CSG Czechoslovak Group

Annual Report and Accounts 2023

Czechoslovak Group

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This version of the Annual Report is not prepared in the single electronic reporting format ("ESEF") and represents an unofficial version of the official Annual Report issued in compliance with ESEF in the XHTML format. The Company has taken all steps to ensure that this version conforms to the original, except for the use of machine-readable XBRL tags, which are included only in the official XHTML version. In case of any differences identified in the information, opinions or interpretations, the official version of the Annual Report shall prevail over this version. The official Annual Report prepared in the ESEF format is available at www.czechoslovakgroup.com.

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Heart.
Heritage.
Horizon.

Czechoslovak Group (“CSG” or “Group”) is a global industrial and technology group operating in five strategic business segments: Defence, Ammo+, Aerospace, Mobility, and Business Projects.

Group Highlights

In 2023, we solidified our market position by achieving both revenue growth and Operating EBITDA growth within our existing markets.

CSG has steadfastly pursued its growth strategy, channeling consistent investment into the expansion of its operations and the enhancement of production capabilities and innovation within the Group’s entities. We have continued to forge partnerships with technology leaders and industry experts to maintain our position at the cutting edge of innovation and technological advancement.

Demonstrating its commitment to sustainable development, CSG has reinvested a significant share of its earnings back into the business. However, at the same time, the Group remained with very strong capital position and reduce the Net leverage.

1,734
Revenues, EUR milion

25.3%
Operating EBITDA Margin

439
Operating EBITDA, EUR milion

+45%
Revenue CAGR from 2020

10,000+
Number of employees

+75%
Operating EBITDA CAGR from 2020

25
Years of Group’s history

439

Operating EBITDA,
EUR milion

Letter from the Chairman

Dear readers,

Events in 2023 confirmed that CSG is becoming a global industrial group viewed with growing interest not only in the Czech Republic, where it is headquartered, but also in the other countries where it has manufacturing facilities or important business partners, in particular in the USA. So let me start with a few words about our long-term strategy:

We are not a financial group, but an industrial group. Over the long term, we have been developing in several key areas, which are also CSG's individual divisions: **Aerospace**, whose companies produce e.g. radars and air traffic control systems; **Mobility**, which includes companies operating in the automotive and railway industries; **Defence**, which includes companies producing e.g. ground equipment and large-caliber ammunition; and **Ammo+**, which includes companies producing small-caliber ammunition. The remaining division, **Business Projects**, includes companies that do not belong to the above-mentioned main sectors.

Our goal is to grow in a long-term and sustainable manner, both organically by investing in our member companies and by acquiring new companies that complement our portfolio, support vertical integration, and bring synergies in our key business pillars. CSG wishes to be a partner to its employees and to communities and governments in the countries where its manufacturing facilities are located. It doesn't buy new companies just to sell them off at a profit within a few years. It aims to own and develop them for the long term. Our manufacturing companies in all countries have been growing their workforces and improving their economic performance over the long term.

This is evidenced by Fiocchi Munizioni, the world's leading ammunition manufacturer, operating at two locations in Italy and one in the UK, and two in the US. We acquired it into the Group in 2022, and even in last year's situation where the market in this segment was declining, we managed to improve our year-on-year results.

One important part of our strategy is to strengthen CSG's position in the small caliber ammunition segment. To that end, in October 2023, we closed an agreement to acquire Sporting Products (now Kinetic Group) from Vista Outdoor (NYSE: VSTO). Kinetic is the world's leading manufacturer of small-caliber ammunition, headquartered in Anoka, Minnesota, USA. CSG expects this acquisition to provide broad synergies in business opportunities on international markets and to strengthen the Group's overall presence, especially on the American market. The $1.91 billion transaction is subject to approval by the relevant regulators and the Vista Outdoor shareholders.

CSG's reputation and recognition in the world of sport shooting and hunting was boosted by yet another acquisition last year: the purchase of a majority stake in Armi Perazzi, an Italian family-owned company that makes the world's best shotguns. In the hands of their owners, they are a tool for winning Olympic medals, and their rich decoration makes them works of art of their own kind. By taking the Perazzi brand into its hands, CSG is confirming its global ambitions.

However, our acquisitions from last year should not overshadow the development of other pillars of CSG's business. Air traffic control radars from Czech companies in our CSG Aerospace division, for example, cover more than 90 percent of India's airspace. The Czech company Tatra Trucks—the world's third oldest automotive company currently producing heavy vehicles with a unique off-road chassis—is implementing an ambitious plan to double its production. Our Slovak companies are among the most important producers of large caliber ammunition in Europe and are a key supplier to NATO countries and Ukraine. And most of our companies are making major investments in order o expand production. We are constructing new buildings and installing modern manufacturing technologies.

As a major industrial group, we also address the need to develop in the area of ESG, which is widely given high priority, especially in the European Union. We are developing innovations such as the hydrogen-powered Tatra heavy utility vehicle and EWA: equipment that can efficiently produce water from the air even in the desert regions of the world. We are improving our corporate processes, because otherwise we would not be able to make major acquisitions on the world's most developed markets. We shape fair rules for our employees, so that they have the opportunity to achieve long-term career growth. We provide strong support for culture, sports, education, and healthcare.

The growth of the Group and its transformation into a global corporation is reflected in the change of our corporate identity and rebranding that took place at the end of 2023. Our new slogan is: Heart, Heritage, Horizon. It expresses the fact that we put our heart into the business, building on the industrial heritage of generations gone by and trying to look beyond the horizon of today.

