Klára Šípová:
We can start, this conference call is being recorded. So once again, welcome at the analyst conference call in connection with the first half 2021 financial result of Česká zbrojovka Group. It is my pleasure to introduce speakers on the call. It's Mr. Jan Drahota, Chairman of the Board of Directors.

Jan Drahota: Hello.

Klára Šípová: Mr. Dennis Veilleux, CEO of Colt, and member of the Board of Directors. And as the guest of honor Mr. Lubomír Kovařík, Chairman of the Supervisory Board of the group.

Lubomír Kovařík: Good afternoon from my side as well.

Klára Šípová:
Good afternoon. So, the format of the call, we will go through the presentation, slide by slide, a short q&a session that will follow the presentation. I would like to ask everybody to mute yourself unless you speak. If you want to ask a question, please raise your hand in the Team's application or simply speak if you are connected by a phone. And as a reminder, again, this conference call is being recorded. And now I will hand over to Jan Drahota to kick off the presentation.

Jan Drahota:
Good afternoon, everybody. It's a great pleasure to speak to again. Once again welcome Dennis as a new member of the of the CZ family as a CEO of Colt and also Luboš, who is today for the first time is asked as a guest. It's great that he's with us as well. So, but now let's go to the financial results of the H1 2021. And so, it's a great pleasure to say that our business has been growing and the business has been very strong this year. So, if we go to individual items or KPIs and we start with revenues, the revenues are up 40.6% year on year versus h1 2020. And they reached 4.7 billion CZK in absolute terms, if we go or if we add the pro-forma basis Colt performance for the first half of the year as well, then it is 6.8 billion CZK. Here I would stop maybe give a little bit of more detail. We do include Colt results in the group consolidated results starting 21st of May. Essentially, it is only June performance because the last week of May was dedicated to inventory check. So basically, it's essentially one month but de jure it is the Colt performances including starting 21st of May 2021. So once again revenues 4.7 billion on a consolidated basis of 6.8 billion on pro forma basis if we sum up the two performances for the first six months altogether, adjusted EBITDA and as the first time we are talking about adjustments and I will explain why we do that, reached 1.2 billion CZK which is 38.5% more than in the first six months of 2020. Once again, the same logic for including Colt for the one month or six weeks or five weeks or so since 21st of May, on a pro forma basis 1.5 billion CZK. When we speak about adjustments, we did this time we did we believe that it does make sense to take into account transaction costs which are related to the acquisition of Colt and they are twofold. One is and that is a majority of the cost in excess of 170 mm CZK. This is costs for advisors related to the transaction, legal and transactional advisors both on the CZ and

Colt side but also there is approximately $2 million or 40 mm CZK impairment incurred in connection with the Little Rock project, which is basically as you know, we did postpone the realization of the project by three to five years. And that's why we had to take the impairment once the Colt acquisition was completed because it shows that it's really postponed and now, we are concentrating on our efforts in Hartford. So, we had to according to standards we had to do the impairment and this is additional model more than 40 million CZK. So altogether, this adds up to approximately 220 million CZK which are added up back to the adjusted EBITDA. So that's this one. As far as net profit is concerned is up almost 54% to 588 million CZK and last information on this slide is that we did complete the Colt acquisition which everybody is well aware of. So, if you go to next slide, it gives you a bit more flavor on the performance of our sales in terms of firearm sales and regions. In terms of firearm sales overall the number of units sold grew by 33%. So, you see that it's a little bit lower growth and then the dollar revenues which tells you one thing first of all, we were able to do a good mix and also, we were able to play with the pricing debate in order to reach higher revenues than the growth of units sold the first thing the growth was much higher in terms of relative growth on shotguns, pistols and revolvers almost 54%, long guns around 22.5% growth 221,000 pieces sold. As far as geographical revenue split is concerned, obviously on the back of very strong continued strength of the US commercial market, still US plays an important part of the of the of the sales. In h1 2021 it was 62.5%, followed by Europe excluding Czech Republic then rest of the world which is essentially Africa and Asia and Czech Republic representing around 3% of sales. If you go to relative performance of the markets, you'll see that all the markets you know apart of Czech Republic went up you know US 26% up, Europe excluding Czech Republic 77% up and rest of the world come to 60% up. I would say my comment for the rest of the world its growth on the back of higher or bigger military and law enforcement contracts. Europe you know that base last year in h1 last year was a bit lower because of COVID. So, basically Europe has caught up quite substantial there. Czech Republic comment there is and this is in line with the h1 report which is also available to you is that the deliveries to Czech army were a bit postponed to be started to do them to fill the orders in July and August of this year. So, it's only a shift in time and in q3 and q4 essentially for the full year we will be there where we wanted to be in terms of budget and it was really only a move from h1 to h2. So that's for the slide, if we go further. As far as revenues are concerned, I already did comment that the revenues went up by 40 by more than 40%, 40.6% to 4.7 billion CZK. You know that we gave back in session about q1 results we gave a guidance on revenues on consolidated and pro forma basis, we are very confident that we can fulfill those, the biggest risk to making the revenue targets is our ability to produce because we see strong and prevailing demand for products or brands of key firearms brands which is in excess of our ability to produce. Operating profit on an accounting basis up only 5% and this is very much influenced by the one-off costs which I did already mention related to the transaction which are in the amount of 220 million CZK, you see that the growth is essentially in line with the growth of revenue. So, almost 38% growth of operating profit. So, record figure for us. If we go to

