

Report on Remuneration for 2022

of Colt CZ Group SE with its registered office at Opletalova 1284/37, Nové Město, 110 00 Prague 1, ID No.: 291 51 961, entered in the Commercial Register maintained by the Municipal Court in Prague, Section H, Insert No. 962 (the “**Company**”)

This Report on Remuneration is prepared pursuant to Sections 121o and 121p of Act No. 256/2004 Sb., on Capital Market Business, as amended (the “**CMBA**”), and follows up on the Remuneration Policy approved by the Company’s General Meeting on 27 May 2022 and available on the Company’s website.

This Report provides a complete overview of remuneration including all benefits in any form whatsoever provided or payable in the 2022 financial year to persons in the position of a member of the Company’s Board of Directors, Supervisory Board or Audit Committee (the “**Officers**”). Persons whose membership in the Company’s Board of Directors or Supervisory Board terminated in 2021 or 2022 and who received, directly or indirectly, remuneration from the Company in 2022 are also considered Officers.

1. Remuneration of Officers

The remuneration of Officers is laid down in the Remuneration Policy, which aims to

- (a) contribute to the fulfilment of the Company’s business strategy, defending its long-term interests and its sustainability; and
- (b) secure, retain and motivate members of the Board of Directors, the Supervisory Board and the Audit Committee, with regard to the qualifications, abilities, experience, commitment and roles of these individuals within the Company.

Remuneration and other benefits for the Officers are agreed either in service contracts or employment contracts approved by the Company’s Supervisory Board or General Meeting in compliance with the wording of its Articles of Association or the Company’s decision as the shareholder of subsidiaries under its control.

2. Outline of the Company’s performance in 2022 and annual changes in remuneration to the Company’s employees adjusted to weekly working hours

The Company’s performance for 2022 is summarized in detail in the Company’s annual report published on the Company’s website on 28 April 2023.

In 2022, the Company achieved the goals to the achievement of which it had committed to the Supervisory Board as well as in the financial forecasts it had provided to capital markets in the form of disclosure of quarterly results.

The total consolidated revenues of the group of companies controlled directly or indirectly by the Company, reached the upper limit of the communicated forecast (CZK 14.0 to 14.6 billion) in 2022, i.e. the amount of CZK 14.6 billion. The level of consolidated EBITDA net of extraordinary one-off items achieved in 2022 was

CZK 3.4 billion, or CZK 3.1 billion disregarding the extraordinary one-off items. Hence, the EBITDA net of one-off items reached the upper limit of the range of CZK 3.0 to 3.3 billion as communicated during the presentation of the semi-annual report for the first six months of 2022.

An overview of the year-on-year change in the consolidated financial and non-financial figures of the Company in 2020 through 2022 is shown in the table below:

Financial and non-financial figures	2022	2021	2020
Revenues from sale of own products, goods and services	14,589,774	10,688,927	6,819,673
Operating profit	2,198,682	1,011,181	1,056,319
EBITDA ⁽¹⁾	3,109,117	1,800,804	1,449,815
Profit before tax	2,356,170	931,548	851,023
Net financial debt at year's end ⁽²⁾	3,669,615	3,770,060	561
Net leverage ratio ⁽³⁾	1.18x	1.42x	0.0%
Net profit margin ⁽⁴⁾	13.9%	7.1%	9.9%

⁽¹⁾ The management of the Group considers EBITDA to be the key indicator of performance when assessing the business. The Company calculates consolidated EBITDA on the basis of data in the audited financial statements. EBITDA is calculated as profit after tax for the time period concerned, plus income tax, minus other financial revenues, plus other financial expenses, minus revenue interest, plus cost interest, adjusted for profit/loss from derivative operations, minus share of profits of affiliates and income from investments under material control, plus depreciation and amortization. All items in the calculation of EBITDA were taken from the consolidated profit and loss statement and from the statement of complete findings of audited financial statements.

⁽²⁾ The Company calculates consolidated net financial debt as long- and short-term bank credits and loans and liabilities under lease agreements (long- and short-term) minus cash and cash equivalents and other financial assets as shown in the consolidated statement of financial situation in the audited financial statements. The Group uses the net financial debt to assess indebtedness with financial institutions including banks, lease companies and bond holders.

