

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2024
(unaudited)

Name of the company: Colt CZ Group SE

Registered office: náměstí Republiky 2090/3a, Nové Město, 110 00 Prague 1, Czech Republic

Legal form: European Company

Id. no.: 291 51 961

Components of the condensed consolidated interim financial statements:

Consolidated statement of profit and loss and other comprehensive income

Consolidated statement of financial position

Consolidated statement of changes in equity

Consolidated cash flow statement

Notes to condensed consolidated interim financial statements

These condensed consolidated interim financial statements were prepared and approved on 22 May 2024.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH

		31 Mar 2024	31 Mar 2023
	Note	CZK '000	CZK '000
Revenues from the sale of own products, goods and services	9	3,667,086	3,012,556
Other operating income		13,970	20,368
Change in inventories developed internally		13,296	335,838
Own work capitalized		50,647	41,402
Raw materials and consumables used		-1,898,421	-1,560,669
Services		-492,223	-380,581
Personnel costs		-896,012	-762,542
Depreciation and amortization		-199,890	-187,554
Other operating expenses		-64,203	-69,117
Allowances		26,573	-38,163
Operating profit		220,823	411,538
Interest income	10.1	391,945	363,043
Interest expense	10.1	-350,472	-235,250
Other financial income	10.1	126,843	86,110
Other financial expenses	10.1	-17,494	-145,436
Gains or losses from derivative transactions	10.1	2,343	253,452
Share in the profit of associates after tax		635	1,200
Profit before tax		374,623	734,657
Income tax	10.2	-71,360	-146,838
Profit for the period		303,263	587,819
Items that may be subsequently reclassified to the statement of profit or loss			
Cash flow hedges – remeasurement of effective portion of hedging instruments		-248,994	40,338
Foreign currency translation of foreign operations		73,169	-4,474
Other comprehensive income		-175,825	35,864
Comprehensive income for the period		127,438	623,683
Profit for the period attributable to:			
Owner of the parent company		303,263	587,819
Comprehensive income for the period attributable to:			
Owner of the parent company		127,438	623,683
Net earnings per share attributable to the owner of the parent company (CZK per share)			
Basic	22	8	17
Diluted	22	6	17

Notes are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

	Note	31 Mar 2024 CZK '000	31 Dec 2023 CZK '000
ASSETS			
Non-current assets			
Intangible assets	11	3,466,466	3,413,881
Goodwill	9	2,609,325	2,547,480
Property, plant and equipment	12	4,289,614	4,281,449
Advance for acquisition of financial investment		2,692,051	2,690,040
Equity-accounted securities and investments	18	45,207	40,795
Financial derivatives	19	618,803	1,013,168
Provided loans		18,979	-
Trade and other receivables		30,331	61,891
Other receivables		2,576	2,556
Deferred tax assets		9,097	21,245
Total non-current assets		13,782,449	14,072,505
Current assets			
Inventories	13	5,570,854	5,298,077
Trade and other receivables		1,992,092	1,774,947
Provided loans		183	-
Other financial assets		-	908,580
Financial derivatives	19	144,541	149,047
Other receivables		468,945	351,165
Tax receivables		145,071	93,751
Cash and cash equivalents		3,582,974	3,328,684
Total current assets		11,904,660	11,904,251
Total assets		25,687,109	25,976,756
EQUITY AND LIABILITIES			
Capital and reserves			
Registered capital		3,516	3,516
Share premium		1,942,818	1,942,818
Capital funds		1,641,512	1,641,512
Cash flow hedge reserve		350,822	599,816
Foreign exchange translation reserve		-69,519	-142,688
Accumulated profits		5,595,819	5,229,872
Equity attributable to the owner of the Company		9,464,968	9,274,846
Non-controlling interests		-	-
Total equity		9,464,968	9,274,846
Non-current liabilities			
Bonds, bank loans and borrowings	17	9,031,023	9,040,540
Financial derivatives	19	227,025	244,169
Lease liabilities		56,439	62,052
Trade and other payables		49,542	42,022
Other payables		10,723	14,569
Provisions	14	79,865	76,188
Deferred tax liability		674,817	722,783
Employee benefit liabilities	16	251,178	255,721
Total non-current liabilities		10,380,612	10,458,044
Current liabilities			
Bonds, bank loans and borrowings	17	2,489,675	2,573,744
Financial derivatives	19	20,874	11,038
Lease liabilities		25,196	25,619
Other financial liabilities	19	45,986	44,580
Trade and other payables		1,445,510	1,746,796
Other payables		1,665,687	1,655,094
Provisions	14	36,539	30,084
Tax liabilities		96,590	142,084
Employee benefit liabilities	16	15,472	14,827
Total current liabilities		5,841,529	6,243,866
Total liabilities		16,222,141	16,701,910
Total equity and liabilities		25,687,109	25,976,756

Notes are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTHS ENDED 31 MARCH

CZK '000	Share capital	Share premium	Capital funds	Cash flow hedge reserve	Foreign exchange translation reserve	Accumulated profits	Equity attributable to the owner of the parent company	Non-controlling interests	Total equity
Balance at 31 December 2022	3,410	1,366,386	1,641,512	1,068,214	-326,433	3,928,282	7,681,371	-	7,681,371
Profit for the period	-	-	-	-	-	2,042,538	2,042,538	-	2,042,538
Other comprehensive income	-	-	-	-468,398	183,745	-	-284,653	-	-284,653
Total comprehensive income for the period	-	-	-	-468,398	183,745	2,042,538	1,757,885	-	1,757,885
Dividends	-	-	-	-	-	-1,034,016	-1,034,016	-	-1,034,016
Issue of shares	106	576,432	-	-	-	-	576,538	-	576,538
Share-based payments	-	-	-	-	-	293,068	293,068	-	293,068
Balance at 31 December 2023	3,516	1,942,818	1,641,512	599,816	-142,688	5,229,872	9,274,846	-	9,274,846
Profit for the period	-	-	-	-	-	303,263	303,263	-	303,263
Other comprehensive income	-	-	-	-248,994	73,169	-	-175,825	-	-175,825
Total comprehensive income for the period	-	-	-	-248,994	73,169	303,263	127,438	-	127,438
Dividends	-	-	-	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	62,684	62,684	-	62,684
Balance at 31 March 2024	3,516	1,942,818	1,641,512	350,822	-69,519	5,595,819	9,464,968	-	9,464,968