EBITA I did comment already EBITDA and I said that we did adjustments and we wanted to show you adjustments which should be done to normalize the EBITDA. So, EBITDA which you can calculate from 984 million CZK which is 13.2% up against last year but if you look at the add up the two individual items connected to the cost of acquisition or costs of transaction of acquiring Colt then you end up at 1.2 billion CZK which is almost 40% up. Once as far as the relative margin is concerned you see that we are on adjusted basis above 25%. And you know that our view is that we like and we believe that our business needs to have EBITDA about 20% in the long run, you know able to invest into itself so we are happy where we see the margin now. As far as the EBITDA guidance is concerned, same goes for this one as for this item as for all revenues, we are confident that we will be able to or we should be able to achieve this guidance given back in q2 on back of the strong market and the risk once again is related to our ability to produce and ability of our suppliers to give us parts also buy parts for us to be able to sell as well. So, that's this. So, we are very confident on that one. Net profit This is item which grew you know not in line with revenues grew faster. And here I will give you more details about it. You see on the right-hand side accounting net profit of 588 million CZK which is around 54% up against six months of H1 2020 you see also there adjustment of 292 million CZK and we did it just to give you also flavor about one off costs related to acquisition of Colt, you know that I was talking at the level of EBITDA about one off costs in the amount of 220 million CZK and now the figure is 292 there are two additional items which should be taken into account and I will explain them. One is 31mm CZK connected to the issue of the bonds, to finance the Colt acquisition the bonds which we did back in March April in the amount of 5 billion CZK. That's the first one and second one, and this is a bit let's say a more difficult one to explain is the revaluation of the earnout as you all know, part of the transaction is potential earnout of additional 1.1 million shares of CZG to be issued as a part of the consideration and because the share price went up the accounting cost basically this the difference between the share price at the closing date and the date of revaluation. So, this time it was 30th of June, there was a difference of approximately 40 CZK per share and this difference is a part of the financial costs in our p&l. So, this is around 44 million CZK and those 44 million CZK are part of financial costs. So once again the concept is IFRS concept, you know this is fair and I think that the we are definitely treating is as we should, but for you in terms of the substance, you see that basically these are shares which are to be sold to be new shares which are to be issued by the company as a part of the consideration for Colt and obviously, you know, if the market price of the share is higher than the value of the issue is higher as well or t the value or revaluation is higher and that's why it's increasing the financial costs. It's for company, it's no all cash cause. Because when we agreed on the absolute amount of shares not the share price, per se so that's the second thing. Also, if you go back one slide, please earnings per share, I think that this is the start to be critical, because we are public company, we are discussing earnings per share, not only to show the performance of the company, but also potential future distribution of the profits, you'll see that the earnings per share went up 33.3% on non-adjusted basis on adjusted basis more than 100% to about 26 CZK per share. So once again, very strong performance there very strong performance. If we go further, yes, cash flow generation or cash generation connected the with the profitability, you see that you know operating cash flow for the first six months was at above 1.4 billion CZK which is once again about 100% of the adjusted EBITDA I mean what we see is that now with a strong market, we are able to keep to let's say basically to turn every dollar which we invest to the business and generate the dollars from the business more efficiently or very efficiently so that's basically the main message here that money which we generate or the profitability is reflected in the cash flow generation so that's for here. And as far as capex is concerned, you see that for the first six months of the year, capex was at 263 million CZK which is on a six-month basis 5.6% of revenues, but obviously, we are talking about a 12-month basis and here we say that we confirm the guidance of the capex, overall capex for the year in the range of five to 7% of revenues. So, you can do the math, you know, what could be the capex, obviously, the capex is also very much driven by the, by the need of our production facilities, both in the Czech Republic and US, but also about ability of suppliers to supply us the capex, you know, because it's very much also. So, this, you know, that last year, we were limited because of that, so, capex last year was below the normal guidance. So, this year, we have quite ambitious or we had targets for capex and we shall see how we end up, we believe that the guidance which we leave in the range of five to 7% is the right one at the moment. If you go next slide, this is an important one, this is really important one and I think that it shows you that we are we have been and we are and we intend to behave in a conservative manner. This shows the overall indebtedness you know that now the group is predominantly financed by bonds. So, we have now outstanding 7.25 billion of CZK denominated bonds, 5 billion is issued at the level of ceska zbrojovka group 2.25 billion is issued at the level of CZUB. These are due next year. And we are thinking what to do about those at the moment. As far as the net financial debt is concerned, you see that, you know, even after acquisition an issue of the issuance of new debt, our net debt stands as of today, as of the end of June 2021 at 3.8 billion CZK, which is on pro forma LTM basis 1.8x EBITDA. Okay, so and, and it also tells you that we have quite substantial cash on hands, which gives us flexibility for future moves, and also gives us confidence that we can decide freely on how we will treat the UB bonds which are due next year, because we have, as you'll see that we have the capacity to either refinance them internally or use them over at the level of group that's, what been discussed and not that will be discussed. And it also gives us a space for potential additional moves in terms of m&a where we see and when we are, let's say, reviewing potential opportunities, but nothing is at the stage where we would be able to disclose. And go to next slide. This is what you know better than us. But we believe that it does make sense to have it. This slide included shows our relative performance to our peers listed in the US and to the Czech market to the local Czech market. So, nothing to comment there. I think that maybe one comment here is that we are excited that our investors are also excited about Colt being part of the CZ group. I think that this is, we Are we like it very much and we believe that there is a good reason to be cheerful about it and we are very happy that the market understands that we have been able to explain the story or to introduce the story to the market well and the market seems that market like the story as well. Can you go to the next slide. Now I will hand over to Dennis for us today. I wanted to or we wanted to have Dennis at the presentation because we believe that as a CEO of Colt, he should be in a position to give you a bit of flavor about what Colt stands for and what Colt means. And it's the first time you can speak to him. So, so Dennis floor is yours.