Our work, as laid out in this annual report, has resulted in significant year-on-year growth in our economic performance. Sales revenues were EUR 1.7 billion, up 70 percent year-on-year, and our Operating EBITDA reached EUR 439 million. This is thanks to our more than 10,000 employees in Europe and the USA and also the customers, financial partners, and more who put their trust in us. I thank all of you who support our development.

Michal Strnad

owner and Chairman
of the Board of Directors

25

Years of Group's history

CSG is a global industrial and technology group with five strategic business segments: Defence, Ammo+, Aerospace, Mobility, and Business Projects.

Strategic Review

The robust financial performance, proved by a marked increase in revenue and EBITDA, validates the effectiveness of our strategic initiatives and operational efficiencies. With a forward-looking perspective, CSG is set to maintain its upward trajectory as a global industrial leader, with a strategic emphasis on market expansion, fostering innovation, and ensuring financial resilience.

In tandem with these growth strategies, the Group's Sustainability Strategy, which spans a broad range of environmental, social, and governance objectives, is designed to embed sustainability into the heart of our business practices. The development of division-specific sustainability plans is integral to our overarching strategy, enabling targeted and effective change that aligns with the distinct priorities of each division. This multifaceted approach not only supports our expansion and market share growth but also affirms our commitment to responsible business conduct and the generation of enduring value for all stakeholders.

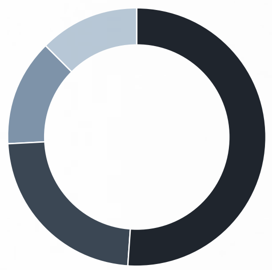
Looking to the future, with the security of our technologies, human capital, supply chain, and innovations as a cornerstone, CSG is poised for continued sustainable growth. Anticipating the current security policy climate, we project robust revenue and earnings growth into 2024, reinforcing our financial and strategic position in the global marketplace.

Our Business at a Glance

Business Segments per Countries

Through its five operating segments, the Group operates 37 production sites spread primarily throughout the EU and USA and distributes its products to over 55 countries worldwide.

We manage our long term relationships with our key customers—mainly government bodies and ministries of defence as well as large corporations—through multi-year contracts.



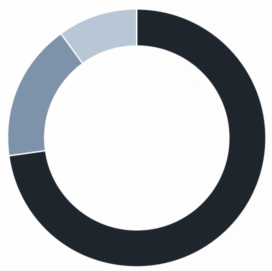
% of revenues as of 31 December 2023

- 51.3% Europe excl. Ukraine
- 23.0% Ukraine
- 13.3% USA
- 12.4% Rest of World

% of revenues as of 31 December 2023

- 66.0% NATO
- 34.0% Non-NATO

Business Segments per End Market



% of revenues as of 31 December 2023

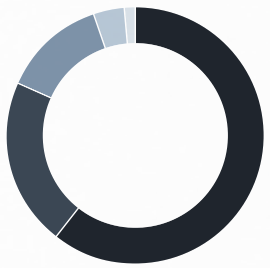
- 72.0% Defence
- 18.5% Civil
- 9.5% Industrial non-defence

The Defence division is the main contributor to end markets within the defence segment; however, other divisions contribute to this segment as well: the Ammo+ division (our small-ammunition division) by 13% of its revenues from this segment, the Aerospace division by 63%, Mobility division by 1% and the Business Projects division by 30% of its revenues.

Our main customers in the defence segment are government bodies—mostly ministries of defence. Our main contributor to the civil segment and industrial non-defence segments is the Ammo+ division, joined to some extent by the Aerospace and Mobility divisions.

We serve mainly EU and NATO countries. The bulk of our non-NATO customer base is in Ukraine, Indonesia, Vietnam, and Morocco.

Segment Reporting per Division



% of revenues as of 31 December 2023

- 60.7% Defence
- 21.2% Ammo+
- 13.0% Aerospace
- 3.8% Mobility
- 1.3% Business Projects

CSG Defence was our largest division by both revenue and operating EBITDA for the year ended December 31, 2023, constituting 61% and 78%, respectively. CSG Ammo+ was our second largest division by both revenue and operating EBITDA for the year ended December 31, 2023, constituting 21% and 14%, respectively. CSG Aerospace's revenue and operating EBITDA for the year ended December 31, 2023 constituted 13% and 4%, respectively. Revenue and operating EBITDA for our CSG Mobility and CSG Business Projects segments for the year ended December 31, 2023 constituted 5% and 4%, respectively.

CSG Defence

CSG Defence comprises several companies operating in various segments of the defence industries, including EXCALIBUR ARMY spol. s r.o., TATRA DEFENCE VEHICLE a.s. ("TDV"), EXCALIBUR INTERNATIONAL a.s.*, MSM LAND SYSTEMS s.r.o., Fábrica de Municiones de Granada SL., ZVS holding, a.s., VOP Nováky, a.s., and VÝVOJ Martin, a.s. Our defence companies are located in the Czech Republic, Slovakia, Spain, and Serbia.

Our defence companies focus on the production of M&L (medium and large) caliber ammunition and the manufacturing, maintenance, and repair of land systems (i.e. ground warfare vehicles and equipment), primarily for government customers. In the M&L caliber ammunition product segment, we produce M&L caliber ammunition primarily for use by combat vehicles, artillery, and tanks. With respect to land systems, we cover all the main product segments in the land-systems market, including infantry fighting vehicles, armored personnel carriers, self-propelled howitzers, tanks, rocket launchers, and military-engineering vehicles, as well as engines and spare parts for these systems.

These companies' key customers mainly include government bodies and ministries of defence, as well as leading defence companies primarily within the EU and NATO countries.

