

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

Name of the company: Colt CZ Group SE

Registered office: Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic

Legal form: European Company

Id. no.: 291 51 961

Components of the condensed consolidated interim financial statements:

Consolidated statement of profit and loss and other comprehensive income

Consolidated statement of financial position

Consolidated statement of changes in equity

Consolidated cash flow statement

Notes to condensed consolidated interim financial statements

These condensed consolidated interim financial statements were prepared and approved on 18 May 2023.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH

	Note	31 Mar 2023 CZK '000	31 Mar 2022 CZK '000
Revenues from the sale of own products, goods and services	8	3,012,556	3,553,557
Other operating income		20,368	15,300
Change in inventories developed internally		335,838	428,063
Own work capitalized		41,402	52,343
Raw materials and consumables used		-1,560,669	-1,869,617
Services		-380,581	-505,466
Personnel costs		-762,542	-654,224
Depreciation and amortization		-187,554	-205,445
Other operating expenses		-69,117	-49,823
Allowances		-38,163	-15,391
Operating profit		411,538	749,297
Interest income		363,043	75,368
Interest expense	9.1	-235,250	-123,577
Other financial income	9.1	86,110	-
Other financial expenses	9.1	-145,436	-148,248
Gains or losses from derivative transactions	9.1	253,452	138,159
Share in the profit of associates after tax		1,200	35,923
Profit before tax		734,657	726,922
Income tax	9.2	-146,838	-182,192
Profit for the period		587,819	544,730
Items that may be subsequently reclassified to the statement of profit or loss			
Cash flow hedges – remeasurement of effective portion of hedging instruments		40,338	400,866
Foreign currency translation of foreign operations		-4,474	19,224
Other comprehensive income		35,864	420,090
Comprehensive income for the period		623,683	964,820
Profit for the period attributable to:			
Owner of the parent company		587,819	544,730
Comprehensive income for the period attributable to:			
Owner of the parent company		623,683	964,820
Net earnings per share attributable to the owner of the parent company (CZK per share)			
Basic	21	17	16
Diluted	21	17	16

Notes are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

	Note	31 Mar 2023 CZK '000	31 Dec 2022 CZK '000
ASSETS			
Non-current assets			
Intangible assets	10	3,267,393	3,462,131
Goodwill	8	2,457,416	2,457,416
Property, plant and equipment	11	3,013,522	3,066,251
Equity-accounted securities and investments	17	40,601	39,401
Financial derivatives	18	1,444,484	1,181,097
Trade and other receivables		27,166	35,515
Other receivables		492	6,560
Total non-current assets		10,251,074	10,248,371
Current assets			
Inventories	12	4,306,307	3,797,557
Trade and other receivables		1,161,341	1,346,143
Provided loans		-	7,700
Other financial assets		821,825	756,834
Financial derivatives	18	387,266	217,123
Other receivables		387,014	304,005
Cash and cash equivalents		2,681,687	2,825,781
Total current assets		9,745,440	9,255,143
Total assets		19,996,514	19,503,514
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		3,410	3,410
Share premium		1,366,386	1,366,386
Capital funds		1,641,512	1,641,512
Cash flow hedge reserve		1,108,552	1,068,214
Foreign exchange translation reserve		-330,907	-326,433
Accumulated profits		4,593,697	3,928,282
Equity attributable to the owner of the Company		8,382,650	7,681,371
Equity attributable to the owner of the Company		8,382,650	7,681,371
Total equity		8,382,650	7,681,371
Non-current liabilities			
Bonds, bank loans and borrowings	16	6,975,723	6,972,898
Financial derivatives	18	21,305	28,684
Lease liabilities		41,467	46,796
Other financial liabilities	18	249,046	240,468
Trade and other payables		7,473	7,825
Other payables		14,989	21,169
Provisions	13	28,598	23,654
Deferred tax liability		738,455	731,308
Employee benefit liabilities	15	252,988	265,280
Total non-current liabilities		8,330,044	8,338,082
Current liabilities			
Bonds, bank loans and borrowings	16	45,777	208,597
Financial derivatives	18	22,003	38,610
Lease liabilities		22,927	23,939
Other financial liabilities	18	247,112	238,593
Trade and other payables		1,228,415	1,154,955
Other payables		1,355,758	1,479,267
Provisions	13	47,455	51,371
Tax liabilities		295,597	269,096
Employee benefit liabilities	15	18,776	19,633
Total current liabilities		3,283,820	3,484,061
Total liabilities		11,613,864	11,822,143
Total equity and liabilities		19,996,514	19,503,514

