

COLT CZ GROUP SE

FINANCIAL RESULTS 9M 2022

INVESTOR PRESENTATION

COLT
CZGROUP

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AGENDA AND TODAY'S PRESENTERS

AGENDA

- 1 9M 2022 AT A GLANCE
- 2 FINANCIAL HIGHLIGHTS
- 3 ESOP IN DETAIL
- 4 OTHER EVENTS
- 5 APPENDIX

PRESENTERS



JAN DRAHOTA

Chairman of the Board of Directors
CEO of Colt CZ Group SE



JAN ZAJÍC

Member of the Board of Directors
CEO of Česká zbrojovka a.s.

9M 2022 AT A GLANCE

REVENUES

CZK 10,220M

↑ 34% vs 9M 2021

ADJUSTED EBITDA

CZK 2,341M

↑ 45% vs 9M 2021

ADJUSTED NET PROFIT

CZK 1,461M

↑ 30% vs 9M 2021

ADJUSTED EPS

CZK 43.0

↑ 30% vs 9M 2021

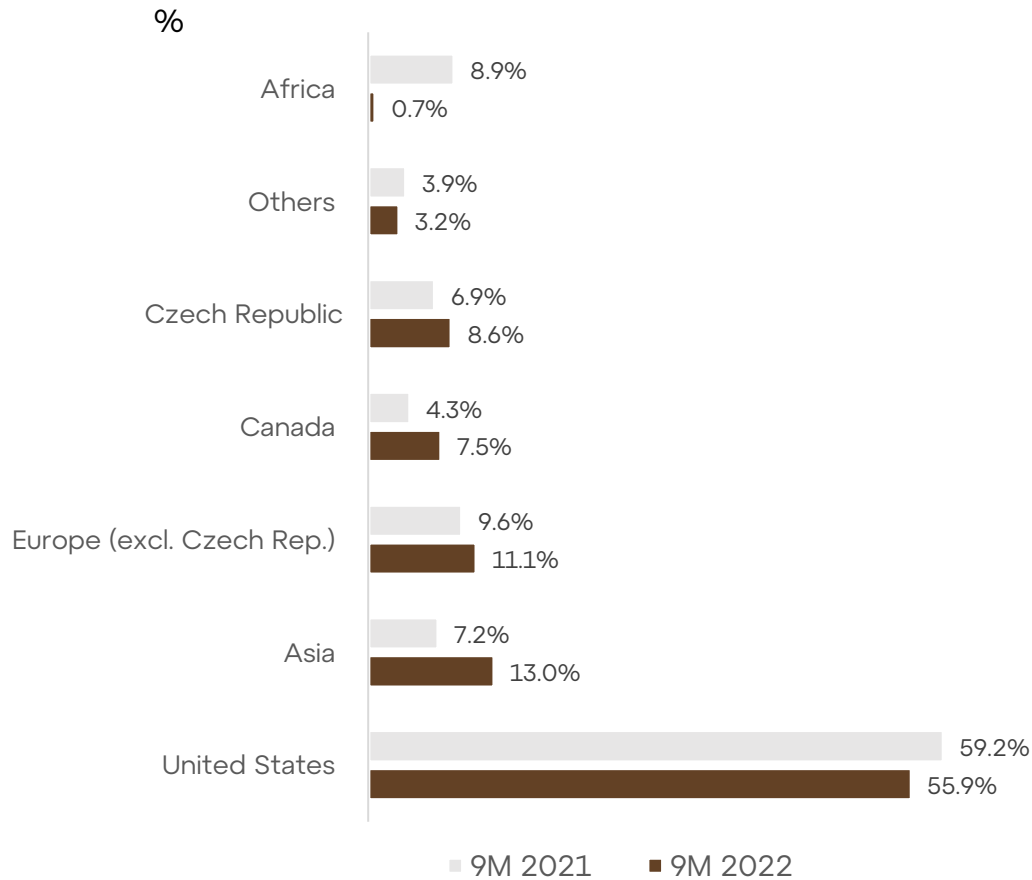
**COLT
CZGROUP**

Notes: Adjusted financials to be explained further in the presentation

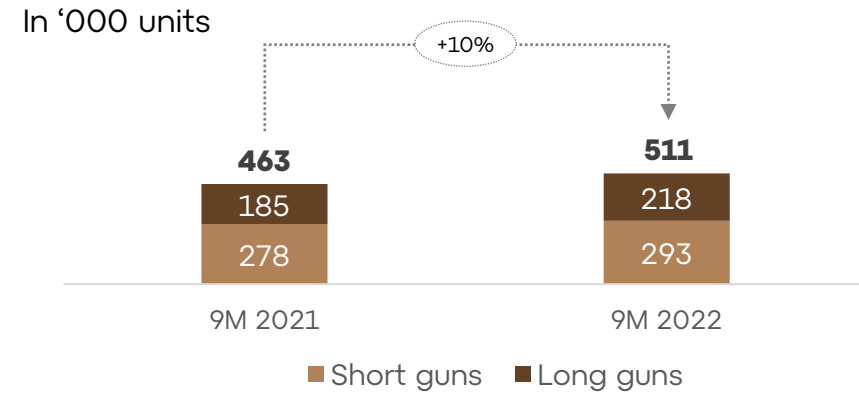


IMPROVED PRODUCT MIX AS A KEY DRIVER OF REVENUE GROWTH

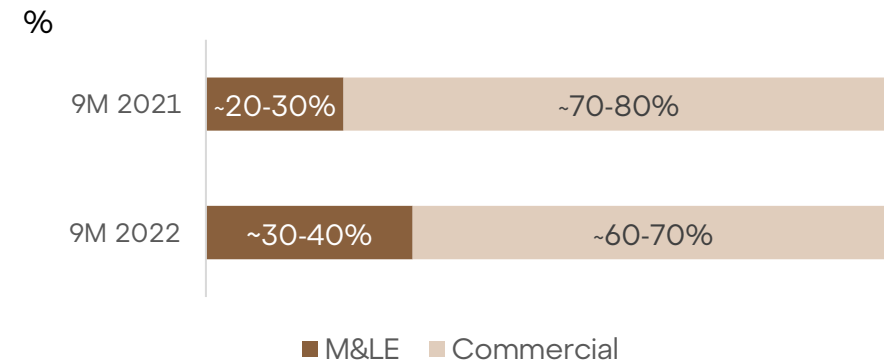
REVENUE BREAKDOWN¹ BY GEOGRAPHY



BREAKDOWN BY UNITS SOLD



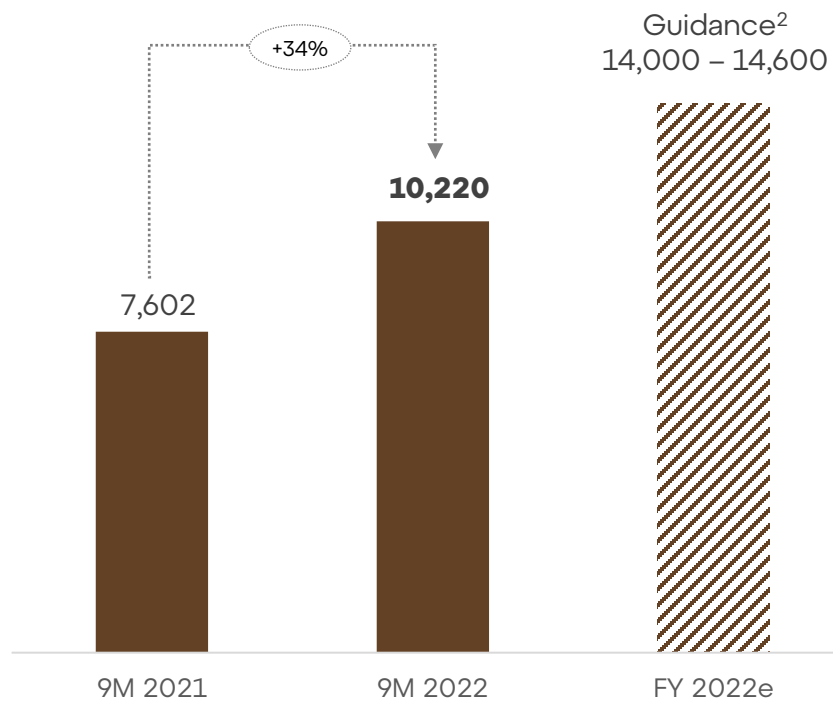
INDICATIVE RANGE OF CUSTOMER BASE²



FULL YEAR GUIDANCE CONFIRMED

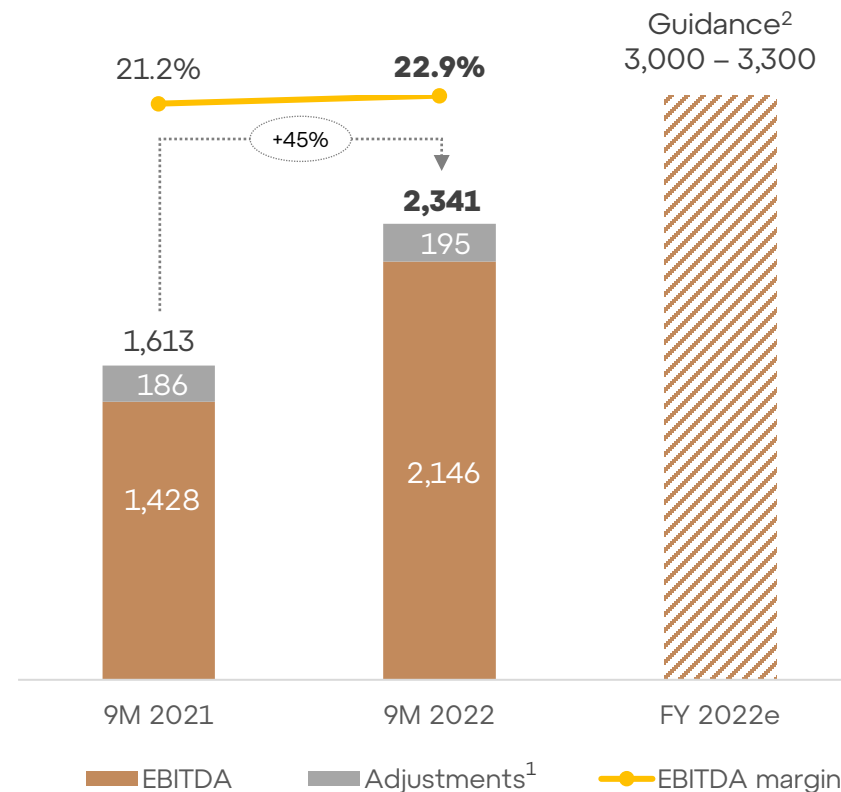
