,000. The reporting must be fulfilled within the deadline for filing a personal income tax return. A non-compliance with this reporting obligation is penalized by a sanction of up to 15 per cent. of the gross amount of the unreported income.

5 Value Added Tax

There is no Czech value added tax payable in respect of the payment of interest or principal under the Notes, or in respect of the transfer of the Notes.

6 Other taxes or duties

No registration tax, capital tax, customs duty, transfer tax, stamp duty or any other similar tax or duty is payable in the Czech Republic by either the Czech Tax Resident or the Czech Tax Non-Resident in respect of or in connection with the mere purchase, holding or disposal of the Notes.

XIV. 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.

XV. GENERAL INFORMATION

1 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.coltczgroup.com.

2 Authorisation

The creation and issue of the Notes has been authorised by the resolution of the Issuer's Board of Directors dated 4 May 2023 and by the resolution of the Issuer's Supervisory Board dated 3 May 2023.

3 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.

4 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 15,000 as the annual trading fee.

5 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.

6 Significant/Material Change

Since 31 December 2022 there has been no material adverse change in the prospects of the Group.

Since 31 December 2022, there has been no significant change in the financial or trading position of the Group.

7 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.

8 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 Martin Tesař, holding auditor's certificate No. 2030, 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.

9 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.coltczgroup.com in section Investors and also for inspection during regular business hours from 9 a.m. to 4 p.m. CET at the Issuer's office at Na Pořící 2, 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.coltczgroup.com in section Investors for at least 10 years after the approval of the Prospectus by the CNB.

10 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 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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