Notes are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTHS ENDED 31 MARCH

CZK '000	Share capital	Share premium	Capital funds	Cash flow hedge reserve	Foreign exchange translation reserve	Accumulated profits	Equity attributable to the owner of the parent company	Total equity
Balance at 31 December 2021	3,374	1,139,211	1,641,512	119,983	-201,398	2,593,146	5,241,828	5,241,828
Profit for the period	-	-	-	-	-	2,034,192	2,034,192	2,034,192
Other comprehensive income	-	-	-	948,231	-125,035	-	823,196	823,196
<i>Total comprehensive income for the period</i>	-	-	-	<i>948,231</i>	<i>-125,035</i>	<i>2,034,192</i>	<i>2,857,388</i>	<i>2,857,388</i>
Dividends	-	-	-	-	-	-843,416	-843,416	-843,416
Issue of shares	36	227,175	-	-	-	-	227,211	227,211
Share-based payments	-	-	-	-	-	198,360	198,360	198,360
Balance at 31 December 2022	3,410	1,366,386	1,641,512	1,068,214	-326,433	3,928,282	7,681,371	7,681,371
Profit for the period	-	-	-	-	-	587,819	587,819	587,819
Other comprehensive income	-	-	-	40,338	-4,474	-	35,864	35,864
<i>Total comprehensive income for the period</i>	-	-	-	<i>40,338</i>	<i>-4,474</i>	<i>587,819</i>	<i>623,683</i>	<i>623,683</i>
Share-based payments	-	-	-	-	-	77,596	77,596	77,596
Balance at 31 March 2023	3,410	1,366,386	1,641,512	1,108,552	-330,907	4,593,697	8,382,650	8,382,650

Notes are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTHS ENDED 31 MARCH

CZK '000	Share capital	Share premium	Capital funds	Cash flow hedge reserve	Foreign exchange translation reserve	Accumulated profits	Equity attributable to the owner of the parent company	Total equity
Balance at 31 December 2021	3,374	1,139,211	1,641,512	119,983	-201,398	2,539,146	5,241,828	5,241,828
Profit for the period	-	-	-	-	-	544,730	544,730	544,730
Other comprehensive income	-	-	-	400,866	19,224	-	420,090	420,090
<i>Total comprehensive income for the period</i>	-	-	-	<i>400,866</i>	<i>19,224</i>	<i>544,730</i>	<i>964,820</i>	<i>964,820</i>
Balance at 31 March 2022	3,374	1,139,211	1,641,512	520,849	-182,174	3,083,876	6,206,648	6,206,648

Notes are an integral part of these consolidated interim financial statements.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE-MONTHS ENDED
31 MARCH 2023**

	Note	31 Mar 2023 CZK '000	31 Mar 2022 CZK '000
Cash flows from principal economic activity (operating activity)			
Profit from ordinary activity before tax		734,657	726 922
Depreciation/amortization of non-current assets	10, 11	187,554	205 445
Change in allowances and provisions	13	40,233	11 544
Interest expense and interest income		-127,793	48,209
Share in the profit of associates	17	-1,200	-35,923
Unrealized foreign exchange gain and losses		278,635	6,416
Contingent consideration – remeasurement	18	41,284	116,286
Other financial assets – remeasurement	9	-86,110	-
Cash flow hedging – remeasurement of the effective portion of hedging instruments		40,338	400,866
Share-based payments	14	77,596	-
Adjustments for other non-cash transactions		220	-674
Net operation cash flows before changes in working capital		1,185,414	1,479,091
Change in working capital			
Change in receivables and deferrals		-377,115	-1,165,803
Change in liabilities and accruals		-90,447	679,535
Change in inventories	12	-658,053	-420,764
Net cash flow from operating activities		59,799	572,059
Paid interest	9	-398,070	-94,056
Interest received	9	432,635	70,185
Income tax paid for ordinary activity	9.2	-56,434	-32,408
Net cash flow from operating activities		37,930	515,780
Cash flows from investing activities			
Acquisition of non-current assets	10, 11	-153,891	-127,913
Income from the sale of non-current assets		-	-18,950
Provided loans		7,700	190,000
Net cash flow from investing activities		-146,191	43,137
Cash flows from financing activities			
Proceeds from issue of bonds	16	-	1,984,796
Proceeds from loans	16	2,956	-
Loan repayment	16	-1,560	- 2,317,579
Net cash flow from financing activities		1,396	-332,783
Net change in cash and cash equivalents		-106,865	226,134
Opening balance of cash and cash equivalents		2,825,781	3,573,467
Effect of exchange rate on cash and cash equivalents		-37,229	-
Closing balance of cash and cash equivalents		2,681,687	3,799,601

Notes are an integral part of these consolidated interim financial statements.