REVENUES

CZKm



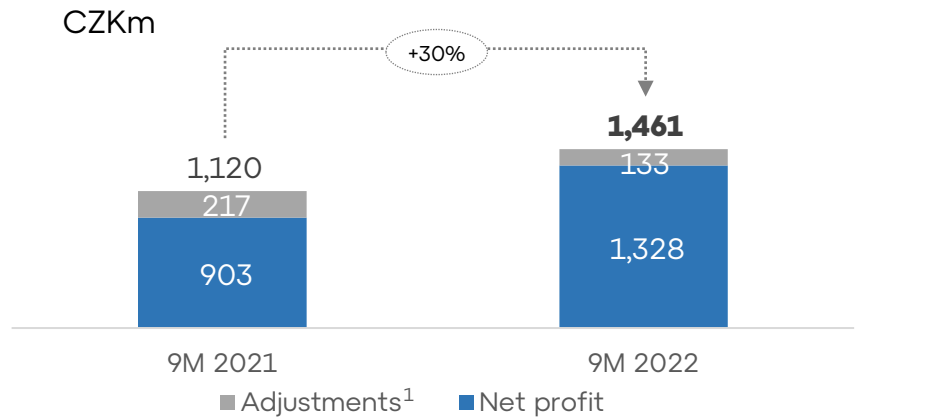
ADJUSTED EBITDA¹

CZKm/%

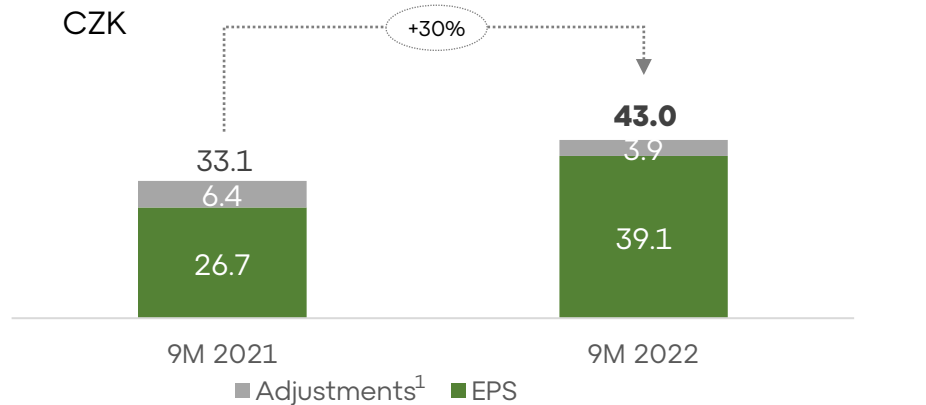


ROBUST EPS GROWTH

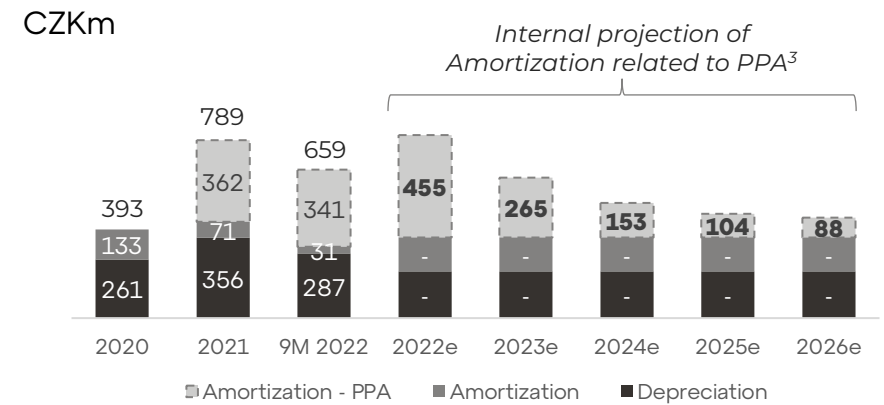
ADJUSTED NET PROFIT²



ADJUSTED EARNINGS PER SHARE²



PPA AMORTIZATION IMPACT ON NET PROFIT & EPS



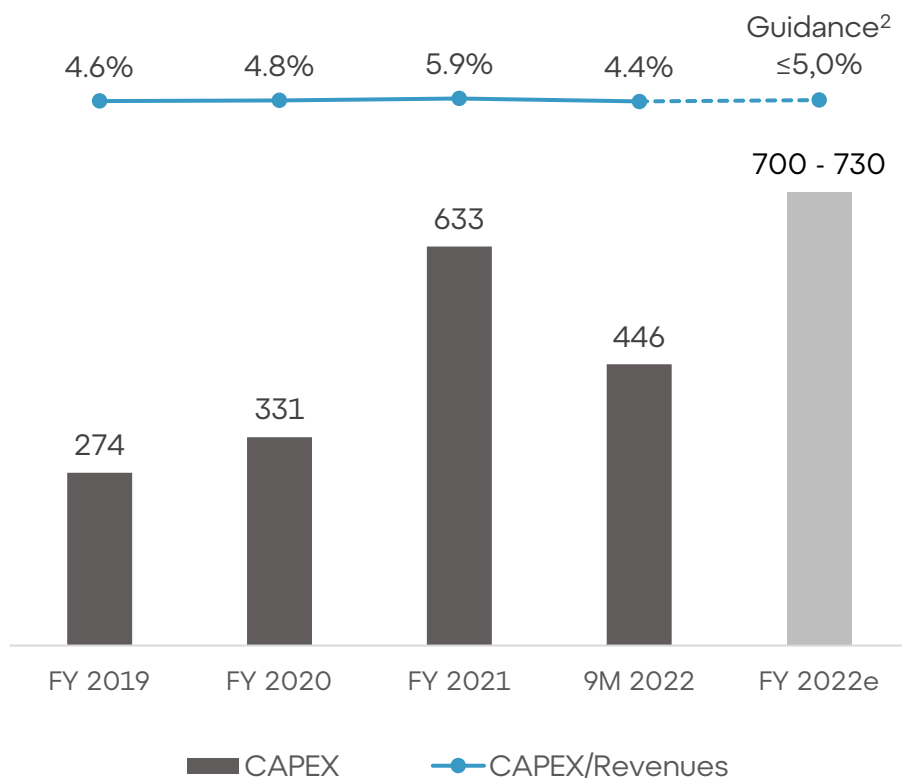
COMMENTS

- ▶ Colt acquisition purchase price allocation impact on amortization to fully fade out by the end of 2026
- ▶ Total amortization represents approximately additional **CZK 8.3/share on EPS**