* EXCALIBUR INTERNATIONAL a.s. is a separate entity which does not belong directly under CSG Defence division. However, by nature of its main business, the Group decided to include it under the defense segment for the reporting purposes.

COMPANIES IN THE DIVISION

CSG Ammo+

Our small-ammunition division, CSG Ammo+, was established in 2022 after we acquired the Fiocchi Group. It currently includes portfolio companies linked to the Fiocchi Group (including Fiocchi Munizioni S.p.A. in Italy, Fiocchi of America Inc. in the United States, Baschieri & Pellagri S.p.A. in Italy, and Lyalvale Express Limited in the United Kingdom).

The companies within CSG Ammo+ develop, manufacture, and sell small-caliber ammunition for pistols, revolvers, rifles, and shotguns in various price categories, including premium ammunition, with approximately [87]% of its production directed to the civilian market and approximately [13]% intended for the defence and law enforcement markets.

For our small-caliber ammunition directed toward the civilian market, we have established partnerships with top athletes in the fields of shooting sports and biathlon, including the world's top shotgun shooters, an Olympic medalist, World Biathlon champions, and the Italian Biathlon Association, all intended to enhance our brand recognition in this market segment.

COMPANIES IN THE DIVISION

FIOCCHI

FIOCCHI

B&P Baschieri & Pellagri Dal 1885

LYALVALE EXPRESS

CSG Aerospace

CSG Aerospace consists of the following companies : ELDIS Pardubice, s.r.o., RETIA, a.s., CS SOFT a.s., ATRAK a.s., JOB AIR Technic a.s., UpVision s.r.o., and POCKET VIRTUALITY a.s. Our aerospace companies are based in and/or have their manufacturing facilities in the Czech Republic.

These companies provide products and services that enable and support both civilian and military air traffic for a diverse customer base ranging from aviation companies to governments and their agencies. The key products of our aerospace division include radar, control, and command systems; ultra-wideband localization and communication systems; recording systems designed for voice, screen, and data recording; air traffic control systems; air traffic management software systems; and operational aeronautical flight billing and aviation business planning systems. Our aerospace division also provides aircraft maintenance and repair services (including repairs and modernization of various types of special equipment, such as anti-aircraft defence systems and repair and operations services for Airbus A320 and Boeing 737 aircraft) as well as aviation-related training and end-user support services.

The key customers of CSG Aerospace include government agencies and subdivisions, including airports, national armies, ministries of interior and of defence, and air traffic controllers.

COMPANIES IN THE DIVISION

ELDIS RADAR SYSTEMS

RETIA

CS-SOFT

ATRAK

job air technic

UPVISION SERVICES | DEFENCE

POCKET VIRTUALITY

CSG Mobility

CSG Mobility primarily consists of TATRA TRUCKS, a.s. one of the oldest vehicle manufacturers worldwide, and DAKO-CZ, a.s., a leading manufacturer of braking systems for rolling stock in Europe.

Tatra Trucks focuses on the production of heavy off-road vehicles, including trucks and special-purpose vehicles for the armed forces and civilian use, as well as chassis for weapon systems, radar, and other sensitive systems. Its history dates back to [1850]. As part of our vertical integration strategy, Tatra Trucks produces thechassis for the land systems manufactured by our Defence division.

DAKO-CZ produces pneumatic, electromechanical, and hydraulic brake systems and components for rail vehicles such as metro cars, trams, passenger coaches, freight cars, and container and pocket wagons. This company's history can be traced back to [1816].

Our mobility companies are based in and/or operate manufacturing facilities located in the Czech Republic and India (through our joint ventures with MEDHA DAKO-CZ PRIVATE LIMITED and JWL DAKO-CZ (INDIA) LIMITED).

Our mobility unit has a diverse customer base, including government agencies like Ministry of Defence or Integrated Rescue System and private entities.

COMPANIES IN THE DIVISION

TATRA
DAKO-CZ BRAKE SYSTEMS
DAKO-CZ MACHINERY
DAKO-CZ SERVICE
DAKO-CZ TRANSELCO
DAKO-CZ INDIA
MEDHA DAKO-CZ
JWL DAKO-CZ
TATRA METALURGIE

CSG Business Projects

Our business projects unit, CSG Business Projects, consists of our companies that do not fall within any of our core business segments. The largest companies within CSG Business Projects division are Armi Perazzi S.p.A., ELTON hodinářská, a.s. ("Elton"), KARBOX s.r.o. ("Karbox"), and Prague Fertility Centre s.r.o. ("Prague Fertility Centre").

Armi Perazzi S.p.A. specializes in the production of high quality hunting and sporting shotguns. It was founded in 1957 by Daniel Perazzi and is known for its focus on innovation and quality. Elton is a Czech watch manufacturer with a product portfolio that also includes mechanical clocks and luxury wall clocks. Karbox specializes in the manufacturing and servicing of logistics, control, medical, storage, and communication containers, including customized containers for the armed forces. As part of our vertical integration strategy, Karbox supplies special workshop container bodies for Tatra Trucks. Prague Fertility Centre specializes in fertility treatments and operates laboratory and surgical facilities located in the Czech Republic.