Dennis Veilleux:
Thank you Jan. Appreciate the introduction and thank you everyone for the opportunity to speak today about Colt and its acquisition by CZ, Colt has been around for a long time. But the truth is I consider it to be 185-year-old startup. The reason I say that is since our emergence from chapter 11 restructuring in early 2016. My team has been working with great success at a complete restart of the company. The merger of Colt with CZ is great news for both companies. Today you'll hear me talk about Colts past and present but with an eye to the future. Everyone knows that Colt´s been around since the days of the Wild West, and it's one of the most recognizable brands in the world. But so, what? In short, this means we have a tremendous opportunity to leverage our brand, which is our most valuable asset. Colt went into chapter 11 in mid-2015, and emerged in early 2016, but we still had significant debt and operational challenges to address with largely a new team at that point, all those challenges, and since then, the company has grown organically in a linear fashion from negative 14 million EBITDA in 2016 to a positive 50 million in 2020. To achieve this, we completed a complete operational restructuring and adjusted the capital structure. The fact that we've grown organically speaks to the sustainability of our business, in that there are large opportunities for growth in the markets we serve. So, looking forward since the merger from CZ, we focused on integration and leveraging the strengths of each company. Both companies have the same cultural values of integrity, transparency, customer centric and focus on quality. And these are reinforced by a combination of the business's. Part of our successful transformation was following a strategy of market diversification which stands us in good stead today. We're active in the US commercial market where during the post chapter 11 years, there was little cash for investment in new products and in marketing. And as a result, our penetration in the US commercial market is very low, despite the strength of our brand. ability now to invest in these areas will allow us to take a much larger market share the combination of the two brands at a stroke project the group into the very top tier of us small arms manufacturers with all the advantage that implies in terms of the ability to position a group at the front of the customer and manage dealer and distributor base. We're active in the international market, international military and law enforcement, where we have an immense installed base of up to 10 million rifles worldwide, meaning established customers for new products and replacement parts and upgrades. One immediate benefits of the merger is accessing current CZ channels for delivery of our products on the international commercial market, which we'd not before had the opportunity to develop. We´re a key supplier to the US Army and one of the very few companies capable of meeting the US Army's exacting quality