CAPEX GEOGRAPHICALLY MORE EVENLY SPLIT, IN LINE WITH THE GUIDANCE

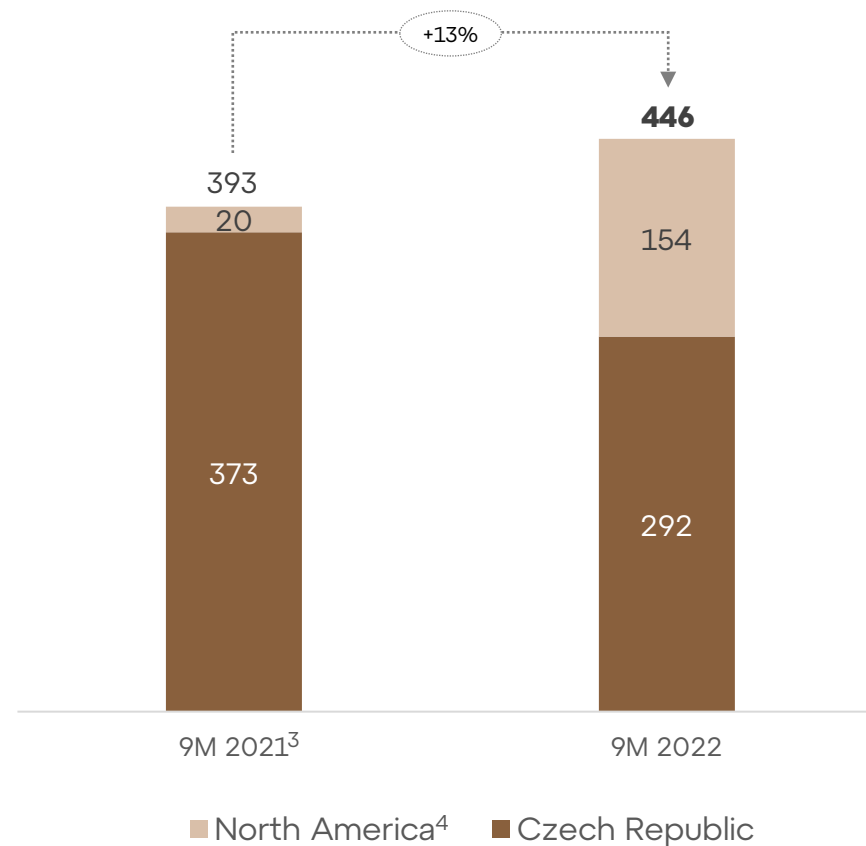
CAPITAL EXPENDITURES¹

CZKm/%



CAPEX GEOGRAPHICAL SPLIT

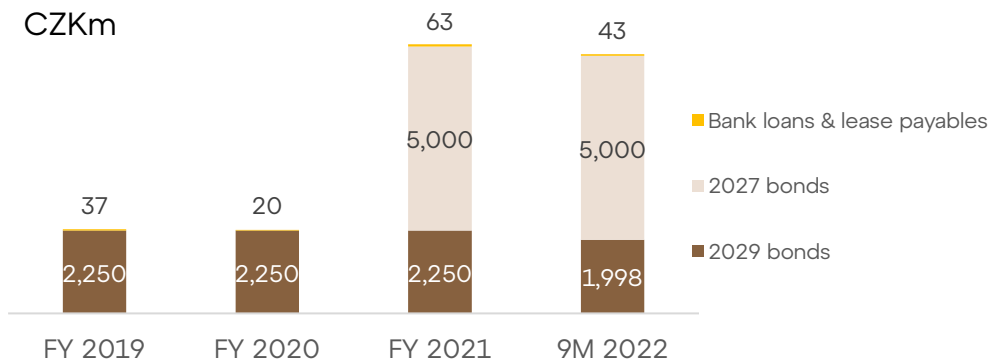
CZKm/%



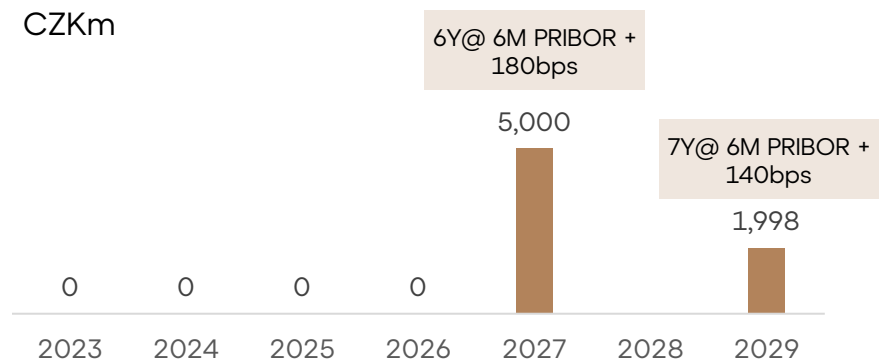
Notes: 1 – Corresponds to the Acquisition of non-current assets
 2 – Guidance is based on the management expectations as of the date of presentation
 3 – Consolidation of Colt Holding LLC since 21/05/2021
 4 – Represent entities based in the United States and Canada