Notes are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTHS ENDED 31 MARCH

CZK '000	Share capital	Share premium	Capital funds	Cash flow hedge reserve	Foreign exchange translation reserve	Accumulated profits	Equity attributable to the owner of the parent company	Non-controlling interests	Total equity
Balance at 31 December 2022	3,410	1,366,386	1,641,512	1,068,214	-326,433	3,928,282	7,681,371	-	7,681,371
Profit for the period	-	-	-	-	-	587,819	587,819	-	587,819
Other comprehensive income	-	-	-	40,338	-4,474	-	35,864	-	35,864
Total comprehensive income for the period	-	-	-	40,338	-4,474	587,819	623,683	-	623,683
Share-based payments	-	-	-	-	-	77,596	77,596	-	77,596
Balance at 31 March 2023	3,410	1,366,386	1,641,512	1,108,552	-330,907	4,593,697	8,382,650	-	8,382,650

Notes are an integral part of these consolidated interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE-MONTHS ENDED 31 MARCH 2024

	Note	31 Mar 2024 CZK '000	31 Mar 2023 CZK '000
<i>Cash flows from principal economic activity (operating activity)</i>			
Profit from ordinary activity before tax		374,623	734,657
Depreciation/amortization of non-current assets	11, 12	199,890	187,554
Change in allowances and provisions	13,14	-15,914	40,233
Profit from the sale of non-current assets		-376	-
Interest expense and interest income		-41,473	-127,793
Share in the profit of associates	18	-635	-1,200
Unrealized foreign exchange gain and losses		-157,065	278,635
Contingent consideration – remeasurement	19	-	41,284
Other financial assets – remeasurement		-113,402	-86,110
Cash flow hedging – remeasurement of the effective portion of hedging instruments		-248,994	40,338
Share-based payments	15	62,684	77,596
Adjustments for other non-cash transactions	10.1	7,505	220
Net operation cash flows before changes in working capital		66,843	1,185,414
Change in working capital			
Change in receivables and deferrals		37,398	-377,115
Change in liabilities and accruals		-317,599	-90,447
Change in inventories	13	-142,325	-658,053
Net cash flow from operating activities		-355,683	59,799
Paid interest	10	-488,415	-398,070
Interest received	10	460,017	432,635
Income tax paid for ordinary activity	10.2	-171,269	-56,434
Net cash flow from operating activities		-555,350	37,930
<i>Cash flows from investing activities</i>			
Acquisition of non-current assets	11, 12	-183,073	-153,891
Proceeds from the sale of non-current assets		376	-
Advance for acquisitions of financial investment		-2,011	-
Acquisition of equity-accounted securities and investments		-3,777	-
Proceeds from sale of other financial assets		1,021,982	-
Provided loans		18,979	7,700
Net cash flow from investing activities		814,518	-146,191
<i>Cash flows from financing activities</i>			
Proceeds from drawdown of loans	17	11,613	2,956
Repayment of loans	17	-34,335	-1,560
Repayment of leases		-8,778	-
Net cash flow from financing activities		-31,500	1,396
Net change in cash and cash equivalents		227,668	-106,865
Opening balance of cash and cash equivalents		3,328,684	2,825,781
Effect of exchange rate on cash and cash equivalents		26,622	-37,229
Closing balance of cash and cash equivalents		3,582,974	2,681,687

Notes are an integral part of these consolidated interim financial statements.

COLT CZ GROUP SE

**Condensed consolidated interim financial statements for the period of
three-months from 1 January to 31 March 2024 prepared in accordance with
IFRS Accounting Standards as adopted by the European Union**

(unaudited)

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1. PARENT COMPANY

Colt CZ Group SE (the “Consolidating Entity” or the “Company”) is a European company recorded in the Register of Companies held by the Municipal Court in Prague on 10 January 2013, having its registered office at náměstí Republiky 2090/3a Nové Město, 110 00 Prague 1, Czech Republic, corporate ID No. 291 51 961. Company together with its subsidiaries, is one of the world’s leading manufacturers of firearms, tactical accessories and ammunition for military and law enforcement, personal defense, hunting, sport shooting and other commercial use. Its products are marketed and sold mainly under the Colt, CZ (Česká zbrojovka), Colt Canada, CZ-USA, Dan Wesson, Spuhr, swissAA and 4M Systems brands.

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

Shareholder	Ownership percentage as at	
	31 Mar 2024	31 Dec 2023
Česká zbrojovka Partners SE	75.40%	75.40%

Since 2017, the majority owner of the Company has been Česká zbrojovka Partners, SE, based at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic.

The Consolidating Entity and consolidated entities are part of a larger consolidation group of the ultimate parent company European Holding Company, SE, based at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic. The ultimate owner of the Company is Mr. René Holeček.