standards. Were a key partner and sole supplier of the M4 rifle to the US government's foreign military sales program or FMS, where it supplies Colt’s products to certain key allies around the world. We're a sole supplier of small arms to the Canadian Department of National Defense and a main supplier of small arms to the armies of the Netherlands and Denmark. In recent years, Colt Canada has been a trusted supplier of many special forces units in Europe, most notably the British SAS. And this has now expanded into deliveries to the Royal Marines. So, thank you for turning the page. As a part of the sale to CZ, all Colts debt was repaid. And with the strength of the CZ balance sheet we're now in a position to immediately make some sensible investments in new machinery in systems and processes and infrastructure which will significantly increase both our capacity, productivity and reduce costs. We have two manufacturing facilities where this investment will be applied one 300,000 square foot factory in the state of Connecticut in the United States, and 140,000 square foot factory in the state of Ontario in Canada. All of the above allow us to develop the business for long term and begin to exploit the brand across all of our current markets and beyond into merchandising and other related areas. Although we've been part of the CZ, although we've been acquired by CZ, the team that successfully turned Colt around remains intact. But we've been working very closely with our new colleagues all aspects of the business. And there's unanimous excitement in the Colt team with the opportunity the merger presents to Colt in the new Cz group. Thank you turn it back to you.

Jan Drahota:
Thank you, Dennis. Thank you, Dennis. I think that you said it very nicely and concisely. So, I think that that's whatever presentation. I think that we can now open the discussion for questions.

Klára Šípová
Yes. Thank you. If you would like to ask question, please raise your hand and the speak. The first question comes from Mr. Pavel Ryska.

Pavel Ryska:
Good afternoon, so first just to check that you can hear me. Yes, yes. Okay, so thank you very much. Congrats on the very good first half of the year, I have three questions. First, I will maybe start from the financial level, you have the new bonds out since the spring of this year. I would just like to ask, since there is a floating part of the interest rate, is it capped somehow? Is there a ceiling on the under floater, given that the money market rates have been increasing? recently? Second question. More operating. Why if you could comment on the, on the quarterly fluctuations in sales, because we saw very fast growth in sales in the first quarter, then overall, if we take the first half of the year, the growth was slower. So, if this was mainly due to some public sector, deliveries, or if the difference in the in the pace of growth was due to something else. And my third question relates to the EBITDA guidance. So basically, you provided the pro forma EBITDA, if Colt had been acquired already at the beginning of the year, which is roughly 1.5 billion and 2.75 for the second half of the year. And if I add the actual EBITDA for the first half, then it gives me higher EBITDA than your actual guidance. So maybe if you could comment why

this is, so if the guidance isn't, too, too little, in fact, that's all for me. Thanks.

