

Report on Remuneration for 2023

of Colt CZ Group SE with its registered office at náměstí Republiky 2090/3a, 110 00 Prague 1, ID No.: 291 51 961, entered in the Commercial Register maintained by the Municipal Court in Prague, Section H, Insert No. 962 (the “Company”)

This Report on Remuneration is prepared pursuant to Sections 121o and 121p of Act No. 256/2004 Sb., on Capital Market Business, as amended (the “CMBA”), and follows up on the Remuneration Policy approved by the Company’s General Meeting on 27 May 2022 and available on the Company’s website.

This Report provides a complete overview of remuneration, including all benefits in any form whatsoever provided or payable in the 2023 financial year to persons in the position of a member of the Company’s Board of Directors, Supervisory Board, or Audit Committee (the “Officers”). Persons whose membership in the Company’s Board of Directors or Supervisory Board terminated in 2022 or 2023 and who received, directly or indirectly, remuneration from the Company in 2023 are also considered Officers.

1. Remuneration of Officers

The remuneration of Officers is laid down in the Remuneration Policy, which aims to

- (a) contribute to the fulfilment of the Company’s business strategy, defending its long-term interests and its sustainability; and
- (b) secure, retain and motivate members of the Board of Directors, the Supervisory Board and the Audit Committee, with regard to the qualifications, abilities, experience, commitment and roles of these individuals within the Company.

Remuneration and other benefits for the Officers are agreed either in service contracts or employment contracts approved by the Company’s Supervisory Board or General Meeting in compliance with the wording of its Articles of Association or the Company’s decision as the shareholder of subsidiaries under its control.

2. Outline of the Company’s performance in 2023 and annual changes in remuneration to the Company’s employees adjusted to weekly working hours

The Company’s performance for 2023 is summarized in detail in the Company’s annual report published on the Company’s website on 23 April 2024.

The total consolidated revenues of the group of companies controlled directly or indirectly by the Company, fell below the lower limit of the communicated forecast (CZK 15.2 to 15.5 billion) in 2023, i.e. they amounted to CZK 14.9 billion. The main reasons were the decline in the US commercial market, the exchange rate movements and the seasonality of sales. The level of consolidated EBITDA net of extraordinary one-off items achieved in 2023 was CZK 3.0 billion, or CZK 2.7 billion disregarding the extraordinary one-off items. Hence, the EBITDA net of one-off items reached the lower limit of the

range of CZK 3.0 to 3.3 billion as communicated during the presentation of the quarterly report for the first nine months of 2023.

An overview of the year-on-year change in the consolidated financial and non-financial figures of the Company in 2020 through 2023 is shown in the table below:

Financial and non-financial figures	2023	2022	2021	2020
Revenues from sale of own products, goods and services in CZK thous.	14 855 581	14 589 774	10 688 927	6 819 673
Operating profit in CZK thous.	1 861 966	2 198 682	1 011 181	1 056 319
EBITDA in CZK thous. ⁽¹⁾	2 663 687	3 109 117	1 800 804	1 449 815
Profit before tax in CZK thous.	2 509 562	2 356 170	931 548	851 023
Net financial debt at year's end in CZK thous. ⁽²⁾	7 464 691	3 669 615	3 770 060	561
Net leverage ratio ⁽³⁾	2.8x	1.18x	1.42x	0.0%
Net profit margin ⁽⁴⁾	13.7%	13.9%	7.1%	9.9%

⁽¹⁾ The Group's management considers EBITDA to be the key indicator of performance when assessing the business. The Company calculates consolidated EBITDA on the basis of data in the audited financial statements. EBITDA is calculated as profit after tax for the time period concerned, plus income tax, minus the profit from a bargain purchase, minus other financial income, plus other financial expenses, minus interest income, plus interest expense, adjusted by gains or losses from derivatives transactions, minus share of profit of associates and gain on investments in associated companies, plus depreciation and amortization. All items in the calculation of EBITDA were taken from the consolidated statement of profit or loss and from the statement of comprehensive income of audited financial statements.

⁽²⁾ The Company calculates consolidated net financial debt as long- and short-term bank credits and loans and liabilities under lease agreements (long- and short-term) minus cash and cash equivalents and other financial assets as shown in the consolidated statement of financial position in the audited financial statements. The Group uses the net financial debt to assess indebtedness with financial institutions including banks, lease companies and bond holders.