⁽³⁾ Net leverage ratio is defined as the ratio of net financial debt at the year's end to EBITDA for the same period.

⁽⁴⁾ Net profit margin is calculated as the ratio of profit for the time period concerned to revenues from sale of own products, goods and services, expressed as percentage. Both items of the ratio are taken from the consolidated profit and loss statement and from the statement of complete findings of audited financial statements. Net profit margin is used in analyses as a percentage indicator of a company's profitability.

The Company continued integrating Colt's Manufacturing and Colt Canada into the group, and completed the acquisition of Sweden's Spuhr i Dalby. In the course of 2022, the Company's management attained the projected financial indicators which serve as the main criteria for the payment of the variable components of remuneration.

The table below summarizes trends in the remuneration of the employees of the Company and employees of the subsidiaries for 2022.

	2022	2021	2020
Average number of full-time equivalent employees	2,193	2,185	1,664
Wages and salaries in CZK thous.	1,996,160	1,486,843	938,307
Miscellaneous personal expenses in CZK thous.	60,012	42,375	30,648
Post-employment benefits plan in CZK thous.	350	25,207	0
Stock plan of Colt CZ Group SE in CZK thous.	119,488	0	0
Employee bonuses in CZK thous.	67,425	25,448	33,895
Total in CZK thous.	2,243,435	1,579,873	1,002,850
Average annual remuneration in CZK thous. per employee other than a person under Section 121m(1) CMBA	1,023	723	603

The table above does not reflect those bonuses and other benefits provided to Officers which are the subject of chapter 4 of this Report.

3. Overview of remuneration and other benefits granted to Officers in 2022

In 2022, the Company provided the Officers with remuneration and other benefits in compliance with the Remuneration Policy in the following breakdown:

- (a) Fixed component of remuneration
 - ▷ Basic monthly remuneration
 - ▷ Benefits and perquisites pursuant to Section 121l(2) of the CMBA in the form of liability insurance covering damage caused by a breach of duty of an officer (i.e. the D&O insurance), accident insurance, travel insurance for short-term business trips, including accommodation, a passenger car also for private use, use of IT equipment and mobile phone for personal use, pension benefits and health insurance in the US, contribution for meals, contribution for healthcare
- (b) Variable component of remuneration
 - ▷ Annual bonus tied to the fulfilment of performance criteria set for 2021 (up to twelve times the amount of the basic salary)
 - ▷ Extra bonus (determined based on a decision of the body that elected the Officer concerned)

4. Amount of granted remuneration and other benefits

4.1 Company's Board of Directors

The Company's Board of Directors has seven members. As of 31 December 2022, the Board of Directors had 6 members, namely:

- (a) Jan Drahota (chairman of the Board of Directors with taxable income in the Company),

- (b) Josef Adam (vice-chairman of the Board of Directors with taxable income in the Company),
- (c) Jan Holeček (member of the Board of Directors with taxable incomes in the Company and in Česká zbrojovka a.s.),
- (d) Jan Zajíc (member of the Board of Directors with taxable income in Česká zbrojovka a.s.),
- (e) David Aguilar (member of the Board of Directors with taxable income in Colt CZ Group North America Inc.), and
- (f) Dennis Veilleux (member of the Board of Directors with taxable income in Colt's Manufacturing Company LLC).

On 11 August, Ms Alice Poluchová (former vice-chair of the Board of Directors with taxable income in CZ-USA) ceased to serve as a member of the Board of Directors due to her resignation.

4.1.2 An overview of gross remuneration and other benefits provided to members of the Company's Board of Directors in 2022:

in CZK	Total	Companies that provided remuneration and other benefits to members of the Board of Directors in 2022				
		Colt CZ Group SE	Česká zbrojovka a.s.	Colt CZ Group North America Inc.	CZ-USA	Colt's Manufacturing Company LLC
Annual full time equivalent number of directors	6.67					
Fixed component of the remuneration						
Basic remuneration	34,136,751	8,640,000	2,400,000	4,380,000	9,372,751	9,344,000
Benefits and other perquisites	3,883,608	714,793	352,797		730,835	2,085,184
Variable component of the remuneration						
Annual bonus	30,768,000	7,200,000	4,880,000		9,344,000	9,344,000
Extra bonus	5,842,336				3,504,000	2,338,336
Total remuneration and other perquisites	74,630,695	16,554,793	7,632,797	4,380,000	22,951,586	23,111,520

* Remuneration paid in a currency other than CZK is converted at the CNB's average exchange rate for 2022.