Members of the Board of Directors and Supervisory Board as at the balance sheet date:

Board of Directors	
Chair:	Jan Drahota
Vice-chair:	Josef Adam
Member:	Jan Holeček
Member:	Dennis Veilleux
Member:	Jan Zajíc

Supervisory Board	
Chair:	David Aguilar
Vice-chair:	René Holeček
Vice-chair:	Lubomír Kovařík
Member:	Jana Růžičková
Member:	Vladimír Dlouhý

The consolidation group (the “Group”) comprises the Company and the consolidated entities of the Group (subsidiaries). The consolidation group includes the Company and entities controlled by the Company.

All amounts in these financial statements and the related notes are reported in thousands of Czech crowns (CZK ‘000), which is also the functional currency.

2. GROUP DESCRIPTION

Company name	Principal activity	Place of foundation and business operation	Consolidation method	Share in voting rights held by the Group		
				31 Mar 2024	31 Dec 2023	31 Mar 2023
Česká zbrojovka a.s.	Production, purchase and sale of firearms and ammunition	Uherský Brod, Czech Republic	Full	100%	100%	100%
Česká zbrojovka a.s. Niederlassung Deutschland Latin America Holding, a.s.	Production, purchase and sale of firearms and ammunition	Regensburg, Germany	Full	100%	100%	100%
ZBROJOVKA BRNO, s.r.o.	Production, purchase and sale of firearms and ammunition	Uherský Brod, Czech Republic	Full	100%	100%	100%
CZ – Slovensko s.r.o.	Purchase and sale of firearms and ammunition	Brno, Czech Republic	Full	100%	100%	100%
Colt CZ Group North America, Inc.	Production, purchase and sale of firearms and ammunition	Bratislava, Slovakia	Full	100%	100%	100%
CZ-USA	Holding company	Kansas City, USA	Full	100%	100%	100%
Colt Holding Company LLC**	Purchase and sale of firearms and ammunition	Kansas City, USA	Full	100%	100%	100%
CDH II Holdco Inc**	Production, purchase and sale of firearms and ammunition	West Hartford, Connecticut, USA	Full	-	-	100%
Colt Defence LLC**	Holding company	West Hartford, Connecticut, USA	Full	-	-	100%
New Colt Holding Corp.**	Holding company	West Hartford, Connecticut, USA	Full	-	-	100%
Colt's Manufacturing Company LLC	Production, purchase and sale of firearms and ammunition	West Hartford, Connecticut, USA	Full	100%	100%	100%
Manufacturing IP Holding Company LLC**	Holds, maintains, and licenses Colt USA trademarks	West Hartford, Connecticut, USA	Full	-	-	100%
Four Horses Apparel, Inc.	Purchase and sale of clothing and fashion accessories	West Hartford, Connecticut, USA	Full	100%	100%	100%
Colt Canada Corporation	Production, purchase and sale of firearms and ammunition	West Hartford, Connecticut, USA	Full	100%	100%	100%
Colt International Cooperatief U.A. **	Holding company	Kitchener, Ontario, Canada	Full	100%	100%	100%
Colt CZ Defence Solutions, s.r.o.	Holding company	Amsterdam, Netherlande	Full	-	-	100%
EHC-4M, SE	Purchase and sale of firearms and ammunition	Uherský Brod, Czech Republic	Full	100%	100%	100%
4M SYSTEMS a.s.	Holding company	Prague, Czech Republic	Full	100%	100%	100%
Colt CZ Group International s.r.o.	Trade with military material	Prague, Czech Republic	Full	100%	100%	100%
	Holding company	Prague, Czech Republic	Full	100%	100%	100%

Spuhr i Dalby AB	Manufacture and assembly of optics	Löddeköpinge, Sweden	Full	100%	100%	100%
CZG VIB s.r.o.	Holding company	Prague, Czech Republic	Full	100%	100%	100%
Vocatus investment a.s.	Holding company	Prague, Czech Republic	Full	100%	100%	-
Colt CZ Insurance Limited	Captive reinsurance company	Saint Peter Port, Guernsey	Full	100%	100%	-
swissAA Holding AG*	Holding company	Däniken, Switzerland	Full	100%	100%	-
aaltech GmbH*	Purchase and sale of ammunition	Sollenau, Austria	Full	100%	100%	-
laltech s.r.l.*	Purchase and sale of ammunition	Bad Krozingen, Germany	Full	100%	100%	-
galtech AG*	Purchase and sale of ammunition	Bad Krozingen, Germany	Full	100%	100%	-
saltech AG*	Production and sale of ammunition	Däniken, Switzerland	Full	100%	100%	-
haltech kft.*	Production and sale of ammunition	Balatonfüzfő, Hungary	Full	100%	100%	-
S-Pyrotech kft.*	Rental of property and buildings	Balatonfüzfő, Hungary	Full	100%	100%	-
CZ BRASIL LTDA	Production, purchase and sale of firearms and ammunition	Brazil	Equity	49%	49%	49%
CARDAM s.r.o.	Research and development	Dolní Břežany, Czech Republic	Equity	33%	33%	33%
EG-CZ Academy	Academy	Quimper, France	Equity	20%	20%	20%
VIBROM spol.	Production	Třebechovice pod Orebem, Czech Republic	Equity	25%	25%	25%
Colt CZ Hungary Zrt.**	Production of firearms	Hungary	Equity	51%	51%	-

* On 28 June 2023, the Company acquired the swissAA Holding AG group.

** A restructuring within the Colt Group took place during 2023. The assets and liabilities of the designated companies were transferred to other companies within the Colt Group.

*** The Group holds 51% equity interest and 50% non-controlling interest in Colt CZ Hungary Zrt.

Česká zbrojovka a.s. and the companies of the Colt Group are the most significant entities in the Group. In the text below, the term 'Group' refers to the consolidation group.

