

SEMI-ANNUAL REPORT FOR THE FIRST HALF OF 2021

CZG – ČESKÁ ZBROJOVKA GROUP SE



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1 INTRODUCTION

CZG - Česká zbrojovka Group SE (“CZG”, “the Company,” and together with its subsidiaries “the Group”) is one of the leading world producers of firearms and tactical accessories for the military and law enforcement sector, personal defence, hunting, sport shooting, and other commercial uses. Its products are sold mainly under the CZ (Česká zbrojovka), CZ-USA, Colt, Colt Canada, Dan Wesson, Brno Rifles, and 4M Systems brands. The CZG group includes among others Česká zbrojovka, Colt’s Manufacturing Company, Colt Canada Corporation, CZ-USA, 4M Systems, and CZ Export Praha.

The Company’s history dates 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 acquired Dan Wesson through its subsidiary 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. In May 2021, the Company successfully finalised the acquisition of a 100% ownership interest in Colt Holding Company LLC (“Colt”), the parent company of the U.S.-based arms producer Colt’s Manufacturing Company LLC and its Canadian subsidiary Colt Canada Corporation.

As at 30 June 2021, CZG had an average FTE headcount of 2 123 employees based in the Czech Republic, United States, Germany, and Canada. Since October 2020, CZG shares have been traded on the Prague Stock Exchange. The majority shareholder of the Company is Česká zbrojovka Partners SE with an 87.8% ownership interest and the rest is free float.



Center of Applied
Research and Development
for Additive Manufacturing





GUN THAT KILLED BILLY THE KID

In August 2021, the auction house Bonhams in Los Angeles sold for more than USD 6 million the gun that killed American Wild West outlaw Billy the Kid. The 0.44 calibre gun was the Colt single action revolver. Bonhams described the gun as "the most iconic treasure of early Western history".





INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Ladies and gentlemen,

CZG has experienced another record half-year. For the first time, the financial results of the CZG for the first six months of 2021 also include the financial performance of Colt from the takeover of a 100% stake in Colt Holding Company LLC, the parent company of the American firearms manufacturer Colt's Manufacturing Company LLC and the Canadian company Colt Canada Corporation. The acquisition was successfully completed on 21 May 2021. It is undoubtedly a significant milestone not only in the history of CZG, but also Colt. With this acquisition, we have created a unique platform that connects two strong brands and will bring the Group a number of significant opportunities and synergies. We are convinced that this merger will benefit our employees, customers, suppliers and shareholders and further strengthen both brands. This merger also confirms our commitment to the North American market, which is a key part of our growth strategy. Thanks to this acquisition, CZG has acquired additional production capacity

and created conditions to become a leading supplier of firearms and a key global partner for both military and law enforcement and commercial customers.

In connection with the successful completion of the acquisition of Colt and the need to adapt the management of the Group's companies to the new structure, changes took place in the Supervisory Board and the Board of Directors of CZG on 1 July 2021. Lubomír Kovařík has replaced René Holeček, who is also the majority owner of the Company, as the Chairman of the Company's Supervisory Board. I, until then the Deputy Chairman of the Board of Directors and Chief Financial Officer of the Group, have replaced Lubomír Kovařík as the Chairman of the Board of Directors of CZG. Mr. Kovařík will continue to focus on strengthening the Group's external relations with all the key stakeholders, while I have taken over the executive managerial competencies of the Group and its further development. Dennis Veilleux, who represents the Colt Group, and Jan Holeček, who leads CZG's global sales activities, have

also been appointed to the CZG Board of Directors since 1 July.

I am greatly honoured to take over the leadership of the Group from Lubomír Kovařík today. Mr. Kovařík did an incredible job in his stewardship of, first, Česká zbrojovka and subsequently CZG. The bar is set high. I feel a big personal responsibility for both the CZ and Colt brands. It is primarily a commitment to our employees, customers, suppliers, and investors. I will personally strive to ensure that our Group continues to be an attractive employer and a place for talents who want to realize their dreams and ambitions in the technical or business field. Our global platform provides unique opportunities to reach customers around the world. At the same time, we are proud of our roots, be it in the Czech Republic in the case of Česká zbrojovka or in the USA in the case of Colt.

The results of CZG for the first six months of 2021 were again marked by the growth of all key indicators. Compared to the same period in 2020, the company's revenues increased by 40.6% to CZK 4.7 billion; sales of firearms increased by 33.3%, when the Group sold 304,322 weapons. Operating profit increased by 5.4% to CZK 712.2 million. These results are strong considering the ongoing global pandemic of Covid-19, reflected in restrictions, unpredictability, and also the impact on some areas of the supply chain.

CZG has managed to face the challenges posed by the pandemic successfully through a proactive and flexible approach of our employees, as well as a close dialogue with our suppliers and business partners. I would like to thank all our employees and partners. In connection with covid-19, I would also like to highlight the involvement of Česká zbrojovka and the "My Doctor" health centre in the establishment and operation of the vaccination centre in Uherský Brod, in cooperation with the Zlín Region and the town of Uherský Brod. The vaccination centre has been serving the citizens of Uherský Brod and surrounding municipalities since

April this year. The health centre "My Doctor" carries out the vaccination and is also the expert guarantor of the whole vaccination process. Česká zbrojovka has provided IT equipment and technical support and it also ensures the transport of vaccines from the distribution centre to the vaccination site. This is a wonderful example of our Company's involvement within our "good neighbour" policy.

In the first half of 2021, the Group and its subsidiaries marked several business successes. In the military and law enforcement segment, Česká zbrojovka began to fulfil the first orders from the framework contract for the supply of small arms and ammunition to the Army of the Czech Republic, namely the deliveries of the Bren 2 assault rifles with accessories. Cooperation continued with the Hungarian state-owned company HM Arzenál in the rearmament of the Hungarian armed forces, in which we participate through a joint technology transfer project. Česká zbrojovka also supplied P-10 pistols to the Brazilian military police following a victory in a tender from the end of last year. As for other larger orders from the military and law enforcement units, I would like to highlight the supply of P-10 pistols for the Romanian police. We were also successful in the Africa region, where we delivered the Bren 807 assault rifles, Scorpion submachine guns and CZ P-07 and 09 pistols, as well as ballistic protection and helmets from 4M Systems.

As for the commercial market, I would like to mention the award received by the weapon configurator of Česká zbrojovka. Petr Pištělák, who led the team which developed the configurator, was awarded as one of the top leaders in digital transformation in the Czech Republic by the Business Transformation Club & Award section within the Czech Association of Communication Agencies. The jury acknowledged the intersection of modern digitization with a traditional industry. This award underscores the emphasis on progressiveness and digitization that we apply throughout our organization, so we could offer our

customers the best products and be an attractive employer drawing new talent.

CZG has also received acknowledgement in the area of social responsibility. In May, the Chief of the General Staff of the Czech Armed Forces, Army General Aleš Opata, awarded CZG with the Czech Army's Honorary Badge of Merit III for long-term support of the Military Solidarity Fund. We have been supporting the Military Solidarity Fund since its inception, because we consider it important to help our soldiers, who serve at home and abroad, and their families. The Army of the Czech Republic plays a crucial role not only in the defence of our country, but also in supporting our citizens, as shown by, among other things, the coronavirus pandemic.

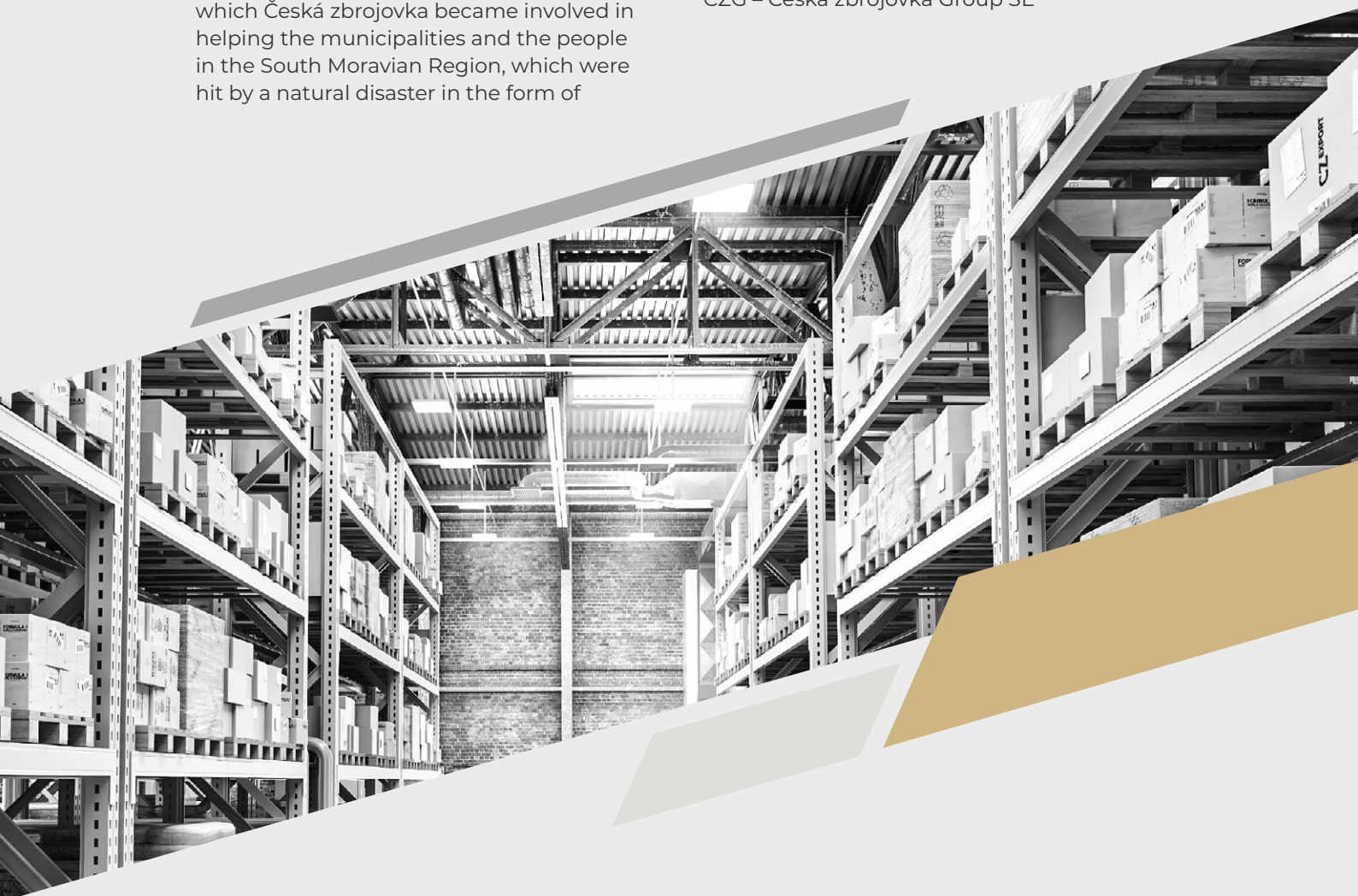
In the context of social responsibility, I would like to recognise the speed with which Česká zbrojovka became involved in helping the municipalities and the people in the South Moravian Region, which were hit by a natural disaster in the form of

a tornado in June. The very next day after this unfortunate event, Česká zbrojovka sent a contribution of CZK 1 million to the relief fund organized by the South Moravian Region. The company also offered help to employees affected by the natural disaster.

During the remainder of this year, we will focus on further development of our business and the integration of CZG and Colt. The Group is in an excellent position on its way to creating long-term sustainable values for its employees, customers, business partners, shareholders, and the whole society.

