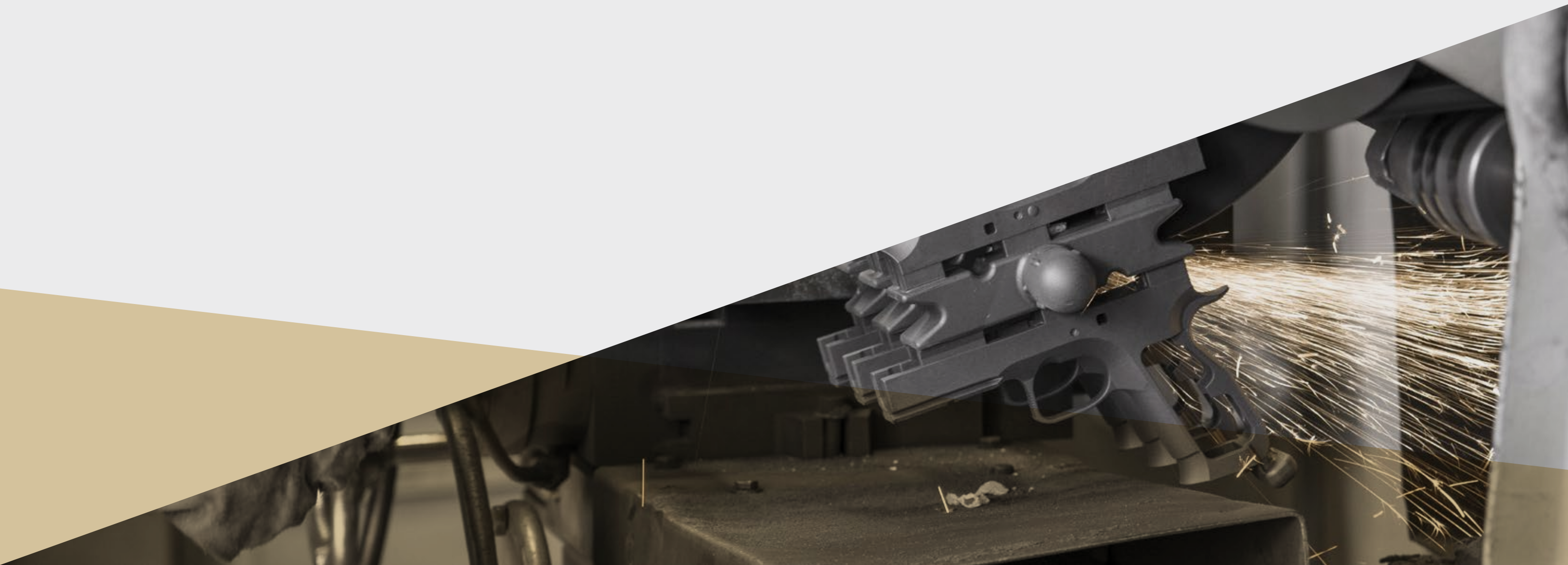
HALF YEAR REPORT

2020

CZG – ČESKÁ ZBROJOVKA GROUP SE

CONTENT



INTRODUCTION

CZG – Česká zbrojovka Group SE (“CZG” or “the Company”) and together with its consolidated subsidiaries (“the Group”) is one of the leading European producers of firearms and tactical accessories for military and law enforcement, personal defence, hunting, sport shooting and other civilian uses. Its products are marketed and sold under the Česká zbrojovka, CZ-USA, Dan Wesson, Zbrojovka Brno and 4M Systems brands.

Its history dates back to 1936 when the Česká zbrojovka firearms factory was established in Uherský Brod. The factory was built prior to WWII by the Czechoslovak state with the strategic aim of moving firearms production further away from the German border. It was one of the largest and most modern armaments production facilities in Europe. The factory’s production of a full range of firearms started to develop gradually after WWII, resulting in strong product positioning in the major segments of the firearms market.

In 1997, CZ-USA was established in the United States to handle local distribution, sales and service of firearms. In 2004, CZG acquired the firearms division of Zbrojovka Brno and, subsequently, it acquired Dan Wesson Firearms through CZ-USA in 2005. In May 2020, the Company acquired a minority stake in **Spuhr i Dalby AB**, a Swedish manufacturer of optical mounting solutions for weapons.

As of 30 June 2020, CZG had an average recalculated headcount of 1,642 people, based in the Czech Republic, United States and Germany. CZG is 100%-owned by Česká zbrojovka Partners SE and its shares are listed on the **Prague Stock Exchange**.

LETTER
OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Ladies and gentlemen,

The first half of 2020 was marked by two developments – the novel coronavirus (covid-19) pandemics and, on a more positive note, the entry of CZG – Česká zbrojovka Group on the Prague Stock Exchange.

Despite the negative impact of the covid-19 pandemic on much of the world, CZG managed to overcome this challenge successfully. I would like to take this opportunity to express my sincere gratitude to all our employees for their dedicated and responsible approach. Our management in the daughter companies was able to organise the daily business to ensure maximum protection of our employees' health, while in return, our employees ensured the continuity of production and sales. I would also like to thank our business partners and our customers for their loyalty to the Česká zbrojovaka (CZ) brand.

Thanks to this joint effort, CZG registered a record operational performance in the first six months of 2020. We grew in all key indicators compared to the same period in 2019, namely in revenues by 13.5% to CZK 3.4 billion; firearm units produced and sold by 4.1% and 15.1%, respectively, reaching 201,330 firearm units produced and 228,205 firearm units sold; and operating profit by 8.0% reaching CZK 675.8m. This is remarkable considering the global impact of the covid-19 pandemic. CZG is perfectly placed to successfully achieve its vision thanks to its robust business model, strong financial performance, and overall market position.

The second important development over the past six months was the admission of CZG shares on the Prime Market of the Prague Stock Exchange. It took place on 1 June 2020 in the form of a so-called technical listing without a prior public offering. The decision to list shares on a regulated stock market is an expression of our strong commitment to transparency and responsible corporate governance, which we believe will further strengthen our credibility towards our partners, especially in the military and law enforcement segment. It is also a first step towards our long-term goal to become a standard traded company that can enter the capital market at the right time to obtain financing for its development plans, including CZG's strategic aim to establish a substantial production presence in the United States, Little Rock, Arkansas.

CZG and subsidiaries companies marked several successes in the period of first six months of 2020. With regard to the Military and Law enforcement market, on 21 April, Česká zbrojovka signed a framework agreement for the supply of up to 39,000 small arms and ammunition worth up to CZK 2.35 billion to the Czech Army by 2025. The Czech Army has historically been one of our most important customers and a key reference on the world markets. This contract is an assurance for us that we are doing our job well and creating high-quality and innovative products that will succeed in the most demanding military and law enforcement markets.

I am also very pleased about the continued cooperation with the Hungarian state company HM Arzenál in rearming the Hungarian armed forces through our joint transfer of technology project.

As for the civilian market, I would like to highlight the CZ Configurator. Launched in October 2019, it is an important tool in our effort to get closer to our customers and provide better and faster service. Česká zbrojovka and Zbrojovka Brno have done a tremendous job in ensuring speedy processing of our customers' orders. The CZ Configurator is now available in the Czech Republic, Slovakia and Poland, and we are working on its implementation in other selected territories. In the Czech Republic, every fourth P-10 pistol is now sold via the Configurator.

To stay competitive and fulfill the demands of our customers, we need to remain agile, provide continuous product and service improvement and invest in technology and development. The area of Research and Development is key to our success. Around 102 of our employees are directly involved in R&D projects and a number of additional employees participate in R&D efforts by working on R&D-related tasks.

Thanks to this effort, we were able to launch several new products that have already gained appreciation by our customers. In March, we released the brand-new member of the very successful CZ P-10 family – the CZ P-10 M, or the Micro, thus completing the defence and service striker-fired polymer frame P-10 series. We also introduced three models of the new CZ 457 rimfire rifle which we had launched last year and which is proving very popular with our customers.

Moreover, CZG got involved in the production of a protective mask against the coronavirus through our dedicated R&D workplace CARDAM. The mask with a replaceable P3 filter obtained the European certification, which means it provides the highest level of protection, as does the class FFP3 respirator. CARDAM, which is a joint venture of CZG, the Institute of Physics of the Czech Academy of Sciences and the company Beneš and Lát, participated in the development of the mask and oversaw its rapid commissioning into serial production. The Ministry of Health of the Czech Republic bought a total of 50,000 masks, which means that the mask is supporting those on the front line of the coronavirus pandemics.

Alongside organic growth, we continue to evaluate opportunities for further expansion through acquisitions, joint ventures or other strategic initiatives, both in the small arms segment and in the key complementary segments, such as ammunition production, optics and optoelectronics. In accordance with this strategy, CZG acquired a minority stake in Spuhr i Dalby AB, a leading manufacturer of optical mounting solutions for weapons located in Sweden, in May 2020. This acquisition creates mutual synergies in terms of products, customers and geographical presence. We believe that the connection of the CZ and Spuhr brands will further strengthen our position on the market and lead to continuous innovation for the benefit of our customers.

As we look forward to the rest of 2020 and beyond, we will continue to focus on investing in our people and in R&D, producing exceptional products and delivering impeccable service. We believe that this approach will, even in the uncertain times characterized by the global impact of the new coronavirus, lead to job security for our employees, our ability to deliver to all our stakeholders and customers and sustainable growth of the company.

Lubomír Kovařík
President and Chairman of the Board
CZG – Česká zbrojovka Group SE

KEY FINANCIAL INDICATORS

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(CZK thousands)	For the six months ended 30 June		
	2020	2019[1]	Change in %
	(unaudited)		
Revenues from the sale of own products, goods and services	3,363,399	2,963,241	13.5%
Thereof: Production, Purchase and Sale of Firearms and Accessories Segment	3,299,771	2,920,457	44.1%
Thereof: Other Segment	63,628	42,784	48.7%
Operating profit	**675,776**	**625,943**	**8.0%**
Profit before tax	**473,572**	**630,200**	**(24.9%)**
Profit for the period from continued operations	**381,963**	**499,054**	**(23.5%)**
Post-tax profit from discontinued operations	**0**	**14,915**	**n/a**
Profit for the period attributable to:			
Owner of the parent	381,744	499,969	(23.6%)
Non-controlling interests	219	14,000	(98.4%)
Net earnings per share attributable to the owner of the parent company (CZK per share)			
Basic	13	17	(23.5%)
Diluted	13	17	(23.5%)

(1) All comparative amounts for the six months ended 30 June 2019 have been restated to reflect the reclassification of discontinued operations.

Consolidated Statement of Financial Position

(CZK thousands)	As of		
	30 June 2020	31 December 2019	Change in %
Total assets	7,601,071	7,548,575	0,7%
Total equity	3,224,092	3,468,961	(7.0%)
Total liabilities	4,376,979	4,079,614	7.3%
Total liabilities and equity	7,601,071	7,548,575	0.7%

GROUP PERFORMANCE IN THE FIRST HALF 2020

A. BUSINESS PERFORMANCE

The Group's management believes the Group is one of the leading European producers of firearms for military and law enforcement, personal defence, hunting, sport shooting and other civilian use. It markets and sells its products under the CZ (Česká zbrojovka), CZ-USA, Dan Wesson, Brno Rifles and 4M SYSTEMS brands. The Group is headquartered in the Czech Republic and has production facilities in the Czech Republic and the United States. It has over 80 years of history. The Company is the holding company of the Group.

In the six months ended 30 June 2020, the Group generated CZK 3.4 billion of revenues and CZK 724.8 million of EBITDA. In the six months ended 30 June 2020, 9.2% of revenues were generated in the Czech Republic, 69.5% in the United States and 8.5% in the Europe (excluding the Czech Republic). In the six months ended 30 June 2020, the Group sold 228,205 firearms to customers in 73 countries on six continents. In the six months ended 30 June 2020, the Group had an average recalculated headcount of 1,642 based in the Czech Republic, the United States and Germany.

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").

In 2019, the Group's shareholder decided to spin-off all of the Group's assets related to the production of automotive and aviation components (the "Automotive and Aviation Business"), other than certain buildings, to CZ-AUTO SYSTEMS a.s., a newly established entity. The spin-off was registered in the Commercial Register 31 March 2020 while the effective date of the spin-off for financial and accounting purposes was 2 January 2020. The disposal was intended to enable the Group to focus its attention on the Firearms and Accessories Segment.
As a result of the decision, the Automotive and Aviation Business was classified as discontinued operations in the Company's condensed consolidated statement of profitor loss and other comprehensive income for the six months ended 30 June 2020, with comparative amounts for the six months ended 30 June 2019 restated for the reclassification of discontinued operations.

In the Company's consolidated statement of financial position as of 30 June 2020, the assets and liabilities of the Automotive and Aviation Business are shown as assets and liabilities held for sale for distribution to owners. The cash flow statements for the six months ended 30 June 2019 include the cash flows for both continued and discontinued operations.

The Group's revenues are derived through the manufacture and sale of firearms and tactical accessories for military and law enforcement, personal defence, hunting, sport shooting and other civilian use and through related licencing and services. The revenues the Group generates therefore generally depend primarily on the demand for the Group's products, the product mix and also on the prices for the Group's products.

The following table sets forth a breakdown of the Group's firearm units sold by type, for the periods indicated, excluding unregistered air rifles.

Units	For the six months ended 30 June		
	2020	**2019**	**Change in %**
Type of Firearm unit sold by the Group			
Long guns	78,955	76,600	3.1%
Handguns	149,250	121,657	22.7%
Total Firearms Units	228,205	198,257	15.1%

B. FINANCIAL PERFORMANCE

Revenues

Revenues increased by CZK 400.2 million, or 13.5%, from CZK 3.0 billion in the six months ended 30 June 2019 to CZK 3.4 billion in the six months ended 30 June 2020, mainly due to an increase in the number of firearms sold as a result of increased demand in the United States, Africa and Asia.

Regionally, revenues in the Czech Republic decreased by CZK 420.6 million, or 57.7%, from CZK 729.0 million in the six months ended 30 June 2019 to CZK 308.4 million in the six months ended 30 June 2020 mainly as a result of reduced sales to key military and law enforcement customers in the Czech Republic and a one-time ammunition delivery in the six months ended 30 June 2019, which did not recur in the six months ended 30 June 2020, as well as reduced sales to civilian customers resulting from the COVID-19 pandemic related shutdown measures, which negatively impacted the availability of the Group's distribution channels. Revenues in the United States increased by CZK 851.0 million, or 57.2%, from CZK 1,486.9 million in the six months ended 30 June 2019 to CZK 2,337.9 million in the six months ended 30 June 2020 mainly as a result of increased demand due to the COVID-19 pandemic, civil unrest and calls for to defund the police in the U.S. Revenues in Europe (excluding the Czech Republic) decreased by CZK 113.3 million, or 28.4%, from CZK 398.6 million in the six months ended 30 June 2019 to CZK 285.2 million in the six months ended 30 June 2020 mainly as a result of temporary interruptions to the Group's logistical activities, Group's manufacturing and supply chain in Europe and disruptions to its due to shutdowns of retailers, in particular in Germany and France, by authorities as part of measures to try to contain covid-19.

Revenues in Africa increased by CZK 73.8 million, or 153.2%, from CZK 48.2 million in the six months ended 30 June 2019 to CZK 121.9 million in the six months ended 30 June 2020 due to one-time sales to a military and law enforcement customers. Revenues in Asia increased by CZK 87.6 million, or 79.0%, from CZK 110.8 million in the six months ended 30 June 2019 to CZK 198.4 million in the six months ended 30 June 2020 due to increased sales to military and law enforcement customers as well as increased sales to civilian customers. Revenues in the rest of the world (Other) decreased by CZK 78.3 million, or 41.2%, from CZK 189.8 million in the six months ended 30 June 2019 to CZK 111.5 million in the six months ended 30 June 2020 due to the negative impact on the availability of the Group's distributions channels caused by the COVID-19 pandemic related shutdown measures.