COMPANIES IN THE DIVISION

Perazzi

MANUFACTURE PRIM 1949

KARBOX

PFC Prague Fertility Centre

CSG Business Segments Overview

% of FY23 Sales		FY23 Sales	FY23 Op. EBITDA margin %	Key Product	Type of contract	Split by end-markets	# of factories (and location)	Key Group Entities
~61%	CSG Defence	EUR 1,052m	32%	– Military vehicles – Heavy off-road trucks – Special mobile containers – Medium & Large caliber ammo	Multi-year (3+ years) for land systems, 12–24 months for Medium & Large caliber ammo	100% Defence		EXCALIBUR ARMY; MSM GROUP; EXCALIBUR INTERNATIONAL; TATRA DEFENCE VEHICLE
~21%	CSG Ammo+	EUR 368m	17%	– Small caliber	Short term for Civil, 12 months for Law Enforcement	13% Defence 87% Civil		
~13%	CSG Aerospace	EUR 225m	8%	– Communication systems – Control radars – Aircraft repairs and training	Multi-year for R&D radars and military applications, 1 year for Aircraft maintenance	63% Defence 37% Industrial non Defence		ELDIS RADAR SYSTEMS; CS-SOFT; RETIA; job air technic
~4%	CSG Mobility	EUR 66m	21%	– Construction of trucks – Service for trucks products – Rail braking systems and components	Multi-year (3+ years) for rail, 12–24 months for Trucks	1% Defence 99% Industrial non Defence		DAKO-CZ; TATRA; TSG TRUCK SERVICE GROUP
~1%	CSG Business Projects	EUR 23m	17%	– Premium shotgun manufacture – Healthcare service – Luxury watches manufacture – Container superstructures	Retail	30% Defence 70% Industrial non Defence		Perazzi; ELTON; PFC; KARBOX

Our History in Milestones

Before the Birth of CSG

Late 1300s

Gunpowder and firearms production began in Granada, Spain. The company Fábrica de Municiones de Granada is still drawing on this tradition today.

1816

An engineering plant was founded in Třemošnice in today's Czech Republic. This plant evolved into today's DAKO-CZ—a manufacturer of rail-vehicle braking systems and components.

1850

A company for carriages production was founded in another Czech town, Kopřivnice. Today we know it as Tatra, a world-famous manufacturer of heavy off-road vehicles.

1876

Giulio Fiocchi opened a small-caliber ammunition factory in Lecco, Italy that would become the basis of a major group—which has manufacturing facilities in the UK and USA today.

1957

Near the Italian city of Brescia, the young Italian gunsmith Daniele Perazzi established a business bearing his name to achieve his dream of producing the best shotguns in the world.

The CSG Era

1995

The Czech entrepreneur Jaroslav Strnad founded Excalibur Army, a company trading in military material and equipment. This was the first entity of the Group.

2005

Excalibur Army acquired its first production facility: a former military repair plant in the Czech town of Přelouč.

2008

The Group's founder has by this point expanded his business to Slovakia, where he has acquired several state-owned defence companies on the basis of long-term leases, for which he has successfully secured export contracts.

2010

Jaroslav Strnad took control of DAKO-CZ, a Czech company manufacturing braking systems for rail vehicles, and expanded his business into the railway industry.

2013

The renowned Tatra truck company was in crisis. Strnad joined forces with entrepreneur René Matera to acquire Tatra, and it recovered soon afterward.

2013

Excalibur Army won a tender for the military repair facility in the Czech town of Šternberk, which quickly became the nation's most important manufacturer of military and special ground equipment.

The CSG Era

2014

The companies controlled by Jaroslav Strnad were incorporated into a holding structure, which initially bore the name Excalibur Group.

2016

The holding company was renamed to CZECHOSLOVAK GROUP, abbreviated as CSG. It has used this name ever since.

2016

New companies were acquired by CSG: the radar manufacturer RETIA, the aircraft repair company JOB AIR Technic, and the luxury watch manufacturer ELTON hodinářská.

2016

A new company for the development and production of ground vehicles, TATRA DEFENCE VEHICLE (TDV in short), was founded in this year. It manufactures the Pandur and TITUS wheeled armored vehicles today.

2018

The Group's founder Jaroslav Strnad handed over ownership to his son Michal and went off to work for a newly established holding company, CE Industries.

2018

Within CSG, the CSG Aerospace division was established. It encompassed the radar manufacturers ELDIS and RETIA and the air traffic control system developers CS Soft and ATRAK.

2020

CSG made its first acquisition of a manufacturing company in Western Europe, buying the ammunition manufacturer Fábrica de Municiones de Granada (FMG for short) from the GDELS group.

2022

CSG acquired a majority stake in Fiocchi, the world's leading ammunition manufacturer, with operations in Italy, the UK, and the US, thereby becoming a global group.

2023

CSG entered into an agreement with the US company Vista Outdoor and purchased from it a division of companies producing small-caliber ammunition in the USA, including Remington and Federal.

2023

CSG is buying a majority stake in Armi Perazzi, an Italian family-owned company that produces the world's best shotguns for sport shooting and hunting.

Our History in Words

The Group's Origins

The history of the Group began in 1995, when the company Excalibur Army was established in the Czech Republic. It focused on trading in surplus equipment and material that was scrapped and sold in competitive bidding procedures of the Czech Armed Forces and other NATO armies. This company's founder and owner was the Czech businessman Jaroslav Strnad.

In order to be able to repair and enhance the acquired equipment, Strnad needed his own manufacturing facility. To this end, he purchased a bankrupt military repair company in the Czech town of Přelouč in 2005. In 2008, he commenced his business activities in Slovakia, where he acquired several state-owned companies on the basis of a long-term lease from the Slovak Ministry of Defence. He was able to obtain export contracts for these companies, thus maintaining employment and supporting the preservation of the traditional defence industry in Slovakia.