Jan Drahota:
Okay, I will take over those questions. Well, first of all, IR hedging, so interest hedging, I would say that you know, obviously the real detail is in the annual report and H1 report doesn't have such a detail of hedging. But what I can tell you and it will be disclosed in full in the annual report is that we have had substantial part of the we have swapped a substantial part of the CZK denominated bonds to the USD fixed rate. So, this one is, so I'm not saying it's not full, but the majority or more than 50% of the exposure is now in fixed USD rate. which is in line with the assets, it's meant to hedge the translation risk connected with the acquisition of Colt. So, on that one, that is definitely not we are more than 50% of our exposure and on that that exposure, much more is hedged against the interest rate increases, the period will be, you know, five to six years. So that's basically for the first question. The comparison of h1 versus h2 2020 sorry, h1 2021 vs h1 2020. If you remember well, when we discussed the first one first quarter results, we said that the base was very low because of the COVID in q1 2020. So, I would say that for us, we look at it in a way that 40% growth in revenues on a yearly basis is something which we like. Honestly speaking, taking into account that there is only one month of Colt being part of the group. Obviously, I would say that there was more, let's say a bit of base adjustment because of the q1 2020 was so slow in CZ. Okay, so that the second comment as far as EBITDA guidance is concerned. I mean, we did confirm the guidance for the full year EBITDA as we gave it in q1 or at the end of or after q1 results will back in April, I believe. And if you ask me whether we can overshoot is I think a good answer is that we confirm the guidance and I think you'll be able to let´s say precise even more once we have q3 after us which is basically tomorrow. So, once we will be presenting Q3 results. So maybe you'll be able to do let's say calibrate or even sharpen the guidance but as I said, we are confident that the guidance which you gave is in our is well achievable. So that's the best answer I can give you. I know it's not maybe 100% what you expected. But I believe that I hope that it at least satisfied you somehow.

Pavel Ryska
Absolutely. Thank you.

Klára Šípová
Great. Thank you. And next question comes from Mr. Atinc Ozkan.

Atinc Ozkan, Wood:
Hi, thank you. Perfect pronunciation of my name for additional thanks for that. I'll start with a question regarding Dennis's comment. Correct me if I'm wrong, but you said penetration of Colt in US market remains low. Did you mean the civilian market given your presence, existing presence in MLM markets? And also regarding in the press release? I basically read that after Colt acquisition, you expect some r&d synergies? What exactly Colt can basically add to CZG? Regarding r&d capabilities, or technologies, i.e., I don't know, do you have additive manufacturing technology? Or can you

manufacture metal injection molded parts? If you could elaborate on those? I'll keep my questions limited for the moles. Thank you.

Dennis V.:
Thank you for the questions. So yes, I meant in regards to the comment about the penetration being low, I was speaking specifically about the US domestic commercial market. And I really, I present that as good news. We put the products that we have currently into that market that channel into basically two product groups to rifle, the MSR nickel and the 1911. And more recently, as part of our growth story, we put in the double action revolvers. So those sub segments are the only three sub segments that were of the first domestic market that we're involved in. So, the in those are single digit penetration numbers. And I believe that the upside that we have with new products, both additional sub segments, as well as with families within the sub segments that were already in, is the great story of what we have ahead. As you know, as we were going through the restructuring, we had very little cash to invest, what little bit of cash that we did have we spent on new products, we also spent it on compliance and infrastructure, and really positioning ourselves for this moment in time where we could grow. And then as far as the r&d synergies, that's another great question. So, what we really have to offer from Colt at this point in our history is we were really good at building firearms. And we have a great workforce here we have a lot of room plenty of room. Our machining technologies and processes are sound, but we need a reinvestment and we plan to utilize the strong machining and assembly and testing and quality resources that we have here to help grow the company in particular in the US domestic market, but in the world.

Jan Drahota:
Yes. And if I can add to what Dennis said, I think that it was well articulated, I think that what is also important to understand that obviously, the group combined group will have two r&d centers, one in Europe, one in the US. And obviously the two different because that these will be two different DNAs will mean that overall, our products will become more and more even more sophisticated than they are now. So that's for sure. Obviously, it's it may be difficult to I mean to highlight individual cases, but that’s how it is and your question about MIM technologies and stuff like that, you know that we have a we have a minority stake in the Czech company, which is MIM focused on production of MIM parts only. It's called VIBROM and so for us, MIM technology is important to produce some parts but it's not only that, I think that the you know, the success start is the right design of firearm, which is functional, just functional edges, you know, and technical edges but also is easy to produce or is designed to be produced and high quality and at the right cost.