The following table sets forth a breakdown of the Group's revenues by region for the periods indicated.

	For the six months ended 30 June		
	2020	**2019**	**Change in %**
Units	(unaudited, CZK thousands)		
Czech Republic	308,362	728,970	(57.7)%
United States	2,337,896	1,486,903	57.2%
Europe (excl. the Czech Republic)	285,247	398,565	(28.4)%
Africa	121,940	48,156	153.2%
Asia	198,425	110,841	79.0%
Other	111,529	189,806	(41.2)%
Total	**3,363,399**	**2,963,241**	**13.5%**

Other operating income

Other operating income decreased by CZK 90.6 million, or 67.5%, from CZK 134.2 million in the six months ended 30 June 2019 to CZK 43.6 million in the six months ended 30 June 2019 due to one-time royalties related to licences for the production of firearms received in 2019 that were not repeated in the six months ended 30 June 2020.

Changes in inventories of finished goods and works in progress

Changes in inventories of finished goods and works in progress decreased by CZK 229.7 million, from CZK 13.7 million in the six months ended 30 June 2019 to CZK (216.0) million in the six months ended 30 June 2020 mainly as a result of increased demand in the United States, which led to the complete exhaustion of the Group's inventory in the United States and increased production in both the Czech Republic and the United States.

Own work capitalized

Own work capitalized increased by CZK 9.6 million, or 18.3%, from CZK 52.4 million in the six months ended 30 June 2019 to CZK 62.0 million in the six months ended 30 June 2020.

Raw materials and consumables used

Raw materials and consumables used decreased by CZK 76.3 million, or 5.6%, from CZK 1,355.1 million in the six months ended 30 June 2019 to CZK 1,278.8 million in the six months ended 30 June 2020. As a percentage of revenues, raw materials and consumables used decreased from 45.7% in the six months ended 30 June 2019 to 38.0% in the six months ended 30 June 2020. This relative decrease was attributable to the Group's active working capital management measures and increased production in the Czech Republic and the United States in the second quarter of 2020.

Services

Services increased by CZK 72.6 million, or 17.2%, from CZK (423.3) million in the six months ended 30 June 2019 to CZK 496.0 million in the six months ended 30 June 2020. As a percentage of revenues, services increased from 14.3% in the six months ended 30 June 2019 to 14.7% in the six months ended 30 June 2020. Of the increase, CZK 17.6 million was related to the technical listing of the Company's shares on the Prague Stock Exchange and the remainder was mainly caused by operational and logistical costs related to measures taken to address the COVID-19 pandemic.

Personnel costs

Personnel costs increased by CZK 81.9 million, or 15.4%, from CZK 533.1 million in the six months ended 30 June 2019 to CZK 615.0 million in the six months ended 30 June 2020. The increase was attributable to changes in the allocation of remuneration for the Company's representative bodies (in the six months ended 30 June 2020, the Company paid the Board of Directors and Supervisory Board's compensation, while in the six months ended 30 June 2019, the shareholder paid their compensation without recharging these costs to the Company), senior hires in the commercial department and additional hires in the U.S. to assist with the increased demand in the U.S.

Depreciation and amortization

Depreciation and amortization increased by CZK 7.3 million, or 3.9%, from CZK 186.2 million in the six months ended 30 June 2019 to CZK 193.5 million in the six months ended 30 June 2020. The minor increase can be attributed to continuous investments by the Group in its production base in amounts exceeding corresponding depreciation.

Other operating expenses

Other operating expenses decreased by CZK 45.9 million from CZK (39.9) million in the six months ended 30 June 2019 to CZK 6.0 million in the six months ended 30 June 2020 mainly as a result of the release of a provision created for obsolete inventories, upon the sale of that inventory to a Group customer.

EBITDA from continued operations

The Group's management considers EBITDA from continued operations to be a key performance indicator in evaluating the Group's business. EBITDA from continued operations is not a measure of performance defined or recognized under IFRS. The Group calculates EBITDA from continued operations as post-tax profit for the period less post-tax profit from discontinued operations plus income tax less interest income plus interest expenses plus depreciation and amortization.

EBITDA from continued operations decreased by CZK 122.3 million, or 14.4%, from CZK 847.1 million in the six months ended 30 June 2019 to CZK 724.8 million in the six months ended 30 June 2020. The decrease in the six months ended 30 June 2020 related to the CZK 144.4 million impact of the significant depreciation of CZK against both EUR and USD in the six months ended 30 June 2020, which resulted in mark-to-market losses for the portion of the Group's hedging transactions that do not qualify for hedge accounting under IFRS because they were no longer effective, to directly recognizing changes in the fair values of those derivatives as income or loss in the consolidated statement of profit or loss and other comprehensive income.

Financial income and expenses

Interest income decreased by CZK 0.6 million, or 5.4%, from CZK 11.2 million in the six months ended 30 June 2019 to CZK 10.6 million in the six months ended 30 June 2020. Interest expenses increased by CZK 26.4 million, or 62.9%, from CZK 42.0 million in the six months ended 30 June 2019 to CZK 68.4 million in the six months ended 30 June 2020, primarily as a result of increased market interest rates.

Other financial income and expenses

Other financial income increased by CZK 177.9 million, or 117.9%, from CZK 150.9 million in the six months ended 30 June 2019 to CZK 328.7 million in the six months ended 30 June 2020. Other financial expenses increased by CZK 362.5 million, or 312.4%, from CZK 116.0 million in the six months ended 30 June 2019 to CZK 478.5 million in the six months ended 30 June 2020. The developments in interest income/expenses and other financial income/expenses discussed above were driven to a significant extent by the significant depreciation of CZK against both EUR and USD in the six months ended 30 June 2020, which resulted in mark-to-market losses for the portion of the Group's hedging transactions that do not qualify for hedge accounting under IFRS, because they were no longer effective, to directly recognizing changes in the fair values of those derivatives as income or loss in the consolidated statement of profit or loss and other comprehensive income.

Profit before tax

Profit before tax decreased by CZK 156.6 million, or 24.9%, from CZK 630.2 million in the six months ended 30 June 2019 to CZK 473.6 million in the six months ended 30 June 2020. The decrease in the six months ended 30 June 2020 is related to the significant depreciation of CZK against both EUR and USD in the six months ended 30 June 2020 discussed above.

Income tax

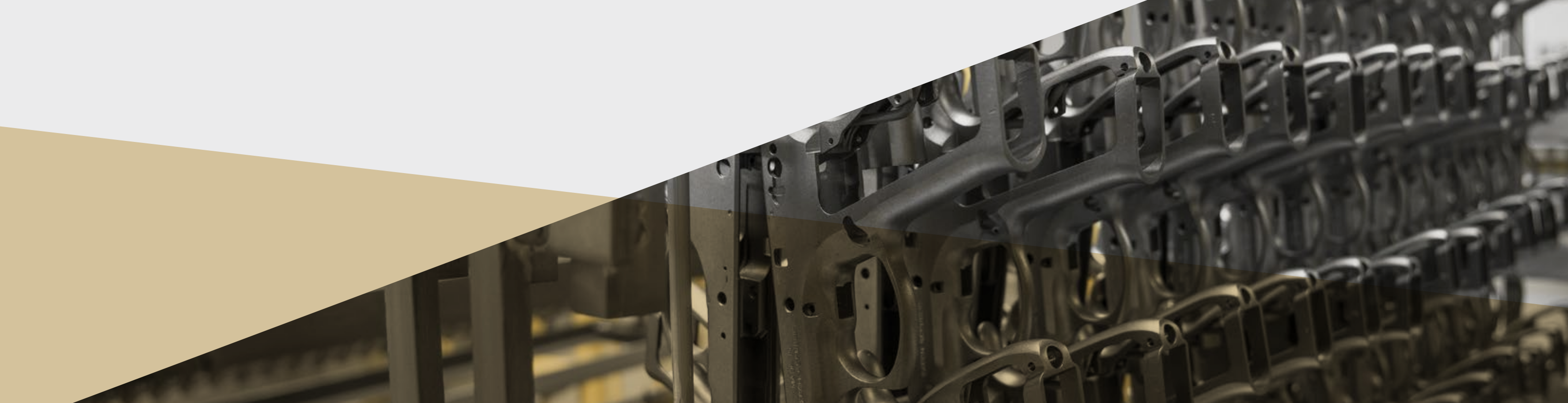
Largely as a result of the lower pre-tax profit, income tax decreased by CZK 39.5 million, or 30.1%, from CZK 131.1 million in the six months ended 30 June 2019 to CZK 91.6 million in the six months ended 30 June 2020. In addition, the Group's estimated effective tax rate decreased from 20.8% in the six months ended 30 June 2019 to 19.3% in the six months ended 30 June 2020.

Profit for the period from continued operations

Profit for the period from continued operations decreased by CZK 117.1 million, or 23.5%, from CZK 499.1 million in the six months ended 30 June 2019 to CZK 382.0 million in the six months ended 30 June 2020.

Post-tax profit for the period

Post-tax profit for the period decreased by CZK 132.0 million, or 25.7%, from CZK 514.0 million in the six months ended 30 June 2019 to CZK 382.0 million in the six months ended 30 June 2020. The decrease in post-tax profit for the period was driven by the significant depreciation of CZK against both EUR and USD in the six months ended 30 June 2020 discussed above.



C. STRATEGY AND OUTLOOK

Little Rock Project

The Group decided to biuld its North American headquarters and a production facility in Little Rock, Arkansas (the "Little Rock Project"). The implementation of the Little Rock Project will be done via a newly established company, CZ-MFG, Inc., which is a 100% subsidiary of CZ-US Holdings, Inc. According to the Group's plan, the facility is expected to manufacture, warehouse and distribute the Group's high-end, precision firearms, while employing up to 300 workers over the next five years. The State of Arkansas has agreed to support the building of the production facility with incentives including a training program, tax refund program, land donation program and, subject to fulfilment of the granted incentives conditions (in particular, defined job creation) a forgivable loan. The total amount of incentives is expected to exceed USD 23.4 million. The total area of the plot is approximately 260,000 m² and is subject to the land donation program. The planned logistics and manufacturing plant will be approximately 18,000 m². The Group estimates, that the new manufacturing facility will add approx. 50% to its current overall production capacity, which will enable the Group to solve the under-met demand for its products in the U.S.

The Group believes that the Little Rock Project will establish a substantial production presence for the Group in the United States and it is expected to provide the Group with strategic advantages, not only in terms of marketing, but also because this may allow the Group to produce concealed carry firearms (whose import to the United States is restricted) and sell them to federal agencies in compliance with quotas contained in the Buy America Laws, without the need to purchase significant parts from other United States producers.

The final business plan of the Little Rock Project was approved by the Company's Board of Directors on 2 July 2020. The Company has obtained the necessary permits to begin construction of the Little Rock Project that was originally planned to begin in the second half of 2020, but due to the uncertainty regarding travel and other restrictions as a result of the covid-19 pandemic, the Board of Directors decided to postpone the start of construction by up to 12 months. This will result in a delayed start of production in the facility and its full ramp-up. Based on the current status of the covid-19 pandemic and its economic impact, management believes that such delay could be shorter than 12 months, although this may change depending on future developments. The Group intends to use its Czech-based resources extensively, especially R&D and engineering, in the process of factory design, production layout and implementation of the entire project, and together with the local, U.S.-based resources in the construction and fit-out phases of construction, and flexible travel is thus Paramount for the successful implementation of the Little Rock Project.

The products to be produced in the Little Rock production facility include mainly new firearms, such as the CZ P-10 micro, the CZ Scorpion EVO 3+, the CZ Scorpion EVO 4 and CZ P-11 and a new generation of Dan Wesson pistols, such as the DWX model.

Penetration of military and law enforcement markets

Currently, the group generates most of revenues from sales to the civilian market. The Group intends to focus on increasing its penetration of military and law enforcement markets particularly in Western Europe, the United States and select markets in Asia. The Group's management believes the military and law enforcement market offers greater growth opportunities than the civilian market due to the current political and security situation and the rather long investment gap in most developed countries. The Group also believes that increased sales to military and law enforcement customers will enhance the Group's brand recognition generally, supporting the Group's aim of positioning its products as premium brands.

The Group believes that it is well positioned to further penetrate the military and law enforcement market. The Group can capitalize on its experience gained from supplying firearms to military and law enforcement customers for many years and can offer full firearm and ammunition solutions to existing and new military and law enforcement customers. In addition, it is critical to obtain the appropriate export licenses in order to be able to export firearms and the Group has a successful track record of obtaining the necessary approvals for export from the EU.

The Group has been upgrading its product offering to include all relevant types of handguns (mainly pistols), submachine guns and advanced assault rifles, including the addition of the CZ 457 rimfire rifle series, the CZ 455 Mini Sniper rimfire rifle, the CZ Shadow 2 Orange sport special pistol and three new models to the CZ P-10 polymer frame pistol series in 2019 and 2020. Also, the Group intends to intensify its firearms and accessories sales and marketing efforts in order to penetrate the military and law enforcement market, including through presentations and testing events for military and law enforcement customers. The Group has also strengthened its footprint in Germany and Western Europe with new senior sales roles hires and the Group's P-10 handgun is undergoing testing to be certified for use by German law enforcement. In order to increase its success rate in reaching and concluding agreements with various military and law enforcement customers, CZUB set up a tender support department that specifically monitors and assesses various opportunities within this market. In order to increase the Group's penetration of the market, the Group also actively seeks, selects and cooperates with external governmental agencies, partners and experts, such as various supply and procurement agencies and hires experienced experts with military background and a long-term experience within the defence industry. These individuals actively seek new opportunities as well as provide feedback to the research and development teams assuring the Group maintains a highly competitive product portfolio.

Expansion of presence in the U.S. and the EU

The Group has expanded into more than 90 markets globally and continues to expand its presence in growth markets, particularly in the U.S. The especially dynamic trends in the U.S. in recent years underscore the importance of further expanding not only the Group's production capabilities, but also its degree of localization. The Group seeks to establish itself as a premium brand in the U.S. by strengthening its brand recognition among military and law enforcement customers, increasing the production volume of its firearms as well as expanding the variety of types of firearms it offers, including modifications and upgrades to the current product mix. The Group intends to continue upgrading its existing production facilities in the Czech Republic to stimulate the organic growth of the Group and to enhance its production efficiency and optimize inventory management and order fulfilment.

The Group has also decided to strategically expand its production capacities in the United States by constructing a new production facility in Little Rock, Arkansas, which will serve as the Group's North American headquarters as second major production facility, in addition to its existing main facility in Uherský Brod. Construction of the Little Rock Project was originally planned to begin in the second half of 2020, but due to the uncertainty regarding travel and other restrictions as a result of the COVID-19 pandemic, the Board of Directors decided to postpone the start of construction by up to 12 months. The Group believes that the new production facility in Little Rock will help the Group to better serve the U.S. market, the largest and most important small arms market globally, to compete in more tender processes with U.S. law enforcement and military customers as its products will be eligible for consideration under the Buy America Laws, and thereby further strengthen its brand recognition in the U.S. In addition, greater production capacity in the U.S. will provide the Group with flexibility to switch production between the EU and the U.S. if needed, for example due to regulatory or cost structure changes in one or the other location. The Group has also recently entered into the Framework Agreement with HM ARZENÁL, a Hungarian company fully owned by the Hungarian state, granting HM ARZENÁL a license to manufacture and sell certain types of CZ firearms in

Hungary. Any excess production capacity from the Hungarian facility represents additional production capacity potentially available to support the Group's organic growth ambitions. In addition to its geographic expansion, the Group is also developing a wider product portfolio. Among other things, the new additions will include optics and optoelectronics with the aim to support the anticipated shift to the use of smart and integrated firearms among military and law enforcement customers.

Outlook for the second half of 2020

Management expects the financial performance of the Company for the rest of 2020 to be in line with the Company´s business plan. The Group's management expects further sales and revenues growth, particularly in the more developed and demanding markets. Group´s profitability in the first half of 2020 was negatively affected by the adverse development of foreign exchange rates that resulted in mark-to-market losses for the portion of the Group's hedging transactions that do not qualify for hedge accounting under IFRS. Management cannot predict of influence foreign Exchange rate movements in the second half of 2020.

