

Colt CZ Group SE increased its EBITDA by 120% in the first quarter of 2022

Prague (26 May 2022) — Colt CZ Group SE (“Colt CZ, the “Group” or the “Company”) today announced its consolidated unaudited financial results for the first three months of 2022 ending 31 March.

Q1 2022 Financial Highlights:

- ▶ The Group’s revenues in the first three months of 2022 amounted to CZK 3.5 billion, up by 74.7% y-o-y, mainly due to higher sales volume in all regions and consolidation of Colt’s revenue.
- ▶ EBITDA reached CZK 954.7 million, up by 120.0% y-o-y for the first quarter of 2022.¹
- ▶ Operating profit in the first three months of 2022 was CZK 749.3 million, up by 123.7% compared to the first three months of 2021.
- ▶ Net profit for the first three months of 2022 reached CZK 544.7 million, which is 97.6% more compared to the same period in 2021.
- ▶ The number of firearms sold in the first quarter of 2022 increased by 46.1% compared to the same period in 2021, exceeding 200 thousand units sold.

“I am pleased that our Group recorded great results for the first quarter of 2022. The y-o-y development was positively impacted not just by the consolidation of Colt’s revenues, but especially by the product mix, as well as the increase of sold firearms and sales in key territories, mainly in the North American market and Asia. In the Czech Republic, we also observed an increase thanks to the continued cooperation with the Army of the Czech Republic under the framework contract which was also extended by an amendment concluded in March, in connection with the war in Ukraine,” commented **Jan Drahota, CEO and Chairman of the Board of Directors of Colt CZ Group**. *„We believe that the growing operating performance and the increase of free float to 22.8% linked to the recent sale of a 6 % stake through an accelerated bookbuild raise the attractiveness of our shares for current and potential investors,”* added Jan Drahota.

“Furthermore, in the first quarter of this year, Colt CZ Group joined the material aid to Ukraine, which it coordinated with the members of the Czech government. I am pleased about the result of the auction which took place on March 30, 2022, organized by the Freedom to

¹ For the period from 1 January 2022 till 31 March 2022 and the comparable period in 2021, the Company doesn’t report any EBITDA adjustments.

Ukraine initiative, in cooperation with Forbes magazine. Our company donated the limited-edition CZ 75 TOBRUK pistol which was auctioned for 5 million crowns. The total proceeds went to the collection account of the Embassy of Ukraine in the Czech Republic,” stated Jan Drahotka.

Revenues

Compared with the results as of 31 March 2021, the revenues for the first three months 2022 increased by 74.7% to CZK 3.5 billion, mainly thanks to the increase in firearm sales volumes in key territories (see the table below) and as a result of Colt’s revenue consolidation which impacted annual comparison with the first quarter of 2021.

Regionally, the revenues generated in the Czech Republic went up y-o-y by 323.9% to CZK 236.1 million as of 31 March, 2022 due to the continued deliveries to the Czech Army under the framework contract. Revenues generated in the United States increased y-o-y by 59.2% to CZK 2.2 billion for the first three months 2022, mainly as a result of a higher demand in the US commercial market and the consolidation of Colt’s revenues. The revenues in Canada reached CZK 237.5 million in the first three months of 2022, up by 832.8% y-o-y. Revenues generated in Europe (excluding the Czech Republic) increased y-o-y by 24.3% to CZK 275.0 million for the three months ended 31 March 2022, mainly as a result of higher sales in Central and Eastern Europe.

Revenues generated in Africa declined by 91.8 % to CZK 14.8 million for the three months ended 31 March 2022, as large sales to the military and law enforcement sector customers took place last year. Revenues generated in Asia increased y-o-y by 288.7% to CZK 536.3 million for the three months ended 31 March 2022 as a result of increased sales to both the military and law enforcement sector customers and commercial customers. Revenues from sales to other parts of the world reached CZK 85.6 million in the first three months of 2022 up by 72.9% y-o-y.

Breakdown of Group’s revenues for the reported periods by regions:

(in CZK thousand)	Q1 2022	Q1 2021	Change in %	Share on total revenues in %
Czech Republic	236,067	55,690	323.9%	6.6%
USA	2,168,372	1,362,462	59.2%	61.0%
Canada	237,485	25,460	832.8%	6.7%
Europe (excl. the Czech Republic)	275,003	221,285	24.3%	7.7%
Africa	14,796	181,419	(91.8%)	0.4%
Asia	536,253	137,949	288.7%	15.1%
Other	85,581	49,495	72.9%	2.5%
Total	3,553,557	2,033,760	74.7%	100.0%

Overview of the firearm units sold by type:

In units	Q1 2022	Q1 2021	Change in %
Handguns	118,173	85,527	38.2%
Long firearms	82,069	51,556	59.2%
Total firearms	200,242	137,083	46.1 %

EBIT and EBITDA²

EBITDA went up by 120.0% to CZK 954.7 million for the three months ended 31 March 2022 compared with the same period last year. The increase is attributable to the impact of higher global sales and higher number of sold firearms.