Ratio between the fixed component of remuneration and total remuneration	50.94%
Ratio between the variable component of remuneration and total remuneration	49.06%

The variable component of the remuneration shown in the table above represents the annual remuneration paid for 2021, whose amount and conditions for entitlement were set in 2021 and which was assessed and paid in 2022. The variable component of the remuneration also includes a prorated part of the annual bonus paid to members of the Board of Directors whose term of office ended in 2021 (Jana Růžičková, Andrej Chrzanovski).

4.1.3 Compliance with the Remuneration Policy

All components of remuneration have been paid to the members of the Board of Directors in compliance with the Remuneration Policy that has been applied in the Company since the date of its approval.

4.1.4 Application of performance criteria

The Company's key performance criterion under the approved Remuneration Policy was EBITDA. For some members of the Board of Directors (Dennis Veilleux, Alice Poluchová and Jan Zajíc) this indicator was EBITDA achieved by the companies controlled by Colt Holding Company, or by CZ-USA, or by Česká zbrojovka a.s., respectively. In relation to the other members of the Board of Directors (Jan Drahota, Josef Adam and Jan Holeček), the key performance criterion was the consolidated EBITDA for the entire Colt CZ Group.

EBITDA is an indicator of operating performance and profitability of the Company, and as such it adequately reflects the development of the Company's performance.

4.2 Company's Supervisory Board

The Company's Supervisory Board has three members. The composition of the Company's Supervisory Board in 2022 is described in the annual report of the Company for 2022. As of 31 December 2022, the Supervisory Board had three members, namely:

- (a) Lubomír Kovařík (chairman of the Supervisory Board with taxable incomes in the Company and in Česká zbrojovka a.s.),
- (b) Vladimír Dlouhý (member of the Supervisory Board with taxable income in the Company), and
- (c) Jana Růžicková (member of the Supervisory Board with taxable incomes in the Company and in Česká zbrojovka a.s.).

4.2.2 An overview of gross remuneration and other benefits provided to members of the Company's Supervisory Board in 2022:

	Total	Companies that provided remuneration and other benefits to members of the Supervisory Board in 2022	
		Colt CZ Group SE	Česká zbrojovka a.s.
Annual full time equivalent number of members	3		
Fixed component of the remuneration			
Basic remuneration	CZK 6,240,000	CZK 5,760,000	CZK 480,000
Benefits and other perquisites	CZK 501,487	CZK 68,609	CZK 432,878
Variable component of the remuneration			
Annual bonus	CZK 3,960,000	CZK 3,480,000	CZK 480,000
Extra bonus	CZK 0		
Total remuneration and other perquisites	CZK 10,701,487	CZK 9,308,609	CZK 1,392,878

Ratio between the fixed component of remuneration and total remuneration	63.00%
Ratio between the variable component of remuneration and total remuneration	37.00%

The variable component of the remuneration shown above represents the remuneration paid for 2021; its amount and conditions for entitlement were set out in the service agreement and approved by the General Meeting in 2022. The variable component of the remuneration in 2022 also included a prorated part of the annual bonus to members of the Supervisory Board whose term of office ended in 2021 (René Holeček, Věslava Piegzová).

4.2.3 Compliance with the Remuneration Policy

All components of remuneration have been paid to the members of the Supervisory Board in compliance with the Remuneration Policy that has been applied in the Company since the date of its approval.

4.2.4 Application of performance criteria

Performance criteria are not applied in remunerating the Company's Supervisory Board members.

4.3 Company's Audit Committee

The Audit Committee has three members. The composition of the Audit Committee in 2022 is described in the Company's Annual Report for 2022.