DEBT PROFILE

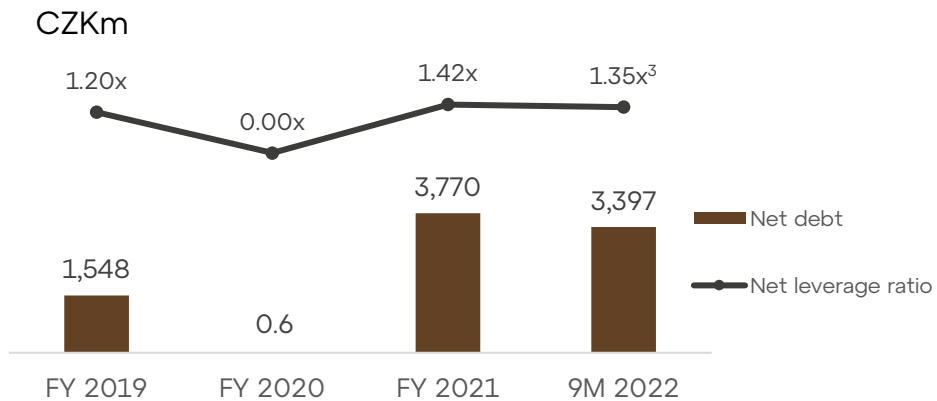
DEBT STRUCTURE



DEBT MATURITY PROFILE



NET FINANCIAL DEBT¹ & NET LEVERAGE RATIO²

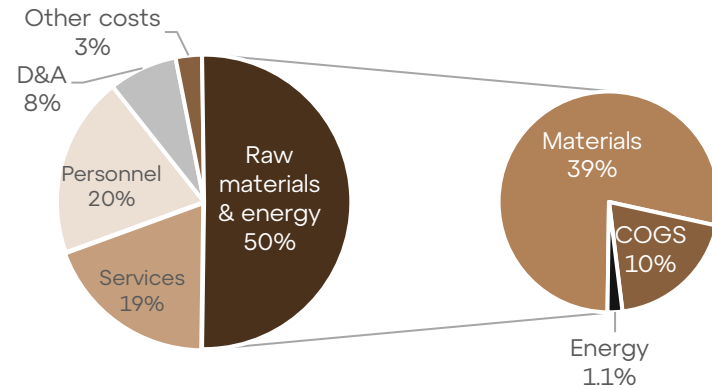


COMMENTS

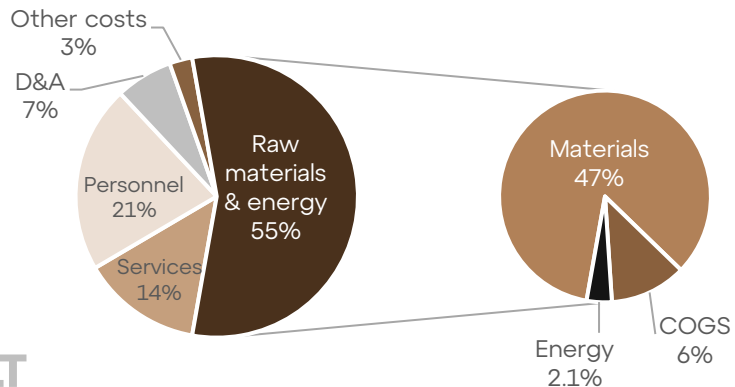
- ▶ Indebtedness well below bonds covenants, providing enough space for potential M&A moves

DEVELOPMENT OF OPEX CATEGORIES

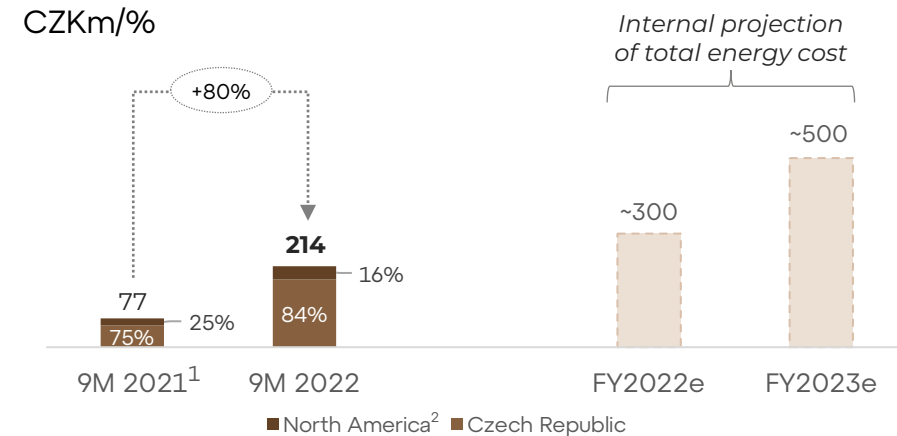
OPEX 9M 2021



OPEX 9M 2022



GEOGRAPHICAL SPLIT OF TOTAL ENERGY COSTS



COMMENTS

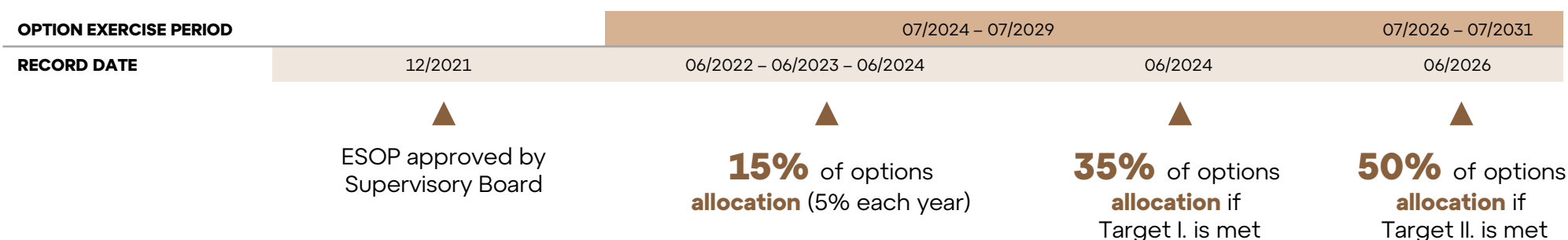
- ▶ Total energy costs in 9M 2021 increased mainly by ongoing energy crisis in the Europe
- ▶ Czech Republic had an 84% share on Group's energy costs in 9M 2022, up 208% yoy