3. SIGNIFICANT EVENTS IN THE CURRENT REPORTING PERIOD

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

On 18 December 2023, the Company entered into an agreement to acquire 100% of the shares of Sellier & Bellot a.s. As at 31 March 2024, the Company has not received all the regulatory notices. For detailed description of the transaction, see Note 8.

On 29 January 2024, the Group provided a loan in the amount of CZK 18,735 thousand to the associate company Colt CZ Hungary Zrt.

On 26 February 2024, the General Meeting of the Company decided to increase the Company's share capital by a maximum of CZK 1,500 thousand through the issue of book-entry shares in the maximum amount of 15,000,000 units. The newly issued shares will be offered for subscription to CBC Europe S.à r.l. in connection with the acquisition of a 100% share in Sellier & Bellot a.s.

During the first quarter of 2024, the Group sold Other financial assets representing the Group's short-term investment in listed shares. The Group recognized a profit of CZK 113,402 thousand on these sales.

On 18 April 2024, the Company's Board of Directors approved an increase in the volume of the existing COLTCZ VAR/30 bond issue in the amount of CZK 1,071,000 thousand. The increase in the volume of the existing bond issue is in accordance with the prospectus issued on 18 May 2023, which allows for an increase in the volume of the bond issue up to a maximum of CZK 3,000,000 thousand.

4. BASIC PRINCIPLES FOR PREPARATION OF THE INTERIM REPORT

These condensed interim consolidated financial statements for the nine-months period ended 31 March 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed interim consolidated financial statements do not include all notes that are normally included in the annual financial statements. Accordingly, the condensed interim consolidated financial statements must be read together with the consolidated financial statements for the year ended 31 December 2023, which were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

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

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that were utilized are consistent with those of the most recent annual financial statements. A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

6. ESTIMATES AND SOURCES OF UNCERTAINTY

During preparation of the condensed interim consolidated financial statements, the Group's management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. The actual results may differ from these estimates. Apart from this, the Group's future business may be adversely impacted by factors beyond the Group's control. In the preparation of these condensed interim consolidated financial statements, the significant judgements made by management and the key sources of uncertainty in making estimates were the same as those used in the consolidated financial statements for the year ended 31 December 2023.

7. FINANCIAL RISK MANAGEMENT

The Group's activities give rise to many financial risks: market risk, credit risk and liquidity risk. The condensed interim consolidated financial statements do not include all financial information on risk management and other information required in annual consolidated financial statements. They should be assessed together with the annual consolidated financial statements of the Group as at 31 December 2023. No changes in the rules and policies of managing these risks have been made since the end of 2023.

The Group uses financial derivatives to manage financial risks. The method of measurement of financial derivatives and information on the fair value of financial assets and liabilities as at 31 March 2024 and 31 December 2023 are disclosed in note 19 Financial assets and liabilities at fair value.

8. ACQUISITION OF SELLIER & BELLOT

On 18 December 2023, the Company entered into an agreement with CBC Europe S.à r.l. („CBC“) to purchase a 100% share in Sellier & Bellot a.s.

Sellier & Bellot a.s. is a traditional Czech manufacturer of ammunition and ranks among the oldest engineering companies in the Czech Republic and worldwide. Its products have been manufactured under the trademark since 1825. The product portfolio includes a wide range of hunting and sporting ammunition and components for pistols and revolvers, rifles, shotguns and rimfire.

Sellier & Bellot a.s. is also a major supplier of firearms ammunition to military and armed forces around the world. The company has around 1,600 employees and operates its main manufacturing plant in Vlašim in the Czech Republic.

The Group will acquire 100% of the shares of Sellier & Bellot a.s. for a combination of monetary consideration of USD 350 million and a new issue of the Company's ordinary shares that will lead to the acquisition by CBC of a share in the Company's registered capital approximating 27–28% after the transaction. CBC's final share in the Company will be determined depending on the audited financial results of both companies for 2023. The acquisition will be financed through a combination of the Company's existing cash resources and debt financing.

On 20 December 2023, the first part of the purchase price of CZK 2,690,040 thousand was paid. This payment, together with acquisition-related costs, is reported in Advances for acquisition of financial investments in the consolidated statement of financial position.

9. INFORMATION ABOUT SEGMENTS AND REVENUES

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

As at 31 March 2024 and 31 March 2023, the production, purchase and sale of firearms and accessories represents the Group's primary business activity. The Group's other activities are considered insignificant as none of the Group's other activities account for more than 10% of revenue from sales to external customers.

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

Revenues from sales to external customers		
	31 Mar 2024	31 Mar 2023
Czech Republic (home country)	628,227	491,319
United States	1,749,145	1,632,944
Canada	409,384	219,904
Europe (apart from the Czech Republic)	421,412	381,785
Africa	30,310	51,043
Asia	159,124	133,421
Others	269,484	102,140
Total	3,667,086	3,012,556

The Group has production facilities in the Czech Republic, USA, Canada, Sweden, Switzerland and Hungary.

Net book value of property, plant and equipment		
	31 Mar 2024	31 Dec 2023
Czech Republic (home country)	2,221,606	2,258,750
United States	697,893	644,651
Canada	210,040	205,190
Sweden	36,419	39,846
Switzerland	1,035,546	1,036,484
Hungary	88,110	96,528
Total	4,289,614	4,281,449

Net book value of intangible assets		
	31 Mar 2024	31 Dec 2023
Czech Republic (home country)	572,343	587,763
United States	1,983,990	1,898,353
Canada	535,389	532,597
Sweden	317,092	329,194
Switzerland	57,652	65,974
Total	3,466,466	3,413,881

Net book value of goodwill		
	31 Mar 2024	31 Dec 2023
Czech Republic (home country)	280,686	280,686
United States	2,065,976	2,008,590
Canada	197,077	191,603
Sweden	65,586	66,601
Total	2,609,325	2,547,480

Goodwill represents the expected synergies arising from the integration of the companies' activities within the existing Group.