COLT CZ GROUP SE

**Condensed consolidated interim financial statements for the period of
three-months from 1 January to 31 March 2023 prepared under the
International Financial Reporting Standards as adopted by the European
Union**

(non-audited)

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1. PARENT COMPANY

Colt CZ Group SE (the “Consolidating Entity” or the “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 Company, together with its subsidiaries, is one of the leading European producers of firearms for military and law enforcement, personal defense, hunting, sport shooting and other civilian use. The Group markets and sells its products mainly under the Colt, CZ (Česká zbrojovka a.s.), Colt Canada, CZ-USA, Dan Wesson, Spuhr and 4M Systems brands.

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

Shareholder	Ownership percentage as at	
	31 Mar 2023	31 Dec 2022
Česká zbrojovka Partners SE	76.86 %	76.86 %

Since 2017, the majority owner of the Company has been Česká zbrojovka Partners, SE, based at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic.

The Consolidating Entity and consolidated entities are part of a larger consolidation group of the ultimate parent company European Holding Company, SE, based at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic. The ultimate owner of the Company is René Holeček.

Members of the Board of Directors and Supervisory Board as at the balance sheet date:

Board of Directors	
Chair:	Jan Drahota
Vice-chair:	Josef Adam
Member:	David Aguilar
Member:	Jan Holeček
Member:	Dennis Veilleux
Member:	Jan Zajíc

Supervisory Board	
Chair:	Lubomír Kovařík
Member:	Jana Růžičková
Member:	Vladimír Dlouhý

The consolidation group (the “Group”) comprises the Company and the consolidated entities of the Group (subsidiaries). The consolidation group includes the Company and entities controlled by the Company, i.e. entities in which the Company holds more than 50 % of voting rights.

All amounts in these financial statements and the related notes are reported in thousands of Czech crowns (CZK ‘000), which are also the functional currency.

2. GROUP DESCRIPTION

Company name	Principal activity	Place of foundation and business operation	Consolidation method	Share in voting rights held by the Group		
				31 Mar 2023	31 Dec 2022	31 Mar 2022
Colt CZ Group North America, Inc.	Holding company	Kansas City, Missouri, USA	full	100 %	100 %	100 %
CZ-USA, LLC	Purchase and sale of firearms and ammunition	Kansas City, Missouri, USA	full	100 %	100 %	100 %
EHC-4M, SE	Holding company	Prague, Czech Republic	full	100 %	100 %	100 %
4M SYSTEMS a.s.	Trade with military material	Prague, Czech Republic	full	100 %	100 %	100 %
Česká zbrojovka a.s.	Production, purchase and sale of firearms and ammunition	Uherský Brod, Czech Republic	full	100 %	100 %	100 %
CZ – Slovensko s.r.o.	Production, purchase and sale of firearms and ammunition	Bratislava, Slovakia	full	100 %	100 %	100 %
ZBROJOVKA BRNO, s.r.o.	Purchase and sale of firearms and ammunition	Brno, Czech Republic	full	100 %	100 %	100 %
CZ BRASIL LTDA	Purchase and sale of firearms and ammunition	Brazil	equity	49 %	49 %	49 %
Latin America Holding, a.s.	Holding company	Uherský Brod, Czech Republic	full	100 %	100 %	100 %
Česká zbrojovka a.s. Niederlassung Deutschland	Purchase and sale of firearms and ammunition	Regensburg, Germany	full	100 %	100 %	-
Colt CZ Defence Solutions s.r.o.	Purchase and sale of firearms and ammunition	Uherský Brod, Czech Republic	full	100 %	100 %	100 %
Colt CZ Group International s.r.o.	Holding Company	Prague, Czech Republic	full	100 %	100 %	100 %
Four Horses Apparel, Inc.	Purchase and sale of firearms and ammunition	West Hartford, Connecticut, USA	full	100 %	100 %	-
EG-CZ Academy	Academy	Quimper, France	equity	20 %	20 %	20 %
CZG VIB s.r.o.	Holding company	Prague, Czech Republic	full	100 %	100 %	100 %
VIBROM spol. s r.o.	Production	Třebechovice pod Orebem, Czech Republic	equity	25 %	25 %	25 %
Spuhr i Dalby AB	Manufacture and assembly of optics	Löddeköpinge, Sweden	full (Q1 2022 - equity)	100 %	100 %	25 %
CARDAM s.r.o.	Research and development	Dolní Břežany, Czech Republic	equity	33 %	33 %	33 %
Colt Holding Company LLC	Production, purchase, and sale of firearms	West Hartford, Connecticut, USA	full	100 %	100 %	100 %
CDH II Holdco Inc	Holding company	West Hartford, Connecticut, USA	full	100 %	100 %	100 %
Colt Defence LLC	Holding company	West Hartford, Connecticut, USA	full	100 %	100 %	100 %