Jan Drahota

President and Chairman
of the Board of Directors
(since 1 July 2021)
CZG – Česká zbrojovka Group SE



3 KEY FINANCIAL INDICATORS

Consolidated income statement and statement of comprehensive income

(in CZK thousand)	Data for six months ended 30 June		
	2021 (unaudited)	2020 (unaudited)	Change in %
Revenues from the sale of own products, goods and services	4,728,737	3,363,399	40.6%
Operating profit (loss)	712,205	675,776	5.4 %
EBITDA	984,138	869,228	13.2 %
Normalised EBITDA ⁽¹⁾	1 203,652	n/a	n/a
Profit (loss) before tax	748,994	473,572	58.2%
Profit for the period	587,915	381,963	54.0%
Profit for the period attributable to:			
Owner of the parent company	584,766	381,744	53.2 %
Non-controlling interests	3,149	219	n/a
Net earnings per share attributable to the owner of the parent company (CZK per share)			
Basic	17	13	30.8%
Diluted	17	13	30.8%
Adjusted ⁽²⁾	26	13	100.0 %

Consolidated statement of financial position

(in CZK thousand)	Data as at		
	30 June 2021 (unaudited)	31 December 2020 (audited)	Change in %
Total assets	17,593,284	8,787,551	99.8 %
Total equity	5,232,026	4,522,686	15.7 %
Total liabilities	12,361,258	4,264,865	189.8 %
Total liabilities and equity	17,593,284	8,787,551	99.8 %

(1) Net of the extraordinary one-off expenses connected with the acquisition of Colt that do generally not relate to the common financial performance and creation of value in the relevant period. These one-off items are explained in Chapter 8 Alternative performance measures.

(2) Net of the extraordinary one-off expenses connected with the acquisition of Colt, wasting assets depreciation and financial expenses related to bond issue that do generally not relate to the common financial performance and creation of value in the relevant period and net of the valuation of contingent consideration on fair value from acquisition COLT.

GROUP RESULTS FOR THE FIRST HALF OF 2021

COMMENTS ON THE FINANCIAL RESULTS FOR THE FIRST HALF OF 2021

The following table includes an overview of the firearm units sold by the Group (including firearm units sold by Colt since the acquisition date) by type for the reported period.

Number of units	Data for six months ended 30 June		
	2021	2020	Change in %
Long firearms	121,477	78,955	53.8%
Handguns	182,845	149,250	22.5%
Total firearms	304,322	228,205	33.3%

Revenues

Compared with the results as at 30 June 2020, the revenues for the six months ended 30 June 2021 increased by 40.6% percent to CZK 4.7 billion, mainly thanks to an increase in firearm sales volumes resulting from higher demand in the United States, Africa, Asia and with the positive impact of Colt's revenue consolidation from 21 May 2021.

Regionally, the revenues generated in the Czech Republic decreased year-on-year by 56.2 percent to CZK 135.1 million as at 30 June 2021, mainly as a due to a slight shift of the start of deliveries to the Czech Army as the Company has commenced with more significant deliveries from July 2021. Revenues generated in the United States increased year-on-year by 26.5 percent to CZK 2,957.4 million for the six months ended 30 June 2021, mainly as a result of increased demand in the US commercial market and the consolidation of Colt's revenues. Revenues generated in Europe (excluding the Czech

Republic) increased year-on-year by 77.8 percent to CZK 507.2 million for the six months ended 30 June 2021, mainly due to higher sales in the Central and Eastern Europe.

Revenues generated in Africa increased by 307.4 percent to CZK 496.8 million for the six months ended 30 June 2021 as a result of one-off sales to the military and law enforcement sector customers. Revenues generated in Asia increased year-on-year by 45.3 percent to CZK 288.3 million for the six months ended 30 June 2021 as a result of increased sales to both the military and law enforcement sector customers and commercial customers.



The following table shows the breakdown of the Group's revenues for the monitored periods by region.

	Data for six months ended 30		
	2021	2020	Change %
	(unaudited, in CZK thousand)		
Czech Republic	135,107	308,362	(56.2%)
United States	2,957,368	2,337,896	26.5%
Canada	156,586	62,558	150.3%
Europe (excl. the Czech Republic)	507,163	285,247	77.8%
Africa	496,835	121,940	307.4%
Asia	288,313	198,425	45.3%
Other	187,365	48,971	282.6%
Total	4,728,737	3,363,399	40.6%

Other operating income

Other operating income decreased year-on-year by 39.4 percent to CZK 26.4 million for the six months ended 30 June 2021.

Raw materials and consumables used

Raw materials and consumables used increased by 58.7 percent to CZK 2,029.6 million for the six months ended 30 June 2021 compared with the six months ended 30 June 2020. The main reason of the increase were higher revenues and production of the original Group as well as the consolidation of Colt to the interim financial statements from 21 May 2021 till 30 June 2021.

Services

Expenses on services increased by 78.6 percent to CZK 886.0 million for the six months ended 30 June 2021 compared with the six months ended 30 June 2020 mainly due to the Colt acquisition. Of this, CZK 177,103 thousand is related to the Colt acquisition as one-off expenses and further the consolidation of Colt from 21 May 2021 till 30 June 2021.

Personnel expenses

Personnel expenses increased by 28.0 percent to CZK 787.3 million for the six months ended 30 June 2021 compared with the six months ended 30 June 2020. The increase of personnel expenses was attributable to higher number of employees (29% up) after the Colt acquisition.

Depreciation and amortisation

Depreciation and amortisation increased by 40.6 percent to CZK 271.9 million for the six months ended 30 June 2021 compared with the six months ended 30 June 2020. The increase can be attributed to the consolidation of Colt since depreciation and amortisation of the original group companies increased only moderately.

EBITDA

The Company's management considers EBITDA to be the key performance indicator in evaluating the Group's business operations. EBITDA is not a performance benchmark defined or recognised under IFRS. The Group calculates EBITDA based on data included in the audited financial statements. EBITDA is defined as after-tax profit for the period plus income tax less other financial income plus other financial expenses less interest income plus interest expense plus depreciation and amortisation.

EBITDA went up by 12.5 percent to CZK 984.1 million for the six months ended 30 June 2021 compared with the six months ended 30 June 2020. The increase is attributable to the impact of higher global sales primarily on continents other than Europe.

Normalised EBITDA net of extraordinary effects connected with the acquisition of Colt for the six months ended 30 June 2021 amounted to

CZK 1,203.6 million. These effects mainly include the expenses on professional advisors and other services connected with the Colt acquisition and depreciation of wasting assets related with the project in Arkansas which has been postponed by 3–5 years.

Interest income and other financial income

Interest income decreased by 22.5 percent to CZK 8.2 million for the six months ended 30 June 2021 compared with the six months ended 30 June 2020. Other financial income increased by 45.0 percent to CZK 476.7 million, primarily as a result of exchange rates movements, reclassification of financial income from derivative transactions and costs related to bond issue.

CZG – Česká zbrojovka Group SE issued 500,000 bonds with a nominal value of CZK 10,000 in total amount of CZK 5,000,000,000 on 23 March 2021. The issue price of the notes subscribed in the public offer is 100 % of the nominal value of the notes. The bonds were admitted to trading on the Regulated Market of the Prague Stock Exchange.

Interest expense and other financial expenses

Interest expense decreased by 9.6 percent to CZK 62 million for the six months ended 30 June 2021 compared with the six months ended

30 June 2020. Other financial expenses decreased by 17.7 percent to CZK 393.9 million for the six months ended 30 June 2021 compared with the six months ended 30 June 2020.

Profit (loss) before tax

Profit (loss) before tax increased by 58.2 percent to CZK 749 million for the six months ended 30 June 2021 compared with the six months ended 30 June 2020. The growth relates to higher operating profit and positive impact of financial operations.

Income tax

Mainly because of higher profit before tax, income tax for the six months ended 30 June 2021 increased by 75.8 percent to CZK 161.0 million compared with the six months ended 30 June 2020.

Profit for the monitored period

Profit for the six months ended 30 June 2021 increased by 54.0 percent to CZK 587.9 million compared with the six months ended 30 June 2020.



STRATEGY AND OUTLOOK

Outlook for the second half of 2021

On the grounds of the favourable development of CZG's financial results and the favourable development of the financial results of the Colt group as at the date of preparation of this report, the Group's management expects that the Group may probably achieve its planned target for the full year 2021.

In the second half of 2021, the demand for Company's products shall remain very strong. The main challenge the Company has been facing is its ability to further satisfy the globally strong demand both in terms of its own production capacities and in terms of its supplier

chain. The Company's ability to produce and sell the required volumes and product mix remains the most significant risk concerning the outlook for the second half of 2021 and eventually, the worsening of global or local situation concerning the COVID-19 pandemic and a potential negative impact on supply chain.

Risks related to the continued COVID-19 pandemic and its impact on the Group's operational results are described in detail in a separate section of this report titled "Information concerning the COVID-19 pandemic" and in the notes to the financial statements.

ACQUISITION OF COLT

In May 2021, CZG announced that after having obtained all necessary regulatory permits from the U.S. and Canadian authorities, it successfully finalised the acquisition of a 100 percent ownership interest in Colt Holding Company LLC ("Colt"), the parent company of the U.S.-based arms producer Colt's Manufacturing Company LLC and its Canadian subsidiary Colt Canada Corporation.

CZG and Colt believe that the merger will bring significant operational, sales, and research and development synergies for this joint enterprise whose total pro-forma revenues for 2020 exceeded USD 570 million and which employs more than 2,000 people in the Czech Republic, United States, Canada, and Germany. The CZG Group will gain further manufacturing capacities through this acquisition and establish a basis for becoming a major firearm supplier and key global partner for customers from both the military and law enforcement sector and commercial sector.

Colt Holding Company LLC is the ultimate parent company. Colt is one of the leading global designers, developers and producers of firearms. The founder of the Colt company, Samuel Colt, obtained the US patent for the first commercially successful revolver in 1836 and in 1847 he began to supply firearms to customers in the United States

and also to military and law enforcement sector customers abroad. These Colt-branded firearms defined the standards in their times. Today, Colt's end customers come from all segments of the firearm market, including the U.S., Canadian and other armed forces, global defence corps, security agencies, consumers intending to buy equipment for their personal protection, and last but not least customers from the hunting and sports sectors.

Main production plants of the company Colt's Manufacturing Company LLC

Colt's Manufacturing Company LLC is the main manufacturing company of the Colt group based in the United States. Colt Manufacturing Company LLC manufactures and supplies firearms to the commercial market in the United States, to U.S. administration, to foreign armed forces, and to global defence corps and security agencies. Colt offers a broad range of top-quality firearms, including rifles, carbines, pistols and other firearms for both U.S.-based and foreign customers from the Military and law enforcement sector. It also offers a broad range of rifles, pistols, and revolvers for both local and foreign commercial customers for sports, self-defence and collection purposes.

Colt Canada Corporation

Colt Canada Corporation is located in Ontario, Canada, and it is also Colt's manufacturing company in Canada. Colt Canada manufactures and supplies firearms, including machine guns, assault rifles, sniper rifles, carbines, and grenade launchers to the Canadian government and to European armed forces. Colt Canada Corporation is a member of the Canadian Munitions Supply Program and has concluded a Strategic Source Agreement with the Canadian government. As such, it is a key supplier of handguns, parts, and firearms accessories to for the Canadian government.

Main products

Pistols

The iconic Colt 1911 pistols are still very popular even more than 100 years after having been launched to the market. Currently, you can choose both traditional models, such as Classic (which is similar to Colt A1 used in WWII), and updated models, such as Colt Competition.

Revolvers

Colt helped to create and popularised both single action and double action revolvers. Due to their revived popularity, Colt recently successfully renewed and updated many of its timeless designs, reporting a significant commercial success. The main products from this category are the Cobra series and Python series.

Modern sports rifles

Colt is successful in selling its popular rifles both to the military and law enforcement sector and to commercial customers. The sports rifles have been inspired by Colt M4 and are sold under the Colt Carbine Series brand, which better reflects the key attributes of these firearms.