Risks related to the financial situation are primarily described in the Notes to the Consolidated financial accounts. Risks related to the ongoing COVID-19 health crisis are described in detail in a separate section "Information concerning COVID-19".

D. INFORMATION CONCERNING COVID-19

Impact of COVID-19 on the Group

The impact of covid-19 on the Group's production has been limited so far. The Group has not experienced major interruptions of its production process in its main production facility; initially, the Group decided to halt production for one day to evaluate the government recommendations and implement adequate measures, and subsequently daily production was slowed for approximately two months, but has since returned to full production capacity (CZUB produced 180,040 firearms in the six months ended 30 June 2020 and 175,028 firearm units in the six months ended 30 June 2019). At the same time, the Group had to temporarily close its manufacturing facility in Norwich, New York, beginning on 22 March 2020, cease production of its Dan Wesson products and, effective 11 April 2020, reduce its workforce in the U.S. by 35 employees. In May and June 2020, the facility gradually started to re-hire employees and restart production and, as of 31 August 2020, there are 30 employees at Dan Wesson. As a result of the closure and increased demand for Dan Wesson products in the U.S., by August 2020 the Group had sold its entire stock of Dan Wesson products and, despite the restart of production in its Norwich, N.Y. facility, is not currently able to satisfy the continued increased demand.

Risks related to the ongoing COVID-19 health crisis

The Group faces various risks related to the ongoing COVID-19 health crisis. In December 2019, a novel strain of coronavirus COVID-19 reported to have surfaced in Wuhan, China. On 11 March 2020, the World Health Organization declared COVID-19 a global pandemic. The rapid spread of COVID-19 has resulted in authorities implementing numerous measures to try to contain COVID-19, such as travel bans and restrictions, quarantines, shelter in place orders, curfews and shutdowns and these measures have adversely impacted and may further impact the majority of economic sectors including portions or all of the Group's workforce and operations, the operations of its customers, and those of its respective vendors and suppliers. To date, the COVID-19 pandemic has 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. The Group's sales increased in certain markets during the first six months of 2020 and since the COVID-19 outbreak and the start of civil unrest in May 2020, demand in the U.S. has been higher than demand in previous years, however, the Group is unable to assess whether or for how long the increased or stable demand in those markets will last and believes this may be a temporary effect. In addition, due to the near halt of passenger air flights from and/or to key markets of the Group, the Group has had to switch from using the excess cargo capacity of passenger air flights to more costly specialised cargo plane flights. Consequently, the cost of transportation of the Group's products has increased substantially.

The Group operates its principal production facility in Uherský Brod, Czech Republic. This facility is critical to the Group's operations. In 2019, the Group produced more than 85% of its products (firearms) at this facility. The Group does not have any other significant production capacity which could substitute this facility. If significant portions of the Group's workforce based in Uherský Brod were unable to work effectively as a result of the COVID-19 pandemic, including because of illness, quarantines, facility closures, ineffective remote work arrangements or technology failures or limitations, the Group's operations would be materially adversely impacted. The Group has significant manufacturing operations in the Czech Republic and an important distribution centre as well as the Dan Wesson manufacturing facility in the United States. Both the Czech Republic and the United States, have been affected by the pandemic and taken measures to try to contain it. As part of such measures, the Group has had to temporarily close its manufacturing facility in Norwich, New York, as of 22 March 2020, cease production of its Dan Wesson products and, effective 11 April 2020, reduce its workforce in the U.S. by 35 employees. In May and June 2020, the facility gradually started to re-hire employees and restart production and, as of 31 August 2020, there were 30 employees at Dan Wesson. As a result of the closure and increased demand for Dan Wesson products in the U.S., by August 2020, the Group had sold its entire stock of Dan Wesson products and, despite the restart of production in its Norwich, N.Y. facility, is not currently able to satisfy the continued increased demand for Dan Wesson products in the U.S. There is considerable uncertainty regarding measures taken to try to contain the pandemic and potential future measures, including region and/or town closures/quarantines, forced and/or voluntary facility closures, reductions in operating hours, labour shortages and real time changes in operating procedures to accommodate social distancing guidelines. Restrictions on access to the Group's manufacturing facilities or on its support operations or workforce, or similar limitations for its suppliers, and restrictions or disruptions of transportation, port closures and increased border controls or closures, could limit the Group's ability to meet customer demand and have a material adverse effect on its financial condition, cash flows and results of operations. There is no certainty that measures taken by governmental authorities will be sufficient to mitigate the risks posed by covid-19, and the Group's ability to perform critical functions could be harmed.

The Group has experienced interruptions to its supply chain and if these or other interruptions are long-lasting or spread to a wider supplier base, this could cause shortages in certain materials, parts and labour supplies that are key to the Group's commercial operations and negatively impact the Group's business results. Additionally, the COVID-19 pandemic may impact distribution and logistics providers' ability to operate or may increase their operating costs. For example, the Group has traditionally used cargo services on passenger flights provided by airlines as a complementary product. As passenger flights have been dramatically reduced, the Group has had to use alternative logistics solutions, in particular, dedicated cargo flights, which tend to be more expensive than the services used in the past. These supply chain effects may have an adverse effect on the Group's ability to meet consumer demand and could result in an increase in the Group's costs of production and distribution, including increased freight and logistics costs and other expenses. While there have been intensifying efforts to contain the spread of COVID-19 by the governments of the countries and territories affected, the extent to which the COVID-19 outbreak impacts the Group's results is highly uncertain and depends on future developments, including new information that emerges concerning the severity of the COVID-19 pandemic and the actions to contain the outbreak or treat its impact, among others.

The COVID-19 pandemic and the containment measures taken could impact the Group's business globally, including through store closures or reduced operating hours or decreased retail traffic because consumers are staying at home. Store closures by the Group, its wholesale customers or distributors globally have been required in certain markets and additional store closures may be required and there can be no assurance as to how long these closures may remain in effect or as to whether they may need to be reinstated following a resurgence in the number of infections. Furthermore, even after reopening, there can be no assurance as to the time required to regain operations and sales at prior levels.

In addition, the Group's business is sensitive to reductions in discretionary spending by consumers. In recent months, the COVID-19 pandemic has also significantly increased economic and demand uncertainty, and has led to disruption and volatility in the global capital markets, which could lead to a decline in discretionary spending by consumers and business failures or insolvencies, including of the Group's wholesale customers and distributors, and which could in turn impact, possibly materially, the Group's business, sales, financial condition and results of operations. In the United States, the unemployment rate was at 3.5% in February 2020 (Source: U.S. Bureau of Labor Statistics), since the U.S. president declared a national emergency over the COVID-19 pandemic on 13 March 2020, the unemployment rate reached 4.4% in March and then 14.7% in April 2020, the largest one-month increase and the highest rate in the history of the official government data (started in 1948) (Source: U.S. Bureau of Labor Statistics). Subsequently, in July 2020, the unemployment rate in the United States decreased slightly to 10.2% (Source: U.S. Bureau of Labor Statistics). Uncertain or negative outlook on general economic conditions can cause significant changes in market liquidity conditions, which could impact the Group's access to funding and associated funding costs, which could reduce the Group's earnings and cash flows. The Company cannot predict the degree to, or the time period over which, the Group's sales and operations will be impacted by the COVID-19 pandemic, and the effects could be material. It is likely that the COVID-19 pandemic will cause an economic slowdown, and it is possible that it could cause a global recession.

The Group continues to monitor the rapidly evolving situation and guidance from international and domestic authorities and may take additional actions based on their recommendations. In these circumstances, there may be developments outside the Group's control that require the Group to adjust its operating plan. The ultimate magnitude of the COVID-19 pandemic, including the extent of its impact on the Group's financial and operational results, which could be material, will be determined by the length of time that the pandemic continues, its effect on the demand for the Group's products and services and the supply chain, as well as the effect of governmental regulations imposed in response to the pandemic. The Group cannot, at this time, predict the impact of the COVID-19 pandemic, but it could have a material adverse effect on the Group's business, financial condition, results of operations and/or cash flows.

The COVID-19 outbreak has posed significant challenges to CZG´s business activities in the reported period. CZG implemented various measures to keep its business and operations going and provide the highest possible protection to its employees in all production plants. The Company has bought protective equipment (face masks, respirators, disposable gloves and disinfection), vitamins for its employees, provided psychological support and extended the spacing at the workplaces. The closed work teams up to 10 employees were created. The work shifts were cut and shortened so that the workers in each shift did not meet in the changing rooms and had an additional time for personal hygiene and disinfection. The Company increased the frequency of cleaning and disinfection of all contact surfaces.

The Group is carefully assessing the impact of the pandemic on all key stakeholders to ensure that it will addresses the risks adequately, especially towards:

a) People – The Group considers the health and security of its employees as its top priority, and together with the employee representatives, the Group introduced in March 2020 several targeted measures to minimise the risk of transmission and spread of the virus among its employees (see above).

b) Supply chain – The Group has maintained ongoing communication with key suppliers and supplier groups to understand the evolving impact of the outbreak on the Group's supply chain with an effort to ensure continuous availability of key parts. As available, the Group introduced stockpiling of key items. However, the development of the situation could create disruptions to the Group's supply chain, specifically the availability of products if suppliers are forced to close or if supplier's employees are precluded or limited from working.

c) Customers – The Group has been working with its key customers to streamline delivery logistics and accelerate cash collections in order to prevent cash conversion cycle prolongation.

The Group's management, having considered all information available and measures adopted by the date of the issuance of this report, concludes that Group has adequate resources to continue its operations for the foreseeable future. For this reason, the Group continues to adopt going concern basis in preparing its consolidated financial statements.

BASIC INFORMATION ABOUT CZG – ČESKÁ ZBROJOVKA GROUP SE

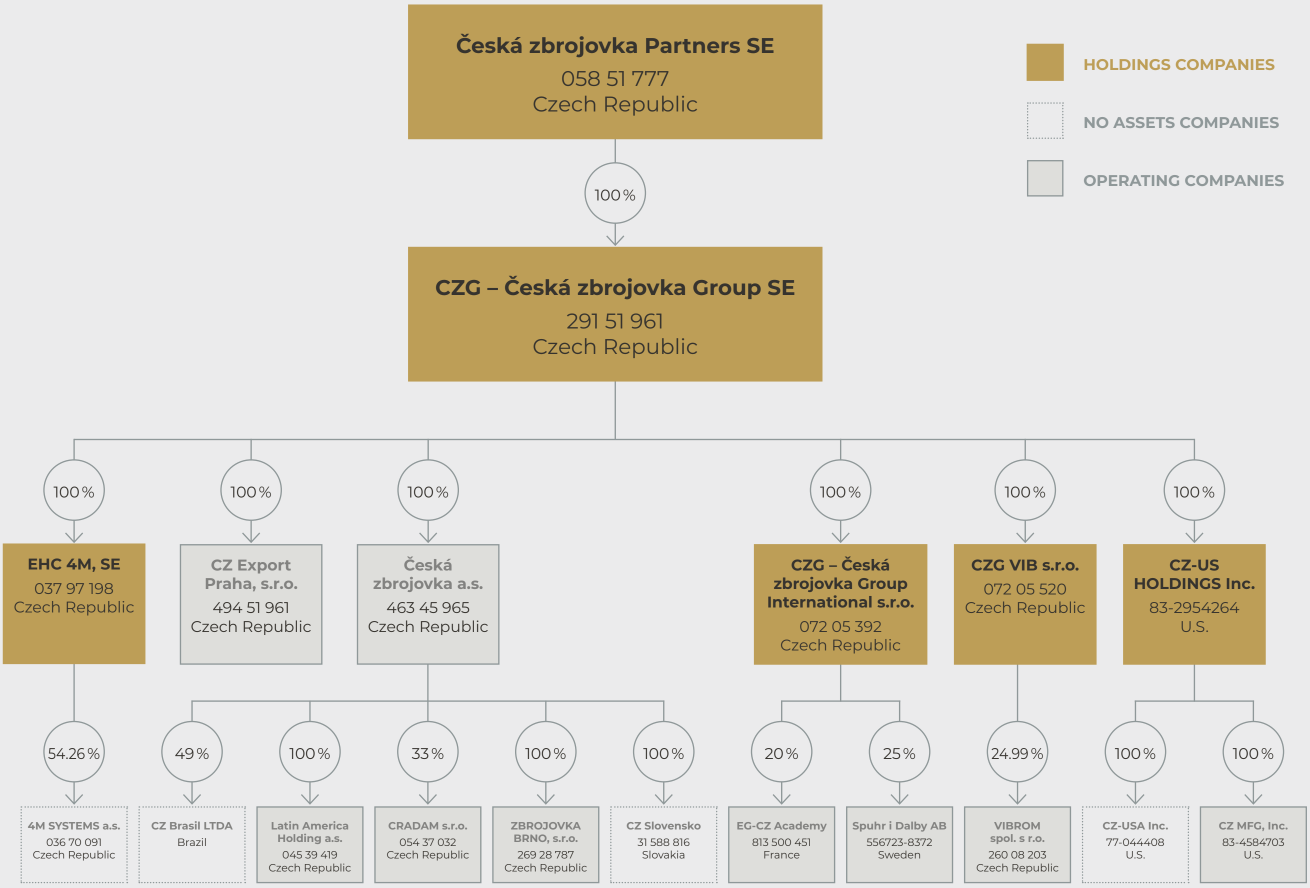
Basic information about the Company

Legal name	**CZG – Česká zbrojovka Group SE**
Legal form	**European Company (Societas Europaea – SE)**
Address	**Opletalova 1284/37, Nové Město, 110 00 Praha 1**
Registered at	**Prague Municipal Court, Division H, Insert 962**
IČO	**291 51 961**
DIČ	**CZ29151961**
Date of incorporation	**(41.2)%**

Business activities: The Company's principal activity includes production trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act.

A. ORGANIZATIONAL CHART AND GROUP'S ENTITIES

The following chart shows the Group structure as of June 30, 2020.



GROUP COMPANIES

The description below provides certain information with respect to the selected key operational and/or material companies of the Group:

Česká zbrojovka a.s. ("CZUB")

CZUB is the main operating company of the Group and is based in Uherský Brod. As of 30 June 2020, CZUB had an average recalculated headcount of 1,452.

CZ-USA Inc. ("CZ-USA")

CZ-USA is a fully owned subsidiary of CZ-US Holdings, Inc. based in Kansas City, Kansas, United States. CZ-USA mainly imports its products from the Group's production facility in the Czech Republic, but also imports shotguns from Turkey where CZ-USA has a long-standing relationship with two large manufacturers which are not part of the Group.

Due to United States regulations, CZ-USA does not sell directly to the end customers but rather sells its product through wholesalers and other merchants.

CZ Export Praha, s.r.o. ("CZ EXPORT")

CZ EXPORT is a fully owned subsidiary of the Company based in Uherský Brod, Czech Republic. The company specializes in the international trade of military equipment and material. It also provides services in the field of financing, training and support throughout the entire lifecycle of the delivered products and technologies.

VIBROM spol. s r.o. ("VIBROM")

VIBROM is a strategic equity investment of the Group based in Třebechovice pod Orebem, Czech Republic. It specializes in powder injection moulding (PIM), which is a modern technology that combines plastics and a conventional powder method, allowing for the cost-effective series production of durable precision MIM (metal) or ceramic powder injection moulding (CIM) parts. The company utilizes modern and innovative technology and a system of 100% quality control (3D measurement, defectoscopy station) and is a holder of an ISO 9001 certificate. The importance of VIBROM for the Group lies in the ongoing trend towards an increasing number of MIM parts in the firearms and the resulting need to secure close cooperation between production and R&D units. The shareholding in VIBROM enables the Group to have close cooperation with a MIM specialist without having to invest in developing its own MIM technology and expertise.