10. PROFIT AND LOSS INFORMATION

10.1. Financial result

- ▶ An interest expense of CZK 350,472 thousand (CZK 235,250 thousand in the three-months period ended 31 March 2023) is mainly represented by interest incurred on issued bonds and bank loans of CZK 228,122 thousand (CZK 157,316 thousand in the three-months period ended 31 March 2023).

Information on the issued bonds and bank loans is disclosed in Note 17. An interest expense of CZK 122,350 thousand (CZK 76,973 thousand in the three-months period ended 31 March 2023) represents interest from cross currency interest rate swaps.

These swaps also generate interest income in the amount of CZK 354,164 thousand (CZK 331,324 thousand in the three-months period ended 31 March 2023) presented under Interest income position. The remaining interest income in the amount of CZK 37,781 thousand (CZK 31,719 thousand in the three-months period ended 31 March 2023) mainly represents interest from deposits.

- ▶ Other financial income in the amount of CZK 126,843 thousand (CZK 86,110 thousand in the three-months period ended 31 March 2023) mainly represents revaluation of Other financial assets as at the date of sale of CZK 113,402 thousand (CZK 0 thousand in the three-months period ended 31 March 2023) and foreign exchange gain in net basis of the amount CZK 13,441 thousand (foreign exchange loss CZK 92,175 thousand in the three-months period ended 31 March 2023 recognized in Other financial expenses). In the three-months period ended 31 March 2023 Other financial income represented revaluation of Other financial assets in the amount of CZK 86,110 thousand.
- ▶ Other financial expenses of CZK 17,494 thousand (CZK 145,436 thousand for the period from 1 January to 31 March 2023) mainly represent bank fees. In three-months period ended 31 March 2023 represents Other financial expenses mainly foreign exchange rate loss in amount of CZK 92,175 thousand and remeasurement of the contingent consideration arising from the Colt acquisition of CZK 41,284 thousand.
- ▶ Gains or losses from derivative transactions – The Group manages its exposure to currency and interest rate risk by using derivative instruments. As not all of the derivatives are accounted for as hedging instruments, the amount of the financial result was impacted by a change in fair value of open financial derivatives held for trading. In the three-months period ended 31 March 2024, the Group recognized gain from derivative instruments of CZK 2,343 thousand (gain CZK 253,452 thousand in the three-months period ended 31 March 2023).

In other comprehensive income for the three-months period ended 31 March 2024, the Group recognized a loss of CZK 248,994 thousand from the remeasurement of financial derivatives classified as hedging instruments (gain of CZK 40,338 thousand in the three-months period ended 31 March 2023).

10.2. Income tax

Reported Income tax expense is based on an estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate for the period from 1 January to 31 March 2024 is 19.05% (20% for the period from 1 January to 31 March 2023).

The amount of the effective tax rate is affected by the level of tax rates in individual countries, where the Group operates (Czech Republic – 21%, USA – 26-28%, Canada – 25%, Sweden – 20.6%, Switzerland – 16%, Hungary – 9%).

11. INTANGIBLE ASSETS

The following tables summarize changes in intangible assets from 1 January to 31 March 2024 (in CZK '000):

Acquisition costs

GROUP	Opening balance	Business combination – balance at the date of entry into consolidation	Additions	Disposals	Transfers	Impact of FX fluctuations	Closing balance
Software	243,729	-	2,193	-	196	108	246,226
Intangible assets under construction or being acquired	101,297	-	42,106	-2,112	-196	323	141,418
Other intangible assets	1,050,677	-	-	-	-	38,438	1,089,115
Trademarks and logos	1,629,235	-	-	-	-	62,190	1,691,425
Capitalized development	575,790	-	-	-	-	-	575,790
Concessions, license rights and other intellectual property rights	343,036	-	4	-	-	2,363	345,403
Contractual customer relations	1,747,178	-	-	-	-	18,073	1,765,251
Total	5,690,942	-	44,303	-2,112	-	121,495	5,854,628

Accumulated amortization and carrying value

GROUP	Opening balance	Amortization	Disposals	Changes in allowances	Impact of FX rate fluctuations	Closing balance	Carrying amount
Software	-196,147	-4,806	-	-	-607	-201,560	44,666
Intangible assets under construction or being acquired	-	-	-	-	-	-	141,418
Other intangible assets	-405,187	-23,472	-	-	-13,294	-441,953	647,162
Trademarks and logos	-	-	-	-	-	-	1,691,425
Capitalized development	-248,890	-6,736	-	-	-879	-256,505	319,285
Concessions, license rights and other intellectual property rights	-227,550	-6,157	-	-	-3,632	-237,339	108,064
Contractual customer relations	-1,199,287	-35,371	-	-	-16,147	-1,250,805	514,446
Total	-2,277,061	-76,542	-	-	-34,559	-2,388,162	3,466,466

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

12. PROPERTY, PLANT AND EQUIPMENT

The following tables summarize the changes in property, plant, and equipment from 1 January to 31 March 2024 (in CZK '000):