Atinc Ozkan, Wood:
Thank you for those and for the sake of not diluting the discussion, if my I may just ask a follow up and then leave the floor to other parties. I know that you are not really disclosing this, but I'll try my chance anyway. Can you share the total r&d spending, including capitalized r&d as a percentage of sales, I think it was around 2% during the prior to the IPO? Is it where it's going to

stay if you could provide some basically color where it was in the first half, and where you see it developing given, you want to develop your presence in military law enforcement market, which is I guess, a more innovation and r&d in terms of segments, thank you.

Jan Drahota:
It would be difficult for me to, to react to classify the way that it's more intensive commercial market, because as Dennis said, we see huge potential for Colt, especially for but we also see that to develop themselves on commercial market globally, we still believe that both brands are underrepresented globally on the commercial market. If you ask me about H1. Secondly, we are not giving we haven't been given giving guidance on the capex, you know, in our results so far, obviously, from what Dennis said, it's probably I mean, you probably see that the in the first half, if CZ was at 2%, if you were at 2%, then Colt would be a bit lower. So, it will be below and currently, we are assessing, you know, it's part of the joint discussion at a group board level to discuss the joint or to group budget for not only for capex, but also for r&d expenditures, and other let's say, tasks, which are done on the two individual the two key revenue companies. So, we are not disclosing this one. You are right. You tried your luck and what I can tell you that that this is part of the group discussions to make sure that we allocate the r&d resources. Well, yeah.

Atinc Ozkan:
Thank you very much.

Klára Šípová:
We have received via email, three questions from FIO banka from Mr. Jan Raška, who was unfortunately unable to connect from the phone. The first question is regarding EBITDA guidance. After the q1 results on May, you mentioned this year's EBITDA guidance on the upper range of the interval, do you still consider upper range after today's result? And the second, despite the positive adjusted results in second quarter 2021? You keep the EBITDA guidance at the same level, it seems that you expect conservative results profits for the second half of the year. Is that right? Or do you consider non adjusted EBITA guidance?

Jan Drahota:
Okay, that's the thing. That's a great question. I believe that in the first guidance was a range. So, I don't recall the reference to the upper range of it. I would say that there was one thing which resonates well to us. We have been a public company for last 11 months, and we are learning how to communicate with the capital market. So definitely, we are conservative about leverage, then we are also conservative about what we say to the capital markets not to distort the mutual trust. And what we do, what we communicate is something we stand behind. So, when we speak about the guidance for the EBITDA, that the guidance would be the EBITDA obviously if you ask me about whether it is adjusted or an unadjusted EBITDA that's a great question. And it basically, it evolves further, I will say that for us when we look at our results, we look at it what we can tell you that we do not expect unless there is a significant transaction from Colt side, which will be difficult to finish by the

end of the year. We do not expect to have one off costs of the magnitude of Colt, transactional costs. So, I would say that when we speak about the guidance, we speak about the guidance for the EBITDA, which is I mean, I would keep it to the range. And that's basically the best one we can give. And once again, we will be able to sharpen after Q3, if you can, please accept this answer.

Klára Šípová:
Yes, I think that's, that's a good answer. And next question from FIO banka, comes to Dennis. I would like to use the opportunity that the manager, of Colt, is speaking in today's conference call. Can I ask you for more detailed figures about Colt, I mean, such figures like annual production sales and annual capex, annual depreciation and amortization and cetera.

Jan Drahota:
Here, if I may react, and then I will let Dennis speak, we do not disclose individual results for new companies. What we did show was revenue and EBITDA for 2020. But going forward, we will not be discussing individual companies as far as capex is concerned. But I think that Dennis, you know, you said something about the past. So, I think that it makes sense that you comment, you know, 2020, not going forward, we will not disclose individual companies in terms of sales and capex, or at least that's how we look at it. Sorry to that. So sorry to interrupt you Dennis.