CARDAM s.r.o. (“CARDAM”)

CARDAM is a partially owned subsidiary of CZUB based in Dolní Břežany, Czech Republic, with CZUB owning 33% of CARDAM’s share capital. Besides CZUB, the founding members and shareholders of CARDAM are the Institute of Physics of The Czech Academy of Sciences and foundry Beneš and Lát. The shareholding grants the Group access to research conducted at the Institute of Physics of the Czech Academy of Sciences as well as an in-house research and development platform. CARDAM serves as the Group’s centre of research and development for additive manufacturing and advanced surface treatment.

ZBROJOVKA BRNO, s.r.o. (“Zbrojovka Brno”)

Zbrojovka Brno is a fully owned subsidiary of CZUB based in Brno, Czech Republic. Zbrojovka Brno used to be an independent firearm producer with its own rich production history. It was acquired by the Group in 2004. Zbrojovka Brno currently produces mainly hunting rifles and provides customized solutions for the Group customers. CZUB intends to use Zbrojovka Brno as the customization centre for its recently launched online firearms configurator.

4M Systems a.s. (“4M SYSTEMS”)

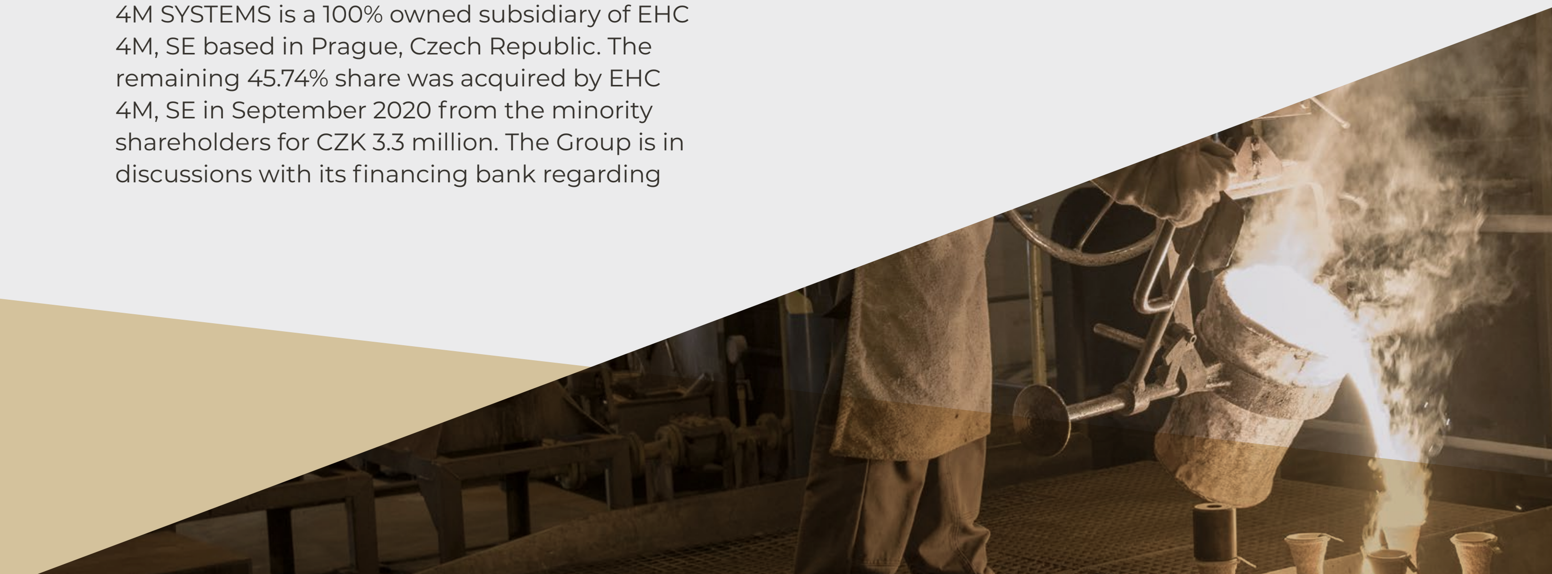
4M SYSTEMS is a 100% owned subsidiary of EHC 4M, SE based in Prague, Czech Republic. The remaining 45.74% share was acquired by EHC 4M, SE in September 2020 from the minority shareholders for CZK 3.3 million. The Group is in discussions with its financing bank regarding a potential recapitalisation of 4M SYSTEMS in order to prepare 4M SYSTEMS to realize the commercial potential of certain military and law enforcement contracts. 4M SYSTEMS operations include the design, production and sale of tactical equipment for armed forces such as the military, police, customs, prison service, border guards etc. 4M SYSTEMS enhances the ability of the Group to offer its customers a broader scope of products in complex orders such as rearmaments.

SPUHR I DALBY AB (“SPUHR”)

The Swedish manufacturer of optical mounting solutions for weapons SPUHR is a 25.0% owned subsidiary located in Löddeköpinge, Sweden. The stake was acquired in May 2020. SPUHR’s product portfolio consists of optical mounts, accessories and upgrade kits for weapons, making it highly complementary to Česká zbrojovka’s core business. The SPUHR mounts and accessories are used by many military and law enforcement units around the world. SPUHR also offers a popular hunting series of products.

EG-CZ ACADEMY (“Academy”)

Academy is a partially owned subsidiary of CZG-Česká zbrojovka Group International s.r.o. based in Quimper, France. CZG-Česká zbrojovka Group International s.r.o. owns a 20% shareholding in Academy. In July 2020, the registered capital of Academy was increased from EUR 5,000 to EUR 500,000. Academy was founded in cooperation with Eric Grauffel, the seven-time World IPSC Champion. Academy aims to provide a new experience in indoor shooting. It operates a modern training facility providing its members (from sport shooters to government bodies) with access to all types of modern shooting disciplines. Academy serves as a marketing tool for the Group and its importance lies mainly in its impact on increasing brand and product awareness and loyalty.



B. OWNERSHIP AND SHARES

CZG is 100%-owned by Česká zbrojovka Partners SE. Majority shareholder of Česká zbrojovka Partners SE is the European Holding Company, SE ("EHC") which holds 90% of the share capital and voting rights. EHC is owned and controlled by Mr. René Holeček. The remaining 10% of the share capital is held as follows: (i) 5% by Mr. Lubomír Kovařík, Chairman of the Board of Directors of the Company and President of the Group, (ii) 2.5% by Mr. René Holeček, Chairman of the Supervisory Board, and (iii) 2.5% by Mr. Jan Drahota, Vicechairman of the Board of Directors of the Company and Group's Head of Finance. EHC only influences the Company based on its current shareholding.

The shares of CZG were admitted to trading on the Prime Market of the Prague Stock Exchange ("Prime Market") with effect from 1 June 2020 in the form of a so-called technical listing without a prior public offering of the shares. The shares reference price of CZK 353.0 was set based on a valuation prepared by the Company.

The AGM in 2020 was held on 8 June 2020 as a resolution of the sole shareholder Česká zbrojovka Partners SE. The sole shareholder discussed the Report of the Board of Directors on the Company's business activities and the state of its assets in 2019, the Report on relations between related parties, the annual financial statements including the auditor's report and the proposal available with the economic result for 2019.

The sole shareholder approved the annual audited financial statements of the Company for the year 2019 and decided on the distribution of the Company's profit for 2019 as follows:

Profit for 2019 in the amount of	**CZK 1,002,064,644.46 is divided as follows:**
Dividend	**CZK 328,218,000.00 (or CZK 11 per share)**
Transfer to retained earnings of previous years	**CZK 673,846,644.46**

The sole shareholder approved the consolidated audited financial statements of the Company for 2019, the Rules of Procedure of the Audit Committee and the Code of Ethics "Compliance Directive".

C. STATUTORY BODIES OF THE COMPANY

The Company has a two-tier board system consisting of the Board of Directors and the Supervisory Board.

Board of Directors

The Board of Directors represents the Company in all matters, unless such matter is specifically entrusted to the Supervisory Board or the General Meeting, and is responsible for the Company's management and day-to-day operations and acts on the Company's behalf.

Members of the Board of Directors

The following table sets out the name and position of each member of the Board of Directors.

Name	Position	Commencement of Current Term of Office	Date of Expiration of Current Term of Office
Lubomír Kovařík	Chairman of the Board of Directors / President	17 January 2020	17 January 2025
Jan Drahota	Vice-Chairman of the Board of Directors / Group Head of Finance	17 January 2020	17 January 2025
Alice Poluchová	Vice-Chairman of the Board of Directors / CEO of CZ-USA	17 January 2020	17 January 2025
Andrej Chrzanowski	Member of the Board of Directors	17 January 2020	17 January 2025
Ladislav Britaňák	Member of the Board of Directors	17 January 2020	17 January 2025
David Aguilar	Member of the Board of Directors	17 January 2020	17 January 2025
Jana Růžičková	Member of the Board of Directors	17 January 2020	17 January 2025

Supervisory Board

The Supervisory Board is an independent body of the Company that primarily oversees the Board of Directors. The Supervisory Board may not, under the Czech Companies 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.

Members of the Supervisory Board

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
René Holeček	Chairman of the Supervisory Board	17 January 2020	17 January 2025
Vladimír Dlouhý	Member of the Supervisory Board	17 January 2020	17 January 2025
Věslava Piegzová	Member of the Supervisory Board	17 January 2020	17 January 2025

D. RELATED PARTY DISCLOSURES

During the half-year to 30 June 2020, the Group had following transactions with related parties:

Key management personnel
In the half-year to 30 June 2020, the key management personnel included all Board of Directors and Supervisory Board members. The short-term benefits provided to the key management personnel (including gross salary, annual bonuses, health and social insurance and additional pension insurance) amounted to CZK 25,990 thousand.

In the half-year to 30 June 2019, services provided by key management personnel were paid for by the parent company Česká zbrojovka Partners SE, and were not recharged to the company or its subsidiaries.

The Group provided no other benefits (e.g. post-employment benefits, termination benefits or share-based payments) to its key management personnel.

The Group had following outstanding balances as of 30 June 2020 and transactions in the half-year to 30 June 2020 with its related parties:

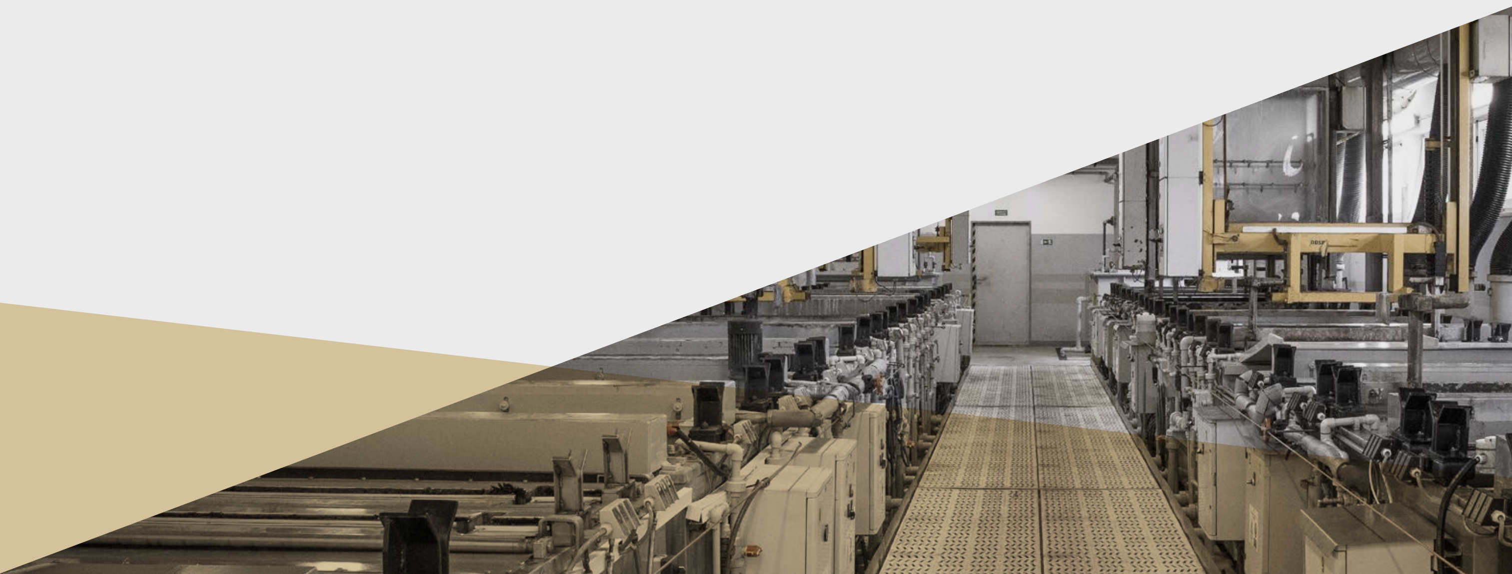
Česká zbrojovka Partners SE (parent company)
As of 30 June 2020, the Group had receivables from and payables to Česká zbrojovka Partners SE in amount of CZK 22 thousand and CZK 0 thousand, respectively. In the half-year to 30 June 2020, the Group purchased services from Česká zbrojovka Partners SE in amount of CZK 36 thousand and provided services in amount of CZK 36 thousand.

European Holding Company SE (parent company):
As of 30 June 2020, the Group had receivables from and payables to European Holding Company SE in amount of CZK 18 thousand and CZK 0 thousand, respectively. In the half-year to 30 June 2020, the Group purchased services from European Holding Company SE in amount of CZK 0 thousand and provided services in amount of CZK 33 thousand.

Česká zbrojovka Defence SE
As of 30 June 2020, the Group had receivables from and payables to Česká zbrojovka Defence SE in amount of CZK 5 thousand and CZK 0 thousand, respectively. In the half-year to 30 June 2020, the Group purchased services from Česká zbrojovka Defence SE in amount of CZK 0 thousand and provided services in amount of CZK 33 thousand.

CZ-AUTO SYSTEMS a.s.
As of 30 June 2020, the Group had a long-term receivable from CZ-AUTO SYSTEMS a.s. in amount of CZK 250,000 thousand, short-term receivables of CZK 17,444 thousand and payables of CZK 1,889 thousand. In the half-year to 30 June 2020, the Group purchased services from CZ-AUTO SYSTEMS a.s. in amount of CZK 7,655 thousand and provided services in amount of CZK 24,244 thousand.

AUTO-CZ International a.s.
As of 30 June 2020, the Group had receivables from and payables to AUTO-CZ International a.s. in amount of CZK 18 thousand and CZK 0 thousand, respectively. In the half-year to 30 June 2020, the Group purchased services from AUTO-CZ International a.s. in amount of CZK 0 thousand and provided services in amount of CZK 10 thousand.



CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6M PERIOD ENDED 30 JUNE 2020

Name of the Company	**CZG – Česká zbrojovka Group SE**
Registered Office	**Opletalova 1284/37, Nové Město, 110 00 Praha 1**
Legal Status	**Joint Stock Company/Limited Liability Company**
Corporate ID	**291 51 961**

Components of the Consolidated Financial Statements:

Consolidated Profit and Loss Account

Consolidated Balance Sheet

Consolidated Statement of Changes in Equity

Consolidated Cash Flow Statement

Notes to the Consolidated Financial Statements

These consolidated financial statements were prepared on 4 September 2020

Continued operations	Note	30 June 2020 CZK '000	30 June 2019* CZK '000
Revenues from the sale of own products, goods and services	8	3,363,399	2,963,241
Other operating income		43,632	134,222
Changes in inventories of finished goods and works in progress		–215,972	13,728
Own work capitalised		62,018	52,429
Raw materials and consumables used		–1,278,833	–1,355,149
Services		–495,971	–423,325
Personnel costs		–615,029	–533,141
Depreciation and amortisation		–193,452	–186,169
Other operating expenses	9.1.	5,984	–39,893
Operating profit		**675,776**	**625,943**
Interest income		10,600	11,210
Interest expense		–68,363	–41,961
Other financial income		328,733	150,861
Other financial expenses		–478,542	–116,034
Share in the profit of associates		5,368	181
Profit before tax		**473,572**	**630,200**
Income tax	9.2	–91,609	–131,146
Profit for the period from continued operations		**381,963**	**499,054**
Discontinued operations			
Post-tax profit from discontinued operations		**0**	**14,915**
Post-tax profit for the period		**381,963**	**513,969**

*All comparative amounts for the half-year ended 30 June 2019 have been restated to reflect the reclassification of discontinued operations (see Note 7).