Acquisition costs

GROUP	Opening balance	Business combination – balance at the date of entry into consolidation	Additions	Disposals	Transfers	Impact of FX fluctuations	Closing balance
Buildings	2,025,596	-	4,859	-14,087	60,052	-3,405	2,073,015
Machinery, instruments and equipment	4,268,454	-	68,326	-29,751	-10,331	-5,104	4,291,594
Other non-current tangible assets	71,548	-	2,148	-	17,433	1,781	92,910
Other non-current tangible assets under construction	325,274	-	43,249	-949	-65,743	9,917	311,748
Prepayments made for non-current tangible assets	306,178	-	13,478	-46	-1,411	-7,137	311,062
Lands	430,071	-	-	-	-	7,181	437,252
Total	7,427,121	-	132,060	-44,833	-	3,233	7,517,581

Accumulated depreciation and carrying value

GROUP	Opening balance	Depreciation	Disposals	Changes in allowances	Impact of FX rate fluctuations	Closing balance	Carrying amount
Buildings	-733,605	-28,664	12,088	-	-1,204	-751,385	1,321,630
Machinery, instruments, and equipment	-2,370,591	-80,363	29,317	-	1,619	-2,420,018	1,871,576
Other non-current tangible assets	-31,227	-14,321	-	-	-966	-46,514	46,396
Other non-current tangible assets under construction	-9,365	-	-	199	-	-9,166	302,582
Prepayments made for non-current tangible assets	-884	-	-	-	-	-884	310,178
Lands	-	-	-	-	-	-	437,252
Total	-3,145,672	-123,348	41,405	199	-551	-3,227,967	4,289,614

Machinery, instruments and equipment and Buildings as at 31 March 2024 include right of use assets arising from lease contracts of CZK 78,425 thousand (CZK 85,765 thousand as at 31 December 2023).

Additions to the rights of use arising from lease contracts amounted to CZK 1,062 thousand in 2024 (CZK 573 thousand in the three-months period ended 31 March 2023). These primarily include lease contracts for warehouses and office space, as well as cars and technical office equipment. Depreciation for the three-months period ended 31 March 2024 includes depreciation of right of use assets of CZK 6,778 thousand (CZK 5,641 thousand in the three-months period ended 31 March 2023).

13. INVENTORIES

The structure of inventories as at 31 March 2024 and 31 December 2023 is as follows (in CZK '000):

	31 Mar 2024	31 Dec 2023
Material	2,083,842	2,036,572
Work-in-progress and semi-finished products	1,359,764	1,910,278
Finished products	1,602,773	326,830
Goods	458,438	969,183
Prepayments made for inventories	66,037	55,214
Total	5,570,854	5,298,077

The valuation of redundant, obsolete, and slow-moving inventories is decreased to the selling price net of the costs of sale. As at 31 March 2024, allowances for inventories of CZK 476,813 thousand (CZK 513,540 thousand as at 31 December 2023) were included in the statement of financial position. In the three-months period ended 31 March 2024, gain from impairment of inventories change of CZK 36,727 thousand was recorded in the profit and loss (loss of CZK 46,334 thousand in the three-months period ended 31 March 2023).

14. CURRENT AND NON-CURRENT PROVISIONS

The table below shows current and non-current provisions as at 31 March 2024 and 31 December 2023 (CZK '000):

Provisions	Balance at 31 Mar 2024	Balance at 31 Dec 2023
Warranty repairs	24,992	23,750
Other current provisions	11,547	6,334
Total current provisions	36,539	30,084
Warranty repairs	40,826	41,759
Share-based payments	35,128	30,556
Other non-current provisions	3,911	3,873
Total non-current provisions	79,865	76,188
Total provisions	116,404	106,272

15. SHARE-BASED PAYMENT ARRANGEMENTS

The Group provides a stock option plan (the "Share Program") to its employees. The Share Program entitles the Group's key executives and employees (option holders) to purchase the Company's shares. The plan is currently only available to executives and senior employees.

Shares designated for the Option Plan will be newly issued. The maximum number of shares issued will be 3,373 thousand.

Table below shows the number and weighted average realisable price of share options under the Share Plan.

Total options	Number of options	Weighted average exercise price (in CZK)
Not settled at 31 March 2024	2,861,455	0,10

15.1. Expenses recognized in the statement of profit and loss

In connection with the Share Program, the Group recognized expenses of CZK 62,684 thousand in Personal expenses (CZK 77,596 thousand for the period from 1 January to 31 March 2023). Of this amount, CZK 27,274 thousand represents personnel expenses related to key management personnel (CZK 33,403 thousand for the period from 1 January to 31 March 2023).

In addition, the Group has created a provision for social and health insurance recognized under Other operating expenses in the amount of CZK 4,339 thousand (CZK 5,217 thousand for the period from 1 January to 31 March 2023). In connection with this provision, the Group recognized deferred tax in the amount of CZK 922 thousand (CZK 1 012 thousand for the period from 1 January to 31 March 2023).

15.2. Items recognized in the statement of financial position

The fair value of 2,861,455 stock options allocated to own employees of CZK 554,112 thousand is recognised in Accumulated profits (CZK 491,428 thousand as at 31 December 2023).

The fair value of employee stock options was determined using the Black Scholes measurement model. The options are subject to the employment term/function term and non-market performance condition which were not considered in the fair value determination.

The related social security and health insurance liabilities as at 31 March 2024 of CZK 35,128 thousand are recognised in non-current provisions (CZK 30,556 thousand as at 31 December 2023). The Group also recognised deferred tax in respect of these liabilities in the amount of CZK 5,250 thousand (CZK 4,328 thousand as at 31 December 2023).