In the first three months of 2022, the operating profit (EBIT) reached CZK 749.3 million, up by 123.7% y-o-y driven primarily by higher sales and consolidation of Colt in the USA.

Profit (loss) before tax

Profit (loss) before tax increased by 101.0% y-o-y to CZK 726.9 million for the three months of 2022. The growth relates to higher operating profitability.

Net profit/ Adjusted Net profit

Profit for the first quarter of 2022 increased by 97.6% to CZK 544.7 million compared with the same period last year.

Profit for the first quarter of 2022 adjusted by the cost of revaluation of equity earnout related to Colt acquisition increased by 129.2 % to CZK 631.9 million compared with the same period in 2021.

Investments

The Group's cash capital expenditures were CZK 127.9 million in the first three months of 2022, up 10.2% y-o-y, representing 3.6% of total revenues in this period, in line with the 2022 guidance (approximately 5% of 2022 revenues).

Updated 2022 guidance

On the grounds of the favorable development of Colt CZ's financial results as at the date of preparation of this report, the Group's management **confirms its initial full year 2022 guidance**.

The total revenues could reach CZK 14.4–14.8 billion in 2022 and the expected EBITDA could reach CZK 3.0–3.3 billion in 2022.

In March 2022, Colt CZ concluded an amendment to the Framework Agreement for the purchase of small arms signed in April 2020, with the Czech Ministry of Defense. The

² The Company's management considers EBITDA to be the key performance indicator in evaluating the Group's business operations. 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 less share in the profit of associates plus depreciation and amortization.

amendment will enable the Army of the Czech Republic to receive small arms supplies with the value of up to CZK 1.18 billion in addition to the originally agreed limit of CZK 2.35 billion.

The current security situation and military conflict in Ukraine may bring increased interest for the Group's products from Military and Law Enforcement customers but could also bring unpredictable adverse impacts on the operational and financial performance of the Group in 2022.

The Company's ability to produce and meet customer demand when it comes to the product mix and price remains the main challenge for the Group in 2022. Operating cost control will be key. The Company will experience the pressure of increased commodity prices, including gas and electricity, although these represent a relatively small part of the Group's OPEX. In addition, we expect an increase in personal costs in Česká zbrojovka a.s. and Colt Manufacturing Company LLC, based on the newly signed collective agreements effective 1 April 2022. Colt CZ believes to be able to partially pass through some of the costs onto sales price. Some of the key customer contracts are inflation-linked.

Other significant information concerning the Company by the date of this report

The Company has proposed for approval to the General Meeting (per rollam) a dividend payment of CZK 25 per share from the consolidated net profit for 2021. The proposed dividend payout is more than 3 times higher than the dividend paid last year (CZK 7.5 per share). The approval is expected on 27 May 2022. The dividend record date was set to 2 June 2022 and dividend will be paid from 29 June 2022.

On 7 April 2022, the Company announced that it was notified that certain shareholders sold to selected investors 2,030,000 shares, representing approximately 6% share of the registered capital and voting rights of the Company. The sale took place in so called accelerated bookbuilding process and price per sale share was CZK 555.

The condensed consolidated interim financial statements for the period of three months from 1 January to 31 March 2022 are attached to this report.

About Colt CZ Group SE

Colt CZ Group (Colt CZ), together with its subsidiaries, is one of the leading producers of firearms for military and law enforcement, personal defense, hunting, sport shooting, and other commercial use. Colt CZ subsidiaries include Colt's Manufacturing Company, Česká zbrojovka, Colt Canada Corporation, CZ-USA, 4M Systems, and CZ Export Praha. Colt CZ also owns a minority stake in Spuhr i Dalby, a Swedish manufacturer of optical mounting solutions for firearms. Colt CZ markets and sells its products mainly under the Colt, CZ (Česká zbrojovka), Colt Canada, CZ-USA, Dan Wesson, and 4M Systems brands.

Colt CZ is headquartered in the Czech Republic and has production facilities in the Czech Republic, the United States, and Canada. It employs more than 2,000 people in the Czech Republic, the USA, Canada, Germany, and Sweden.

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