Continued operations	Note	30 June 2020 CZK '000	30 June 2019* CZK '000
Items that may be subsequently reclassified to the statement of profit or loss			
Cash Flow Hedges - remeasure of effective portion of hedging instruments		–76,644	94,379
Foreign currency translation of foreign operations		21,825	7,415
Other comprehensive income		**–54,819**	**101,794**
Comprehensive income for the period		**327,144**	**615,763**
Profit attributable to owner of the parent			
Profit for the period from continued operations		381,744	485,054
Profit for the period from discontinued operations		0	14,915
Profit for the period attributable to owner of the parent		381,744	499,969
Profit attributable to non-controlling interests			
Profit for the period from continued operations		219	14,000
Total comprehensive income for the period attributable to:			
Shareholder of the parent company		327,270	599,391
Non-controlling interests		–126	16,372
Net earnings per share attributable to the owner of the parent company (CZK '000 per share)			
Basic	19	13	17
Diluted	19	13	17

*All comparative amounts for the half-year ended 30 June 2019 have been restated to reflect the reclassification of discontinued operations (see Note 7).

ASSETS	Note	30 June 2020 CZK '000	31 Dec 2019 CZK '000
Non-current assets			
Property, plant and equipment	11	2,021,572	1,994,748
Intangible assets	10	797,295	834,242
Long-term receivables		295,532	45,322
Equity-accounted securities and investments	15	92,351	17,160
Deferred tax asset		0	1,464
Goodwill		280,686	280,686
Total non-current assets		**3,487,436**	**3,173,622**
Current assets			
Inventories	12	1,655,571	1,747,427
Trade receivables		892,436	915,799
Current tax receivables		46,939	7,385
Other receivables		96,531	137,080
Financial derivatives	16	225,739	236,486
Cash and cash equivalents		1,196,419	805,503
Assets held for sale and for distribution to owners	7	0	525,273
Total current assets		**4,113,635**	**4,374,953**
Total assets		**7,601,071**	**7,548,575**

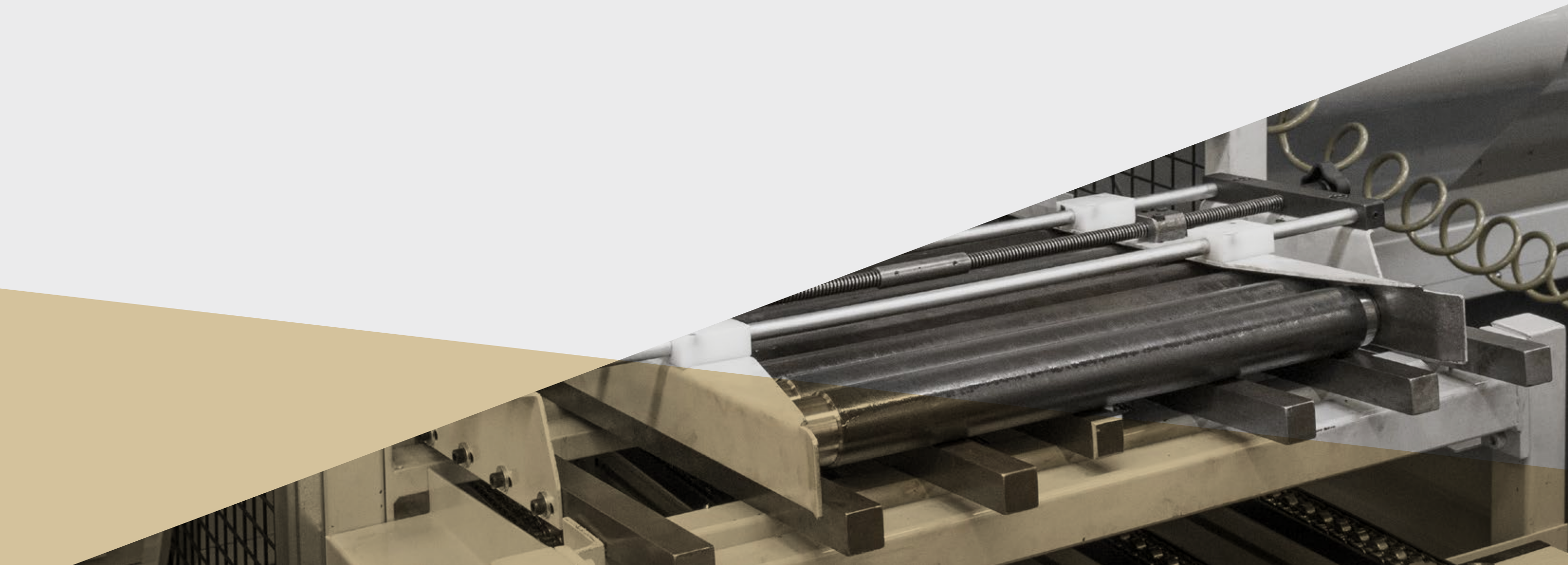
EQUITY AND PAYABLES	Note	30 June 2020 CZK '000	31 Dec 2019 CZK '000
Capital and funds			
Share capital		2,984	2,984
Capital funds		1,478,644	1,533,118
Accumulated profits		1,744,895	1,921,501
Equity attributable to the shareholder of the Company		**3,226,523**	**3,457,603**
Equity attributable to the shareholder of the Company		3,226,523	3,457,603
Non-controlling interests		–2,431	11,358
Total equity		**3,224,092**	**3,468,961**
Non-current liabilities			
Bank loans and borrowings		2,252,995	2,252,688
Lease payables		62,392	57,313
Deferred tax liability		235,434	248,033
Provisions	13	7,060	25,053
Other long-term payables		88	905
Total Non-current liabilities		**2,557,969**	**2,583,992**
Current liabilities			
Trade payables		354,449	284,906
Short-term bank loans and overdrafts	14	292,785	36,958
Lease payables		5,581	6,173
Provisions	13	66,792	45,837
Current tax payables		101,347	70,127
Other payables		418,279	394,387
Financial derivatives	16	579,777	339,252
Liabilities related to assets held for sale and for distribution to owners	7	0	317,982
Total Current liabilities		**1,819,010**	**1,495,622**
Total liabilities		**4,376,979**	**4,079,614**
Total liabilities and equity		**7,601,071**	**7,548,575**

	Share capital	Capital funds and funds from the translation of foreign currencies	Accumulated profits	Equity attributable to the shareholder of the parent company	Non-controlling interests	Equity
Balance at 31 December 2018	**2,984**	**1,393,554**	**1,884,709**	**3,281,247**	**28,128**	**3,309,375**
Profit for the period from continued operations	0	0	485,054	485,054	14,000	499,054
Profit for the period from discontinued operations	0	0	14,915	14,915	0	14,915
Other comprehensive income	0	99,422	0	99,422	2,372	101,794
Total comprehensive income for the period	0	99,422	499,969	599,391	16,372	615,763
Dividends	0	0	–560,000	–560,000	0	–560,000
Transactions under common control	0	0	–145,363	–145,363	0	–145,363
Change in non-controlling interests and treasury holdings	0	0	20,272	20,272	–11,608	8,664
Balance at 30 June 2019	**2,984**	**1,492,976**	**1,699,587**	**3,195,547**	**32,892**	**3,228,439**
Balance at 31 December 2019	**2,984**	**1,533,118**	**1,921,501**	**3,457,603**	**11,358**	**3,468,961**
Profit for the period from continued operations	0	0	381,744	381,744	219	381,963
Profit for the period from discontinued operations	0	0	0	0	0	0
Other comprehensive income	0	–54,474	0	–54,474	–345	–54,819
Total comprehensive income for the period	0	–54,474	381,744	327,270	–126	327,144
Dividends	0	0	–328,218	–328,218	–4,049	–332,267
Distribution to owners (note 7)	0	0	–207,291	–207,291	0	–207,291
Change in non-controlling interests and treasury holdings	0	0	–22,841	–22,841	–9,614	–32,455
Balance at 30 June 2020	**2,984**	**1,478,644**	**1,744,895**	**3,226,523**	**–2,431**	**3,224,092**

	Note	30 June 2020 CZK '000	30 June 2019 CZK '000
Cash flows from principal economic activity (operating activity)			
Profit from ordinary activity before tax		468,206	647,185
Depreciation/amortisation of non-current assets		193,452	207,989
Change in allowances and provisions		–26,382	–28,522
Loss from the sale of non-current assets		–371	–221
Interest expense and interest income		57,763	33,070
Adjustments for other non-cash operations (write off on assets and inventories, unrealised foreign exchange gains/losses, remeasurement of derivative transactions)		93,512	–28,716
Net cash flow from operating activities before changes in working capital		**786,180**	**830,785**
Change in working capital		**109,626**	**236,563**
Change in receivables and deferred expenses/ accrued income		–22,247	–88,173
Change in payables and accrued expenses/ deferred income		–111,152	437,468
Change in inventories	12	243,025	–112,732
Cash generated by operations		**895,806**	**1,067,348**
Interest paid		–44,541	–36,122
Interest received		4,877	11,372
Income tax paid for ordinary activity	9.2	–54,306	–96,936
Net cash flow from operating activities		**801,836**	**945,662**

	Note	30 June 2020 CZK '000	30 June 2019 CZK '000
Cash flows from investing activities			
Acquisition of non-current assets	11, 12	–121,412	–159,251
Income from the sale of non-current assets		458	221
Income from the sale of subsidiaries		-	–1,114
Acquisition of investment in an associate	15	–69,823	-
Net cash flow from investing activities		**–190,777**	**–160,144**
Cash flows from financing activities			
Proceeds from issued bonds		-	-
Repayments of loans and borrowings	14	–28,966	–216,500
Proceeds from loans and borrowings	14	34,739	23,050
Dividends paid to shareholders	17	–328,218	–560,000
Dividends paid to non-controlling interests		–4,049	-
Net cash flow from financing activities		**–326,494**	**–753,450**
Net change in cash and cash equivalents		**316,104**	**29,295**
Opening balance of cash and cash equivalents		**880,315**	**1,345,628**
Effects of exchange rate changes on cash and cash equivalents		31,539	–2,773
Closing balance of cash and cash equivalents		**1,196,419**	**1,374,923**

Condensed Consolidated Interim Financial Statements for the 6 Months Period Ended 30 June 2020 prepared under International Financial Reporting Standards as Adopted by the European Union



1. GROUP DESCRIPTION

CZG – Česká zbrojovka Group SE, (hereinafter the "Consolidating Entity" or the "Company" or the "Parent 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 Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic, corporate ID No. 291 51 961.

CZG – Česká zbrojovka Group SE is a leading European producer of firearms and tactical accessories for military and law enforcement, personal defence, hunting, sport shooting and other civilian uses. Its products are marketed and sold under the Česká zbrojovka, CZ-USA, Dan Wesson, Zbrojovka Brno and 4M SYSTEMS brands

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

Shareholder	Ownership percentage as of	
	30 June 2020	31 Dec 2019
Česká zbrojovka Partners SE	100 %	100 %

The majority owner of the Consolidating Entity is Česká zbrojovka Partners, SE, based at Opletalova 1284/37, Nové Město, Prague 1.

The Consolidating Entity and consolidated entities are part of a larger consolidation group of the parent company European Holding Company, SE, based at Opletalova 1284/37, Nové Město, Prague.

Members of the statutory bodies as of 30 June 2020

Board of Directors	
Chairman	**Lubomír Kovařík**
Vice-chairman	**Jan Drahota**
Vice-chairman	**Alice Poluchová**
Member	**Ladislav Britaňák**
Member	**Andrej Chrzanowski**
Member	**David Aguilar**
Member	**Jana Růžičková**

Supervisory Board	
Chairman	**René Holeček**
Member	**Věslava Piegzová**
Member	**Vladimír Dlouhý**

The consolidation group (hereinafter the "Group") comprises the Group and its subsidiaries.

Information in these condensed consolidated financial statements is presented in thousands of Czech crowns (CZK '000) if not stated otherwise.

As of 30 June 2020, the Group was composed of the following entities:

Entity	Principal activity	Place of foundation and business operation	Consolidation method	Share of the Group in Equity		
				30 June 2020	31 Dec 2019	30 June 2019
CZG - Česká zbrojovka Group SE	Holding company	Prague, Czech Republic	full	100%	100%	100%
CZ USA HOLDINGS Inc.	Holding company	Kansas City, USA	full	100%	100%	100%
CZ-USA	Purchase and sales of firearms and ammunition	Kansas City, USA	full	100%	100%	100%
CZ-MFG	Production	Little Rock, USA	full	100%	100%	-
EHC 4 M, SE	Lease of real estate	Prague, Czech Republic	full	100%	100%	100%
4M SYSTEMS a.s.	Trade with military material	Prague, Czech Republic	full	54%	54%	54%
Česká zbrojovka a.s.	Production, purchase and sale of firearms and ammunition	Uherský Brod, Czech Republic	full	99%	99%	98%
Česká zbrojovka CZ-AUTO a.s.	Lease of real estate	Uherský Brod, Czech Republic	full	-	99%	98%
CZ - Slovensko s. r. o.	Production, purchase and sale of firearms and ammunition	Bratislava, Slovakia	full	99%	99%	98%
ZBROJOVKA BRNO, s.r.o.	Purchase and sale of firearms and ammunition	Brno, Czech Republic	full	99%	99%	98%

As of 30 June 2020, the Group was composed of the following entities:

Entity	Principal activity	Place of foundation and business operation	Consolidation method	Share of the Group in Equity		
				30 June 2020	31 Dec 2019	30 June 2019
CZ BRASIL LTDA	Purchase and sale of firearms and ammunition	Brazil	equity	49%	49%	48%
Latin America Holding, a.s.	Lease of real estate	Uherský Brod, Czech Republic	full	99%	99%	98%
CARDAM s.r.o.	Development of firearms	Dolní Břežany, Czech Republic	equity	33%	33%	32%
CZG VIB s.r.o.	Lease of real estate	Prague, Czech Republic	full	100%	100%	100%
VIBROM s.r.o.	Production	Třebechovice pod Orebem, Czech Republic	equity	25%	25%	25%
CZG – Česká zbrojovka Group International s.r.o. (renamed CZG Tisem s.r.o.)	Lease of real estate	Prague, Czech Republic	full	100%	100%	100%
CZ-AUTO SYSTEMS a.s.	Production, purchase and sale of firearms and ammunition	Uherský Brod, Czech Republic	full	-	100%	-
CZ Export Praha, s.r.o.	Purchase and sale of firearms and ammunition	Uherský Brod, Czech Republic	full	100%	100%	-
EG-CZ Academy	Academy	Quimper, France	equity	20%	20%	-
Spuhr i Dalby AB	Production of scope mounts	Löddeköpinge, Sweden	equity	25%	-	-

2. SIGNIFICANT EVENTS IN THE CURRENT REPORTING PERIOD

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

- On 2 January 2020, the production of components for automotive and aviation industry was spun off outside of the Group, a description of impacts on the Group is provided in Note 7 to the Consolidated financial statements for the year ended 31 December 2019.

- As of 31 December 019, the Group had reported receivables past their due dates of CZK 579,986 thousand from HM Arzenal. The receivables were fully collected by 30 June 2020.