Military rifles

Colt has been offering rifles for the Military and law enforcement sector already since 1994 and its products were often used by the U.S. Armed forces during the war on terror, including the Enduring Freedom operation in Afghanistan and the Iraqi Freedom operation. M4 is determined primarily for the infantry and it is the service rifle of the U.S. army and the U.S. marine corps.

Military carbines

Colt has been constantly working on innovations and it once again succeeded in improving the AR platform with its recent offer of the M5 Colt series, which moved the standards in this segment even higher. The recent model of the M5 series brings an increased precision of shooting and innovated design.

Advanced military equipment

The Colt group also offers several other advanced firearm units, such as the Eagle grenade launcher, the C20 sniper rifle, the C6A1 machine gun, and last but not least individual tailored adjustments of firearms.

INFORMATION CONCERNING THE COVID-19 PANDEMIC

Impact of COVID-19 on the Group in the first half of 2021

Česká zbrojovka a.s., the main manufacturing company and the main employer of the Group, continued applying the measures to contain the COVID-19 outbreak adopted in 2020⁽³⁾.

In the first half of 2021, CZUB's management came with new proposals for improving the working environment in the operating units where home office was not feasible. They communicated with the Regional Hygiene Station of the Zlín Region on proposed improvements. The Company's management always started the regular meetings with the mandatory information on the number of infected employees, quarantined employees, the results of employee testing for COVID-19, and effectiveness of the adopted measures and issued decisions on new extraordinary measures in accordance with the current pandemic status.

For these purposes, we established a special team to monitor the up-to-date measures and recommendations of the Ministry of Health and to propose new extraordinary measures, or if appropriate to propose cancellations of already invalid/ineffective measures and to regularly check whether the adopted measures are fulfilled in the individual workplaces independently of the employee responsible for Work safety and protection of health. The Company's management was subsequently informed on the results of the inspections.

In cooperation with CZUB zdravotní s.r.o., the Company established conditions for Ag testing of its employees, or if appropriate their family members, outside the Česká zbrojovka a.s. facility since the very beginning. After the mandatory testing had been ordered, it established a suitable place immediately inside the CZUB facility and again in cooperation with CZUB zdravotní s.r.o. it regularly tested its employees in accordance with the Extraordinary measure of the Ministry

of Health no. MZDR 47828/2020-15 MIN/KAM. Over the period from 2 March 2021 to 30 June 2021, a total of 22 535 Ag tests were carried out in respect of CZUB's employees. 0.19% of the tested persons were tested positive for COVID-19.

In excess of its duties, CZUB also participated in establishing and subsequent operation of the vaccination centre in Uherský Brod in cooperation with both CZUB zdravotní s.r.o. and the town of Uherský Brod. The employees of Česká zbrojovka a.s. actively participated in assistance and supporting activities to ensure the operation of the vaccination centre.

The Group's operations in the United States were also affected by the COVID-19 outbreak in the first half of 2021 although the demand for weapons in the U.S. commercial market kept growing in the monitored period. In the United States, the pandemic mainly decelerated the global supply chain. The extended delivery periods of the production parts had a slightly adverse impact on the outputs of the manufacturing lines, which was compensated by increased volume of supplies from CZUB and from the business partners from Turkey. Both manufacturing facilities, the Kansas facility and the Dan Wesson facility in the New York state, did not interrupt their operation in the first half of 2021, while strictly adhering to the rules stipulated by the Center for Disease Control and Prevention (CDC) and the local administration.

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 in the foreseeable future. For this reason, the Group continues to apply the going concern principle in preparing its consolidated financial statements. The Group did not apply for any public support in connection with pandemic and does not consider filing any applications in this respect.

(3) See [the Annual report for 2020](#), section 5.d) Information concerning the COVID-19 pandemic

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
Commercial Register	maintained by Municipal Court in Prague, file number 962, section H
Id. no.	291 51 961
Tax id. no.	CZ29151961
LEI	3157000990GR61YDGF96
Phone no.	+420 222 814 617
Email address	info@czg.cz
Date of incorporation	2013

Under CZG's Article of Association No. 2, the Company's principal business activities include a) management of its own property, b) manufacture, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act no. 455/1991 Coll., as amended, and c) accounting advisory, bookkeeping services, and tax services.

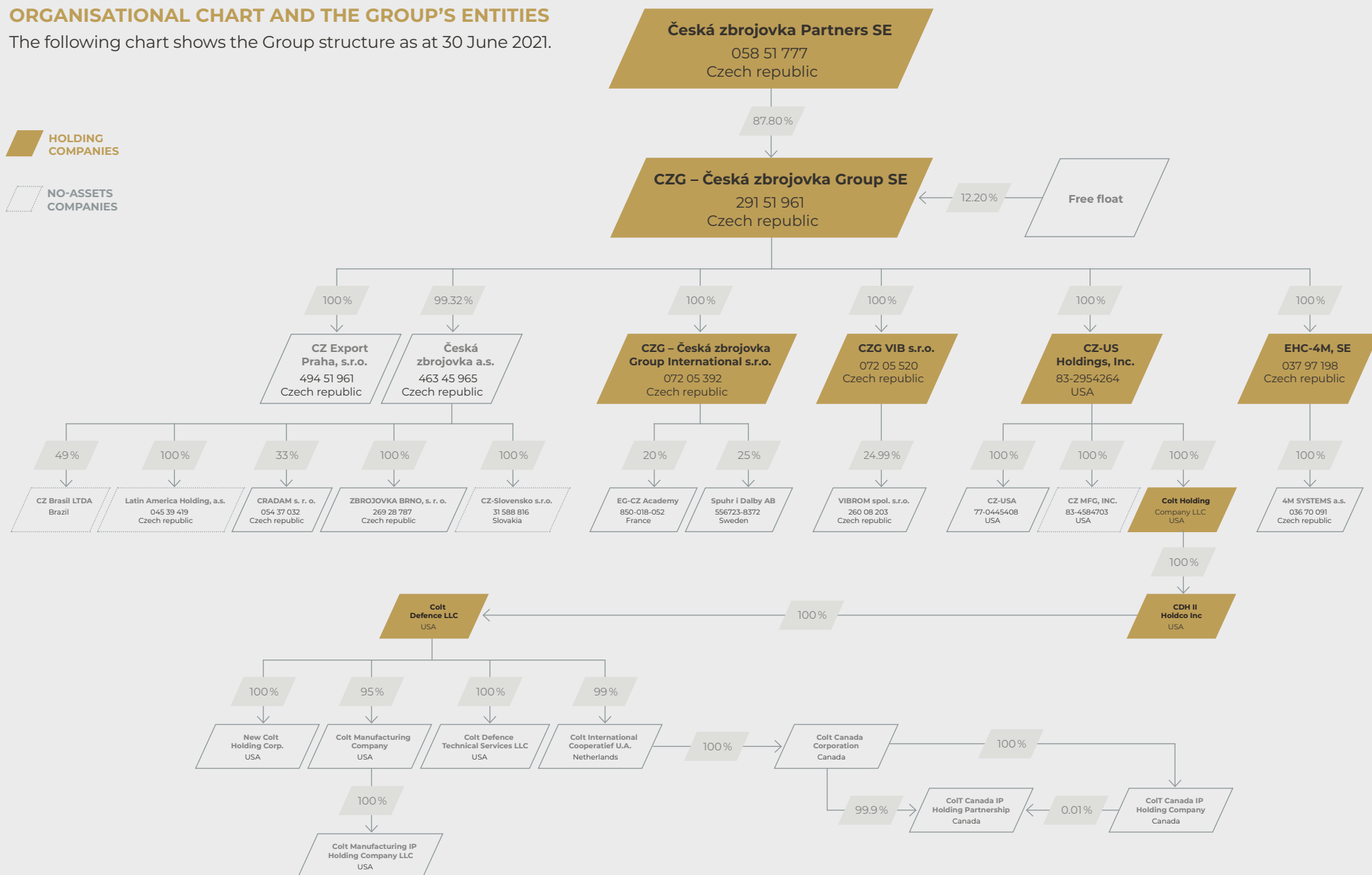


ORGANISATIONAL CHART AND THE GROUP'S ENTITIES

The following chart shows the Group structure as at 30 June 2021.

HOLDING COMPANIES

NO-ASSETS COMPANIES



GROUP COMPANIES

The description below provides basic information on the selected key operational and other companies of the Group:

Česká zbrojovka a.s. ("CZUB")

The Company owns 99.32% of CZUB. It is the Group's main operational company based in Uherský Brod. CZUB has been producing firearms for commercial and military use for 85 years. CZUB firearms are used by the armed forces of over 40 countries, and CZUB arms and products are distributed to over 90 countries.

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.

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 specialises 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.

Colt Holding Company LLC ("COLT")

On 21 May 2021, the companies owned by COLT became part of the Group. COLT is the parent company of Colt Manufacturing Company LLC, a US arms producer, and Colt Canada Corporation, a Canadian producer. COLT is one of the world's leading firearm designers, developers, and producers with a tradition spanning more than 175 years. The Company is the 100% owner of COLT via CZ-US Holdings, Inc.

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

VIBROM is a strategic equity investment of the Group based in Třebechovice pod Orebem, Czech Republic. It specialises in powder injection moulding (PIM), a modern technology that combines plastics and a conventional powder

method, allowing for cost-effective serial production of durable and high-precision metal (MIM) and ceramic powder injection moulding (CIM) parts. The company utilises modern and innovative technology and a 100% quality control system (3D measurement, defectoscopy station) and holds an ISO 9001 certificate. VIBROM enables the Group to keep up with the current trend of increasing the number of MIM parts in firearms and meets the need to secure close cooperation between production and R&D units. The share in VIBROM enables the Group to have close cooperation with an 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 the Beneš and Lát foundry. The shareholding grants the Group access to research conducted at the Institute of Physics of the Czech Academy of Sciences and 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 customised solutions for Group customers. CZUB intends to use Zbrojovka Brno as the customisation centre for its online firearms configurator.

4M SYSTEMS a.s. ("4M SYSTEMS")

4M SYSTEMS is a fully owned subsidiary of EHC 4M, SE based in Prague, Czech Republic. 4M SYSTEMS activities 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 SPUHR weapons is a 25.0% owned subsidiary located in Löddeköpinge, Sweden. SPUHR's product portfolio consists of optical mounts, accessories and upgrade kits for weapons, making it highly complementary to Česká zbrojovka's core business. 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 France. CZG-Česká zbrojovka Group International s.r.o. owns a 20% share 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 mainly lies in its impact on increasing brand and product awareness and loyalty.



OWNERSHIP STRUCTURE AND CHANGES IN THE COMPANY'S SHARE CAPITAL IN THE FIRST HALF OF 2021

The Company's majority owner is Česká zbrojovka Partners SE, which held an 87.8% share in the Company's share capital as at 30 June 2021. The remaining 12.2% share represents free float.

On 30 March 2021, the per rollam general meeting decided to increase the Company's share capital by a monetary contribution of CZK 109,862, namely from CZK 3,263,800 to a total of CZK 3,373,662 under conditions as presented in full on the Company's webpages <https://www.czg.cz/investors/#general-meeting>.

In connection with the decision made by the general meeting on 20 May 2021, the Company's board of directors decided on the issue price of one share, which was set as the close price of the Company's shares on the Prague Stock Exchange. The issue price is CZK 379 per share. Upon the orderly payment of the issue price, pursuant to the subscription contract concluded between the Company and CZ-US Holdings, Inc. and the decision by the Company's general meeting from 30 March 2021, the share capital was increased by a total of CZK 109,862, corresponding to the multiple of 1,098,620 new shares and the nominal value of the Company's shares.