	Total	Colt CZ Group
Annual full time equivalent number of members	3	
Fixed component of the remuneration		
Basic remuneration	CZK 240,000	CZK 240,000
Benefits and other perquisites	CZK 0	CZK 0
Variable component of the remuneration		
Annual bonus	CZK 0	CZK 0
Extra bonus	CZK 0	CZK 0
Total remuneration and other perquisites	CZK 240,000	CZK 240,000

Ratio between the fixed component of remuneration and total remuneration	100.00%
Ratio between the variable component of remuneration and total remuneration	0.00%

No variable component of the remuneration has been agreed for members of the Audit Committee.

4.3.1 Compliance with the Remuneration Policy

All components of remuneration have been paid to the members of the Audit Committee in compliance with the Remuneration Policy that has been applied in the Company since the date of its approval.

4.3.2 Application of performance criteria

Performance criteria are not applied in remunerating the Company's Audit Committee members.

5. **Overview of changes in total remuneration for Officers**

The Company's shares were accepted for trading on the European regulated market in October 2020; hence, 2020 is the first period in which the Company recorded paid out remuneration.

Period	2020	2021	2022
Annual full time equivalent number of Officers	10	9.33	9.67
Total balance of total granted remuneration	CZK 46,823,195	CZK 76,022,732	CZK 85,572,182

6. **Company's shares and options granted or offered to Officers**

Pursuant to the Remuneration Policy, the Company's Supervisory Board approved the Share Programme of Colt CZ Group SE in 2021 (the "**Share Programme**"). Based on the Share Programme, the Company may provide the Officers and other persons defined as the *Authorized Persons* in the Remuneration Policy with remuneration in the form of shares.

The total number of the Company's shares that can be provided under the Share Programme is 3,373,000 book-entry shares in registered form with a nominal value of CZK 0.10 per share.

As of 31 December 2022, the Share Programme had 74 participants to whom the Company allocated 83% of stock options from the total amount of the Share Programme. The total stock options allocated also include stock options for members of the Company's Board of Directors. As at the date of this Report, a total of 1,220,000 stock options were allocated to members of the Company's Board of Directors (Jan Drahot, Dennis Veilleux, David Aguilar, Jan Zajíc, Jan Holeček, and Josef Adam), of which 5% have vested. None of the members of the Board of Directors fulfilled the conditions for the exercise of the option.

The conditions for stock options to vest and to be exercised are described in more detail in the 2022 annual report. Below is a summary of the main conditions for stock options to vest under the Share Programme:

- (a) 15% of the stock options vest gradually during the first three years of the Share Programme (for the first time in 2022), each year 5% of the total stock options

allocated to the relevant Authorized Person. The first vesting of 5% of the stock options occurred upon the signing of the agreement on participation in the share programme. Stock options will subsequently vest on 1 June 2023 and on 1 June 2024.

- (b) 35% of the stock options may vest if the Company achieves target 1 (consolidated EBITDA of USD 275,000,000 for the period from 1 January 2021 to 31 December 2023). In the case of target 1 achievement, 35% of the stock options will vest as of 1 June 2024.
- (c) The remaining 50% of the stock options may vest if the Company achieves target 2 (simultaneous achievement of the following partial targets as of 31 December 2025: (x) consolidated turnover of the Colt CZ Group exceeds EUR 1,000,000,000; (y) consolidated EBITDA equals or exceeds EUR 200,000,000; and (z) the net debt / EBITDA ratio is less than 3.5). In the case of target 2 achievement, 50% of the stock options will vest as of 1 June 2026.

Subject to the conditions set out in the Share Programme, the right to exercise the first 50% of the vested stock options will not arise before 2 July 2024. The right to exercise the remaining 50% of the vested stock options will not arise before 2 July 2026. In both cases, the option purchase price will be CZK 0.10.

For the sake of completeness, the Company represents that as of 31 December 2022, the Officers held a total of 1,385,156 book-entry shares of the Company.

7. Information on the exercise of the Company's right to claim refund of the variable component of remuneration or a part thereof

In 2022, the Company did not assert its right to a refund of the variable component of the remuneration or a part thereof vis-à-vis any Officer.

8. Information on deviations from the Remuneration Policy

When remunerating the Officers in 2022, the Company did not deviate from the Remuneration Policy.