- Since March 2020, the global economy was affected by the COVID 19 pandemic. The rapid spread of COVID-19 has resulted in authorities implementing numerous measures to try to contain COVID-19 and these measures have adversely impacted and may further impact the majority of economic sectors including portions or all of the Group's workforce and operations, the operations of its customers, and those of its respective vendors and suppliers. To date, the COVID-19 pandemic has 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. The Group's sales have increased in certain markets during the first six months of 2020 and since the COVID-19 outbreak and the start of civil unrest in May 2020, demand in the USA has increased significantly in comparison with previous years, however, the Group is unable to assess whether or for how long the increased or stable demand in those markets will last and believes this may be a temporary effect. In addition, due to the near halt of passenger air flights from and/or to key markets of the Group, the Group has had to switch from using the excess cargo capacity of passenger air flights to more costly specialized cargo plane flights. Consequently, the cost of transportation of the Group's products has increased substantially.

The Group operates its principal production facility in Uherský Brod, Czech Republic. This facility is critical to the Group's operations. In 2019, the Group produced more than 85% of its products (firearms) at this facility. The Group does not have any other significant production capacity which could substitute this facility. The Group has managed to operate efficiently and safely even during the government lockdown restrictions, but if significant portions of the Group's workforce based in Uherský Brod were unable to work effectively as a result of the COVID-19 pandemic, including because of illness, quarantines, facility closures, ineffective remote work arrangements or technology failures or limitations, the Group's operations would be materially adversely impacted.

Despite the Group has experienced interruptions to its supply chain, it did not cause significant disruptions to production as the Group has pre-emptivelly stocked higher level of inventories of parts, but if these or other interruptions are long-lasting or spread to a wider supplier base, this could cause shortages in certain materials, parts and labour supplies.

The COVID-19 crisis also heavily influenced foreign exchange markets developments and as a result CZK has depreciated against both EUR and USD which impacted mark-to-market value of the Group's hedging instruments and thus negatively impacted the Group's P/L and Group's Equity level.

The Company cannot predict the degree to, or the time period over which, the Group's sales and operations will be impacted by the COVID-19 pandemic, and the effects could be material. It is likely that the COVID-19 pandemic will cause an economic slowdown, and it is possible that it could cause a global recession.

- A dividend payable to the owner in the amount of CZK 328,218 thousand was approved and paid during the current reporting period.
- In May 2020, the Group acquired a 25 % share in the Swedish company Spuhr i Dalby AB. Further details about the transaction are provided in Note 15.
- With effect from 1 June 2020, the shares of CZG – Česká zbrojovka Group SE have been admitted to trading on the Prime Market of the Prague Stock Exchange in the form of a so-called technical listing without a prior public offering of the shares.

3. BASIC PRINCIPLES OF PREPARATION OF HALF-YEAR REPORT

These condensed interim consolidated financial statements for the half-year ended 30 June 2020 have been prepared in line with IAS 34 Interim Financial Reporting.

The condensed interim consolidated financial statements do not include all the notes normally included in the annual financial statements.

Accordingly, the condensed interim consolidated financial statements have to be read together with the consolidated financial statements for the year ended 31 December 2019, which were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted 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.

5. ESTIMATES AND SOURCES OF UNCERTAINTY

During the 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, revenue and expenses. The actual results may differ from these estimates. Further to this, The Group's future business may be adversely impacted by factors out of the Group's control. In the preparation of these condensed interim consolidated financial statements, the significant judgements made by the 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 2019.

6. 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 the financial information on risk management and other information required in annual consolidated financial statements and they should be assessed together with the annual consolidated financial statements of the Group as of 31 December 2019. No changes in the rules and policies of managing these risks have been made since the end of 2019. 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 of 30 June 2020 and

31 December 2019 are disclosed in Note 16 Financial Assets and Liabilities at Fair Value.

7. ASSETS AND LIABILITIES HELD FOR DISTRIBUTION TO OWNERS AND DISCONTINUED OPERATIONS

In 2019, the Group owner decided to spin-off the production of automotive and aviation components outside the Group. As of 31 December 2019, the spin-off assets and liabilities were reported as assets and liabilities held for distribution to owners and discontinued operations under IFRS 5. The spin-off assets and liabilities were reported at their carrying value. The spin-off activity was classified as discontinued operation as it represented a significant segment for the Group, which is transferred outside of the Group with no consideration received. The spin-off was completed in January 2020.

The carrying amount of assets held for distribution to owners as of 31 December 2019 was CZK 525,273 thousand, the carrying value of the liabilities relating to these assets amounts to CZK 317,982 thousand. Completion of the transaction led to a decrease in equity in amount of CZK 207,291 thousand in the half-year to 30 June 2020 (see also Condensed consolidated statement of changes in equity).

Comparative amounts related to discontinued operations were restated for the half-year ended 30 June 2019 for the reclassification of discontinued operations. Profit from discontinued operations recognized item in the profit or loss and other comprehensive income for the half-year ended 30 June 2019 was comprised:

Entity	30 June 2019 CZK '000
Revenues from the sale of own products, goods and services	247,489
Other operating income	10,218
Changes in inventories of finished goods and works in progress	22,960
Raw materials and consumables used	–135,409
Services	–34,608
Personnel costs	–66,080
Depreciation and amortization	–21,820
Other operating expenses	–2,723
Operating profit	**20,027**
Interest income	162
Interest expenses	–2,481
Other financial income	352
Other financial expenses	–904
Profit before tax	**17,156**
Income tax	–2,241
Profit for the period from discontinued operations	**14,915**

The impact of discontinued operations on the individual categories of cash flows for the half-year ended 30 June 2019 were as follows: cash flow from operating activities CZK 52,754 thousand, cash flow from investment activities CZK –20,915 thousand and cash flow from financing activities CZK –2,481 thousand.

8. SEGMENT AND REVENUE INFORMATION

Segment reporting is prepared in accordance with IFRS 8 Operating Segments defining requirements for the disclosure of financial information on the Group's operating segments. In previous periods differences in Group's products were chosen by the management as a key factor to identify the Group's operating and reportable segments. In previous periods the Group reported three separate operating segments – Production, Purchase and Sale of Firearms and Accessories; Production of Automotive Components; and the Aero and Other segments. As specified in the consolidated financial statement for the year ended 31 December 2019, the production of components for the automotive and aviation industry represented discontinued operations as of 31 December 2019 and aggregate financial information relating to the previously identified reportable segment is reported separately for the half-year period ended 30 June 2019 in Note 7.

As of 30 June 2020, 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.

However, the Group might have revenues (and related expenses) from transactions not reported to the management as part of the Production, Purchase and Sale of Firearms and Accessories (such as revenues from non-firearms related production on temporarily available production capacities of the Group). Such activities do not represent a reportable operating segment and the results of these operations are reported in the "Other" column.

As of 30 June 2020 and 31 December 2019, substantially all assets and liabilities related to the Production, Purchase and Sale of Firearms and Accessories.

The Group's management, as chief operating decision makers, uses EBITDA (Profit before Interest, Taxes, Depreciation and Amortization) as the segment performance measure in deciding how to allocate resources and in assessing performance. The segment performance measure and related information presented is based on IFRS measurement and recognition principles.

Revenues and profit by individual segments as of 30 June 2020 (in CZK '000):

	Production, purchase and sale of firearms and accessories	Other	Total
Revenues from the sale of own products, goods and services	3,299,771	63,628	3,363,399
Profit before Interest, Taxes, Depreciation and Amortization (EBITDA)	717,921	6,866	724,787
Depreciation and amortization	189,815	3,637	193,452
Profit before Interest and Taxes (EBIT)	528,106	3,229	531,335
Interest income and interest expense	56,371	1,392	57,763
Profit before Taxes (EBT)	471,735	1,837	473,572

Revenues and profit by individual segments as of 30 June 2019 (in CZK '000):

	Production, purchase and sale of firearms and accessories	Other	Total
Revenues from the sale of own products, goods and services	2,920,457	42,784	2,963,241
Profit before Interest, Taxes, Depreciation and Amortization (EBITDA)	839,405	7,715	847,120
Depreciation and amortization	183,984	2,185	186,169
Profit before Interest and Taxes (EBIT)	655,431	5,530	660,951
Interest income and interest expense	29,853	898	30,751
Profit before Taxes (EBT)	625,578	4,632	630,200

The table below specifies income from the sale of own products, goods and services arising from continued operations by the most significant regions (CZK '000):

	Sales to external customers	
	30 June 2020	30 June 2019
Czech Republic (home country)	308,362	728,970
USA	2,337,896	1,486,903
Europe (outside of the Czech Republic)	285,247	398,565
Africa	121,940	48,156
Asia	198,425	110,841
Other	111,529	189,806
Total	**3,363,399**	**2,963,241**

The Group has production facilities in the Czech Republic and in the USA. Out of the total carrying value of Property, plant and equipment of CZK 2,021,572 thousand as of 30 June 2020 (31 December 2019: CZK 1,994,748 thousand), the value of items located in the USA is CZK 244,387 thousand as of 30 June 2020 (31 December 2019: CZK 230,976 thousand), the remainder is in the Czech Republic.
No material intangibles were located outside the Czech Republic; also, goodwill relates to Czech operations only.

9. PROFIT AND LOSS INFORMATION

9.1 Significant events and transactions

- Loss on financial derivatives: 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 financial expenses was impacted by the decrease in fair value of open financial derivatives. In the half-year ended 30 June 2020, the Group has recognized a loss from derivative instruments in other financial expenses in amount of CZK 331,708 thousand (CZK 70,454 thousand in the half-year ended 30 June 2019). In the half-year ended 30 June 2020, the Group has recognized a gain from derivative instruments in other financial income in amount of CZK 137,120 thousand (CZK 111,154 thousand in the half-year ended 30 June 2019). Further to this, the Group has recognized in other comprehensive income a loss of CZK 76,644 thousand from the remeasurement of financial derivatives designated as hedging instruments (gain CZK 94,379 thousand in the half year ended 30 June 2019).

- IPO costs and listing costs: with effect from 1 June 2020, the shares of CZG – Česká zbrojovka Group SE have been admitted to trading on the Prime Market of the Prague Stock Exchange in the form of a so-called technical listing without a prior public offering of the shares. The IPO costs and listing costs, including mainly legal and other advisory services, amounted to CZK 17,600 thousand in the half-year ended 30 June 2020.

- The Other operating expenses also represent release of allowances, which is effectively causing income.

9.2 Income tax

Income tax expense is recognized based on the estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate for the half-year ended 30 June 2020 is 19.3 % (30 June 2019: 20.8 %).

10. INTANGIBLE ASSETS

The following tables summarise the changes in intangible assets from 1 January 2020 to 30 June 2020:

Cost

GROUP	Opening balance	Additions	Disposals	Decrease in cost/ transfers – subsidy	Impact of exchange rate fluctuations	Closing balance
Trademark and logos	233,000	-	-	-	-	233,000
Research and development	215,134	19,543	–33	-	-	234,644
Software	192,475	1,278	–25	-	-	193,728
Licenses, patents and other valuable rights	61,628	56	-	-	-	61,684
Contractual customer relations	864,727	-	-	-	-	864,727
Other intangible fixed assets	71,005	2,671	–275	-	281	73,682
Intangible fixed assets under construction	29,653	11,837	–5,417	–55	-	36,018
Prepayments made for intangible fixed assets	420	-	–420	-	-	-
Total	**1,668,042**	**35,385**	**–6,170**	**–55**	**281**	**1,697,483**

Accumulated depreciation and carrying value

GROUP	Opening balance	Amortization	Sales, liquidation, disposals	Disposals	Impact of exchange rate fluctuations	Allowance for intangible fixed assets	Closing balance	Carrying amount
Trademarks and logos	-	-	-	-	-	-	-	233,000
Research and development	–127,809	–10,835	-	-	-	-	–138,644	96,000
Software	–141,443	–6,329	25	-	-	-	–147,747	45,981
Licenses, patents and other valuable rights	–30,727	–2,492	-	-	-	-	–33,219	28,465
Contractual customer relations	–497,218	–43,237	-	-	-	-	–540,455	324,272
Other intangible fixed assets	–34,826	–2,137	-	275	–682	597	–36,773	36,909
Intangible fixed assets under construction	–1,777	–1,941	368	-	-	-	–3,350	32,668
Prepayments made for intangible fixed assets	-	-	-	-	-	-	-	-
Total	**–833,800**	**–66,971**	**393**	**275**	**–682**	**597**	**–900,188**	**797,295**

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 the impairment.

11. PROPERTY, PLANT AND EQUIPMENT

The following tables summarize the changes in property, plant and equipment from 1 January 2020 to 30 June 2020:

Cost

GROUP	Opening balance	Additions	Disposals	Impact of exchange rate fluctuations	Closing balance
Land	120,373	-	-	3,011	123,384
Buildings	1,053,878	1,370	–281	2,074	1,057,041
Machinery, instruments and equipment	2,957,990	112,031	–48,395	7,136	3,028,762
Other tangible fixed assets	40,069	73	–18	1,831	41,955
Tangible fixed assets under construction	76,014	115,262	–92,454	2,196	101,018
Prepayments made for tangible fixed assets	58,054	61,015	–47,587	-	71,482
Total	**4,306,378**	**289,751**	**–188,735**	**16,248**	**4,423,642**

Accumulated depreciation and carrying value

GROUP	Opening balance	Depreci-ation	Sales, liq-uidation	Impact of exchange rate fluc-tuations	Allowance for tangi-ble fixed assets	Closing balance	Carrying amount
Land	-	-	-	-	-	-	123,384
Buildings	–485,403	–15,017	281	–628	–3,818	–504,585	552,456
Machinery, instruments and equipment	–1,811,981	–109,932	41,375	–2,797	-	–1,883,335	1,145,427
Other tangible fixed assets	–1,851	–75	-	18	-	–1,908	40,047
Tangible fixed assets under construction	–9,191	–1,191	709	-	-	–9,673	91,345
Prepayments made for tangible fixed assets	–3,204	–266	-	901	-	–2,569	68,913
Total	**–2,311,630**	**–126,481**	**42,365**	**–2,506**	**–3,818**	**–2,402,070**	**2,021,572**

Machinery, instruments and equipment and Buildings as of 30 June 2020 include rights of use resulting from lease contracts in the amount of CZK 116,912 thousand (CZK 102,297 thousand as of 31 December 2019). Additions to the rights of use resulting from lease contracts amounted to CZK 6,470 thousand in 2020 (CZK 68,396 thousand in 2019). These namely include namely lease contracts for warehouses and office space, cars and office technical equipment.

Depreciation for the half-year ended 30 June 2020 includes depreciation of rights of use arising from lease contracts in the amount of CZK 7,574 thousand (CZK 12,732 thousand in 2019).

12. INVENTORIES

The structure of inventories as of 30 June 2020 and 31 December 2019 is as follows (in CZK '000):

	30 June 2020	31 December 2019
Material	333,505	321,616
Production in progress and semi-finished products	302,977	292,604
Products	759,194	943,122
Goods	252,224	187,618
Prepayments made for inventories	7,671	2,467
Total	**1,655,571**	**1,747,427**

The valuation of redundant, obsolete and slow-moving inventories is decreased to the selling price net of the costs of sale. As of 30 June 2020, impairment losses included in inventories on the statement of financial position amounted to CZK 141,700 thousand (31 December 2019: CZK 197,314 thousand). In the half-year ended 30 June 2020, an impairment loss of CZK 59,317 thousand was released to the profit and loss (CZK 25,038 thousand in the half-year ended 30 June 2019).

13. CURRENT AND NON-CURRENT PROVISIONS

Provisions	Balance at 30 June 2020	Balance at 31 Dec 2019
Legal disputes	-	2,600
Warranty repairs	13,546	11,206
For outstanding vacation days	34,156	1,892
For employee benefits – bonuses	19,086	30,128
Other	4	11
Total current provisions	**66,792**	**45,837**
Legal disputes	-	17,000
Warranty repairs	761	761
For outstanding vacation days	-	-
For employee benefits – bonuses	6,299	6,299
Other	-	993
Total non-current provisions	**7,060**	**25,053**
Total provisions	**73,852**	**70,890**

In the half-year ended 30 June 2020, net increase in provisions amounted to CZK 2,962 thousand (half-year ended 30 June 2019: net decrease of CZK 15,274 thousand).