New Colt Holding Corp.	Holding company	West Hartford, Connecticut, USA	full	100 %	100 %	100 %
Colt's Manufacturing Company LLC	Production, purchase, and sale of firearms	West Hartford, Connecticut, USA	full	100 %	100 %	100 %
Manufacturing IP Holding Company LLC	Holds, maintains, and licenses Colt USA trademarks	West Hartford, Connecticut, USA	full	100 %	100 %	100 %
Colt Defence Technical Services LLC*	Holding company	West Hartford, Connecticut, USA	full	-	-	100 %
Colt International Cooperatief U.A.	Holding company	Amsterdam, the Netherlands	full	100 %	100 %	100 %
Colt Canada Corporation	Production, purchase, and sale of firearms	Kitchener, Ontario, Canada	full	100 %	100 %	100 %
Colt Canada IP Holding Company*	Holding company	Kitchener, Ontario, Canada	full	-	-	100 %
Nova Scotia Company 43 81079*	Possession of trademarks and intellectual property	Kitchener, Ontario, Canada	full	-	-	100 %

* A restructuring within the Colt Group took place during 2022. The assets and liabilities of the designated companies were transferred to other companies within the Colt Group.

Česká zbrojovka a.s. and the companies of the Colt Group are the most significant entities in the Group. In the text below, the term 'Group' refers to the consolidation group.

3. SIGNIFICANT EVENTS IN THE CURRENT REPORTING PERIOD

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

On 20 January 2023, the remaining part of the provided loan of CZK 7,000 thousand was paid by EHC zdravotní s.r.o.

In the context of increasing labour productivity and in response to fluctuations in demand on some markets, especially in the USA, Česká zbrojovka a.s. responded by adjusting the production flow, the structure of the product mix, optimising the number of employees and other measures. The aim is to increase competitiveness and cost efficiency on global markets. The management of Česká zbrojovka a.s. informed the employees in detail about these initiatives. Partial production outage took place from 29 March to 10 April 2023.

4. BASIC PRINCIPLES OF PREPARATION OF INTERIM REPORT

These condensed interim consolidated financial statements for the three-months period ended 31 March 2023 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 must be read together with the consolidated financial statements for the year ended 31 December 2022, 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.

5. 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.

6. 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, revenues 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 2022.

7. 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 2022. No changes in the rules and policies of managing these risks have been made since the end of 2022.

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 31 March 2023 and 31 December 2022 are disclosed in note 18 Financial assets and liabilities at fair value.

8. INFORMATION ABOUT THE 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 31 March 2023 and 31 March 2022 substantially all assets and liabilities, expenses and revenues of the Group related to the Production, purchase and sale of firearms and accessories.

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		
	31 Mar 2023	31 Mar 2022
Czech Republic (home country)	491,319	236,067
United states	1,632,944	2,168,372
Canada	219,904	237,485
Europe (apart from the Czech Republic)	381,785	275,003
Africa	51,043	14,796
Asia	133,421	536,253
Others	102,140	85,581
Total	3,012,556	3,553,557

The Group has production facilities in the Czech Republic, USA, Canada and Sweden. Out of the total carrying amount of property, plant and equipment of CZK 3,013,522 thousand as at 31 March 2023 (CZK 3,066,251 thousand as at 31 December 2022), the value of items located in the USA is CZK 513,793 thousand (CZK 524,576 thousand as at 31 December 2022), in Canada CZK 196,304 thousand (CZK 186,851 thousand as at 31 December 2022) and in Sweden CZK 44,330 thousand (CZK 49,315 thousand as at 31 December 2022) 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 3,267,393 thousand (CZK 3,462,131 thousand as at 31 December 2022), CZK 1,779,218 thousand (CZK 1,942,710 thousand as at 31 December 2022) was located in the USA, CZK 533,372 thousand (CZK 570,177 thousand as at 31 December 2022) in Canada and CZK 327,634 thousand (CZK 348,000 thousand as at 31 December 2022) as at 31 March 2023.

Goodwill as at 31 March 2023 recorded in the Czech Republic amounts to CZK 280,686 thousand (CZK 280,686 thousand as at 31 December 2022), in the USA CZK 1,925,741 thousand (CZK 1,925,741 thousand as at 31 December 2022), in Canada CZK 183,700 thousand (CZK 183,700 thousand as at 31 December 2022) and in Sweden CZK 67,289 thousand (CZK 67,289 thousand as at 31 December 2022). Goodwill represents the expected synergies arising from the integration of the companies' activities within the existing Group.