⁽³⁾ Net leverage ratio is defined as the ratio of net financial debt at the year's end to EBITDA for the same period.

⁽⁴⁾ Net profit margin is calculated as the ratio of profit after tax for the time period concerned to revenues from sale of own products, goods and services, expressed as percentage. Both items of the ratio are taken from the consolidated statement of profit or loss statement and from the statement of comprehensive income of audited financial statements. Net profit margin is used in analyses as a percentage indicator of a company's profitability.

The Company continued integrating Spuhr I Dalby into the group and in June of 2023 completed the acquisition of the Swiss group swissAA and thus contributed to the fulfilment of its long-term plan to expand its product portfolio and entered a new segment of ammunition manufacturers.

In the course of 2023, the Company's management did not fully attain the projected financial indicators which serve as the main criteria for the payment of the variable components of remuneration. The main reasons were the decline in the US commercial market, exchange rate movements and the seasonality of sales, which became significant in 2023.

The table below summarizes trends in the remuneration of the employees of the Company and employees of the subsidiaries for 2023.

	2023	2022	2021	2020
Average number of full-time equivalent employees	2 098	2 193	2 185	1 664
Wages and salaries in CZK thous.	2 049 228	1 996 160	1 486 843	938 307
Miscellaneous personal expenses in CZK thous.	35 681	60 012	42 375	30 648
Post-employment benefits plan in CZK thous.	264	350	25 207	0
Stock plan of Colt CZ Group SE in CZK thous.	161 967	119 488	0	0
Employee bonuses in CZK thous.	70 515	67 425	25 448	33 895
Total in CZK thous.	2 317 655	2 243 435	1 579 873	1 002 850
Average annual remuneration in CZK thous. per employee who is not a person under Section 121m(1) CMBA	1 105	1 023	723	603

The table above does not reflect those bonuses and other benefits provided to Officers which are the subject of chapter 4 of this Report.

3. Overview of remuneration and other benefits granted to Officers in 2023

In 2023, the Company provided the Officers with remuneration and other benefits in compliance with the Remuneration Policy in the following breakdown:

(a) Fixed component of remuneration

- ▷ Basic monthly remuneration
- ▷ Benefits and perquisites pursuant to Section 121l(2) of the CMBA in the form of liability insurance covering damage caused by a breach of duty of an officer (i.e. the D&O insurance), accident insurance, travel insurance for short-term business trips, including accommodation, a passenger car for private use, use of IT equipment and mobile phone for personal use, pension benefits and health insurance in the US, contribution for meals, contribution for healthcare

(b) Variable component of remuneration

- ▷ Annual bonus tied to the fulfilment of performance criteria set for 2022 (up to twelve times the amount of the basic salary)
- ▷ Extra bonus (determined based on a decision of the body that elected the Officer concerned)

4. Amount of remuneration and other benefits granted

The members of the bodies received the following gross remuneration and other benefits from the Company or subsidiaries controlled by the Company in 2023:

4.1 Company's Board of Directors

The Company's Board of Directors has five members. As of 31 December 2023, the Board of Directors had 5 members, namely:

- (a) Jan Drahota (chairman of the Board of Directors with taxable income in the Company),
- (b) Josef Adam (vice-chairman of the Board of Directors with taxable income in the Company),
- (c) Jan Holeček (member of the Board of Directors with taxable incomes in the Company and in Česká zbrojovka a.s.),
- (d) Jan Zajíc (member of the Board of Directors with taxable income in Česká zbrojovka a.s.),
- (e) David Aguilar (member of the Board of Directors with taxable income in Colt CZ Group North America Inc. whose term on the Board of Directors ended on 30 June 2023), and
- (f) Dennis Veilleux (member of the Board of Directors with taxable income in Colt's Manufacturing Company LLC).

The recalculated number of board members in 2023 was 5.5.