The provision for a legal dispute amounting to CZK 19,600 thousand as of 31 December 2019 was released as the dispute was settled.

14. BORROWINGS

The Group obtained a financial borrowing of CZK 250,000 thousand from parent company Česká zbrojovka Partners SE in 2019, which was attributed to liabilities held for distribution to owners and discontinued operations.

The Group obtained financial borrowings of CZK 257,535 thousand from banks in the half-year ended 30 June 2020.

The cash flow statement for the period ended 30 June 2020 shows net impact on the line Proceeds from loans and borrowings of the described effects above as the cash flow statement for the period ending 30 June 2019 and year ended 31 December 2019 is not restated for discontinued operations, see note 7.

15. INTEREST IN ASSOCIATES

In May 2020, the Group has purchased a 25 % share in Spuhr i Dalby AB, a Swedish manufacturer of optical solutions for a consideration of CZK 69,823 thousand. At the date of the transaction, the carrying amount of the Group's interest in the associate could be summarized as follows:

	6 May 2020 CZK '000
Net assets of the associate	218,263
Proportion of the Group's interest (25%)	54,566
Goodwill	15,257
Carrying amount	**69,823**

The carrying amount of all equity-accounted investments has changed as follows in the half-year ended 30 June 2020.

	30 June 2020 CZK '000
Beginning of the period	17,160
Purchase of share in Spuhr i Dalby	69,823
Share on profit/ (loss) of equity accounted investments	5,368
Other	0
End of the period	**92,351**

The table below provides aggregated financial information about the Group's share on affiliates current and non-current assets, current and non-current liabilities, revenue and profit from continuing operations as of 30 June 2020 and for the half-year ended 30 June 2020.

	30 June 2020 CZK '000
Current assets	44,099
Non-current assets	83,212
Current liabilities	–2,560
Non-current liabilities	–24,896
Revenue	16,034
Profit from continuing operations	5,368

The Group had no significant transactions with its affiliates in the half-year ended 30 June 2020.

16. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

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

As of 30 June 2020 and 31 December 2019, only financial derivatives are measured at fair value. The fair value of interest rate swaps and currency forwards is determined based on the present value of future cash flows based on market data (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 realisation rates of individual transactions ("volatility smile").

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 of 30 June 2020 and 31 December 2019 (CZK '000):

	30 June 2020			31 December 2019		
	Nominal value	Positive fair value	Negative fair value	Nominal value	Positive fair value	Negative fair value
Interest rate swap	-	-	-	-	46,385	-
Put option	3,208,800	53,430	-	724,185	13,232	-
Call option	5,888,549	-	277,251	3,631,216	-	80,693
Currency swaps	340,000	510	3,676	226,210	770	880
Forwards	3,330,645	83,089	33,237	576,681	3,308	4,843
Total	**12,767,994**	**137,029**	**314,164**	**5,158,292**	**63,695**	**86,416**

The following table provides an overview of nominal values and positive or negative fair values of open hedging derivatives as of 30 June 2020 and 31 December 2019:

	30 June 2020			31 December 2019		
	Nominal value	Positive fair value	Negative fair value	Nominal value	Positive fair value	Negative fair value
Interest rate swap	-	3,339	3,010	-	-	-
Put option	4,861,332	66,038	-	7,905,051	125,143	-
Call option	4,861,332	-	206,029	7,905,051	-	237,029
Currency swaps	336,658	1,185	8,934	418,025	5,168	-
Forwards	2,561,542	18,148	47,643	3,011,931	42,480	15,807
Total	**12,620,864**	**88,710**	**265,616**	**19,240,058**	**172,791**	**252,836**

The Group also has a number of financial instruments which are not measured at fair value. For all of these instruments, the fair values are not materially different to their carrying value, since the interest rate is either close to the current market rates or the instruments are of a short-term nature.

17. PROFIT DISTRIBUTION

In the half-year ended 30 June 2020, the Group paid out a dividend of CZK 328,218 thousand to Česká zbrojovka Partners SE.

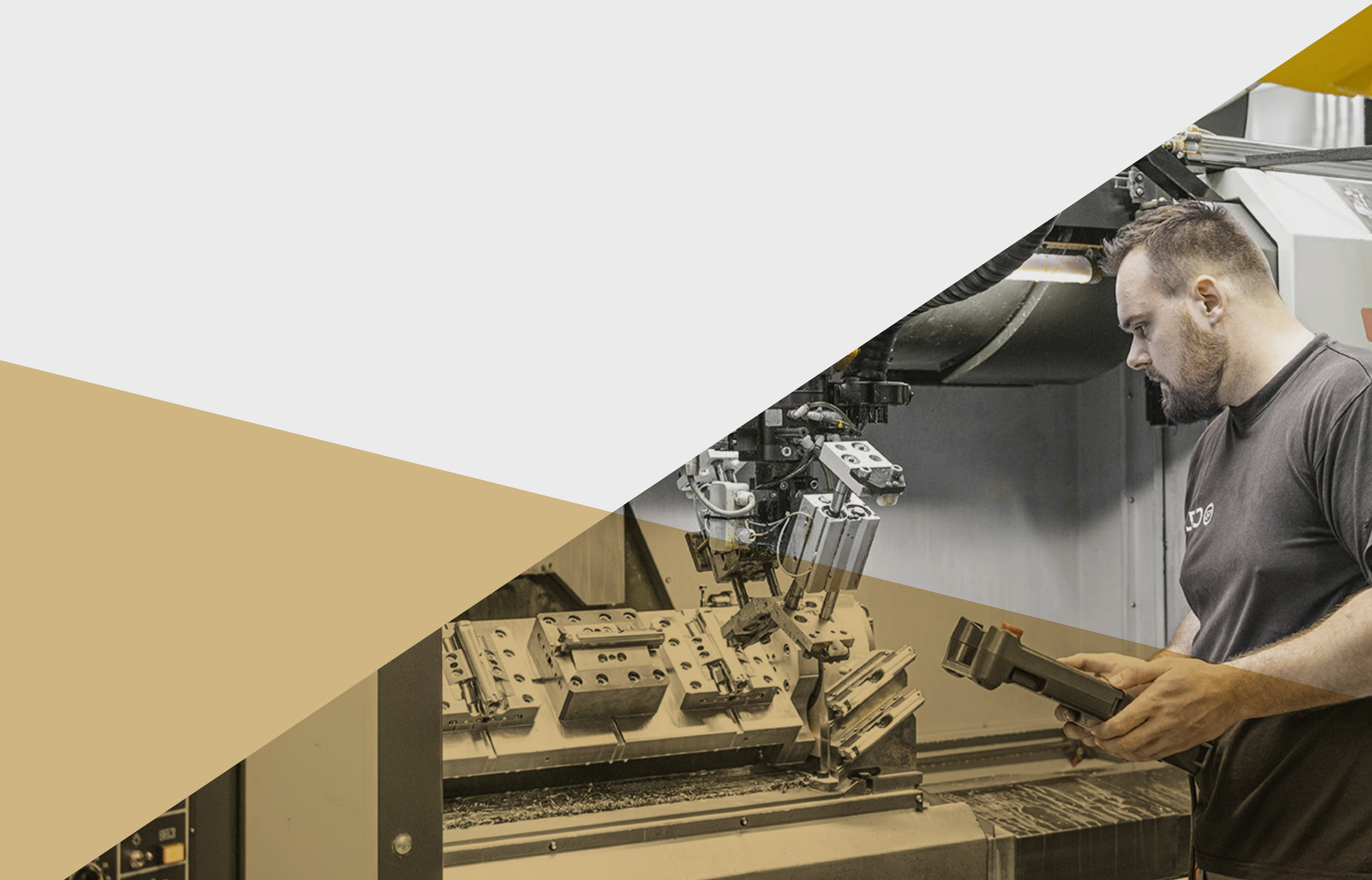
18. RELATED PARTY TRANSACTIONS

During the half-year ended 30 June 2020, the Group had following transactions with related parties:

Key management personnel:
In the half-year ended 30 June 2020, the key management personnel included all Board of Directors and Supervisory Board members. The short-term benefits provided to the key management personnel (including gross salary, annual bonuses, health and social insurance and additional pension insurance) amounted to CZK 25,990 thousand.

In the half-year ended 30 June 2019, services provided by key management personnel were paid for by the parent company Česká zbrojovka Partners SE, and were not recharged to the company or its subsidiaries.

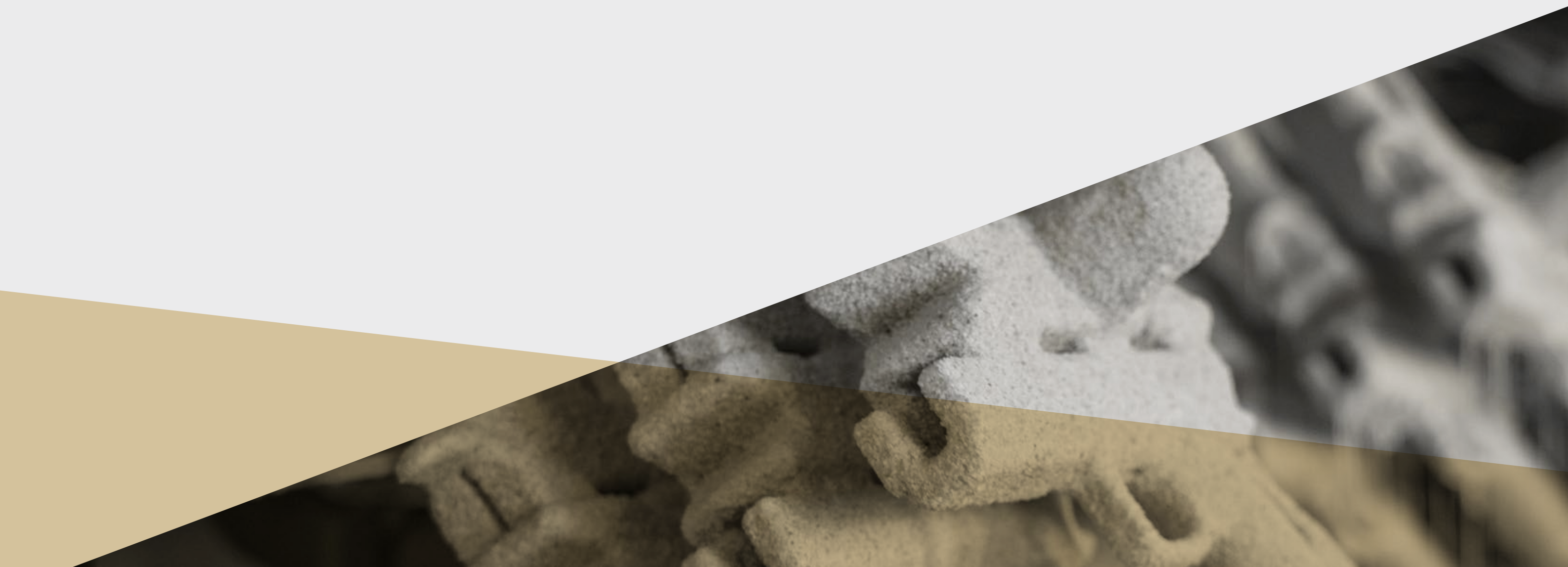
The Group provided no other benefits (e.g. post-employment benefits, termination benefits or share-based payments) to its key management personnel in 2019 or 2020.



The Group had the following outstanding balances as of 30 June 2020 and transactions in the half-year ended 30 June 2020 with its related parties:

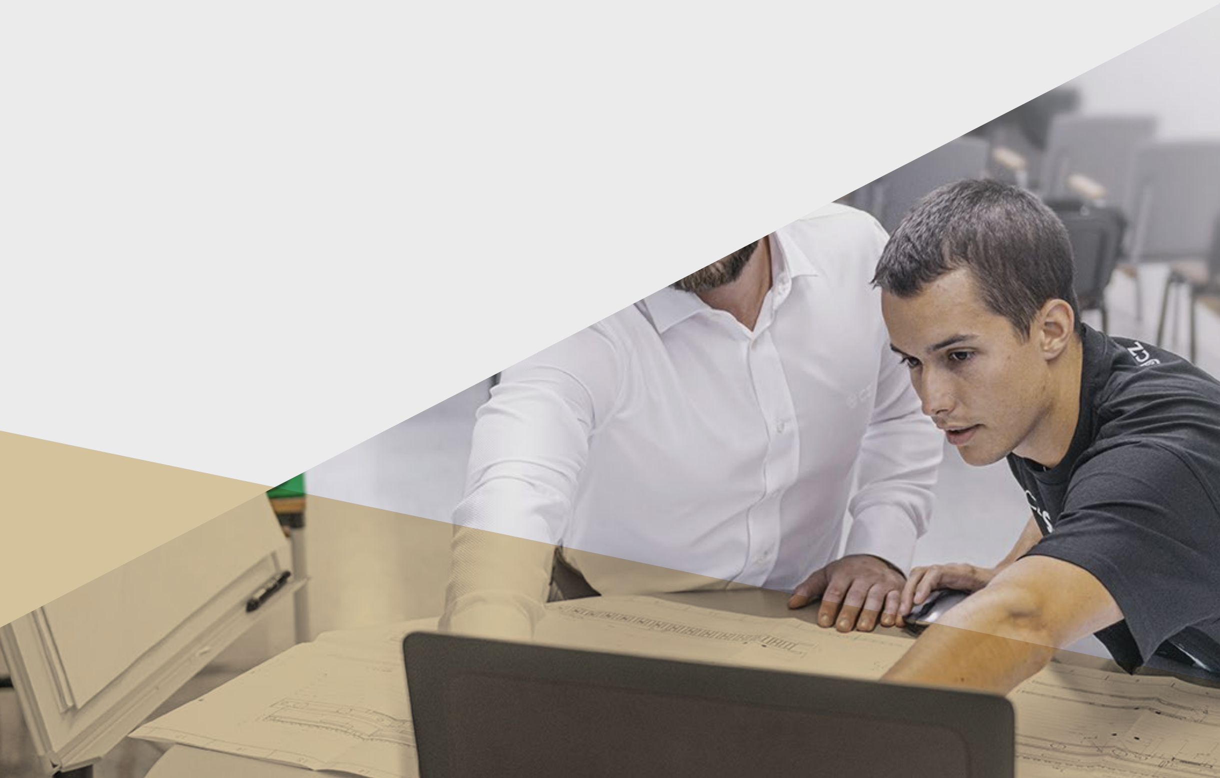
Entity	Relationship	Payables as of 30 June 2020	Purchases 1 January – 30 June 2020	Receivables as of 30 June 2020	Income 1 January – 30 June 2020
European Holding Company SE	parent company	-	-	18	33
Česká zbrojovka Partners SE	intermediate parent company	-	646	22	36
Česká zbrojovka Defence SE	subsidiary of intermediate parent company	-	-	5	33
Keriani a.s.	associate of parent company	1,176	4,347	2,299	-
Silesia Invest SE	company controlled by the same ultimate owner	-	-	1	10
EHC zdravotní s.r.o.	company controlled by the same ultimate owner	-	-	10,248	488
CZUB zdravotní s.r.o.	company controlled by the same ultimate owner	-	2,419	437	20
CZ-AUTO SYSTEMS a.s.	subsidiary of intermediate parent company	1,889	7,816	267,444	24,244
AUTO-CZ International a.s.	subsidiary of intermediate parent company	-	-	1	10
TRX, s.r.o.	company controlled by the same ultimate owner	85	420	-	-
ITeuro, a.s.	company controlled by the same ultimate owner	-	2,443	2,083	-
Total		**3,150**	**18,091**	**282,558**	**24,874**

Further to this, the Group paid out a dividend of CZK 328,218 thousand to Česká zbrojovka Partners SE.