Dennis V.:
Thank you, Jan, I'm glad you did, what I will tell you, as far as investment in Colt business going through the restructuring, and up until now, we had everything that we did was up against the backdrop of stabilization, recovery and growth. And we, I feel confident that we are stable, we've done the recovery, both of those boxes are checked. But we're in the process right now working closely with Cz and positioning for growth. And because growth doesn't happen overnight, it takes it takes investment and it takes time. But we are positioned for growth, we have been working any money that we did invest here, Colt we invested in foundationally in nature, so on our ability to operate within all the regulatory guidelines, making sure that the processes that we do have, in particular for US government and FMS, and we've met all the criteria associated with their quality standards. And in addition to that, one of the key things and I can't overstate this, is development of the team. And again, it's foundational because we started the, we started the restructuring with something in the area of 800 employees, we have 400, 300 of which now are in Connecticut and 100 in Canada, just directional numbers. So, we have a great foundation of people on our team to grow the business with that are proven to understand all the details of the business and what makes what drives it. And we have great control of our regulatory compliance across the board. And we're positioned, having gone through the stabilization having gone through the recovery, having, in a large part positioned ourselves for growth, we're positioned for this next chapter in our history.

Klára Šípová:
Okay, thank you, Dennis. And the last questions from Mr. Raška from FIO banka. Can you give us some more detail about year-to-year

comparison of the second quarter? I am interested in the Czech revenues in the second quarter of 2020. The revenues from the Czech Republic were 247 million Czech crowns. On the other hand, the second quarter 2021 revenues, were only 79 million Czech crowns and also the last quarters we could see the similarly low revenues. What is the reason of the significant year on year difference? And whether any large one offs one of law enforcement or army contract in the second quarter 2020 or whether any larger one-off sales into commercial segment?

Jan Drahota:
I think quick answer is and I already did refer did say that is that the there was a postponement of deliveries to Czech army. So those are happening. Let's say prove through June, July through to November. So basically, the Czech market will catch up substantially. So, I would say that it would be good to have this discussion after q3 results because there is a bit of, I could call it seasonality which is not true seasonality is only, it always is very much related to our large Czech customer, which is Czech army where deliveries were a bit postponed. With the military law enforcement customers, it always goes the way that the completion of the contract is that is not always only dependent on our ability to produce, but also on more things in line. And there were different phases of testing, and those were all passed. And as I said, the delivery started in July 2021. And I think that when we will be sitting and discussing Czech Republic in after q3 results, you will see that it's already it's caught up quite substantially and we will be discussing fully year, you will see that it will be looking differently than now. Yes, that's the best comment which I can give to that one. So, there is a bit of this kind of seasonality or client seasonality maybe better said.

Klára Šípová:
Thank you, Jan. Next question comes from Petr Bartek from ČS. Peter, please go ahead.

Petr Bartek, ČS:
Good afternoon. Can you hear me? Yes, we hear you well. Good afternoon. Congratulations to the good results. Only two questions from my side. First is, if you can a little bit elaborate on the core US civilian market in the second quarter? What was the organic revenue growth approximately without Colt? And what you see currently in the in q3 if there is any apparent deceleration or? Or if the demand is the strongest as in the last year? And second, my traditional question about production capacities. If you were to talk about the organic development of your production capacity, so not talking about the consolidation effect of Colt, do you assume that you will be able to grow the volumes in mid-single digits high single digits or what would be your outlook and maybe what would be sources of this the growth, if it is capacities or assets in Colt or there's something else. Thank you.

Jan Drahota:
Maybe I will start with US market on CZ side and maybe Dennis may add more flavor on the US market for Colt side. As far as the demand of the US market, on the US commercial market for CZ branded

products. It's very strong, we have discovered several times that we believe that you know so called fair market share of CZ is not yet reached. The value which we provide to the customer we believe still deserves higher market share. And we still see substantial unfulfilled demand / back orders in the US for our CZ branded products. So, you know the market may not be growing as fast as it was, you know, it may be cooling down a bit but so far for us, we will get it away that we are still in a situation where we were 2-3 years ago where the market even with stable markets, we were able to grow because simply the fair market share of CZ products is not yet reached. So, for us, we still see our strong demand for CZ branded products. And we have quite substantial back orders which are really high for the CZ branded products on the US market. I don't know whether Dennis wants to give some flavor for Colt.