16. EMPLOYEE BENEFIT LIABILITIES

Employee benefit liabilities (CZK '000):

	31 Mar 2024	31 Dec 2023
Net employee benefit liability	121,817	133,047
Liability for medical (healthcare) benefits	144,833	137,501
Total net employee benefit liability	266,650	270,548
Non-current net employee benefit liabilities	251,178	255,721
Current net employee benefit liabilities	15,472	14,827
Total net employee benefit liability	266,650	270,548

17. BONDS, BANK LOANS AND BORROWINGS

				31 Mar 2024	31 Dec 2023
	Terms	Interest rate %	Aggregate limit as at 31 Mar 2024 (CZK '000)	CZK '000	CZK '000
Issued bonds	23 Mar 2027	6M Pribor + margin % p.a.	5,000,000	5,000,000	5,000,000
Issued bonds – unpaid interest				6,896	120,811
Issued bonds – issue cost				-15,577	-16,882
Issued bonds	27 Jan 2029	6M Pribor + margin % p.a.	1,998,000	1,998,000	1,998,000
Issued bonds – unpaid interest				27,453	74,361
Issued bonds – issue cost				-9,321	-9,795
Issued bonds	18 May 2030	6M Pribor + margin % p.a.	1,929,000	1,929,000	1,929,000
Issued bonds – unpaid interest				62,861	20,448
Issued bonds – issue cost				-9,841	-10,242
Komerční banka a.s.	10 October 2024	1M Pribor + margin % p.a.	2,309,483	2,309,483	2,257,782
Other				221,744	250,801
Total				11,520,698	11,614,284
Repayments in the following year				2,489,675	2,573,744
Repayments in future years				9,031,023	9,040,540

18. EQUITY-ACCOUNTED SECURITIES AND INVESTMENTS

The carrying amount of equity-accounted investments changed as follows in the three-months period ended 31 March 2024 (in CZK '000):

	31 Mar 2024 CZK '000
Beginning of the period	40,795
Colt CZ Hungary Zrt. Increase in investment	3,777
Share in the profit of associates after tax	635
End of the period	45,207

19. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

This note provides an update on the judgements and estimates made by the Group in determining the fair value of financial instruments since the last annual financial statements.

As at 31 March 2024, assets and liabilities representing financial derivatives, share-based payment arrangements and liabilities related to contingent consideration from the Spuhr i Dalby AB acquisition in 2022 are measured at fair value.

19.1 Financial derivatives

The fair value of interest rate swaps, currency forwards and swaps is based on the present value of future cash flows based on market data as yield curves of referential interest rate swaps, spot foreign exchange rates and forward points. For currency options, the respective option model is used (primarily the Black-Scholes model or its modifications), with the specific input data including the volatility of currency exchange rates reflecting specific realization rates of individual transactions (“volatility smile”). The fair value of cross currency interest rate swaps is determined as the present value of future cash flows. The estimate of future variable cash flows is based on quoted swap rates and interbank deposit rates. The estimated future cash flows are discounted using a revenue curve constructed from the above sources.

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

The following table provides an overview of nominal values and positive or negative fair values of open trading derivatives as at 31 March 2024 and 31 December 2023 (CZK ‘000):

CZK ‘000	31 Mar 2024			31 Dec 2023		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Put Option	702,390	4,585	-	49,450	123	-
Call Option	702,390	-	-	49,450	-	3
Forwards	6,133,915	98,415	7,032	1,983,865	129,224	2,997
Currency swap	519,760	19,896	-	1,196,464	7,567	6,420
Interest rate swap	6,680,520	28,152	-	-	-	-
Total	14,738,976	151,048	7,032	3,279,229	136,914	9,420

The following table provides an overview of nominal values and positive or negative fair values of open hedging derivatives as at 31 March 2024 and 31 December 2023 (CZK '000):

CZK '000	31 Mar 2024			31 Dec 2023		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Interest rate swap	2,429,000	46,553	76,366	2,429,000	58,018	106,927
Put Option	561,912	19,778	-	586,474	32,163	-
Call Option	561,912	-	14,455	586,474	-	13,080
Currency swap	5,038,045	300,366	24,750	5,086,546	378,265	2,622
Forwards	4,237,399	110,144	41,573	4,018,351	195,390	10,979
Cross currency interest rate swap – USD	3,212,700	7,509	-	3,212,700	186,216	-
Cross currency interest rate swap – USD	724,200	-	83,723	1,500,000	175,249	-
Cross currency interest rate swap – CHF	1,500,000	127,946	-	724,200	-	112,179
Total	18,265,168	612,296	240,867	18,143,745	1,025,301	245,787

19.2 Financial liabilities at fair value through profit or loss

CZK '000	31 Mar 2024			31 Dec 2023		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Other financial assets	-	-	-	863,502	908,580	-
Contingent consideration from the Spuhr acquisition	44,580	-	45,986	44,580	-	44,580
	44,580	-	45,986	908,082	908,580	44,580

The fair value of the contingent consideration from the Spuhr acquisition is based on the current estimate of Spuhr's gross profit for the periods defined in the Sale and purchase agreement. The change in fair value of the liability in the total amount CZK 1,406 thousand represents a foreign exchange loss and is recognized in Other finance income on a net basis.

The remaining financial assets and liabilities are measured at amortized cost. The fair value of all these instruments does not significantly differ from their carrying amount, as the interest rate is close to current market rates, or they are short-term.

20. PROFIT DISTRIBUTION

In three-month period ended 31 March 2024 there is no resolution about profit distribution for the year 2023 on the Group level.

21. TRANSACTIONS WITH RELATED PARTIES

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

During the nine-months period ended 31 March 2024 the Group conducted the following transactions with related parties.

Key management personnel

During the three-months period ended 31 March 2024, key management personnel included all members of the Board of Directors and Supervisory Board. Short-term benefits provided to key management personnel (including gross remuneration, annual bonuses, health and social insurance and additional pension insurance) amounted to CZK 6,842 thousand.