Decision on profit distribution for 2020 and dividend payment

The Company's general meeting decided outside the general meeting (per rollam decision) on the Company's profit (loss) for 2020, i.e. unconsolidated profit for 2020 of CZK 462,928,714.28 after tax as follows:

- Profit of CZK 253,024,650 will be distributed among shareholders. The share of profits thus amounts to CZK 7.50 per share before tax. The decisive date for exercising the right to a share of profits was 28 June 2021. The share of profits was payable on 19 July 2021. The rules for the payment of shares of profits are published on the Company's web pages <https://www.czg.cz> under the Investors heading in the [General Meetings](#) and [Dividend](#) sections.
- Profit of CZK 209,904,064.28 was transferred to the retained profit accounts.

CHANGES IN THE COMPANY'S STATUTORY BODIES IN THE FIRST HALF OF 2021

In connection with the successful completion of the acquisition of COLT and the need to adapt the management of the companies in the Group to the new organisational structure, changes in the supervisory board and the board of directors were made.

Board of Directors

Jan Drahota became the new chairman of CZG's Board of Directors as of 1 July 2021. He was elected by the Company's Board of Directors, together with Jana Růžičková, who was elected Vice-chairwoman.

As of 1 July 2021, Dennis Veilleux, the president and CEO of Colt Holding Company LLC, and Jan

Holeček, a member of the Board of Directors and the sales director of Česká zbrojovka, a.s., were appointed new members of the Board of Directors by the Company's Supervisory Board.

Andrej Chrzanowski, member of the Company's Board of Directors, resigned from the post as of 31 March 2021.

Composition of the Board of Directors

Name	Position	Commencement of current term of office	Date of expiration of current term of office
Jan Drahota	Vice-chairman (until 30 June 2021) Chairman (from 1 July 2021)	17 January 2020	17 January 2025
Lubomír Kovařík	Chairman (until 30 June 2021)	17 January 2020	30 June 2021
Alice Poluchová	Vice-chairwoman	17 January 2020	17 January 2025
Jana Růžičková	Vice-chairwoman	17 January 2020	17 January 2025
Jan Zajíc	Member	24 November 2020	24 November 2025
Dennis Veilleux	Member (from 1 July 2021)	1 July 2021	1 July 2026
Jan Holeček	Member (from 1 July 2021)	1 July 2021	1 July 2026
David Aguilar	Member	17 January 2020	17. ledna 2025

Supervisory Board

As of 1 July 2021, René Holeček, Chairman of the Company's Supervisory Board so far, was replaced by Lubomír Kovařík, who had until then acted as the Company's President and Chairman

of the Board of Directors. The changes in the composition of the Supervisory Board were approved by the shareholders' general meeting per rollam.

Composition of the Supervisory Board

Name	Position	Commencement of current term of office	Date of expiration of current term of office
Lubomír Kovařík	Chairman (from 1 July 2021)	1 July 2021	1 July 2026
René Holeček	Chairman (until 30 June 2021)	17 January 2020	30 June 2021
Vladimír Dlouhý	Member	17 January 2020	17 January 2025
Věslava Piegzová	Member	17 January 2020	17 January 2025

TRANSACTIONS WITH RELATED PARTIES

The Group's related parties include subsidiaries, associated companies and key management personnel and their family members. Transactions that the Group ensures for related parties primarily include trade receivables and provided loans, while costs of transactions with related parties include remuneration to members of the supervisory board and board of directors and trade payables. Transactions with related parties are part of regular activities and are implemented at arm's length.

During the half-year to 30 June 2021, the Company conducted the following transactions with related parties:

Key management personnel:

During the half-year to 30 June 2021, key management personnel included all members of the Board of Directors and Supervisory Board. Short-term benefits provided to key management personnel (including gross remuneration, annual bonuses, health and social insurance and additional pension insurance) amounted to CZK 21,216 thousand.

The Company provided no other benefits (e.g. monetary or non-monetary benefits related to the termination of office of a body's member, or share-based payments) to its key management personnel.

The Company had the following receivables and transactions with its related parties during the half-year to 30 June 2021:

European Holding Company SE:

As at 30 June 2021, the Company had receivables from and payables to European Holding Company SE of CZK 29.4 thousand and CZK 0, respectively. During the half-year to 30 June 2021, the Company purchased services of CZK 0 from European Holding Company SE and provided services of CZK 33 thousand.

Česká zbrojovka Partners SE (parent company):

As at 30 June 2021, the Company had receivables from and payables to Česká zbrojovka Partners SE of CZK 29.4 thousand and CZK 222,166 thousand (share of unconsolidated profit for 2020), respectively. During the half-year to 30 June 2021, the Company purchased services of CZK 0 from Česká zbrojovka Partners SE and provided services of CZK 145.8 thousand.

Česká zbrojovka Defence SE:

As at 30 June 2021, the Company had receivables from and payables to Česká zbrojovka Defence SE of CZK 6.8 thousand and CZK 0, respectively. During the half-year to 30 June 2021, the Company purchased services of CZK 0 from Česká zbrojovka Defence SE and provided services of CZK 43.6 thousand.

AIT Group – Advanced Industrial Technology Group a.s. (formerly AUTO-CZ International a.s.):

As at 30 June 2021, the Company had receivables from and payables to AIT Group - Advanced Industrial Technology Group a.s. of CZK 2.1 thousand and CZK 0, respectively. During the half-year to 30 June 2021, the Company purchased services of CZK 0 from AIT Group - Advanced Industrial Technology Group a.s. and provided services of CZK 15.2 thousand.

CZK-SKD Solutions a.s. (formerly Česká zbrojovka CZ-AUTO a.s.):

As at 30 June 2021, the Company had receivables from and payables to CZK-SKD Solutions a.s. of CZK 234 thousand and CZK 431 thousand, respectively. During the half-year to 30 June 2021, the Company purchased services of CZK 3,857 thousand from CZK-SKD Solutions a.s. and provided services of CZK 206.7 thousand.

CZ-AUTO SYSTEMS a.s.

As at 30 June 2021, the Company had receivables from and payables to CZ-AUTO SYSTEMS a.s. of 261,985 thousand and CZK 2,151 thousand, respectively. During the half-year to 30 June 2021, the Company purchased services of CZK 7,586 thousand from CZ-AUTO SYSTEMS a.s. and provided services of CZK 23,588 thousand.

CZUB zdravotní s.r.o.

As at 30 June 2021, the Company had receivables from and payables to CZUB zdravotní s.r.o. of CZK 2,297 thousand and CZK 20 thousand, respectively. During the half-year to 30 June 2021, the Company purchased services of CZK 2,343 thousand from CZUB zdravotní s.r.o. and provided services of CZK 19 thousand.

A complete overview of transactions with related parties is shown in note 18 to the financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD OF SIX MONTHS FROM 1 JANUARY TO 30 JUNE 2021

Name of the Company:	CZG – Česká zbrojovka Group SE
Registered office:	Opletalova 1284/37, Nové Město, 110 00 Praha 1
Legal form:	European Company (Societas Europaea – SE)
Id. no.:	291 51 961

Components of the condensed consolidated interim financial statements:

Condensed consolidated statement of profit and loss and other comprehensive income

Condensed consolidated statement of financial position

Consolidated statement of changes in equity

Consolidated cash flow statement

Notes to the condensed consolidated interim financial statements

These condensed consolidated financial statements were prepared on 29 September 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE

		30 June 2021	30 June 2020
	Note	CZK '000	CZK '000
Revenues from the sale of own products, goods and services	8	4,728,737	3,363,399
Other operating revenues		26,376	43,632
Changes in inventories of finished goods and work-in-progress		(38,555)	(215,972)
Own work capitalised		65,849	62,018
Raw materials and consumables used		(2,029,634)	(1,278,833)
Services		(886,013)	(495,971)
Personnel expenses		(787,331)	(615,029)
Depreciation and amortisation		(271,933)	(193,452)
Other operating expenses		(95,291)	5,984
Operating profit		712,205	675,776
Interest income		8,210	10,600
Interest expense		(62,075)	(68,363)
Other financial revenues	9.1	476,749	328,733
Other financial expenses	9.1	(393,886)	(478,542)
Share in the profit of associates		7,791	5,368
Profit before tax		748,994	473,572
Income tax	9.2	(161,079)	(91,609)
Profit for the period		587,915	381,963
Items that may be subsequently reclassified to the statement of profit or loss			
Cash flow hedges – remeasurement of effective portion of hedging instruments		(3,430)	(76,644)
Foreign currency translation of foreign operations		(29,577)	21,825
Other comprehensive income:		(33,007)	(54,819)
Comprehensive income for the period		554,908	327,144
Profit attributable to owner of the parent			
Profit for the period		584,766	381,744
Profit attributable to non-controlling interests			
Profit for the period		3,149	219
Comprehensive income for the period attributable to:			
Shareholders of the parent company		551,393	327,270
Non-controlling interests		3,515	(126)
Basic	19	17	13
Diluted	19	17	13

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL SITUATION AS AT 30 JUNE

	Note	30 June 2021 CZK '000	31 December 2020 CZK '000
ASSETS			
Non-current assets			
Property, plant and equipment	11	2,624,696	2,050,783
Intangible assets	10	3,759,120	770,194
Long-term receivables		79,995	303,260
Equity-accounted securities and investments	15	118,315	110,524
Deferred tax asset		17,706	3,281
Goodwill	7.3, 8	2,397,760	280,686
Total non-current assets		8,997,592	3,518,728
Current assets			
Inventories	12	2,758,446	1,622,702
Trade receivables		1,310,140	585,885
Current tax receivables		29,599	44,938
Other receivables		526,843	127,120
Financial derivatives	16	493,188	529,570
Cash and cash equivalents		3,477,476	2,358,608
Total current assets		8,595,692	5,268,823
Total assets		17,593,284	8,787,551
EQUITY AND LIABILITIES			
Capital and funds			
Share capital		3,374	3,264
Capital funds		2,861,413	2,478,885
Accumulated profits		2,358,740	2,027,994
Equity attributable to the shareholder of the Company		5,223,527	4,510,143
Equity attributable to the shareholder of the Company		5,223,527	4,510,143
Non-controlling interests		8,499	12,543
Total equity		5,232,026	4,522,686
Non-current liabilities			
Bank loans and borrowings	14	5,000,000	2,252,246
Lease liabilities		40,350	75,939
Deferred tax liability		925,862	324,601
Provisions	13	399,795	7,443
Other liabilities		324,014	307
Total non-current liabilities		6,690,021	2,660,536
Current liabilities			
Trade payables		1,171,090	417,503
Bank loans and borrowings	14	2,250,008	19,548
Lease liabilities		19,198	11,436
Provisions	13	232,563	81,274
Current tax liabilities		143,291	23,286
Other liabilities		1,645,173	727,691
Financial derivatives	16	209,914	323,591
Total current liabilities		5,671,237	1,604,329
Total liabilities		12,361,258	4,264,865
Total equity and liabilities		17,593,284	8,787,551

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD OF SIX MONTHS ENDED 30 JUNE