4.1.2 An overview of gross remuneration and other benefits provided to members of the Company's Board of Directors in 2023:

In CZK	Total	Companies that provided remuneration and other benefits to members of the Board of Directors in 2023			
		Colt CZ Group SE	Česká zbrojovka a.s.	Colt CZ Group North America Inc.	Colt's Manufacturing Company LLC
Fixed component of the remuneration					
Basic remuneration	22 920 639.83	8 640 000.00	2 400 000.00	2 776 250.00	9 104 389.83
Benefits and other perquisites	3 280 194.41	798 305.00	387 020.00		2 094 869.41
Variable component of the remuneration					
Annual bonus	19 346 210.00	7 440 000.00	2 400 000.00		8 884 000.00
Extra bonus	461 524.00	461 524.00	600 000.00		22 210.00
Total remuneration and other perquisites	46 008 568.24	17 339 829.00	5 787 020.00	2 776 250.00	20 105 469.24

* Remuneration paid in a currency other than CZK is converted at the CNB's average exchange rate for 2023.

Ratio between the fixed component of remuneration and total remuneration	56.95%
Ratio between the variable component of remuneration and total remuneration	43.05%

The variable component of the remuneration shown in the table above represents the annual remuneration paid for 2022, whose amount and conditions for entitlement were set in 2022 and which was assessed and paid in 2023.

4.1.3 Compliance with the Remuneration Policy

All components of remuneration have been paid to the members of the Board of Directors in compliance with the Remuneration Policy that has been applied in the Company since the date of its approval.

4.1.4 Application of performance criteria

The Company's key performance criterion under the approved Remuneration Policy was EBITDA. For some members of the Board of Directors (Dennis Veilleux and Jan Zajíc) this indicator was EBITDA achieved by the companies controlled by Colt CZ Group North America Inc., or by Česká zbrojovka a.s., respectively. In relation to the other members of the Board of Directors (Jan Drahota, Josef Adam and Jan Holeček), the key performance criterion was the consolidated EBITDA for the entire Colt CZ Group.

EBITDA is an indicator of operating performance and profitability of the Company, and as such it adequately reflects the development of the Company's performance.

4.2 Company's Supervisory Board

The Company's Supervisory Board has five members. The composition of the Company's Supervisory Board in 2023 is described in the annual report of the Company for 2023. As of 31 December 2023, the Supervisory Board had five members, namely:

- (a) David Aguilar (as of July 1, 2023, Chairman of the Supervisory Board with taxable income in Colt CZ Group North America Inc.),
- (b) René Holeček (as of July 1, 2023, member of the Supervisory Board and Vice Chairman of the Supervisory Board with taxable income in the Company),
- (c) Lubomír Kovařík (chairman of the Supervisory Board until 30 June 2023 with taxable income in the Company and in Česká zbrojovka a.s., Vice Chairman of the Supervisory Board as of 1 July 2023),
- (d) Vladimír Dlouhý (member of the Supervisory Board with taxable income in the Company), and
- (e) Jana Růžičková (member of the Supervisory Board with taxable income in the Company and in Česká zbrojovka a.s.).

The recalculated number of Supervisory Board members in 2023 was 4.

4.2.1 An overview of gross remuneration and other benefits provided to members of the Company's Supervisory Board in 2023:

In CZK	Companies that provided remuneration and other benefits to members of the Supervisory Board in 2023			
	Total	Colt CZ Group SE	Česká zbrojovka a.s.	Colt CZ Group North America Inc.
Fixed component of remuneration				
Basic remuneration	11 296 250	8 280 000	240 000	2 776 250
Benefits and other perquisites	668 779	572 523	96 256	
Variable component of remuneration				

Annual bonus	4 080 000	3 600 000	480 000	
Extra bonus	26 898	26 898		
Total remuneration and other perquisites	16 071 927	12 479 421	816 256	2 776 250

* Remuneration paid in a currency other than CZK is converted at the CNB's average exchange rate for 2023

Ratio between the fixed component of remuneration and total remuneration	74.45%
Ratio between the variable component of remuneration and total remuneration	25.55%

The variable component of the remuneration shown above represents the remuneration paid for 2022; its amount and conditions for entitlement were set out in the service agreement and approved by the General Meeting in 2023.

4.2.2 Compliance with the Remuneration Policy

All components of remuneration have been paid to the members of the Supervisory Board in compliance with the Remuneration Policy that has been applied in the Company since the date of its approval.

4.2.3 Application of performance criteria

Performance criteria are not applied in remunerating the Company's Supervisory Board members.