EMPLOYEE STOCK OPTION PROGRAM IN DETAIL

PROGRAM CONDITIONS

- ▶ ESOP is established **to motivate key employees** working within the Group to achieve long-term goals and align their interests with those of the Group
- ▶ Each **candidate is assigned** to one of the stock allocation levels (tiers) **according to the level of their importance** to the Group and managerial responsibility
- ▶ Total program **stock allocation of 3,373,000** out of which **~75% was assigned¹** across an ~50 selected employees
- ▶ Option price equals to the nominal value of shares (CZK 0.1)
- ▶ New shares to be issued to contribute to ESOP

TIMELINE



PROGRAM TARGETS

- ▶ **TARGET I.** – Achievement of the consolidated **EBITDA of USD 275M** for the period 2021 to 2023
- ▶ **TARGET II.** – Achievement of the following targets by 31 Dec 2025:
 - ▶ Consolidated **revenues EUR ≥1.0B**
 - ▶ Consolidated **EBITDA EUR ≥200M**
 - ▶ **Net leverage ratio <3.5x²**

ANNOUNCEMENT OF TWO COLLECTIBLES - LIMITED EDITIONS



LIMITED EDITION CZ 75 ORDER OF THE WHITE LION

- ▶ Release of a unique **100-piece limited edition of CZ 75 Order of the White Lion** that celebrates the 100th anniversary of the Czech Republic's highest state decoration
- ▶ Recognizable handwork of a master engraver, decorated with Czech national symbolism
- ▶ Right to buy on sale at the turn of 2022/2023 **through an NFT auction**



▶ **CZ 75 ORDER OF THE WHITE LION**



TRIBUTE TO LEGENDS EDITION

- ▶ Unique **50-piece limited edition** consists of a pair of legendary, richly decorated pistols that are housed together in a special case that not only **celebrates last year's merger** of two globally renowned manufacturers of small arms – **Colt and CZ** – but also commemorates their important anniversaries
- ▶ Sale to start in early 2023



▶ **Colt 1911**



▶ **CZ 75**

NFT AND M&A UPDATE



LIMITED EDITION OF CZ 75 ORDER OF THE WHITE LION AS A FIRST BLOCKCHAIN-AUTHENTICATED FIREARM

- ▶ Customers worldwide have a chance to **obtain the CZ 75 Order of the White Lion through an NFT¹ auction process**. The physical firearms will be delivered to the holders of a winning digital auction certificate, as they are handcrafted over the coming year
- ▶ Colt CZ as a **first small arms producer** will authenticate each unique White Lion pistol **through blockchain technology**
- ▶ **NFTs to work as a digital proof of ownership** and assurance of authenticity, thus increasing the value of these collectibles
- ▶ Company will **donate part of the proceeds** from the NTF auction **to the collection account of the Embassy of Ukraine** in the Czech Republic in support of the Ukrainian Army



ACQUISITION UPDATE

- ▶ On 12/10/2022 **company successfully completed acquisition** of remaining 75% equity stake in Spuhr i Dalby AB

A dark, semi-transparent image of an industrial factory floor. In the foreground, a yellow robotic arm is mounted on a base. Behind it, various pieces of industrial machinery, including control panels with screens and buttons, are visible. The background shows more complex equipment and structural elements of the factory. The overall scene is dimly lit, with the text overlaid in bright white.

**THANK YOU FOR
YOUR ATTENTION**

**COLT
CZGROUP**

A man in a dark t-shirt is operating a yellow robotic arm in a factory. The arm is positioned over a complex metal structure. The background shows industrial machinery, including a control panel with a screen and buttons. The scene is dimly lit, with the yellow of the robot arm being a prominent color. The overall atmosphere is industrial and technical.

APPENDIX

**COLT
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ADJUSTED EBITDA RECONCILIATION

In CZK '000	9M 2022	9M 2021
Operating profit	1,487,390	901,965
Depreciation and amortization	658,726	525,858
EBITDA	2,146,116	1,427,823
ESOP related costs	123,170	-
ESOP related provisions for health insurance	34,042	-
M&A costs ¹	37,819	142,210
Depreciation of wasting assets	-	43,310
Adjusted EBITDA	2,341,147	1,613,343

ADJUSTED NET PROFIT RECONCILIATION

In CZK '000	9M 2022	9M 2021
Earnings before tax	1,703,341	1,079,014
Tax expenses	(375,445)	(176,179)
Net income	1,327,896	902,835
Earn-out related costs ¹	(24,804)	-
ESOP related costs	123,170	-
ESOP related provisions for health insurance	34,042	-
M&A costs ²	37,819	142,210
Depreciation of wasting assets	-	43,310
One-off expenses related to the bond issue	-	31,412
Adjusted earnings before tax (Adj. EBT)	1,873,568	1,295,946
Effective tax rate on Adj. EBT (9M 2022 ~22.04%; 9M 2021 ~13.59%)	(412,934)	(176,179)
Adjusted Net Income	1,460,634	1,119,767

CONSOLIDATED PROFIT AND LOSS STATEMENT

In '000 CZK	30 Sep 2022	30 Sep 2021
Revenues from the sale of own products, goods and services	10,219,903	7,601,998
Other operating income	70,087	54,764
Change in inventories developed internally	1,130,239	113,226
Own work capitalized	122,437	101,458
Raw materials and consumables used	(5,576,845)	(3,515,536)
Services	(1,379,589)	(1,339,224)
Personnel costs	(2,155,109)	(1,386,874)
Depreciation and amortization	(658,726)	(525,858)
Other operating expenses	(262,797)	(201,989)
Allowances	(22,210)	-
Operating profit	1,487,390	901,965
Interest income	325,837	12,665
Interest expense	(446,619)	(117,011)
Other financial income	280,117	643,323
Other financial expenses	(19,516)	(372,332)
Gains or losses from derivative transactions	62,019	-
Share in the profit of associates after tax	14,113	10,404
Profit before tax	1,703,341	1,079,014
Income tax	(375,445)	(176,179)
Profit for the period	1,327,896	902,835
Items that may be subsequently reclassified to the statement of profit or loss		
Cash flow hedges – remeasurement of effective portion of hedging instruments	394,076	(219,903)
Foreign currency translation of foreign operations	(215,887)	(111,149)
Other comprehensive income	178,189	-331,052
Comprehensive income for the period	1,506,085	571,783
Profit for the period attributable to:		
Owner of the parent company	1,327,896	900,565
Non-controlling interests	-	2,270
Comprehensive income for the period attributable to:		
Owner of the parent company	1,506,085	569,791
Non-controlling interests	-	1,992
Net earnings per share attributable to the owner of the parent company (CZK per share)		
Basic	39	27
Diluted	39	27