The Group had the following outstanding balances as of 31 December 2019 and transactions in the half-year ended 30 June 2019 with its related parties:

Entity	Relationship	Payables as of 31 December 2019	Purchases 1 January – 30 June 2019	Receivables as of 31 December 2019	Income 1 January – 30 June 2019
Česká zbrojovka Partners SE	intermediate parent company	5,618	10,133	-	-
Keriani a.s.	associate of parent company	1,040	3,554	2,299	-
Silesia Invest SE	company controlled by the same ultimate owner	-	-	-	20
EHC zdravotní s.r.o.	company controlled by the same ultimate owner	-	-	9,748	509
CZUB zdravotní s.r.o.	company controlled by the same ultimate owner	-	2,583	51	15
Česká zbrojovka CZ-AUTO a.s.	subsidiary of intermediate parent company	1,913	-	-	-
TRX, s.r.o.	company controlled by the same ultimate owner	169	420	-	-
ITeuro, a.s.	company controlled by the same ultimate owner	639	3,425	-	-
Total		**9,379**	**20,115**	**12,098**	**544**



19. NET EARNINGS PER SHARE

Basic and diluted earnings per share were determined as follows:

	30 June 2020	30 June 2019
Numerator (CZK '000)		
Profit after tax from continued operations attributable to the owner of the parent company	381,744	485,054
Profit after tax from discontinued operations attributable to the owner of the parent company	0	14,915
Denominator (average number of shares in '000)		
Basic	29,838	29,838
Diluted	29,838	29,838
Net earnings per share (CZK/ share) from continued operations attributable to the owner of the parent company		
Basic	13	16
Diluted	13	16
Net earnings per share (CZK/ share) from discontinued operations attributable to the owner of the parent company		
Basic	0	1
Diluted	0	1
Net earnings per share (CZK/ share) attributable to the owner of the parent company		
Basic	13	17
Diluted	13	17

As disclosed in the 2019 annual financial statements, the parent company's ordinary shares split in 2019 without any change in the share capital; specifically, 100 shares split into 29,838,000 shares. For calculating net earnings per share, the value of 29,838,000 shares was used for all periods presented.

20. CONTINGENT LIABILITIES

As of 30 June 2020, the Group had issued no guarantees in respect of third-party liabilities. As of 30 June 2020, the Group recorded no significant legal disputes where the Group acts as a defendant or investment, environmental and other off-balance sheet commitments.

21. SUBSEQUENT EVENTS

No events occurred subsequent to the balance sheet date that would have a material impact on the condensed consolidated financial statements.

The group purchased remaining shares in the subsidiary 4M SYSTEMS a.s.

DECLARATION OF PERSONS RESPONSIBLE FOR THE HALF-YEAR REPORT

To the best of our knowledge, we believe that this consolidated financial report gives a fair and true view of the Group's financial position, business activities and results for the six months of 2020, and outlook for the development of Group's financial situation, business activities and results.

Prague, 29 September 2020

Signed on behalf of the Board of Directors:

Lubomír Kovařík
Chairman of the Board of Directors

Jan Drahota
Vice-Chairmain of the Board of Directors

GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES

A. ALTERNATIVE PERFORMANCE MEASURES

This Report 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 Report: EBITDA from continued operations, EBITDA margin from continued operations, underlying EBITDA from continued operations, underlying EBITDA margin from continued operations, net financial debt and net leverage ratio. The Company 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. 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 Company'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 Company 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 Company does, which limits their usefulness as comparative measures.

	As of and for the six months ended 30 June	
(CZK thousands, unless otherwise indicated)	**2020**	**2019**
EBITDA from continued operations(1)	724,787	847,120
EBITDA margin from continued operations(2)	21.5%	28.6%
Underlying EBITDA from continued operations(3)	874,596	812,112
Underlying EBITDA margin from continuing operations(4)	26.0%	27.4%
Net income margin(5)	11.4%	16.8%
Net financial debt at the end of the period(6)	1,417,334	N/A
Net leverage ratio (x)(7)	1.2x	N/A

(1) The Group's management considers EBITDA from continued operations to be a key performance indicator in evaluating the Group's business. As described above, EBITDA from continued operations is not a measure of performance defined or recognized under IFRS. The Group calculates EBITDA from continued operations based on the figures included in the Audited Financial Statements and the Unaudited Interim Financial Statements. EBITDA from continued operations is defined as post-tax profit for the period less post-tax profit from discontinued operations plus income tax less interest income plus interest expenses plus depreciation and amortization.

(2) EBITDA margin from continued operations is defined as EBITDA from continued operations as a percentage of revenues from the sale of own products, goods and services. EBITDA margin from continued operations allows for a comparison of one company's performance relative to others in its industry.

(3) The Group's management considers underlying EBITDA from continued operations to be a key performance indicator in evaluating the Group's business. As described above, underlying EBITDA from continued operations is not a measure of performance defined or recognized under IFRS. The Group calculates underlying EBITDA from continued operations based on the figures included in the Audited Financial Statements and the Unaudited Interim Financial Statements. Underlying EBITDA from continued operations is defined as post-tax profit for the period less post-tax profit from discontinued operations plus income tax less other financial income plus other financial expenses less interest income plus interest expenses plus depreciation and amortization .

(4) Underlying EBITDA margin from continuing operations is defined as underlying EBITDA from continued operations as a percentage of revenues from the sale of own products, goods and services. Underlying EBITDA margin from continuing operations allows for a comparison of one company's performance relative to others in its industry.

(5) Net income margin is defined as profit for the period from continued operations as a percentage of revenue from the sale of own products, goods and services, each as shown in the consolidated statement of profit or loss and other comprehensive income in the Audited Financial Statements and the Unaudited Interim Financial Statements. Net income margin is used in ratio analysis to determine the proportional profitability of a business.

(6) 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 as reported in the Audited Financial Statements and the Unaudited Interim 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 dates indicated.

(CZK thousands)	As of 30 June 2020	As of 31 December 2019
Bank loans and borrowings	2,252,995	2,252,688
Short-term bank loans and overdrafts	292,785	36,958
Lease payables (current and non-current)	67,973	63,486
Less: Cash and cash equivalents	(1,196,419)	(805,503)
Net financial debt at the end of the period	**1,417,334**	**1,547,629**

(7) Net leverage ratio is defined as the ratio of net financial debt at the end of the period to EBITDA from continued operations for the period, except that the net leverage ratio as of 30 June 2019 is calculated based on EBITDA from continued operations for the twelve months ended 30 June 2020. EBITDA from continued operations for the twelve months ended 30 June 2020 is calculated as EBITDA from continued operations for 2019 less EBITDA from continued operations for the six months ended 30 June 2019 plus EBITDA from continued operations for the six months ended 30 June 2020.

The following is a reconciliation of Post-tax profit for the period to EBITDA from continued operations and underlying EBITDA from continued operations for the periods indicated.

	For the six months ended 30 June	
(CZK thousands)	2020	2019
Post-tax profit for the period	**381,963**	**513,969**
Post-tax profit from discontinued operations	(0)	(14,915)
Profit for the period from continued operations	**381,963**	**499,054**
Income tax	91,609	131,146
Interest income	(10,600)	(11,210)
Interest expense	68,363	41,961
Depreciation and amortization	193,452	186,169
EBITDA from continued operations	**724,787**	**847,120**
Other financial income	(328,733)	(150,861)
Other financial expenses	478,542	116,034
Underlying EBITDA from continued operations	**874,596**	**812,112**

B. GLOSSARY

CARDAM s.r.o.
CARDAM is a partially owned subsidiary of CZUB based in Dolní Břežany, Czech Republic, with CZUB owning 33% of CARDAM's share capital. Besides CZUB, the founding members and shareholders of CARDAM are the Institute of Physics of The Czech Academy of Sciences and foundry Beneš and Lát. The shareholding grants the Group access to research conducted at the Institute of Physics of the Czech Academy of Sciences as well as an in-house research and development platform. CARDAM serves as the Group's centre of research and development for additive manufacturing and advanced surface treatment.

CZ-US HOLDINGS Inc.
CZ-US HOLDINGS is a fully owned subsidiary of the Group based in Kansas City, Kansas, United States. The company is a holding company which does not conduct any business operations of its own and has no employees. The main asset of the company is its direct shareholdings in CZ-USA and CZ-MFG, Inc. The importance of CZ-US HOLDINGS will grow gradually with implementation of the Little Rock Project as the Group plans to use tax consolidation for the United States tax purposes and also financing of the United States activities via CZ-US HOLDINGS.

CZ-USA Inc.
CZ-USA is a fully owned subsidiary of CZ-US HOLDINGS based in Kansas City, Kansas, United States. CZ-USA mainly imports its products from the Group's production facility in the Czech Republic, but also imports shotguns from Turkey. Due to United States regulations, CZ-USA does not sell directly to the end customers but rather sells its product through wholesalers and other merchants.

CZ-MFG, Inc.
CZ-MFG is a newly established entity, fully owned subsidiary of CZ-US HOLDINGS. CZ-MFG was established in order to implement the Little Rock Project.

CZ Brasil
CZ Brasil is a subsidiary of CZUB based in Brazil. CZ Brasil is no longer an active company. CZ Brasil was originally founded as a joint venture with its local partner R&T with the intention to enhance the visibility of the Group on the Brazilian market. The project is no longer actively pursued by the Group.

CZ Export Praha, s.r.o.
CZ EXPORT is a fully owned subsidiary of the Company based in Uherský Brod, Czech Republic. The company specializes in the international trade of military equipment and material. It also provides services in the field of financing, training and support throughout the entire lifecycle of the delivered products and technologies.

CZG International
CZG International is a fully owned subsidiary of the Company based in Prague, Czech Republic. CZG International does not conduct any business operations of its own and has no employees. The main asset of the company is its direct 20% shareholding in EG-CZ Academy.

CZG VIB s.r.o.
CZG VIB is a fully owned subsidiary of the Company based in Prague, Czech Republic. The company does not conduct any business operations of its own and has no employees. The main asset of CZG VIB is its approximately 24.99% direct shareholding in VIBROM spol. s r.o.

Česká zbrojovka a.s.
CZUB is the main operating company of the Group and is based in Uherský Brod. The Group effectively owns 99.32% of the outstanding share capital of CZUB while the remaining outstanding share capital is owned by CZUB's management. Due to the dual share structure, the Group controls 100% of voting rights of CZUB.

Česká zbrojovka Partners SE
The sole shareholder of the Company. A 90% stake is controlled by EHC. The remaining is held as follows: (i) 5% by Mr. Lubomír Kovařík, (ii) 2.5% by Mr. René Holeček (resulting in Mr. René Holeček's indirect shareholding in the Company and Česká zbrojovka Partners SE of 92.5% of share capital and voting rights), and (iii) 2.5% by Mr. Jan Drahota.

EG-CZ Academy
Academy is a partially owned subsidiary of CZG-Česká zbrojovka Group International s.r.o. based in Quimper, France. CZG owns a 20% shareholding in Academy. Academy was founded in cooperation with Eric Grauffel, the seven-time World IPSC Champion. Academy aims to provide a new experience in indoor shooting. It operates a modern training facility providing its members (from sport shooters to government bodies) with access to all types of modern shooting disciplines. Academy serves as a marketing tool for the Group and its importance lies mainly in its impact on increasing brand and product awareness and loyalty.

EHC-4M, SE
EHC 4M is a fully owned subsidiary of the Company based in Prague, Czech Republic. The company does not conduct any business operations of its own and has no employees. The main asset of the company is its 54.26% shareholding in 4M SYSTEMS a.s.

European Holding Company, SE
The majority shareholder of Česká zbrojovka Partners SE which holds 90% of the share capital and voting rights in Česká zbrojovka Partners SE. EHC is owned and controlled by Mr. René Holeček, who controls 100% of the share capital in EHC.

Spuhr i Dalby AB
SPUHR is a renowned Swedish manufacturer of class leading optical mounting solutions for weapons. The Group acquired a minority stake (25%) in SPUHR on 6 May 2020. SPUHR was founded in 2007 and has its own factory in Löddeköpinge.

VIBROM spol. s r.o.
VIBROM is a strategic equity investment of the Group and is based in Třebechovice pod Orebem, Czech Republic. It specializes in powder injection moulding (PIM) which is a modern technology that combines plastics and a conventional powder method, allowing for the cost-effective series production of durable precision MIM (metal) or ceramic powder injection moulding (CIM) parts. The company utilizes modern and innovative technology and a system of 100% quality control (3D measurement, defectoscopy station) and is a holder of an ISO 9001 certificate.

ZBROJOVKA BRNO, s.r.o.
Zbrojovka Brno is a fully owned subsidiary of CZUB based in Brno, Czech Republic. Zbrojovka Brno used to be an independent firearm producer with its own rich production history. It was acquired by the Group in 2004. Zbrojovka Brno currently produces mainly hunting rifles and provides customized solutions for the Group customers. CZUB intends to use Zbrojovka Brno as the customization centre for its recently launched online firearms configurator.

4M Systems a.s.
4M SYSTEMS is a 100% owned subsidiary of EHC 4M based in Prague, Czech Republic. The remaining 45.74% share was acquired by EHC 4M in September 2020 from the minority shareholders for CZK 3.3 million. The Group is in discussions with its financing bank regarding a potential recapitalisation of 4M SYSTEMS in order to prepare 4M SYSTEMS to realize the commercial potential of certain military and law enforcement contracts. 4M SYSTEMS operations include the design, production and sale of tactical equipment for armed forces such as the military, police, customs, prison service, border guards, etc. 4M SYSTEMS enhances the ability of the Group to offer its customers a broader scope of products in complex orders such as rearmaments.

Other companies

Latin America Holding, a.s., Česká zbrojovka CZ Auto a.s. and CZ - Slovensko s.r.o. are special purpose vehicles which do not conduct any business operations, have no material assets or liabilities and no employees.

Glossary of technical terms

The glossary of technical terms contains explanations and definitions of certain terms used in this Report in connection with the Group and the Group's business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

Assault rifle
any type of the self-loading automatic or semi-automatic rifles with detachable magazine chambered in intermediate cartridge. Primarily designed for military or civilian use depending on the region-specific legislation (in Czech: útočná puška).

Bolt-action
type of firearm action where the handling of cartridges into and out of the barrel chamber is operated by manually manipulating the bolt directly via a handle.

Break-action
type of firearm action in which the barrel is hinged and rotate perpendicularly to the bore axis to expose the breech and allow loading and unloading of cartridges.

Centrefire rifle
a rifle loaded with cartridges which have a primer located in the centre of the cartridge case head.

Handguns
pistols and revolvers.

Locked breech
one of the wide-spread designs of firearm mechanisms used to slow down the opening of the breech to ensure flawless function.

Long guns
all firearms except pistols and revolvers.

Magazine-fed
a firearms' design in which ammunition is drawn from a magazine.

MIM
Metal injection moulding is a metalworking process in which finely-powdered metal is mixed with binder material to create a "feedstock" that is then shaped and solidified using injection moulding. The moulding process allows high volume, complex parts to be shaped in a single step.

Rimfire rifle
a rifle in which the firing pin strikes the rim of the cartridge case to ignite the primer.

Striker-fired
one of the most common pistol fire-action systems that eliminated the use of the hammer. Striker-fired pistols use a spring that provides energy to the firing pin that initiates the cartridge primer.

Submachine gun
self-loading automatic or semi-automatic firearm with detachable magazine commonly chambered in pistol cartridges. Primarily designed for military and law enforcement use. Depending on region-specific legislation available for civilian use in semi-auto variants.

Tactical accessories
firearms accessories, tactical and ballistic equipment and apparel.

Glossary of other terms

IFRS
International Financial Reporting Standards are accounting standards issued by the IFRS Foundation and the International Accounting Standards Board.

ESMA
European Securities and Markets Authority is an independent EU Authority that contributes to safeguarding the stability of the European Union's financial system by enhancing the protection of investors and promoting stable and orderly financial markets.

Prime Market
Prime Market is a market intended for trading in the blue chip shares in the Czech and foreign companies on the Prague Stock Exchange.

PSE
Prague Stock Exchange (PSE) is the main organizer of the securities market in the Czech Republic.