9. PROFIT AND LOSS INFORMATION

9.1. Financial result

- ▶ Interest expense of CZK 235,250 thousand (CZK 123,557 thousand in three-months period ended 31 March 2022) is mainly represented by interest incurred on issued bonds of CZK 157,316 thousand (CZK 69,435 thousand in three-months period ended 31 March 2022). Detailed information about issued bonds are in Note 16. Interest expense of CZK 76,973 thousand (CZK 56,315 thousand in three-months period ended 31 March 2022) represents interest from cross currency interest rate swaps. These swaps also generate interest income in the amount of CZK 331,324 thousand (CZK 51,366 thousand in three-months period ended 31 March 2022) recognized in Interest income.
- ▶ Other financial income in the amount of CZK 86,110 thousand (CZK 0 thousand in three-months period ended 31 March 2022) represent remeasurement of Other financial assets.
- ▶ Other financial expenses of CZK 145,436 thousand (CZK 148,248 thousand for the period from 1 January to 31 March 2022) mainly represent foreign exchange losses of CZK 92,175 thousand (CZK 27,242 thousand for the period from 1 January to 31 March 2022) and remeasurement of the contingent consideration arising from the Colt acquisition of CZK 41,284 thousand (CZK 116,286 thousand for the period from 1 January to 31 March 2022).

- ▶ Profit/Loss on financial derivatives – The Group manages its exposure to the 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 result was impacted by the change in fair value of open financial derivatives held for trading. In the three-months period ended 31 March 2023, the Group recognized profit from derivative instruments of CZK 253,452 thousand (gain CZK 138,159 thousand in the three-months period ended 31 March 2022 is recognized in Gains of losses from derivative transactions).

In three-months period ended 31 March 2023 in other comprehensive income, the Group recognized gain of CZK 40,338 thousand from the remeasurement of financial derivatives classified as hedging instruments (gain CZK 400,866 thousand in three-months period ended 31 March 2022).

9.2. Income tax

Income tax expense is recognized based on the estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate for the period from 1 January to 31 March 2023 is 20% (25.1% for the period from 1 January to 31 March 2022).

The amount of the effective tax rate is affected by the level of tax rates in the individual countries, in which the Group operates (Czech Republic – 19%, USA – 26-28%, Canada – 25%, Sweden 20.6%).

10. INTANGIBLE ASSETS

The following tables summarize the changes in intangible assets from 1 January to 31 March 2023 (in CZK '000):

Acquisition costs

GROUP	Opening balance	Additions	Disposals	Transfers	Impact of FX fluctuations	Closing balance
Software	241,532	1,106	-	268	-385	242,521
Intangible assets under construction or being acquired	64,442	18,378	-	-268	-1,200	81,352
Other intangible assets	890,614	195	-	-	-42,125	848,684
Trademarks and logos	1,638,762	-	-	-	-77,159	1,561,603
Capitalized development	532,878	-	-2,001	-	-	530,877
Concessions, license rights and other intellectual property rights	350,245	129	-	-	-13,283	337,091
Contractual customer relations	1,667,688	-	-	-	-34,593	1,633,095
Total	5,386,161	19,808	-2,001	-	-168,745	5,235,223

Accumulated amortization and carrying value

GROUP	Opening balance	Amortization	Disposals, liquidation	Changes in allowances, reversal of allowances	Impact of FX rate fluctuations	Closing balance	Carrying amount
Software	-175,444	-4,978	-	-	466	-179,956	57,974
Intangible assets under construction or being acquired	-	-	-	-	-	-	81,352
Other intangible assets	-291,363	-29,536	-	-	16,374	-304,525	544,159
Trademarks and logos	-	-	-	-	-	-	1,566,194
Capitalized development	-220,991	-5,904	2,001	48	-	-224,846	306,031
Concessions, license rights and other intellectual property rights	-235,546	-6,836	-	-	14,731	-227,651	109,440
Contractual customer relations	-1,000,686	-42,474	-	-	12,308	-1,030,852	602,243
Total	-1,924,030	-89,728	2,001	48	43,879	-1,967,830	3,267,393

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 summarize the changes in property, plant, and equipment from 1 January to 31 March 2023 (in CZK '000):

Acquisition costs

GROUP	Opening balance	Additions	Disposals	Transfers	Impact of FX fluctuations	Closing balance
Buildings	1,630,089	429	-	1,999	-13,816	1,618,701
Machinery, instruments and equipment	3,662,785	36,532	-27,065	6,312	-16,766	3,661,798
Other non-current tangible assets	44,896	3,702	-	-	-1,785	46,813
Other non-current tangible assets under construction	99,361	40,085	-237	4,025	-3,848	139,386
Prepayments made for non-current tangible assets	124,214	117	-	-12,336	-154	111,841
Lands	324,539	-	-	-	-11,671	312,868
Total	5,885,884	80,865	-27,302	-	-48,040	5,891,407

Accumulated amortization and carrying value

GROUP	Opening balance	Amortization	Disposals	Changes in allowances, reversal of allowances	Impact of FX rate fluctuations	Closing balance	Carrying amount
Buildings	-641,433	-18,409	-	-	3,142	-656,700	962,001
Machinery, instruments and equipment	-2,150,335	-77,101	27,302	-	10,193	-2,189,941	1,471,857
Other non-current tangible assets	-14,135	-2,316	-	-	611	-15,840	30,973
Other non-current tangible assets under construction	-12,581	-	-	-1,349	-	-13,930	125,456
Prepayments made for non-current tangible assets	-1,149	-	-	-325	-	-1,474	110,367
Lands	-	-	-	-	-	-	312,868
Total	-2,819,633	-97,826	27,302	-1,674	13,946	-2,877,885	3,013,522