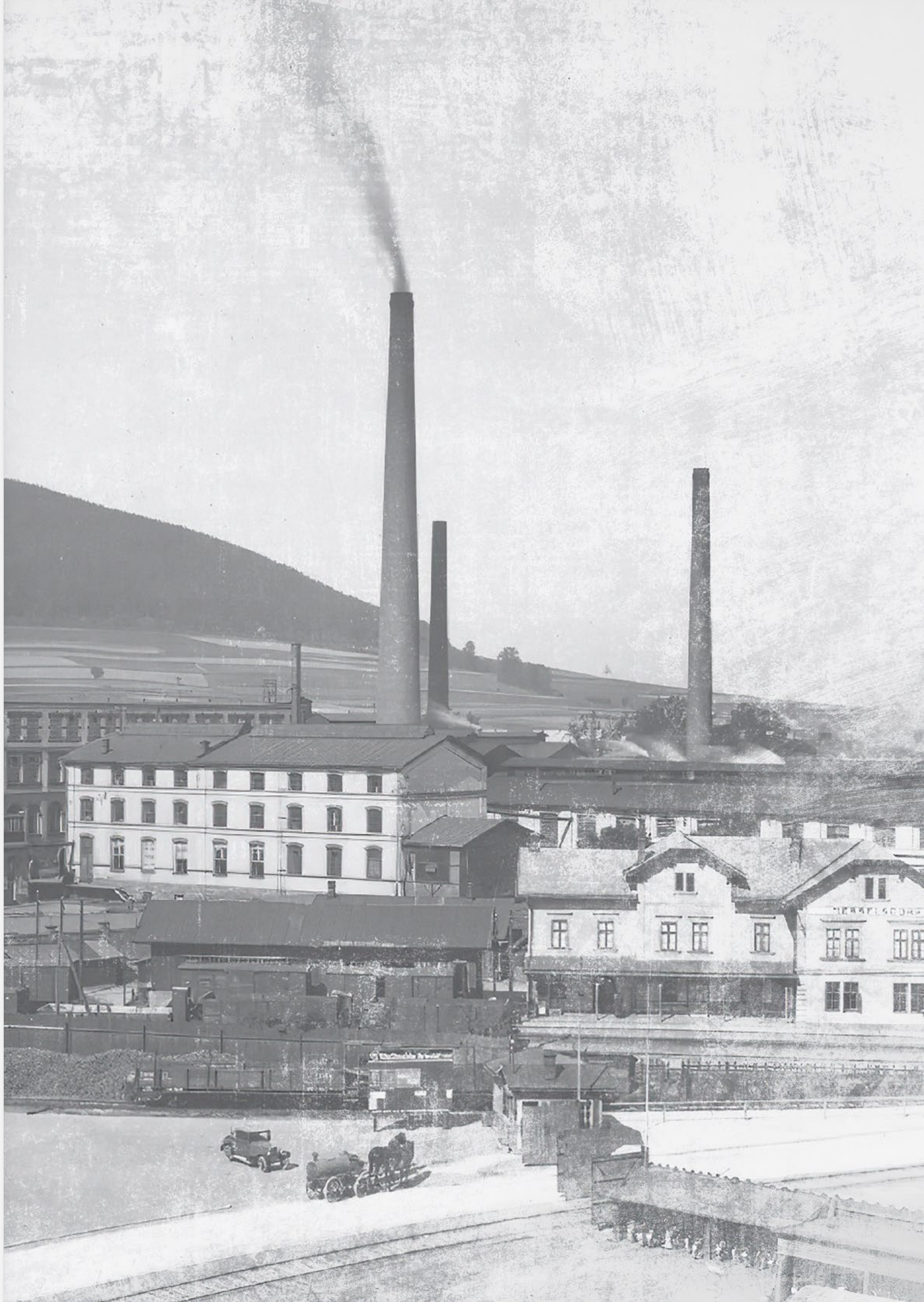
Jaroslav Strnad also owned businesses in the railway industry. In 2010, he bought out the shares of a group of shareholders of DAKO-CZ, a company in Třemošnice, 100 km east of Prague. DAKO is a globally important manufacturer of rail-vehicle braking systems and components, supplying its products to such companies as Siemens, Alstom, and Bombardier.

The Tatra Acquisition and the Birth of the Holding Company

One crucial step in the Group's development was the acquisition of a majority stake in the Tatra automotive company, which Strnad acquired together with the minority shareholder René Matera in 2013. This traditional Czech manufacturer of heavy off-road vehicles—the third oldest carmaker in the world—was in a dismal state, but already in the course of 2013 it managed to resume production, win contracts, and turn a profit.

Another important acquisition in this year was the purchase of the military repair company of the Ministry of Defence of the Czech Republic located in Šternberk, for which the government no longer had any use. In this case as well, we managed to win export contracts and gradually increase the employee count. Today, the Šternberk plant is one of the key production facilities of Excalibur Army and one of Europe's most important manufacturers of military ground equipment.

In 2014, the Group's holding structure began to emerge. The Group was initially called Excalibur Group; it was renamed to Czechoslovak Group (CSG for short) in 2016. The new name better described the Group's territorial coverage while also symbolizing a continuity with the "Made in Czechoslovakia" industrial brand on export markets, which has a sterling reputation to this day on markets in Asia and Africa.



The Arrival of Michal Strnad and the Formation of the Group's Divisions

2016 was also when the son of the founder Jaroslav Strnad, Michal, joined our board of directors. He had by then been gained experience in managing different parts of the Group for several years. Under Michal's leadership, 2016 was a period of expansion in Czech industry. CSG became the Czech nation's most active investor thanks to its acquisitions of the aircraft repair company JOB AIR Technic, the radar manufacturer RETIA, and ELTON hodinářská, the maker of PRIM wristwatches. Alongside these investments into existing companies, CSG established the greenfield company TATRA DEFENCE VEHICLE, which manufactures the TITUS and Pandur wheeled armored vehicles out of a facility in Kopřivnice—nearby the Tatra truck company. New members were also added to the Group in 2017, when it expanded to include the air traffic control systems developer CS SOFT and the radar manufacturer ELDIS Pardubice.