	Share capital	Capital funds	Share premium	Funds from the translation of foreign currencies	Funds the from hedge accounting	Accumulated profits	Equity attributable to the shareholder of the Company	Non-controlling interests	Equity
Balance at 31 December 2019	2,984	1,641,721	0	(111,045)	2,442	1,921,501	3,457,603	11,358	3,468,961
Profit for the period	0	0	0	0	0	672,948	672,948	3,623	676,571
Other comprehensive income	0	0	0	273,192	(50,085)	0	223,107	1,414	224,521
Total comprehensive income for the period	0	0	0	273,192	(50,085)	672,948	896,055	5,037	901,092
Dividends	0	0	0	0	0	(328,218)	(327,218)	(4,049)	(332,267)
Impact of spin-off CZ-AUTO	0	0	0	0	0	(207,291)	(207,291)	0	(207,291)
Change in share capital – public subscription of shares	280	0	811,720	0	0	0	812,000	0	812,000
Cost of IPO	0	0	(88,776)	0	0	0	(88,776)	0	(88,776)
Change in non-controlling interests and own interests	0	386	0	(353)	(317)	(30,946)	(31,230)	197	(31,033)
Balance at 31 December 2020	3,264	1,642,107	722,944	161,794	(47,960)	2,027,994	4,510,143	12,543	4,522,686
Profit for the period	0	0	0	0	0	584,766	584,766	3,149	587,915
Other comprehensive income	0	0	0	(3,430)	(29,943)	0	(33,373)	366	(33,007)
Total comprehensive income for the period	0	0	0	(3,430)	(29,943)	584,766	551,393	3,515	554,908
Dividends	0	0	0	0	0	(253,025)	(253,025)	(7,559)	(260,584)
Change in share capital – public subscription of shares	110	0	416,267	0	0	0	416,267	0	416,377
Impact of acquisition COLT as at 21/5/2021	0	0	0	0	0	(995)	(995)	0	(995)
Change in non-controlling interests and own interests	0	0	0	(366)	0	0	(366)	0	(366)
Balance at 30 June 2021	3,374	1,642,107	1,139,211	157,998	(77,903)	2,358,740	5,223,527	8,499	5,232,026

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD OF SIX MONTHS ENDED 30 JUNE

	Note	30 June 2021	30 June 2020
		CZK '000	CZK '000
Cash flows from principal economic activity (operating activity)			
Profit from ordinary activity before tax		741,203	468,206
Depreciation/amortisation of non-current assets		271,933	193,452
Change in allowances and provisions	13	63,573	(26,382)
Loss from the sale of non-current assets		4	(371)
Interest expense and interest income		53,865	57,763
Adjustments for other non-cash operations (write off on assets and inventories, unrealised foreign exchange gains/losses, remeasurement of derivative transactions)		-101,553	93,512
Net cash flow from operating activities before changes in working capital		1,029,026	786,180
Change in working capital		385,402	109,626
Change in receivables and deferred expenses/ accrued income		(498,392)	(22,247)
Change in payables and accrued expenses/ deferred income		1,097,039	(111,152)
Change in inventories	12	(213,246)	243,025
Cash generated by operations		1,414,427	895,806
Interest paid		(45,847)	(44,541)
Interest received		5,682	4,877
Income tax paid for ordinary activity	9.2	(180,668)	(54,306)
Net cash flow from operating activities		1,193,594	801,836
Cash flows from investing activities			
Acquisition of non-current assets	11, 12	(239,722)	(121,412)
Income from the sale of non-current assets		332	458
Acquisition of subsidiaries - cash		(4,695,237)	-
Acquisition of subsidiaries - non-cash (shares)		(416,378)	-
Acquisition of investment in an associate	15	-	(69,823)
Net cash flow from financing activities		(5,351,005)	(190,777)
Cash flows from financing activities			
Change in payables from financing activities	14	5,286,152	(28,966)
Dividends paid to shareholders	17	-	(328,218)
Dividends paid to non-controlling interests	17	-	(4,049)
Net cash flow from financing activities		5,286,152	(326,494)
Net change in cash and cash equivalents		1,118,868	316,104
Opening balance of cash and cash equivalents		2,358,608	880,315
Effects of exchange rate changes on cash and cash equivalents		(9,874)	31,539
Closing balance of cash and cash equivalents		3,477,476	1,196,419



Notes to the condensed consolidated interim financial statements for the period of six months ended 30 June

CZG - Česká zbrojovka Group SE

**Condensed consolidated interim financial statements for the period of six months from 1 January
to 30 June 2021 prepared under International Financial Reporting Standards as adopted by the
European Union
(non-audited)**

These notes are an integral part of the condensed consolidated interim financial statements.


CZ GROUP

Notes to the condensed consolidated interim financial statements for the period of six months ended 30 June

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1. GROUP DESCRIPTION

CZG - Česká zbrojovka Group SE, (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.

The Group is a leading world producer of firearms and tactical accessories for military and law enforcement, personal defence, hunting, sport shooting and other civilian uses. It sells its products in particular under the CZ (Česká zbrojovka), CZ-USA, Colt, Colt Canada, Dan Wesson, Brno Rifles, and 4M Systems brands. The Group among others includes Česká zbrojovka, Colt’s Manufacturing Company, Colt Canada Corporation, CZ-USA, 4M Systems, and CZ Export Praha.

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

Shareholder	Ownership percentage as at	
	30 June 2021	31 Dec 2020
Česká zbrojovka Partners SE	88%	91%

The majority owner of the Consolidating Entity is Česká zbrojovka Partners SE, based at Opletalova 1284/37, Nové Město, Prague 1. As at 30 June 2021, René Holeček indirectly held a majority share in the Company’s voting rights.

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 at 30 June 2021:

Board of directors	
Chair:	Lubomír Kovařík (until 30 June)
Vice-chair:	Jan Drahota (chair from 1 July)
Vice-chair:	Alice Poluchová
Member:	Jana Růžičková (vice-chair from 1 July)
Member:	Jan Zajíc
Member:	Jan Holeček (member from 1 July)
Member:	David Aguilar
Member:	Dennis Veilleux (member from 1 July)
Supervisory board	
Chair:	René Holeček (until 30 June)
Member:	Lubomír Kovařík (member and chair from 1 July)
Member:	Věslava Piegzová
Member:	Vladimír Dlouhý

The consolidation group (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.



Notes to the condensed consolidated interim financial statements for the period of six months ended 30 June

As at 30 June 2021, the Group was composed of the following entities:

Entity	Principal activity	Place of foundation and business operation	Consolidation method	Ownership interest and share in voting rights held by the Group		
				30 June 2021	31 Dec 2020	30 June 2020
CZG - Česká zbrojovka Group SE	Holding company	Prague, Czech Republic	full	88%	91%	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%	100%
EHC-4M, SE	Lease of real estate	Prague, Czech Republic	full	100%	100%	100%
4M SYSTEMS a.s.	Trade with military material	Prague, Czech Republic	full	100%	100%	54%
Česká zbrojovka a.s.	Production, purchase and sale of firearms and ammunition	Uherský Brod, Czech Republic	full	99%	99%	99%
CZ - Slovensko s. r. o.	Production, purchase and sale of firearms and ammunition	Bratislava, Slovakia	full	99%	99%	99%
ZBROJOVKA BRNO, s.r.o.	Production, purchase and sale of firearms and ammunition	Brno, Czech Republic	full	99%	99%	99%
CZ BRASIL LTDA	Production, purchase and sale of firearms and ammunition	Brazil	equity	49%	49%	49%
Latin America Holding, a.s.	Lease of real estate	Uherský Brod, Czech Republic	full	99%	99%	99%
CARDAM s.r.o.	Export of firearms	Dolní Břežany, Czech Republic	equity	33%	33%	33%
CZG VIB s.r.o.	Lease of real estate	Prague, Czech Republic	full	100%	100%	100%
VIBROM s.r.o.	Production	Třebechovice pod Orebem	equity	25%	25%	25%
CZG-Česká zbrojovka Group International s.r.o.	Lease of real estate	Prague, Czech Republic	full	100%	100%	100%
CZ Export Praha, s.r.o.	Purchase and sales of firearms and ammunition	Uherský Brod, Czech Republic	full	100%	100%	100%
EG-CZ Academy	Academy	Quimper, France	equity	20%	20%	20%



Notes to the condensed consolidated interim financial statements for the period of six months ended 30 June

Spuhr i Dalby AB	Production and assembly of optics	Löddeköpinge, Sweden	equity	25%	25%	25%
Colt Holding Company LLC	Production, purchase and sale of firearms	West Hartford, Connecticut, USA	full	100%	-	-
CDH II Holdco Inc	Holding company	West Hartford, Connecticut, USA	full	100%	-	-
Colt Defence LLC	Holding company	West Hartford, Connecticut, USA	full	100%	-	-
New Colt Holding Corp.	Holding company	West Hartford, Connecticut, USA	full	100%	-	-
Colt's Manufacturing Company LLC	Production, purchase and sale of firearms	West Hartford, Connecticut, USA	full	100%	-	-
Colt's Manufacturing IP Holding Company LLC	Holds, maintains and licenses Colt USA trademarks	West Hartford, Connecticut, USA	full	100%	-	-
Colt Defence Technical Services LLC	Holding company	West Hartford, Connecticut, USA	full	100%	-	-
Colt International Cooperatief U.A.	Holding company	Amsterdam, Netherlands	full	100%	-	-
Colt Canada Corporation	Production, purchase and sale of firearms	Kitchener, Ontario, Canada	full	100%	-	-
Colt Canada IP Holding Company	Holding company	Kitchener, Ontario, Canada	full	100%	-	-
CoIT Canada IP Holding Partnership	Holding of trademarks and intellectual property	Kitchener, Ontario, Canada	full	100%	-	-
CZ Acquisition II, LLC*	Holding company	USA	full	-	100%	-

* As of 21 May 2021, CZ Acquisition II, LLC merged with Colt Holding Company LLC, which is at the same time the successor company.

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 23 March 2021, CZG – Česká zbrojovka Group SE issued 500,000 bonds with a nominal value of CZK 10 thousand totalling CZK 5,000,000. The issue price of the notes subscribed in the public offer is 100% of the nominal value of the notes. The bonds were admitted to trading on the Regulated Market of the Prague Stock Exchange.
- On 21 May 2021, the Group completed the acquisition of a 100% share in Colt Holding Company LLC (“Colt”), the parent company of Colt’s Manufacturing Company LLC, a US arms producer, and its Canadian subsidiary Colt Canada Corporation (see note 7).
- Česká zbrojovka a.s. (“CZUB”), the main manufacturing company and the main employer of the Group, continued applying the measures to contain the COVID-19 outbreak adopted in 2020. In the first half of 2021, CZUB’s management came with new proposals for improving the working environment in the operating units where home office was not feasible. They communicated with the Regional Hygiene Station of the Zlín Region on proposed improvements. The Company’s management always started the regular meetings with the mandatory information on the number of infected employees, quarantined employees, the results of employee testing for COVID-19, and effectiveness of the adopted measures and issued decisions on new extraordinary measures in accordance with the current pandemic status.
- For these purposes, we established a special team to monitor the up-to-date measures and recommendations of the Ministry of Health and to propose new extraordinary measures, or if appropriate to propose cancellations of already invalid/ineffective measures and to regularly check whether the adopted measures are fulfilled in the individual workplaces independently of the employee responsible for work safety and protection of health. The Company’s management was subsequently informed on the results of the inspections.
- The Group’s operations in the United States were also affected by the COVID-19 outbreak in the first half of 2021 although the demand for weapons in the U.S. civilian market kept growing in the monitored period. In the United States, the pandemic mainly decelerated the global supply chain. The extended delivery periods of the production parts had a slightly adverse impact on the outputs of the manufacturing lines, which was compensated by increased volume of supplies from CZUB and from the business partners from Turkey. Both manufacturing facilities, the Kansas facility and the Dan Wesson facility in the New York state, did not interrupt their operation in the first half of 2021, while strictly adhering to the rules stipulated by the Center for Disease Control and Prevention (CDC) and the local administration.
- 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 in the foreseeable future. For this reason, the Group continues to apply the going concern principle in preparing its consolidated financial statements. The Group did not apply for any public support in connection with the pandemic and does not consider filing any applications in this respect.

3. BASIC PRINCIPLES OF PREPARATION OF SEMI-ANNUAL REPORT

These condensed interim consolidated financial statements for the half-year ended 30 June 2021 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 2020, which were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (“IFRS”).

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used 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. Apart from this, the Group’s future business may be adversely impacted by factors beyond the Group’s control. In the preparation of these condensed interim consolidated financial statements, the significant judgements made by 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 2020.

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 at 31 December 2020. No changes in the rules and policies of managing these risks have been made since the end of 2020.