CONSOLIDATED BALANCE SHEET 1/2

In '000 CZK	30 Sep 2022	31 Dec 2021
ASSETS		
Non-current assets		
Intangible assets	3,502,159	3,505,464
Goodwill	2,390,127	2,390,127
Property, plant and equipment	2,985,220	2,810,115
Equity-accounted securities and investments	100,429	109,445
Financial derivatives	534,200	171,195
Trade receivables	39,235	58,999
Other receivables	2,864	11,163
Total non-current assets	9,554,234	9,056,508
Current assets		
Inventories	4,456,541	2,861,673
Trade and other receivables	1,194,611	1,012,879
Provided loans	20,344	197,973
Financial derivatives	134,069	156,118
Other receivables	361,566	148,098
Tax assets	42,024	6,357
Cash and cash equivalents	3,649,020	3,573,467
Total current assets	9,858,175	7,956,565
Total assets	19,412,409	17,013,073

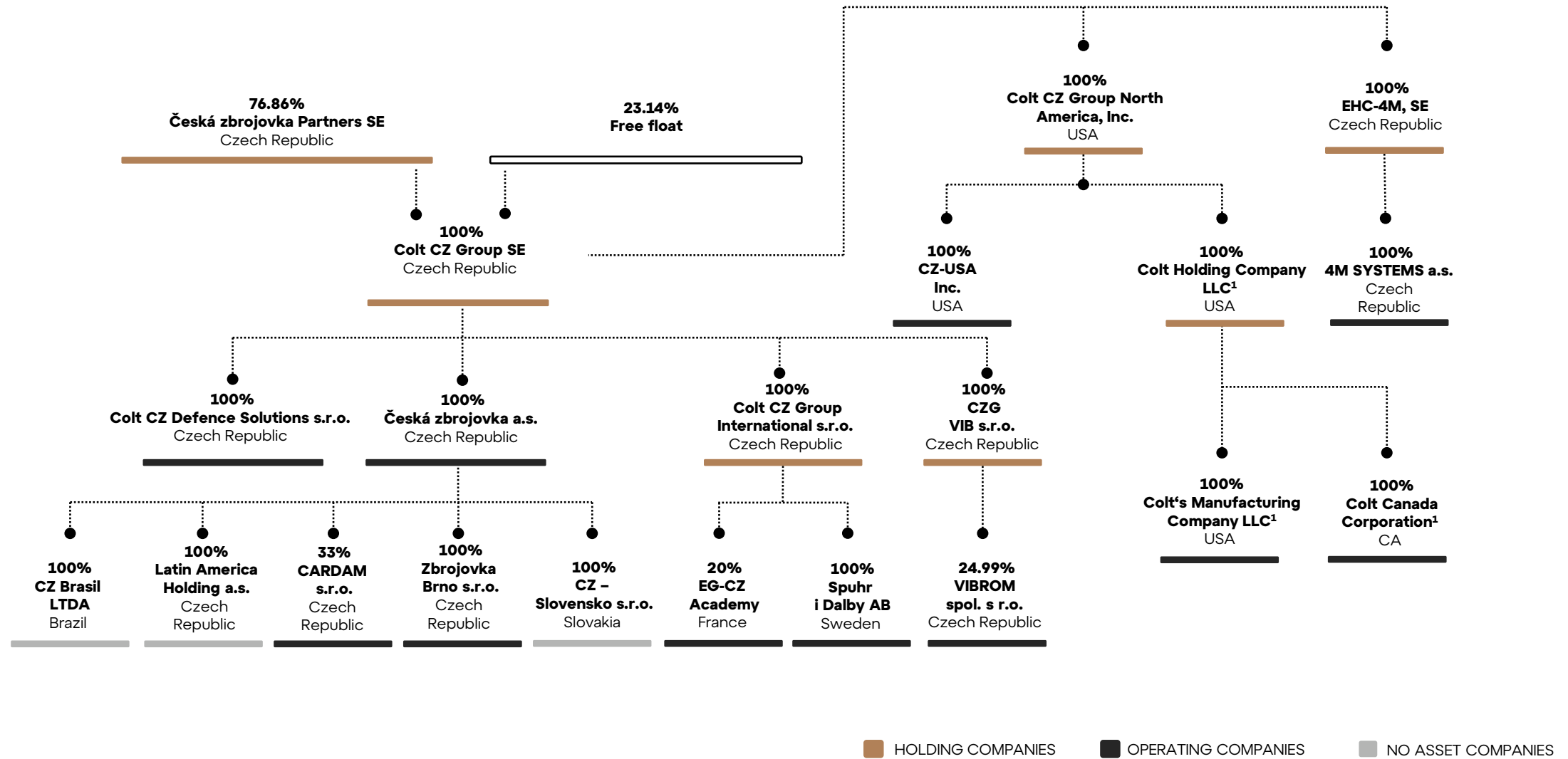
CONSOLIDATED BALANCE SHEET 2/2

In '000 CZK	30 Sep 2022	31 Dec 2021
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	3,410	3,374
Share premium	1,366,386	1,139,211
Capital funds	1,641,512	1,641,512
Cash flow hedge reserve	514,059	119,983
Foreign exchange translation reserve	(417,285)	(201,398)
Accumulated profits	3,146,796	2,539,146
Total equity	6,254,878	5,241,828
Non-current liabilities		
Bonds, bank loans and borrowings	6,962,343	4,972,647
Financial derivatives	554,996	270,515
Lease liabilities	22,071	32,606
Other financial liabilities	200,949	372,531
Trade and other payables	5,737	5,422
Other payables	31,679	27,357
Provisions	99,498	63,695
Deferred tax liability	859,133	789,646
Employee benefit liabilities	395,724	357,707
Total non-current liabilities	9,132,130	6,892,126
Current liabilities		
Bonds, bank loans and borrowings	40,596	2,317,579
Financial derivatives	201,089	20,097
Lease liabilities	21,085	20,695
Other financial liabilities	199,449	185,568
Trade and other payables	1,420,693	1,116,373
Other payables	1,837,535	1,073,755
Provisions	80,747	50,780
Tax liabilities	202,267	76,156
Employee benefit liabilities	21,940	18,116
Total current liabilities	4,025,401	4,879,119
Total liabilities	13,157,531	11,771,245
Total equity and liabilities	19,412,409	17,013,073

CONSOLIDATED CASH FLOW STATEMENT

In '000 CZK	30 Sep 2022	30 Sep 2021
Cash flows from principal economic activity (operating activity)		
Profit from ordinary activity before tax	1,703,341	1,079,014
Depreciation/amortization of non-current assets	658,726	525,858
Change in allowances and provisions	74,630	78,846
Loss from the sale of non-current assets	-	49
Interest expense and interest income	120,782	104,346
Share in the profit of associates	(14,113)	(10,404)
Unrealized foreign exchange gain and losses	(536,046)	(286,560)
Contingent consideration - revaluation	(24,804)	-
Share premium (Impact of Colt acquisition – earnout)	227,211	416,377
Cash flow hedging – revaluation of the effective part of hedging instruments	394,076	(219,625)
Share-based payments	123,170	-
Adjustments for other non-current operations	55,048	108,482
Net operation cash flows before changes in working capital	2,782,021	1,796,383
Change in working capital	(914,471)	(207,386)
Change in receivables and deferrals	(690,365)	(121,922)
Change in liabilities and accruals	1,425,275	208,880
Change in inventories	(1,649,381)	(294,344)
Cash flow from operating activities	1,867,550	1,588,997
Paid interest	(473,601)	(108,664)