2018 saw a generational changing of the guard. Jaroslav Strnad transferred Czechoslovak Group to his son Michal and embarked on a project to build a new industrial group, CE Industries, focusing on the energy, food, recycling, and railway industries.

Another significant event was the establishment of the CSG Aerospace division, a sub-holding structure that brought together companies active in the aerospace sector. Its members include the Czech radar companies ELDIS and RETIA, the air traffic control system developers CS SOFT and ATRAK, and the aircraft repair company JOB AIR Technic. This model gradually led to the organization of CSG into divisions on the basis of key business areas. Alongside Aerospace, the divisions created were Defence (production of military ground equipment, large-caliber ammunition, etc.), Mobility (automotive and rail), Ammo+ (small-caliber ammunition), and Business Projects (divisions of companies that are not among the Group's core lines of business).

International Expansion

In 2020, CSG made its first acquisition in Western Europe—the Spanish munitions manufacturer FMG, which it acquired from General Dynamics European Land Systems with the approval of the Spanish government. The Group expanded in a different sense in 2021, with a new member doing business outside its traditional pillars—the reproductive clinic Prague Fertility Center.

In 2022, CSG completed its then record-breaking acquisition project when it bought a majority stake in Fiocchi from the Italian investment group Charme Capital Partners. Fiocchi is the world's leading manufacturer of small-caliber ammunition, with production facilities in Italy, the UK, and the USA. This acquisition strengthened CSG's global character—and made it an American manufacturer. The acquisition thus had to be vetted by the Committee on Foreign Investment in the United States, also known as CIFIUS, for CSG to enter this market.

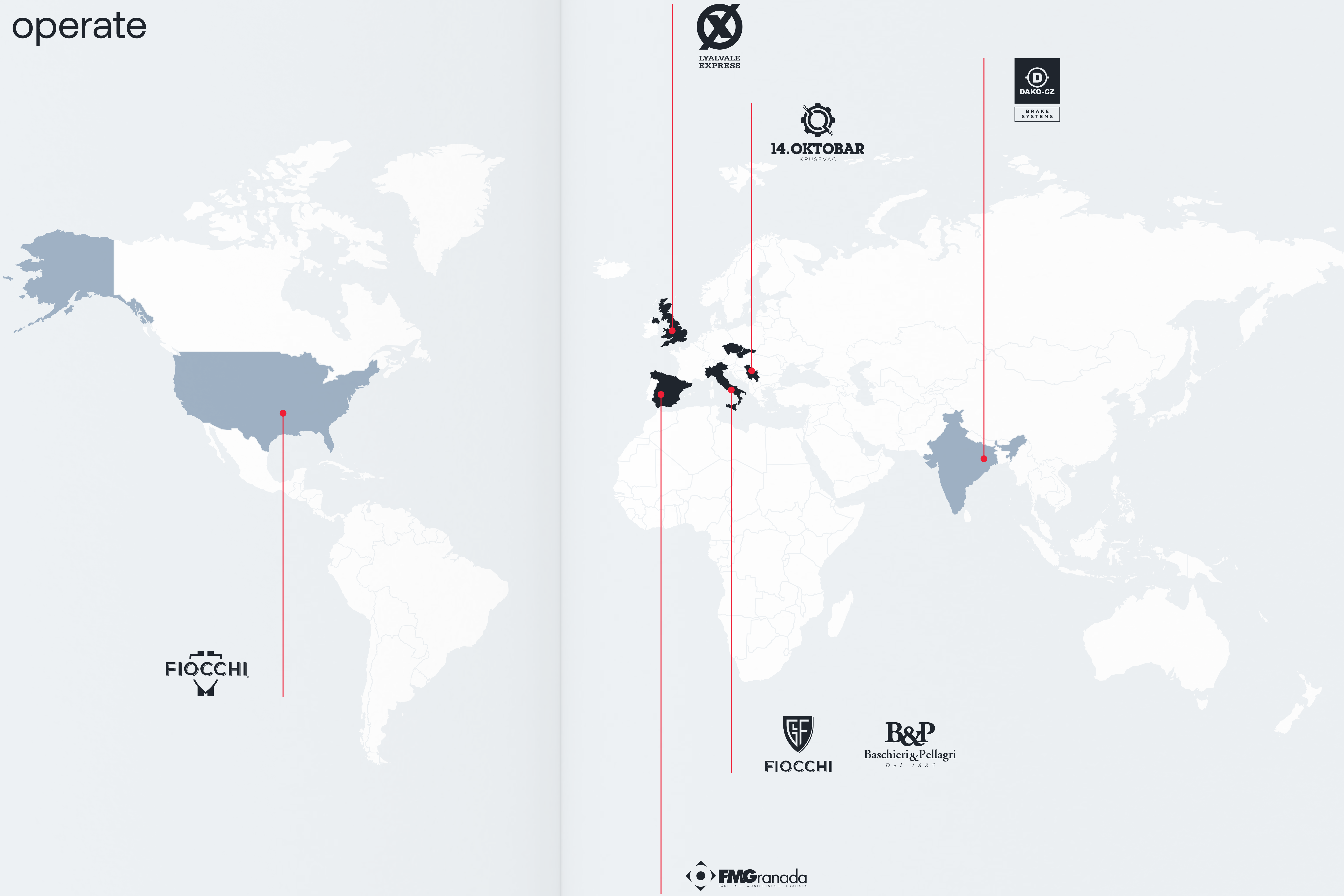
The acquisition of Fiocchi became the springboard for a record-breaking acquisition project: In the fall of 2023, CSG entered into an agreement with Vista Outdoor, a U.S. publicly traded company, to buy out its Sporting Products division, which includes major U.S. small-caliber ammunition manufacturers such as Federal and Remington. The transaction is expected to be approved by regulators in several countries in the first half of 2024 and ultimately decided at Vista Outdoor's general meeting. Upon the closing of this transaction, CSG will become the most important small-caliber ammunition manufacturer in the Western world.