The Group uses financial derivatives to manage financial risks. The method of measurement of financial derivatives and information on the fair value of financial assets and liabilities as at 30 June 2021 and 31 December 2020 are disclosed in note 16 Financial assets and liabilities at fair value.

7. ACQUISITION OF COLT

On 21 May 2021, the Group completed the acquisition of a 100% share in Colt Holding Company LLC (“Colt”), the parent company of Colt’s Manufacturing Company LLC, a US arms producer, and its Canadian subsidiary Colt Canada Corporation.

Colt is one of the world’s leading firearm designers, developers, and producers. It has supplied civilian and military customers and military and law enforcement in the US and around the world for over 185 years.

Colt is a US army supplier and the sole supplier to the Canadian army. It also supplies cutting-edge products to other military and law enforcements all over the world. Colt firearms enjoy an excellent reputation for their precision, reliability, and quality. Colt pistols and revolvers are used by members of armies and military and law enforcements in many countries as well as by hunters and sport shooters around the world. Colt rifles for both civilian and sport use as well as for military and law enforcement are similarly renowned.

CZG and Colt believe that their union will bring significant operational, business and R&D synergies for this joint enterprise, whose total pro-forma revenues for 2020 reached USD 570 million and which has over 2,000 employees in the Czech Republic, United States, Canada, and Germany.

The CZG Group has gained further manufacturing capacities through this acquisition and established a basis for becoming a major firearm supplier and key global partner for both the military and law enforcement sector and the civilian sector.

As at the date of the interim consolidated financial statements, the accounting for the acquisition had not been completed and the presented amounts of assets and liabilities may differ from the final amounts.

7.1 Consideration transferred

	21 May 2021
	CZK '000
Monetary settlement	4,695,237
Issued securities (1,098,620 ordinary shares of CZG)	416,378
Contingent consideration (1,098,620 ordinary shares of CZG)	416,378
	5,527,993



Notes to the condensed consolidated interim financial statements for the period of six months ended 30 June

Contingent consideration

The consideration transferred includes an earn-out up to 1,098,620 newly issued shares of CZG provided that the EBITDA of the Group reaches predetermined values in 2021 to 2023. As at the date of the condensed interim consolidated financial statements, the Group expects that the determined EBITDA targets will be achieved, and therefore the contingent consideration is recorded in full in Other non-current liabilities and Other current liabilities.

Acquisition related expenses

In connection with the acquisition, the Group incurred expenses of CZK 177,103 thousands primarily relating to advisory services. These expenses are recorded in Services in the statement of profit and loss and other comprehensive income.

7.2 Acquired assets and liabilities taken over as at the date of acquisition

	21 May 2021
	CZK '000
Property, plant and equipment	512,441
Intangible assets	3,037,571
Other non-current assets	48,908
Inventories	926,626
Trade and other receivables	318,817
Cash and cash equivalents	319,499
Deferred tax liability	(607,228)
Other non-current liabilities	(411,953)
Trade payables	(419,617)
Other current liabilities	(264,885)
Fair value of acquired identifiable net assets	3,460,179

7.3 Goodwill

	21 May 2021
	CZK '000
Consideration transferred	5,527,993
Fair value of acquired identifiable net assets	3,460,179
Goodwill	2,067,814

Goodwill primarily includes expected synergies arising from the integration of Colt into the existing activities of the Group. It is not expected that reported goodwill will be tax effective.

8. INFORMATION ABOUT SEGMENTS AND REVENUES

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.

As at 30 June 2021 and 31 December 2020, substantially all assets and liabilities, expenses and revenues of the Group related to the Production, purchase and sale of firearms and accessories.

The Group's management, as chief operating decision makers, uses EBITDA (profit before tax minus interest expense plus interest income minus other financial revenues plus other financial expenses and plus depreciation, and amortisation) 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.

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

Revenues from the sale to external customers		
	30 June 2021	30 June 2020
Czech Republic	135,107	308,362
United States	2,957,368	2,337,896
Canada	156,586	62,558
Europe (apart from the Czech Republic)	507,163	285,247
Africa	496,835	121,940
Asia	288,313	198,425
Others	187,365	48,971
Total	4,728,737	3,363,399

The Group has production facilities in the Czech Republic, USA and Canada. Out of the total carrying amount of property, plant and equipment of CZK 2,624,696 thousand as at 30 June 2021 (31 December 2020: CZK 2,050,783 thousand), the value of items located in the USA is CZK 508,919 thousand (31 December 2020: CZK 181,167 thousand) and in Canada CZK 129,878 thousand (31 December 2020: CZK 0); the remainder is in the Czech Republic.

As for intangible assets located outside the Czech Republic, out of the total amount of intangible assets of CZK 3,759,120 thousand, CZK 2,365,349 thousand was located in the USA and CZK 671,576 thousand in Canada as at 31 June 2021. As at 30 June 2021, goodwill of CZK 280,686 thousand relates to activities in the Czech Republic, while CZK 1,933,393 thousand relate to the USA and CZK 183,681 thousand to Canada.

9. PROFIT AND LOSS INFORMATION

9.1 Significant events and transactions

- Profit/ 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 2021, the Group recognised a loss from derivative instruments of CZK 14,682 thousand (CZK 331,708 thousand in the half-year ended 30 June 2020) in Other financial expenses. In the half-year ended 30 June 2021, the Group recognised a gain from derivative instruments of CZK 144,913 thousand (CZK 137,120 thousand in the half-year ended 30 June 2020) in Other financial revenues. In the half-year ended 30 June 2021, the Group recognised a loss of CZK 3,430 thousand from the remeasurement of financial derivatives classified as hedging instruments (CZK 76,644 thousand in the half-year ended 30 June 2020) in Other comprehensive income.
- The Group recognised foreign exchange losses of CZK 253,986 thousand in Other financial expenses and foreign exchange gains of CZK 255,458 thousand in Other financial revenues.
- Other financial expenses also include expenses related to the issue of bonds of CZG Česká zbrojovka Group SE of CZK 31,412 thousand.
- The consolidated statement of profit and loss and other comprehensive income for the period from 1 January to 30 June 2021 includes the transactions of the COLT Group for the period from 21 May to 30 June 2021, when the COLT Group became part of the CZG Group.

9.2 Income tax

Income tax expense is recognised 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 2021 is 21.5% (30 June 2020: 19.3%).

10. INTANGIBLE ASSETS

The following tables summarise the changes in intangible assets from 1 January 2021 to 30 June 2021:

Acquisition cost

GROUP	Opening balance	Additions arising from acquisition	Additions	Disposals (transfers)	Impact of exchange rate fluctuations	Closing balance
Trademarks and logos	233,000	1,518,866	-	-	(7,304)	1,744,562
Research and development	271,108	-	10,188	-	5	281,301
Software	194,008	5,027	11,471	(843)	(91)	209,572
Licenses, patents and other intellectual property rights	73,211	883,600	69	(7)	(5,482)	951,391
Contractual customer relations	864,727	109,937	-	-	-	974,664
Other non-current intangible assets	57,956	601,612	-	(20)	(5,465)	654,083
Non-current intangible assets under construction	40,616	-	16,310	(17,135)	-	39,791
Total	1,734,626	3,119,042	38,038	(18,005)	(18,337)	4,855,364



Notes to the condensed consolidated interim financial statements for the period of six months ended 30 June

Accumulated amortisation and carrying value

GROUP	Opening balance	Amortisation	Sales, liquidation, disposals	Disposals (transfers)	Impact of exchange rate fluctuations	Closing balance	Carrying amount
Trademarks and logos	-	-	-	-	-	-	1,744,562
Research and development	(151,549)	(14,080)	-	-	(3)	(165,632)	115,669
Software	(153,914)	(6,389)	-	787	3	(159,513)	50,059
Licenses, patents and other intellectual property rights	(45,011)	(16,894)	(1)	8	(23)	(61,921)	889,470
Contractual customer relations	(583,691)	(44,166)	-	-	-	(627,857)	346,807
Other non-current intangible assets	(26,917)	(51,160)	-	-	106	(77,971)	576,112
Non-current intangible assets under construction	(3,350)	-	-	-	-	(3,350)	36,441
Total	(964,432)	(132,689)	(1)	795	83	(1,096,244)	3,759,120

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

11. PROPERTY, PLANT AND EQUIPMENT

The following tables summarise the changes in property, plant and equipment from 1 January 2021 to 30 June 2021:

Acquisition cost

GROUP	Opening balance	Additions arising from acquisition	Additions	Disposals (transfers)	Impact of exchange rate fluctuations	Closing balance
Land	117,419	200,527	-	(51,325)	(314)	266,307
Buildings	1,096,442	197,178	16,319	(1,464)	(2,276)	1,306,199
Machinery, instruments and equipment	3,077,348	97,186	118,002	(42,785)	(270)	3,249,481
Other non-current tangible assets	7,329	16,899	336	(2,121)	60	22,503
Other non-current tangible assets under construction	53,692	6,844	71,018	(57,417)	(412)	73,725
Prepayments made for non-current tangible assets	146,402	7,550	193,791	(99,544)	50	248,249
Total	4,498,632	526,184	399,466	(254,656)	(3,162)	5,166,464



Notes to the condensed consolidated interim financial statements for the period of six months ended 30 June

Accumulated depreciation and carrying value

GROUP	Opening balance	Depreciation	Sales, liquidation	Impact of exchange rate fluctuations	Closing balance	Carrying amount
Land	-	-	-	-	-	266,307
Buildings	(520,743)	(22,338)	954	(25)	(542,152)	764,047
Machinery, instruments and equipment	(1,904,698)	(111,570)	39,177	(96)	(1,977,187)	1,272,294
Other non-current tangible assets	(1,986)	(659)	-	-	(2,645)	19,858
Prepayments made for non-current tangible assets	(1,870)	(1,960)	1,592	-	(2,238)	246,011
Other non-current tangible assets under construction	(18,552)	(2,779)	3,785	-	(17,546)	56,179
Total	(2,447,849)	(139,306)	45,508	(121)	(2,541,768)	2,624,696

Machinery, instruments and equipment and Buildings as at 30 June 2021 include rights of use arising from lease contracts of CZK 77,439 thousand (CZK 107,360 thousand as at 31 December 2020).

Additions to the rights of use arising from lease contracts amounted to CZK 11,645 thousand in 2021 (CZK 10,131 thousand in 2020). These primarily include lease contracts for warehouses and office space, cars and office technical equipment.

Depreciation for the half-year ended 30 June 2021 includes depreciation of rights of use arising from lease contracts of CZK 9,766 thousand (CZK 7,574 thousand in 2020).

12. INVENTORIES

The structure of inventories as at 30 June 2021 and 31 December 2020 is as follows (in CZK '000):

	30 June 2021	31 December 2020
Material	523,039	385,842
Work-in-progress and semi-finished products	1,056,332	314,317
Finished products	719,431	595,237
Goods	381,736	257,313
Prepayments made for inventories	77,907	69,993
Total	2,758,446	1,622,702

The valuation of redundant, obsolete and slow-moving inventories is decreased to the selling price net of the costs of sale. As at 30 June 2021, allowances for inventories of CZK 278,859 thousand (31 December 2020: CZK 133,202 thousand) were included in the statement of financial position. In the half-year ended 30 June 2021, an impairment loss of CZK 4,269 thousand was established in the profit and loss (CZK 59,317 thousand in the half-year ended 30 June 2020).

13. CURRENT AND NON-CURRENT PROVISIONS

Provisions	Balance at 30 June 2021	Balance at 31 Dec 2020
Legal disputes	(19,016)	-
Warranty repairs	(33,879)	(10,054)
For outstanding vacation days	(77,326)	(4,240)
For employee benefits – bonuses	(100,336)	(66,385)
Others	(2,006)	(595)
Total current provisions	(232,563)	(81,274)
Warranty repairs	(761)	(761)
For employee benefits – bonuses	(346,363)	(6,689)
Others	(52,671)	7
Total non-current provisions	(399,795)	(7,443)
Total provisions	(632,358)	(88,717)

In the period from 1 January 2021 to 30 June 2021, provisions were increased by CZK 543,641 thousand (half-year ended 30 June 2020: net increase of CZK 2,962 thousand). The main reason was the increase arising from the acquisition of the COLT Group amounting to CZK 392,352 thousand for non-current provisions and CZK 113,544 thousand for current provisions. Provisions are primarily established for employee bonuses under IAS 19.