Dennis V.:
Yeah, thank you. So, I would say I'm seeing the same thing on the US domestic market is very strong. We are seeing some decline on the rifles for Colt. But it's very cyclical the seller and typically is a declining volume for rifles as it is. But I thought it was a great opportunity to go back to something that I could elaborate a little bit on what I said in my initial remarks, which is a big part of the strength of this business is channel diversification because one of the things that put Colt into trouble in the past is the lack of diversification and further lack of new products. But to stick with diversification for a minute, as the environment changes in its, it will change on all of the markets, the US government, the US Commercial and law enforcement and the International direct sales, as that changes our ability to drive in a wide range of channels, three to four channels that differentiates us from our competitors. And it's what we're going to rely on going forward to help smooth out any of the any of the ups and downs that we have, relative to the market cycles changing. And then maybe just a little bit more color on the sort of the new product side and I was thinking about the question that the fellow asked just before this question, but it pertains also to this question, which is, we were able to introduce some I'll call them new products with the revolver, the Cobra, the Python, the Anaconda, which are the main commercial, which are the main drivers to the commercial revenue for Colt this past summer. We engaged a two prong strategy when it comes to new products because of our restrictions on cash leading up until now. But the strategy is still the same. The strategy is what's old is new, because there's some pent up demand and Colt has not serviced the US domestic commercial market or even the world, the world commercial market with the products that made it so famous in history, there's some pent up demand there and there's opportunity to produce significant volume of older products as well as the second prong of that strategy what's new is new and we've not touched that what's new is new. But with the money I mentioned we hit on the infrastructure I mentioned we hit on the compliance and regulation but we also spent a little money when we could on developing our strategy of what's old is new what's new is new and getting some of the great Colt revolvers back out into the market and that's what's driving our sales now and there's significant room to expand on that that we plan to go after.

Jan Drahota:
Thank you Dennis. I think it was super well resumed for one more comment to the production capacity. As you know, we have been discussing this one in the past and we you know that we don't disclose the capacity. But, as you see the figures of the unit sold you see that we were able to grow capacity double digit more, or at least production double digit. So, I mean, if you call capacity or ability to produce, definitely, we were able to grow the production. Let's see the number of production numbers by double digit figures. So, you know, so that's hoorays obviously now, you know, we have two sites where we can decide to invest which is one is in the Hartford one is in Uherský Brod, the key sites. And for us, there are two things to capacity. And then it's definitely and then is basically mentioned that today is that one is let's say our own capacity one is a supply chain. So, using our suppliers where Colt is definitely mature ready to advance and so, there has been because of like of the past lack of investment to use the supply chain and obviously now for us, we are in a position where we can think whether there are processes, which we want to insource, you know, to increase our internal capacity and maybe increase the profitability by insourcing those and also how to shift the capacity from Europe to the US. So, basically, as far as the capacity growth is concerned double digit, it has been double digit and you see it in the number of units sold and going forward, we are evaluating all options. And I did mention that in terms of capex and in terms of what should be insourced outsourced and what should be the structure of the production going forward.

Dennis V.:
So, Jan, and you said something important about the supply chain factor. People could really scratch their heads to try to understand how did we work through the stabilization, recovery positioning for growth, to get to where we were able to complete the merger with CZ and have some runway going forward? And the answer is in a large part through supply chain management, we have a great supply base. We have some people that believe in Colt. Believe in us and we've worked well together with and that we plan to use in balance, which is a key for us in balance with the investments that we're talking about. So, one of the things that I didn't mention that we share as our we've driven ourselves to is to stay balanced as we've come through this period. And I think we have to maintain that balance going forward between spending and developing our supply chain, which got us to where we are today. So, we were very focused on that. And I anticipate that you'll see us capitalizing on that supply chain as well as internal improvements to our industrial basically reindustrialization of the factory and development of new products. So, it'll be a balance between internal investment and external supply chain management.

Petr Bartek:
Thank you very much for your insights.

Klára Šípová:
Thank you. I don't see any other questions coming through. If you have any question, please raise your hand in Teams application or simply speak directly to your microphone.

Okay. Okay, that seem that we have no further question that brings us to the end. Ladies and gentlemen, thank you very much for your attention, and have a nice evening. Thank you, everyone.