4.3 Company's Audit Committee

The Audit Committee has three members. The composition of the Audit Committee in 2023 is described in the Company's Annual Report for 2023.

in CZK	Total	Colt CZ Group
Annual recalculated number of members	3	
Fixed component of the remuneration		
Basic remuneration	436 136	436 136
Benefits and other perquisites	0	0
Variable component of the remuneration		
Annual bonus	0	0
Extra bonus	0	0
Total remuneration and other perquisites	436 136	436 136

Ratio between the fixed component of remuneration and total remuneration	100.00%
Ratio between the variable component of remuneration and total remuneration	0.00%

No variable component of the remuneration has been agreed for members of the Audit Committee.

4.3.1 Compliance with the Remuneration Policy

All components of remuneration have been paid to the members of the Audit Committee in compliance with the Remuneration Policy that has been applied in the Company since the date of its approval.

4.3.2 Application of performance criteria

Performance criteria are not applied in remunerating the Company's Audit Committee members.

5. Overview of changes in total remuneration for Officers

The Company's shares were accepted for trading on the European regulated market in October 2020; hence, 2020 is the first period in which the Company recorded paid-out remuneration.

Period	2020	2021	2022	2023
Annual full time equivalent number of Officers	10	12.33	12.67	12.5
Total balance of all remuneration granted	CZK 46 823 195	CZK 76 022 732	CZK 76 228 182	CZK 62 516 631

6. Company's shares and options granted or offered to Officers

Pursuant to the Remuneration Policy, the Company's Supervisory Board approved the Share Program of Colt CZ Group SE in 2021 (the "**Share Program**"). Based on the Share Program, the Company may provide the Officers and other persons defined as the *Authorized Persons* in the Remuneration Policy with remuneration in the form of shares.

The total number of the Company's shares that can be provided under the Share Program is 3,373,000 book-entry shares in registered form with a nominal value of CZK 0.10 per share.

As of 31 December 2023, the Share Program had 82 participants to whom the Company granted 85% of stock options from the total amount of the Share Program. The total stock options granted also include stock options for members of the Company's Board of Directors. As at the date of this Report:

- (a) the members of the Company's Board of Directors (Jan Drahota, Dennis Veilleux, Jan Zajíc, Jan Holeček and Josef Adam) were granted a total of 1,173,000 stock options, of which 10% were vested. None of the members of the Board of Directors fulfilled the conditions for the exercise of the option.
- (b) the Supervisory Board member David Aguilar was granted 47,000 stock options, of which 10% were vested.

The conditions for stock options to vest and to be exercised are described in more detail in the 2023 annual report. Below is a summary of the main conditions for stock options to vest under the Share Program:

- (a) 15% of the stock options vest gradually during the first three years of the Share Program (for the first time in 2022), with 5% of the total stock options vested to the relevant Authorized Person each year. The first vesting of 5% of the stock options occurred upon the signing of the agreement on participation in the Share Program. Stock options will subsequently vest on 1 June 2024.
- (b) 35% of the stock options may vest if the Company achieves target 1 (consolidated EBITDA of USD 275,000,000 for the period from 1 January 2021 to 31 December 2023). In the case of target 1 achievement, 35% of the stock options will vest as of 1 June 2024.
- (c) The remaining 50% of the stock options may vest if the Company achieves target 2 (simultaneous achievement of the following partial targets as of 31 December 2025: (x) consolidated turnover of the Colt CZ Group exceeds EUR 1,000,000,000; (y) consolidated EBITDA equals or exceeds EUR 200,000,000; and (z) the net debt / EBITDA ratio is less than 3.5). In the case of target 2 achievement, 50% of the stock options will vest as of 1 June 2023.

Subject to the conditions set out in the Share Program, the right to exercise the first 50% of the vested stock options will not arise before 2 July 2024. The right to exercise the remaining 50% of the vested stock options will not arise before 2 July 2026. In both cases, the option purchase price will be CZK 0.10.

For the sake of completeness, the Company represents that as of 31 December 2023, the Officers held a total of 27,983,281 book-entry shares of the Company.

7. Information on the exercise of the Company's right to claim refund of the variable component of remuneration or a part thereof

In 2023, the Company did not assert its right to a refund of the variable component of the remuneration or a part thereof vis-à-vis any Officer.

8. Information on deviations from the Remuneration Policy

When remunerating the Officers in 2023, the Company did not deviate from the Remuneration Policy.

In Prague, 27 May 2024



Jan Dranota
Chairman of the Board of Directors



Josef Adam
Vice-chairman of the Board of Directors