Notes to the condensed consolidated interim financial statements for the period of six months ended 30 June

14. BANK LOANS AND BORROWINGS

				30 June 2021	31 Dec 2020
	Deadlines/terms	Interest rate %	Total limit in CZK '000	Amount in CZK '000	Amount in CZK '000
Komerční banka, a.s. a Česká spořitelna, a.s.	30 Sep 2021	1M Pribor + margin % p.a.	500,000	-	-
Bonds of Česká zbrojovka a.s.	27 Jan 2022	6M Pribor + margin % p.a.	2,250,000	2,250,000	2,250,000
Bonds of CZG - Česká zbrojovka Group SE	23 March 2027	6M Pribor + margin % p.a.	5,000,000	5,000,000	-
Citizens Bank & Trust Company	30 Sep 2021	Prime lending rate + margin % p.a.	128,322	-	-
Česká spořitelna, a.s.	28 Feb 2022	1D Pribor + margin % p.a.	40,000	8	19,548
Total			7,918,322	7,250,008	2,269,548
Instalment next year				2,250,008	19,548
Instalments in the following years				5,000,000	2,250,000

15. INTEREST IN ASSOCIATES

In May 2020, the Group purchased a 25% share in Spuhr i Dalby AB, a Swedish manufacturer of optical solutions for a consideration of CZK 69,823 thousand. As at the date of the transaction, the carrying amount of the Group's interest in the associate could be summarised 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 changed as follows in the half-year ended 30 June 2021.

	30 June 2021
	CZK '000
Beginning of the period	110,524
Share in profit/ (loss) of equity accounted investments	7,791
End of the period	118,315



Notes to the condensed consolidated interim financial statements for the period of six months ended 30 June

The table below provides aggregated financial information about the Group's share in associates' current and non-current assets, current and non-current liabilities, revenues and profit as at 30 June 2021 and for the half-year ended 30 June 2021.

	30 June 2021
	CZK '000
Current assets	60,352
Non-current assets	66,737
Current liabilities	5,411
Non-current liabilities	17,231
Revenues	33,736
Profit from continuing operations	7,791

The Group had no significant transactions with its associates in the half-year ended 30 June 2021.

16. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

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

As at 30 June 2021, assets and liabilities representing financial derivatives and the liability arising from the contingent consideration relating to the acquisition of Colt are measured at fair value. As at 30 June 2020, only financial derivatives are measured at fair value.

16.1 Financial derivatives

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 at 30 June 2021 and 31 December 2020 (CZK '000):

CZK '000	30 June 2021			31 Dec 2020		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Put option	144,683	3,248	-	202,980	797	-
Call option	1,718,509	-	24,103	2,304,811	-	69,592
Forwards	245,944	16,329	-	812,173	33,250	254
Total	2,109,136	19,577	24,103	3,319,964	34,047	69,846



Notes to the condensed consolidated interim financial statements for the period of six months ended 30 June

The following table provides an overview of nominal values and positive or negative fair values of open hedging derivatives as at 30 June 2021 and 31 December 2020 (CZK '000):

CZK '000	30 June 2021			31 Dec 2020		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Interest rate swap	-	30,935	654	-	13,959	4,254
Put option	4,763,728	105,502	-	6,311,029	112,153	-
Call option	4,763,728	-	77,414	6,311,029	-	210,533
Currency swap	3,556,941	21,147	24,008	1,981,629	3,821	31,714
Forwards	3,657,283	252,155	3,040	3,828,200	365,589	7,244
Cross currency swap*	3,212,700	63,872	80,695	-	-	-
Total	19,954,380	473,611	185,811	18,431,887	495,522	253,745

* Trading derivatives were concluded on 17 May 2021. On 21 May 2021, hedge accounting was applied and these derivatives of CZK 3,212,700 are recorded as hedging derivatives.

16.2 Financial liabilities measured at fair value through profit or loss

CZK '000	30 June 2021			31 Dec 2020		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Contingent consideration	416,378	-	460,321	-	-	-

The fair value of the contingent consideration is determined based on the market price of the Company's share quoted on the Prague Stock Exchange as at 30 June 2021. The loss arising from the change in the fair value is recorded in Other financial expenses.

The remaining financial assets and liabilities are measured at amortised cost. For all of these instruments, the fair values are not materially different to their carrying amount, 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 2021, the Group paid out a dividend of CZK 253,025 thousand. The liability to shareholders

is recorded in Other liabilities.

18. TRANSACTIONS WITH RELATED PARTIES

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

During the half-year to 30 June 2021, the Company conducted the following transactions with related parties:

Key management personnel:

During the half-year to 30 June 2021, key management personnel included all members of the board of directors and supervisory board. Short-term benefits provided to key management personnel (including gross remuneration, annual bonuses, health and social insurance and additional pension insurance) amounted to CZK 21,216 thousand.

The Company provided no other benefits (e.g. monetary or non-monetary benefits related to the termination of office of a body's member, or share-based payments) to its key management personnel.

The Group records the following outstanding balances with related parties as at 30 June 2021 and the following transactions with related parties in the half-year ended 30 June 2021:

Entity	Relationship	Liabilities as at 30 June 2021	Purchases from 1 Jan to 30 June 2021	Receivables as at 30 June 2021	Income from 1 Jan to 30 June 2021
AIT group a.s.	subsidiary of intermediate parent company	-	-	2	15
CZ Agro Servis a.s.	company controlled by the same ultimate owner	-	-	32	158
CZ Agro zemědělská s.r.o.	company controlled by the same ultimate owner	-	-	2	13
CZ-AUTO SYSTEMS a.s.	subsidiary of intermediate parent company	2,151	7,586	261,985	23,588
CZ-SKD Solutions a.s. (Česká zbrojovka CZ-AUTO a.s.)	subsidiary of intermediate parent company	431	3,857	234	207
CZUB zdravotní s.r.o.	company controlled by the same ultimate owner	20	2,343	2,297	19
Česká zbrojovka Defence SE	subsidiary of intermediate parent company	-	-	7	44
Česká zbrojovka Partners SE	Intermediate parent company	222,166*	-	29	146
EHC zdravotní s.r.o.	company controlled by the same ultimate owner	-	-	11,445	520
European Holding Company SE	parent company	-	-	29	146
IT eCompany Management a.s.	company controlled by the same ultimate owner	-	-	2	15
ITeuro, a.s.	company controlled by the same ultimate owner	16	2,005	-	-
Keriani a.s.	associate of parent company	1,026	5,455	2,299	-
Kykulin Trade a.s.	company controlled by the same ultimate owner	-	-	2	13
Lundmonte s.r.o.	company controlled by the same ultimate owner	-	-	3	24
M&H Management a.s.	company controlled by the same ultimate owner	-	-	2	19
Minezit SE	company controlled by the same ultimate owner	-	-	5	27
RAIL CARGO a.s.	company controlled by the same ultimate owner	-	-	2	13
Robousy, s.r.o.	company controlled by the same ultimate owner	-	-	23	125



Notes to the condensed consolidated interim financial statements for the period of six months ended 30 June

Silesia Invest SE	company controlled by the same ultimate owner	-	-	2	13
TRX, s.r.o.	company controlled by the same ultimate owner	85	420	-	-
Total		225,895	21,666	278,402	25,105

*The Group decided to pay out a dividend of CZK 222,166 thousand to Česká zbrojovka Partners SE.

The Group records the following outstanding balances with related parties as at 30 December 2020 and the following transactions with related parties in the half-year ended 30 June 2020:

Entity	Relationship	Liabilities as at 31 Dec 2020	Purchases from 1 Jan to 30 June 2020	Receivables as at 31 Dec 2020	Income from 1 Jan to 30 June 2020
AUTO-CZ International a.s.	subsidiary of intermediate parent company	-	-	1	10
CZ-AUTO SYSTEMS a.s.	subsidiary of intermediate parent company	777	7,816	263,686	24,244
CZUB zdravotní s.r.o.	company controlled by the same ultimate owner	-	2,419	324	20
Česká zbrojovka Defence SE	subsidiary of intermediate parent company	-	-	5	33
Česká zbrojovka Partners SE	Intermediate parent company	-	646	5	36
EHC zdravotní s.r.o.	company controlled by the same ultimate owner	-	-	10,899	488
European Holding Company SE	parent company	-	-	5	33
ITeuro, a.s.	company controlled by the same ultimate owner	-	2,443	2,024	-
Keriani a.s.	associate of parent company	515	4,347	2,299	-
M&H Management a.s.	company controlled by the same ultimate owner	-	-	5	-
Silesia Invest SE	company controlled by the same ultimate owner	-	-	1	10
TRX, s.r.o.	company controlled by the same ultimate owner	85	420	-	-
Total		1,377	18,091	279,254	24,874



Notes to the condensed consolidated interim financial statements for the period of six months ended 30 June

19. NET EARNINGS PER SHARE

Basic and diluted earnings per share were determined as follows:

	30 June 2021	30 June 2020
Numerator (CZK '000)		
Profit after tax attributable to the owner of the parent company	584,766	381,744
Denominator (number of shares in '000)		
Basic	33,737	29,838
Diluted	33,737	29,838
Net earnings per share (CZK/ share) attributable to the owner of the parent company		
Basic	17	13
Diluted	17	13
Net earnings per share (CZK/ share) attributable to the owner of the parent company		
Basic	17	13
Diluted	17	13

20. CONTINGENT LIABILITIES

As at 30 June 2021, the Group had issued no guarantees in respect of third-party liabilities.

As at 30 June 2021, the Group recorded no significant legal disputes where the Group acts as a defendant; it also did not record any investments or environmental or other off-balance sheet commitments, with exceptions in the USA mentioned below. In the USA, the Group is a party to several ongoing legal claims and litigations that are common in the Group's business activity. If it is probable that a loss will be incurred and if the loss can be plausibly estimated, the Group establishes a provision (see note 13). The Group's management regularly monitors and evaluates the development of individual legal claims and litigations. The Group's management is currently not aware of the existence of potential losses that may have a significant unfavourable impact on the Group's results of operation and its cash flows.

As at 30 June 2021, the Group records environmental liabilities of CZK 12,788 thousand to which a full provision was established. No other environmental liabilities are recorded.



Notes to the condensed consolidated interim financial statements for the period of six months ended 30 June

21. SUBSEQUENT EVENTS

CZG purchased 2,165 shares of CZUB from one of the minority shareholders. This transactions was settled on 30 August 2021. CZG owned a 99.32% share in CZUB prior to this transaction. After the transaction settlement, CZG owns a 99.66% share in its subsidiary.

On 9 September 2021, the shareholding of Česká zbrojovka Partners SE in the share capital and voting rights of CZG decreased to 81.2% as a result of the sales of shares in CZG to two members of CZG's management. With the completion of these transactions, the Company's free float increased to 18.8%.

Changes in statutory bodies are presented in note 1. All changes were recorded in the Register of Companies on 26 July 2021.

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

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These notes are an integral part of the condensed consolidated interim financial statements.

Subsequent events

All changes in the statutory bodies of the Company described in the Chapter 5 were registered in the commercial register as of 26 July 2021.

CZG purchased 2,165 shares of CZUB from one of the minority shareholders. This transaction was settled on 30 August 2021. CZG owned a 99.32% share in CZUB prior to this transaction. After the transaction settlement, CZG owns a 99.66% share in its subsidiary.