Interest received	309,677	9,956
Income tax paid for ordinary activity	(212,563)	(214,487)
Net cash flow from operating activities	1,491,063	1,275,802
Cash flows from investing activities		
Acquisition of non-current assets	(446,248)	(393,386)
Income from the sale of non-current assets	-	426
Acquisition of subsidiaries – cash and cash equivalents	-	(4,695,237)
Provided loans – repayments received	177,181	-
Employee benefit liabilities	(7,477)	-
Net cash flow from investing activities	(276,544)	(5,088,197)
Cash flows from financing activities		
Proceeds from the bond issue	1,984,796	4,971,416
Dividends paid to owners	(843,416)	(222,166)
Dividends paid to non-controlling interest	-	(36,908)
Loan and interest repayment	(2,317,579)	-
Net cash flow from financing activities	(1,176,199)	4,712,342
Net change in cash and cash equivalents	38,320	942,066
Opening balance of cash and cash equivalents	3,573,467	2,358,608
Effect of exchange rate on cash and cash equivalents	37,233	42,118
Closing balance of cash and cash equivalents	3,649,020	3,300,674

COLT CZ GROUP STRUCTURE



COLT CZ GROUP LEADERSHIP: BOARD OF DIRECTORS



JAN DRAHOTA

Chairman of the Board of Directors

CEO of Colt CZ Group

With the Group since 2014



JAN ZAJÍC

Member of the Board of Directors

CEO of Česká zbrojovka

More than 15 years of experience in managerial positions in industrial companies in the Czech Republic and abroad



JOSEF ADAM

Vice-Chairman of the Board of Directors

General Counsel

Extensive legal and compliance expertise

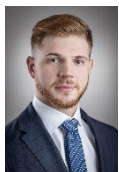


DENNIS VEILLEUX

Member of the Board of Directors

CEO of Colt Holding Company

More than 35 years of experience in armaments industry



JAN HOLEČEK

Member of the Board of Directors

Chief Commercial Officer

Extensive experience in marketing and sales



DAVID AGUILAR

Independent and non-executive member of the Board of Directors

35 years of experience with U.S. Customs and Border Protection and the United States Border Patrol

COLT CZ GROUP LEADERSHIP

Colt CZ Group Supervisory Board:



LUBOMÍR KOVAŘÍK

Chairman of the Supervisory Board

Former President of the Group in 2018-2021

Former CEO of Česká zbrojovka in 2006-2017



JANA RŮŽIČKOVÁ

Member of the Supervisory Board

More than 15 years in managerial and executive positions



VLADIMÍR DLOUHÝ

Member of the Supervisory Board

Former Minister of Industry and Trade of the Czech Republic

More than 20 years of experience in the field of investment advice in Czech and foreign companies

North America Leadership:



GENERAL (Ret.) GEORGE CASEY

Member of the Board of Directors, CZ-US Holdings

Former US Army Chief of Staff from 2007 to 2011. Deep knowledge of the military and a demonstrated history of leadership in the armed forces, academia, the non-profit sector and industry



JOANNE MCCORMICK

CEO Colt Canada

Over 23 years of business experience managing people, projects, departments and businesses in manufacturing, technology and distribution



JEAN-LOUIS VANDERSTRAETEN

Member of the Board of Directors, CZ-US Holdings

Over 40 years of experience in defense contracting, business planning, operations management and corporate finance

THANK YOU

Colt CZ Group SE

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