Machinery, instruments and equipment and Buildings as at 31 March 2023 include right of use assets arising from lease contracts of CZK 57,788 thousand (CZK 63,393 thousand as at 31 December 2022). Additions to the rights of use arising from lease contracts amounted to CZK 573 thousand in 2022 (CZK 6,630 thousand in a three-months period ended 31 March 2022). These primarily include lease contracts for warehouses and office space, cars and office technical equipment.

Depreciation for the three-months period ended 31 March 2023 includes depreciation of right of use assets of CZK 5,641 thousand (CZK 5,980 thousand in three-months period ended 31 March 2022).

12. INVENTORIES

The structure of inventories as at 31 March 2023 and 31 December 2022 is as follows (in CZK '000):

	31 Mar 2023	31 Dec 2022
Material	1,664,538	1,495,410
Work-in-progress and semi-finished products	683,866	663,939
Finished products	1,654,739	1,334,103
Goods	255,297	270,246
Prepayments made for inventories	47,867	33,859
Total	4,306,307	3,797,557

The valuation of redundant, obsolete, and slow-moving inventories is decreased to the selling price net of the costs of sale. As at 31 March 2023, allowances for inventories of CZK 478,336 thousand (CZK 441,366 thousand as at 31 December 2022) were included in the statement of financial position. In the three-months period ended 31 March 2023, an impairment loss of CZK 46,334 thousand was recorded in the profit and loss (gain of CZK 2,328 thousand in the three-months period ended 31 March 2022). The remainder of the change in the allowances for inventories is mainly due to exchange rate differences on the translation of foreign subsidiaries.

13. CURRENT AND NON-CURRENT PROVISIONS

Table below shows current and non-current provisions as at 31 March 2023 and 31 December 2022 (CZK '000):

Provisions	Balance at 31 Mar 2023	Balance at 31 Dec 2022
Warranty repairs	43,135	46,263
Other current provisions	4,320	5,108
Total current provisions	47,455	51,371
Warranty repairs	9,635	10,411
Share-based payments	15,385	10,168
Other non-current provisions	3,578	3,075
Total non-current provisions	28,598	23,654
Total provisions	76,053	75,025

14. SHARE-BASED PAYMENT ARRANGEMENTS

The Group provides a stock option plan (the "Share Program") to its employees. The Share Program entitles the Group's key executives and employees (option holders) to purchase the Company's shares. The plan is currently only available to executives and senior employees.

Shares designated for the Option Plan will be newly issued. The maximum number of shares issued will be 3,373 thousand.

Table below shows the number and weighted average realisable price of share options under the Share Plan.

	Number of options	Weighted average realisable price (in CZK)
Unsettled at 1 January 2022	-	-
Provided during the period	2,807,300	0.10
Unsettled at 31 December 2022	2,807,300	0.10
Provided during the period	9,900	0.10
Unsettled at 31 March 2023	2,817,200	0.10

14.1. Expenses recognized in the statement of profit and loss

In connection with the Stock Plan, the Group recognized expenses of CZK 77,596 thousand in Personal expenses (CZK 0 thousand for the period from 1 January to 31 March 2022). Of this amount, CZK 33,403 thousand represent personnel expense related to the key management personnel (CZK 0 thousand for the period from 1 January to 31 March 2022).

In addition, the Group has created a provision for social and health insurance recognized under Other operating expenses in the amount of CZK 5,217 thousand (CZK 0 thousand for the period from 1 January to 31 March 2022). In connection with this provision, the Group recognized deferred tax in the amount of CZK 1,012 thousand (CZK 0 thousand for the period from 1 January to 31 March 2022).

14.2. Items recognized in the statement of financial position

The fair value of 2,817,200 stock options allocated to own employees of CZK 275,956 thousand is recognised in Accumulated profits (CZK 198,360 thousand as at 31 December 2022).

The fair value of employee stock options was determined using the Black Scholes measurement model. The options are subject to the employment term/function term and non-market performance condition which were not considered in fair value determination.

The related social security and health insurance liabilities as at 31 March 2023 of CZK 15,385 thousand are recognised in non-current provisions (CZK 10,168 thousand as at 31 December 2022). The Group also recognised deferred tax in respect of these liabilities in the amount of CZK 2,036 thousand (CZK 1,024 thousand as at 31 December 2022).