On 9 September 2021, the shareholding of Česká zbrojovka Partners SE in the registered capital and voting rights of CZG decreased to 81.2% as a result of the sales of shares in CZG to two members of CZG's management. With the completion of the transaction, the Company's free float increased to 18.8%.

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

DECLARATION OF PERSONS RESPONSIBLE FOR THE SEMI-ANNUAL 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

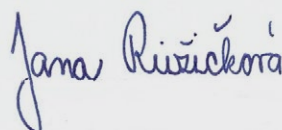
the six months of 2020 until 30 June 2021, and outlook for the development of Group's financial situation, business activities and results.

Prague, 29 September 2021

On behalf of the Board of Directors signed by:



Jan Drahota
Chairman of the Board of Directors



Jana Růžičková
Vice-chairwoman of the Board of Directors

GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES

ALTERNATIVE PERFORMANCE MEASURES

This report contains certain financial measures that are not defined or recognised 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 report presents the following Alternative Performance Measures: EBITDA, EBITDA margin, normalized EBITDA, normalized EBITDA margin, net income margin, earnings per share adjusted and net financial debt. The Company uses the Alternative Performance Measures because they serve its management as key measures in assessing 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. They 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 information about profit. The Alternative 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 to analyse the Group's position or results. 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 or will be made in the future.
- 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.

(CZK thousands, unless otherwise indicated)	For the six months ended 30 June	
	2021	2020
EBITDA ⁽¹⁾	984,138	869,228
EBITDA margin ⁽²⁾	20.8%	25.8%
Normalised EBITDA ⁽³⁾	1,203,652	n/a
Normalised EBITDA margin ⁽⁴⁾	25.5%	n/a
Net income margin ⁽⁵⁾	12.4%	11.4%
Earnings per share adjusted ⁽⁶⁾	26	n/a
Net financial debt at the end of the period ⁽⁷⁾	3,832,080	1,417,334

⁽¹⁾ The Group's management considers EBITDA a key performance indicator in evaluating the Group's business. As described above, EBITDA is not a measure of performance defined or recognised under IFRS. The Group calculates EBITDA based on the figures included in the financial statements. EBITDA is defined as post-tax profit for the period plus income tax less other financial revenues plus other financial expenses less interest revenue and plus depreciation and amortisation.

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

⁽³⁾ Normalised EBITDA is defined as EBITDA less expenses related to the acquisition of COLT. These primarily include the cost of professional consultants and depreciation of wasting assets. This is an auxiliary indicator primarily intended for investors, debtors and shareholders, which enables us to interpret the achieved results of operation excluding extraordinary, usually one-off impacts that are generally not related to ordinary operations and value creation in the period.

⁽⁴⁾ Normalised EBITDA margin is defined as normalised EBITDA as a percentage of revenues from the sale of own products, goods and services.

⁽⁵⁾ Net income margin is defined as profit for the period as a percentage of revenue from the sale of own products, goods and services, each as shown in the consolidated statement of profit 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⁾ Earnings per share adjusted is defined as profit for the period attributable to owner of the parent company plus expenses related to the acquisition of COLT, depreciation of wasting assets and the financial expenses related to the bond issue and Colt acquisition earnout (revaluation of contingent consideration on fair value from COLT acquisition), divided by number of issued shares.

⁽⁷⁾ 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, lease companies and bond investors.

⁴ The EBITDA for the first half of 2020 of CZK 869,228 is different from the EBITDA presented in the Half Year Report 2020 as a result of an adjustment by accounting item Share in the profit of associates.

The terms EBITDA, EBITDA margin, normalised EBITDA, normalised EBITDA margin, net income margin, and the net financial debt at the end of the period do not represent the same or

similar terms which may be defined by different documentation for any financial liabilities of the Group.

(CZK thousands)	As at 30 June 2021	As at 31 December 2020
Bank loans and borrowings (LT and ST)	7,250,008	2,271,794
Lease payables (current and non-current)	59,548	87,375
Less: Cash and cash equivalents	(3,477,476)	(2,358,608)
Net financial debt at the end of the period	3,832,080	561

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

(CZK thousands)	For the six months ended 30 June	
	2021	2020
Post-tax profit for the period	587,915	381,963
Income tax	161,079	91,609
Interest revenue	(8,210)	(10,600)
Interest expense	62,075	68,363
Depreciation and amortisation	271,933	193,452
Other financial revenues	(476,749)	(328,733)
Other financial expenses	393,886	478,542
Share in the profit of associates	7,791	5,368
EBITDA	984,138	869,228
One-off expenses related to services on Colt acquisition	177,103	n/a
Depreciation of wasting assets	42,411	n/a
Normalised EBITDA	1,203,652	n/a

The following is the calculation of Net earnings per share attributable to the owner of the parent company adjusted

(CZK thousands / shares)	For the six months ended 30 June	
	2021	2020
Profit attributable to owner of the parent	584,766	381,744
One-off expenses related to services on Colt acquisition	177,103	n/a
Depreciation of wasting assets	42,411	n/a
One-off financial expenses related to the bond issue	31,412	n/a
Colt acquisition earnout	43,943	n/a
Numerator		
Profit attributable to owner of the parent adjusted	879,635	n/a
Denominator		
No. of issued shares	33,737	29,838
Net earnings per share (CZK/ share) attributable to the owner of the parent company adjusted	26	13



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 the Beneš and Lát foundry. The shareholding grants the Group access to research conducted at the Institute of Physics of the Czech Academy of Sciences and to 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.

CDH II Holdco Inc

CDH II Holdco Inc is a U.S "C" corporation and a holding company. CDH II Holdco owns 100% of Colt Defense LLC, a limited liability company.

Colt Canada Corporation

Colt Canada Corporation is a Nova Scotia company and Colt's Canadian operating entity. Colt Canada produces, purchases, and sells firearms including machine guns, assault rifles, sniper rifles, carbines and grenade launchers to the Canadian Government and European military and law enforcement agencies amongst other customers. Colt Canada Corporation is a member of the Canadian Munitions Supply Program ("MSP") and has a Strategic Source Agreement ("SSA") with the Canadian Government and as such is a key supplier of small arms, spare parts, and accessories to the Canadian Government.

Colt Canada IP Holding Company

Colt Canada IP Holding Company is a Nova Scotia holding company and together with Colt Canada Corporation owns 100% of Colt Canada IP Holding Partnership.

Colt Canada IP Holding Partnership

Colt Canada IP Holding Partnership is a Nova Scotia intellectual property holding partnership.

Colt Defense LLC

Colt Defense LLC is a limited liability company and holding company that owns 100% of New Colt Holding Corp, a U.S "C" corporation and a holding company and Colt Defense Technical Services LLC,

a limited liability company and holding company. Colt Defense LLC and New Colt Holding Corp collectively own 100% of Colt's Manufacturing Company LLC, Colt's U.S operating entity. Colt Defense LLC and Colt Defense Technical Services LLC collectively own 100% of Colt International Coöperatief U.A., a Dutch Coöperatief, which owns 100% of Colt Canada Corporation.

Colt Defense Technical Services LLC

Defense Technical Services LLC is a holding company that along with Colt Defense LLC owns 100% of Colt International Coöperatief U.A., a Dutch Coöperatief.

Colt Holding Company LLC

Colt Holding Company LLC is the ultimate parent company of Colt. Colt Holding Company LLC owns 100% of CDH II Holdco Inc, a United States "C" corporation. Colt Holding Company LLC and Subsidiaries ("Colt") is one of the world's oldest and most renowned designers, developers and manufactures of firearms for military, personal defense and recreational purposes.

Colt International Coöperatief U.A.

Colt International Coöperatief U.A. is a Dutch Coöperatief holding company which owns 100% of Colt Canada Corporation. Colt International Cooperatief U.A. was established to manage and hold Colt's interests in designated non-U.S. activities such as Colt Canada Corporation.

Colt's Manufacturing Company LLC

Colt's Manufacturing Company LLC is Colt's U.S operating entity. Colt's Manufacturing Company LLC is a 100% owner of Colt's Manufacturing IP Holding Company LLC, an intellectual property holding company. Colt's Manufacturing Company LLC produces, purchases, and sells firearms to the U.S. commercial market, U.S. government, foreign military forces and global law enforcement and security agencies. Colt offers a broad portfolio of high-quality firearms including rifles, carbines, pistols and other small arms weapon systems for U.S. and international military and law enforcement customers. Colt offers a broad range of rifles, pistols and revolvers for domestic and international commercial customers including sporting, self defense, and

collector communities, as well as state and local law enforcement customers.

Colt's Manufacturing IP Holding Company LLC

Colt's Manufacturing IP Holding Company LLC is an intellectual property holding company. Colt's Manufacturing IP Holding Company LLC holds Colt's U.S. intellectual property and trademarks. Colt's Manufacturing IP Holding Company LLC generates revenues from the license of the Colt trademarks.

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.

CZ-USA Inc.

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 US regulations, CZ-USA does not sell directly to end customers but instead sells its product through wholesalers and other merchants.

CZ-MFG, Inc.

CZ-MFG is a newly established legal entity and fully owned subsidiary of CZ-US HOLDINGS.

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 R&T, its local partner, with the intention to enhance the visibility of the Group on the Brazilian market. The project is no longer being 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 specialises 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 – Česká zbrojovka Group International s.r.o.

CZG International 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 direct 20% direct share in VIBROM spol. s r.o. and 25% share in Spurh i Dalby AB.

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 share 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 share capital of CZUB while the remaining 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 majority shareholder of the Company. As of 30 June 2021, a 90% stake was controlled by EHC. The remaining was held as follows: (i) 5% by Lubomír Kovařík, (ii) 2.5% by René Holeček (resulting in René Holeček's holding 92.5% of share capital and voting rights in the Company and in Česká zbrojovka Partners SE's), and (iii) 2.5% by Jan Drahotka.

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 100% 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 René Holeček, who controls 100% of the share capital in EHC.

New Colt Holding Corp

New Colt Holding Corp is a U.S “C” corporation and a holding company. New Colt Holding Corp together with Colt Defense LLC own 100% of Colt’s Manufacturing Company LLC, Colt’s U.S operating entity. On January 1, 2014 New Colt Holding Corp contributed the Colt commercial business to Colt’s Manufacturing Company LLC.

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 based in Třebechovice pod Orebem, Czech Republic. It specialises in powder injection moulding (PIM), which is a modern technology that combines plastics and a conventional powder method, allowing for the cost-effective serial production of durable and high-precision metal (MIM) and ceramic powder injection moulding (CIM) parts. The company utilises 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 customised solutions for the Group customers. CZUB intends to use Zbrojovka Brno as the customisation centre for its online firearms configurator.

4M Systems a.s.

4M SYSTEMS is a fully owned subsidiary of EHC 4M, SE based in Prague, Czech Republic. 4M SYSTEMS activities 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 multifaceted 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 meanings may not correspond to meanings or usage of these terms used elsewhere.

Striker-fired

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

Long guns

All firearms except pistols and revolvers

Handguns

Pistols and revolvers

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. This process allows a high volume of complex parts to be shaped in a single step.

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.

Rimfire rifle

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

Break-action

Type of firearm action in which the barrel is hinged and rotates 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.

Submachine gun

Self-loading automatic or semi-automatic firearm with detachable magazine commonly chambered in pistol cartridges. Primarily designed to be used by armed forces. Depending on region-specific legislation available for commercial use in semi-auto variants.

Tactical accessories

Firearms accessories, tactical and ballistic equipment and apparel.

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 commercial use depending on the region-specific legislation.

Locked breech

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

Magazine-fed

Firearm design in which ammunition is drawn from a magazine.

GLOSSARY OF OTHER TERMS**Center for Disease Control and Prevention**

The Center for Disease Control and Prevention (CDC) is the leading US state public health institute. CDC is a US federal agency under the United States Department of Health & Human Services, based in Atlanta, Georgia.

IFRS

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

ESMA

The 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

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

PSE

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