At the end of 2023, CSG made another "image-building" acquisition.
It acquired a majority stake in Armi Perazzi, an Italian family-owned company that makes the world's best shotguns for top sport shooters and hunters. The Perazzi brand is well-known in the global shooting community, and its acquisition shows CSG's determination to build its position on this market.

Conclusion

Czechoslovak Group will be celebrating the thirtieth year of its existence next year. It has grown from a small trading company into a widely diversified global industrial group with a number of prestigious brands that develops new products and markets them successfully around the world. It is also a strategic supplier and manufacturer of defence technologies for the armed forces of NATO countries and Ukraine. In all the countries where it has manufacturing facilities, it strives to operate with a view to the long term and invest in the development of its companies. Meanwhile it actively applies the principles and rules of its ESG policy in its daily operations. Its owner's continued objective is long-term and sustainable growth through investment into the Group's companies and through the acquisition of companies that appropriately complement the portfolio within the Group's main core business.

Where we operate

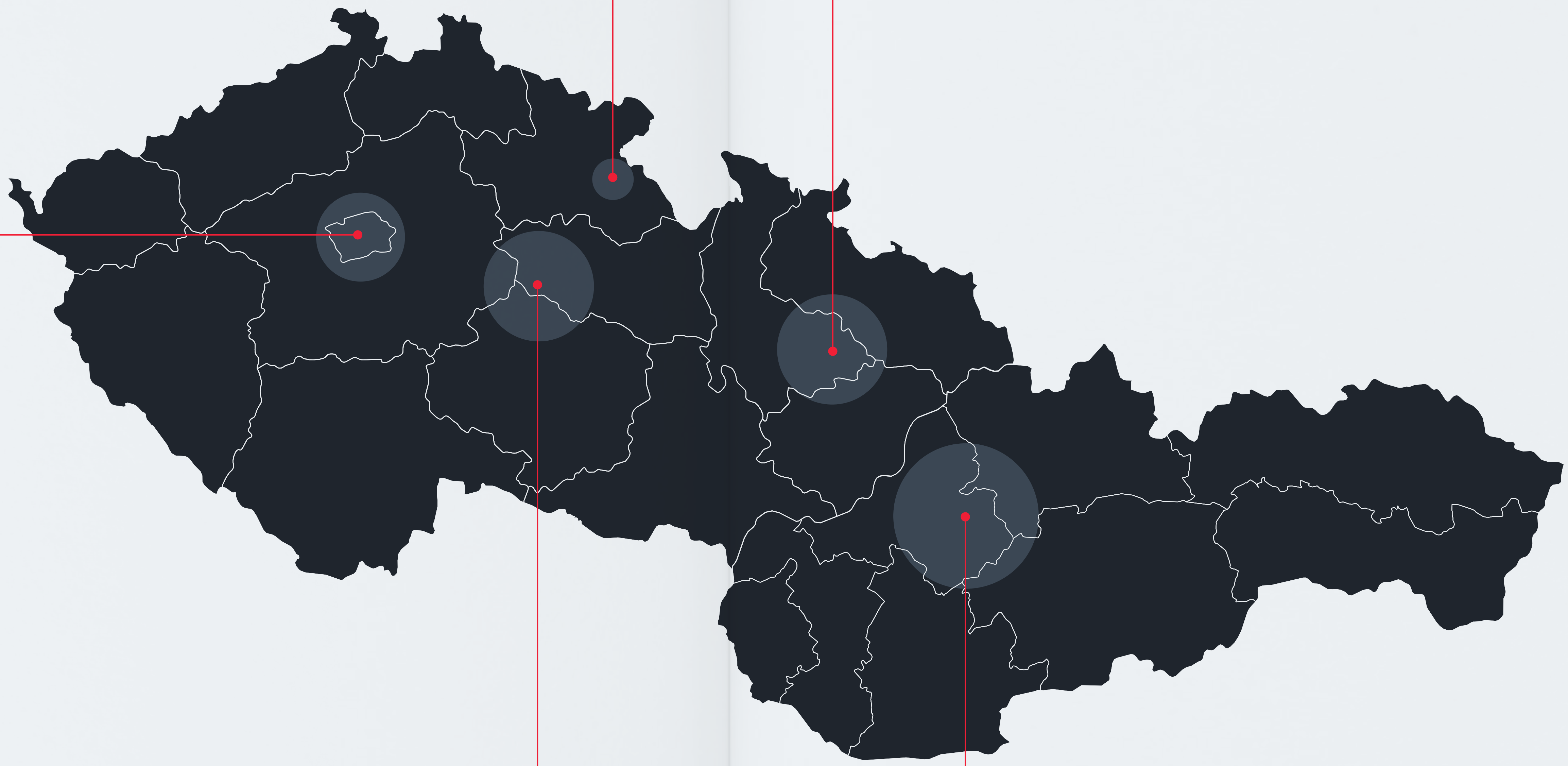


Existing markets
Expanding markets

Where we operate

Manufacture PRIM 1949
ELTON

Excalibur Army
job air technic
TATRA
TATRA DEFENCE VEHICLE

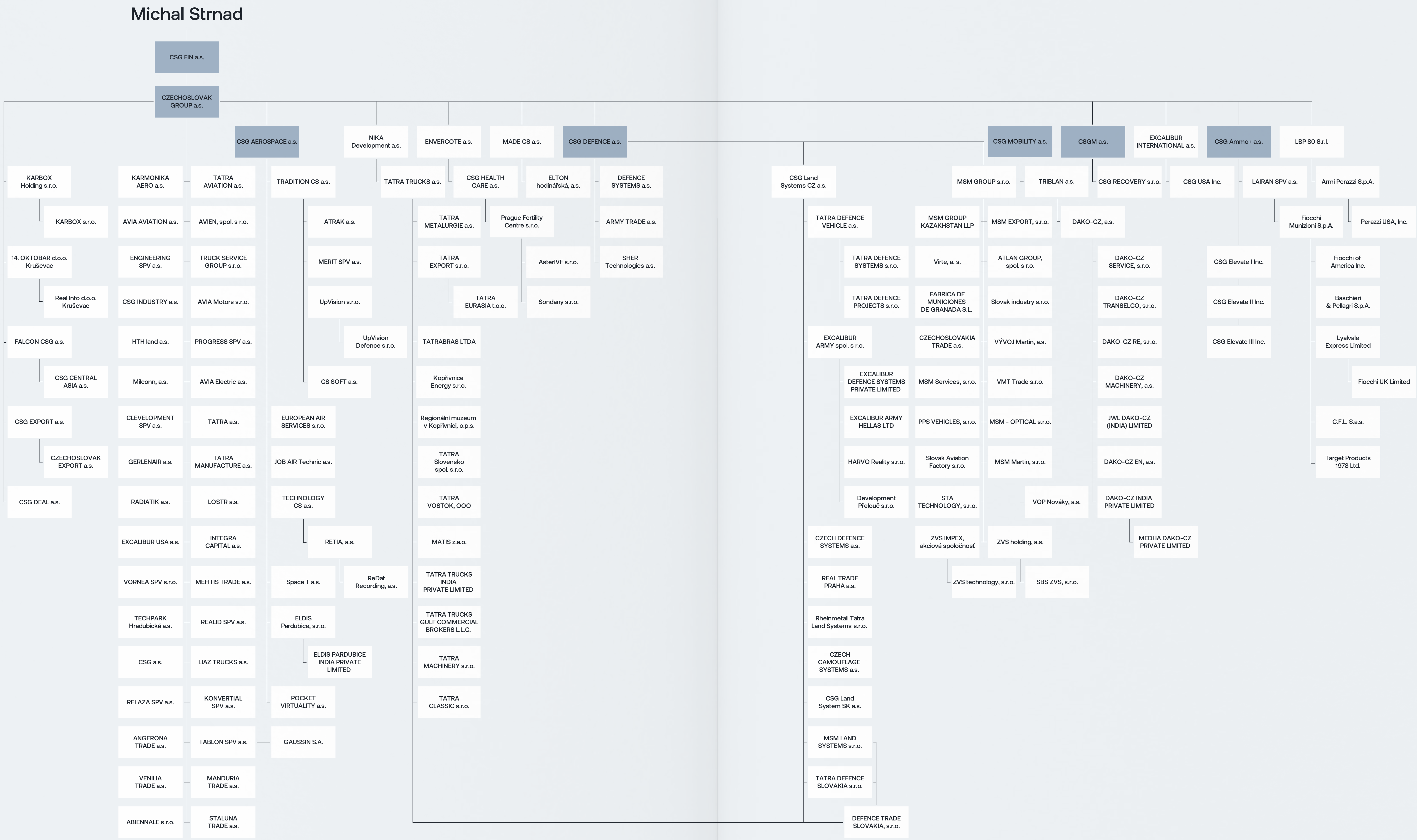


EXCALIBUR INTERNATIONAL
ATRAK
UPVISION SERVICES | DEFENCE
CS-SOFT
european air services