15. EMPLOYEE BENEFIT LIABILITIES

Employee benefit liabilities (CZK '000):

	31 Mar 2023	31 Dec 2022
Net employee benefit liability	134,422	141,889
Liability for medical (healthcare) benefits	137,342	143,024
Total net employee benefit liability	271,764	284,913
Non-current net employee benefit liabilities	252,988	265,280
Current net employee benefit liabilities	18,776	19,633
Total net employee benefit liability	271,764	284,913

16. BONDS, BANK LOANS AND BORROWINGS

				31 Mar 2023	31 Dec 2022
	Terms	Interest rate %	Aggregate limit as at 31 Mar 2023 (CZK '000)	CZK '000	CZK '000
Issued bonds	23 Mar 2027	6M Pribor + margin % p.a.	5,000,000	5,000,000	5,000,000
Issued bonds – unpaid interest				9,283	124,839
Issued bonds – issue cost				-20,827	-22,118
Issued bonds	27 Jan 2029	6M Pribor + margin % p.a.	1 998 000	1,998,000	1,998,000
Issued bonds – unpaid interest				30,583	77,606
Issued bonds – issue cost				-11,249	-11,725
Other			15,710	15,710	14,893
Total			7,013,710	7,021,500	7,172,754
Repayments in the following year				45,777	208,597
Repayments in future years				6,975,723	6,972,898

17. INTEREST IN ASSOCIATES

The carrying amount of all equity-accounted investments changed as follows in the three-months period ended 31 March 2023 (in CZK '000):

	31 Mar 2023
	CZK '000
Beginning of the period	39,401
Share in the profit of associates after tax	1,200
End of the period	40,601

18. 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 31 March 2023, assets and liabilities representing financial derivatives, other financial assets, share-based payment arrangements and liabilities related to contingent consideration from the Colt acquisition in 2021 and Spuhr i Dalby AB acquisition in 2022 are measured at fair value.

18.1 Financial derivatives

The fair value of interest rate swaps, currency forwards and swaps is determined based on the present value of future cash flows based on market data as 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 realization rates of individual transactions (“volatility smile”). The fair value of cross currency interest rate swaps is determined as the present value of future cash flows. The estimate of future variable cash flows is based on quoted swap rates and interbank deposit rates. The estimated future cash flows are discounted using a revenue curve constructed from the above sources.

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 31 March 2023 and 31 December 2022 (CZK ‘000):

CZK ‘000	31 Mar 2023			31 Dec 2022		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Put Option	1,567,863	156,186	-	965,806	70,142	-
Call Option	2,089,771	-	1,591	1,555,779	-	1,550
Forwards	2,539,040	142,776	14,384	2,020,123	64,557	20,126
Currency swap	1,053,110	65,156	6,829	830,007	24,581	-
Total	7,249,784	364,118	22,804	5,371,715	159,280	21,676

The following table provides an overview of nominal values and positive or negative fair values of open hedging derivatives as at 31 March 2023 and 31 December 2022 (CZK ‘000):

CZK ‘000	31 Mar 2023			31 Dec 2022		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Interest rate swap	500,000	81,050	-	500,000	98,260	-
Put Option	1,100,900	82,413	-	1,911,409	113,135	-
Call Option	1,100,900	-	19,918	1,911,409	-	14,792
Currency swap	4,646,446	460,313	-	4,503,470	327,129	-
Forwards	3,882,014	236,332	586	4,456,425	114,620	30,826
Cross currency interest rate swap - USD	3,212,700	310,823	-	3,212,700	274,828	-
Cross currency interest rate swap - EUR	1,500,000	296,701	-	1,500,000	310,968	-
Total	15,942,960	1,467,632	20,504	17,995,413	1,238,940	45,618

18.2 Financial liabilities at fair value through profit or loss

CZK '000	31 Mar 2023			31 Dec 2022		
	Fair value			Fair value		
	Nominal	Positive	Negative	Nominal	Positive	Negative
Other financial assets	863,502	821,825	-	863,502	756,834	-
Contingent consideration – Colt	227,932	-	426,798	227,932	-	404,804
Contingent consideration – Spuhr	75,023	-	69,360	75,023	-	74,257
	1,166,457	821,825	496,158	1,166,457	756,834	479,061

The fair value of other financial assets is determined based on market quoted bid price in an active market.

The fair value of the contingent consideration from Colt acquisition is determined based on parent company's shares, which are measured using Level 1 inputs based on the quoted share price as at 31 March 2023. The change in fair value of liability in total amount CZK 41,284 thousand is attributable to change in the market price of the Company share and the related loss is recognized in Other financial expenses. The remaining change in fair value of the liability in the total amount CZK 19,290 thousand represents a foreign exchange gain and is recognized in Other finance expense on a net basis.

The fair value of the contingent consideration from the Spuhr acquisition is based on the current estimate of Spuhr's gross profit for the periods defined in the Sale and purchase agreement.