The Company also provided its key management personnel with the Share Program described in Note 15. The Company provided no other benefits (e.g. monetary or non-monetary benefits related to a member's termination of office from a body) to its key management personnel.

The Group records the following outstanding balances with related parties as at 31 March 2024 and the following transactions with related parties in the three-months period ended 31 March 2024 (in CZK '000):

Entity	Relationship	Liabilities as at 31 Mar 2024	Purchases from 1 Jan to 31 Mar 2024	Receivables as at 31 Mar 2024	Income from 1 Jan to 31 Mar 2024
Keriani, a.s.	Associate of parent company	583	1,423	2,029	-
CZ-SKD Solutions a.s.	Company in the ultimate owner's group	-	778	-	-
CZ-AUTO SYSTEMS a.s.	Company in the ultimate owner's group	32	545	7,831	13,177
ITeuro, a.s.	Company in the ultimate owner's group	48	2,957	-	-
VIBROM spol. s r.o.	associated company	28,306	35,479	10,209	494
CARDAM s.r.o.	associated company	125	367	-	-
CZ BRAZIL, LTDA	associated company	-	-	1,158	-
Colt CZ Hungary zrt.	associated company	444	585	11,611	3,941
EG-CZ Academy	associated company	63	188	-	-
Total		29,601	42,322	32,838	17,612

The Group records the following outstanding balances with related parties as at 31 December 2023 and the following transactions with related parties in the nine-months period ended 31 March 2023 (in CZK '000):

Entity	Relationship	Liabilities as at 31 Dec 2023	Purchases from 1 Jan to 31 Mar 2023	Receivables as at 31 Dec 2023	Income from 1 Jan to 31 Mar 2023
Keriani, a.s.	Associate of parent company	585	1,586	-	-
EHC zdravotní s.r.o.	Company in the ultimate owner's group	-	-	-	313
CZUB zdravotní s.r.o.	Company in the ultimate owner's group	-	2,383	-	12
CZ-SKD Solutions a.s.	Subsidiary of parent company	286	1,355	-	-
CZ-AUTO SYSTEMS a.s.	Subsidiary of parent company	23	282	13,351	18,429
B:TECH, a.s.	Company in the ultimate owner's group	1,773	261	187	-
M&H Management a.s.	Company in the ultimate owner's group	-	-	-	43
ITeuro, a.s.	Company in the ultimate owner's group	1,123	21	1,297	-
VIBROM spol. s r.o.	associated company	20,102	33,642	9,022	461
CARDAM s.r.o.	associated company	1,067	1,156	-	60
CZ BRAZIL, LTDA	associated company	-	-	1,141	-
Colt CZ Hungary Zrt.	associated company	4,738	-	2,206	-
EG-CZ Academy	associated company	62	180	-	-
Total		29,759	40,866	27,204	19,318

22. NET EARNINGS PER SHARE

Basic and diluted earnings from continued operations per share were determined as follows:

	31 Mar 2024	31 Mar 2023
Numerator (CZK '000)		
Profit after tax attributable to the owner of the parent company	303,263	587,819
Denominator (average number of shares in CZK '000)		
Basic	36,402	34,608
Diluted	49,878	34,976
Net earnings per share (CZK/share) attributable to the owner of the parent company		
Basic	8	17
Diluted	6	17

The diluted average number of shares of 49,878 thousand is increased from the basic average number of shares of 36,402 thousand by the expected weighted average number of shares to be issued by the Company in 2024.

23. CONTINGENT LIABILITIES

As at 31 March 2024, the Group had issued no guarantees in respect to third-party liabilities.

As at 31 March 2024, the Group recorded no significant legal disputes where the Group acts as a defendant; it also did not record any investments or environmental or other off-balance sheet commitments.

The Group's management regularly monitors and evaluates the development of individual legal claims and litigations. The Group's management is currently not aware of the existence of potential losses that may have a significant unfavourable impact on the Group's results of operation and its cash flows.

As at 31 March 2024, the Group records environmental liabilities of CZK 8,593 thousand to which a full provision was established. No other environmental liabilities are recorded.

24. SUBSEQUENT EVENTS

In connection with the acquisition of 100% share in Sellier & Bellot a.s., the Group entered into a loan agreement on 7 May 2024. The Group can draw a loan of up to EUR 485 million. The loan was drawn on 16 May 2024. At the same time, the short-term loan provided by Komerční banka a.s. in the amount of EUR 91 million (CZK 2,309,483 thousand as at 31 March 2024) was repaid.

On 16 May 2024, the acquisition of Sellier & Bellot a.s. was finalized and the Group became a 100% owner of this company. The Group paid the remaining part of the purchase price of EUR 230 million, including a share-based payment of USD 353 million, which represents 13,476,440 shares. These shares were issued on 16 May 2024, increasing the Group's registered capital by CZK 1,348 thousand. The issue price was set at CZK 595.8 per share. As a result of this issue, the stake held by the majority shareholder Česká zbrojovka Partners SE changed to 54.5%. CBC Europe S.à r.l. holds 27.7% and the remaining 17.8% represents free float.

On 17 May 2024, the Company exercised the option to increase the volume of the existing COLTCZ VAR/30 bond issue in the amount of CZK 1,071,000 thousand up to a maximum amount of CZK 3,000,000 thousand. These newly issued bonds remain in the Company's ownership as at the date of these financial statements and therefore have no impact on indebtedness.

No other subsequent events have occurred since the balance sheet date that would have any material impact on the condensed consolidated interim financial statements as at 31 March 2024.