The remaining financial assets and liabilities are measured at amortized cost. The fair value of all these instruments does not differ significantly from their carrying amount, as the interest rate is close to current market rates, or they are short-term.

19. PROFIT DISTRIBUTION

In the three-month period ended 31 March 2023 there is no resolution about profit distribution for the year 2022 on the Group level.

20. 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 three-months period ended 31 March 2023 the Group conducted the following transactions with related parties.

Key management personnel:

During the three-months period ended 31 March 2023, 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 4,942 thousand.

The Company also provided its key management personnel with the Option plan described in Note 14. The Company provided no other benefits (e.g. monetary or non-monetary benefits related to the termination of office of a body's member) to its key management personnel.

The Group records the following outstanding balances with related parties as at 31 March 2023 and the following transactions with related parties in the three-months period ended 31 March 2023 (in CZK '000):

Entity	Relationship	Liabilities as at 31 Mar 2023	Purchases from 1 Jan to 31 Mar 2023	Receivables as at 31 Mar 2023	Income from 1 Jan to 31 Mar 2023
Česká zbrojovka Partners SE	parent company	-	-	212	-
Keriani, a.s.	associate of parent company	474	1,586	2,299	-
EHC zdravotní s.r.o.	company in the ultimate owner's group	-	-	315	313
CZUB zdravotní s.r.o.	company in the ultimate owner's group	38	2,383	11	12
CZ-SKD Solutions a.s.	subsidiary of parent company	184	1,355	1,544	-
CZ-AUTO SYSTEMS a.s.	subsidiary of parent company	1	282	16,149	18,429
B-TECH, a.s.	company in the ultimate owner's group	-	261	-	-
M&H Management a.s.	company in the ultimate owner's group	-	-	-	43
ITeuro, a.s.	company in the ultimate owner's group	-	21	1 122	-
Total		697	5,888	21,652	18,797

The Group records the following outstanding balances with related parties as at 31 December 2022 and the following transactions with related parties in the three-months period ended 31 March 2022 (in CZK '000):

Entity	Relationship	Liabilities as at 31 Dec 2022	Purchases from 1 Jan to 31 Mar 2022	Receivables as at 31 Dec 2022	Income from 1 Jan to 31 Mar 2022
Česká zbrojovka Partners SE	parent company	-	10	212	-
Keriani, a.s.	associate of parent company	418	2,469	2,299	-
B:TECH, a.s.	company in the ultimate owner's group	23	-	1,122	-
EHC zdravotní s.r.o.	company in the ultimate owner's group	-	-	9,873	269
CZUB zdravotní s.r.o.	company in the ultimate owner's group	64	3,681	15	9
CZ-SKD Solutions a.s.	subsidiary of parent company	67	3,112	312	1
CZ-AUTO SYSTEMS a.s.	subsidiary of parent company	2,249	5,306	13,193	14,464
TRX, s.r.o.	company in the ultimate owner's group	85	210	-	-
M&H Management a.s.	company in the ultimate owner's group	-	-	17	-
Total		2,906	14,788	27,043	14,743

21. NET EARNINGS PER SHARE

Basic and diluted earnings from continued operations per share were determined as follows:

	31 Mar 2023	31 Mar 2022
Numerator (CZK '000)		
Profit after tax attributable to the owner of the parent company	587,819	544,730
Denominator (average number of shares in CZK '000)		
Basic	34,608	33,737
Diluted	34,976	34,102
Net earnings per share (CZK/share) attributable to the owner of the parent company		
Basic	17	16
Diluted	17	16

22. CONTINGENT LIABILITIES

As at 31 March 2023, the Group had issued no guarantees in respect of third-party liabilities.

As at 31 March 2023, 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.

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 unfavorable impact on the Group's results of operation and its cash flows.

As at 31 March 2023, the Group records environmental liabilities of CZK 7,797 thousand to which a full provision was established. No other environmental liabilities are recorded.

23. SUBSEQUENT EVENTS

On 16 May 2023, the Company's registered capital was increased by CZK 36,529 through the issue of 365,291 book-entry shares. The issue price was determined at CZK 585 per share. The newly issued shares were subscribed by Colt CZ Group North America, Inc. solely in connection with the provision of a consideration in the partial settlement of the acquisition of Colt Holding Company LLC in 2021. Following this issue, the shareholding of the Company's majority owner, Česká zbrojovka Partners SE, changed to 76.0%.

On 18 May 2023, the Company issued bonds with a nominal value of CZK 1,929,000 thousand. The proceeds will be used for capital expenditures (CAPEX), working capital, financing of potential M&A transactions, and other general corporate purposes.

No other subsequent events have occurred since the balance sheet date that would have any material impact on the condensed consolidated interim financial statements as at 31 March 2023.