POCKET VIRTUALITY

DAKO-CZ
ELDIS RADAR SYSTEMS
KARBOX
TSG TRUCK SERVICE GROUP
RETIA

MSM GROUP
ZVS
VOP NOVÁKY
VÝVOJ Martin INNOVATION SPECIALISTS
msm LAND SYSTEMS
TATRA DEFENCE SLOVAKIA

Organisational Structure



Vision, Mission, and Values

We are building a powerful global brand, at the cutting edge of modern industry. We have no lack of business drive, but we are also driven to act ethically. We deliver products and technologies worldwide that help ensure a safer and more stable future, with the ambition to become a world leader in industrial innovation and sustainable development.

Our goal is to persist in successfully developing a broad portfolio of products and services and establish long-lasting partnerships. We create innovations to improve the lives of current and future generations. We are gradually integrating breakthrough 21st century technologies into our solutions: artificial intelligence, robotics, and elements of augmented and virtual reality. In the course of this, we rely on team players—smart and agile employees, corporate teams, and companies around the world.

Our Group's values are aptly represented by our slogan: **Heart. Heritage. Horizon.** It expresses how we put our heart into our business, respecting the legacy of our predecessors whose work we build on, while also looking to the future—beyond the horizon of today.

Stability

We are a reliable partner for our customers, suppliers, and employees worldwide.

Drive

We continuously seek new opportunities for our sustainable growth with regard to social responsibility and ethics.

Pride

We are proud of our ancestral industrial heritage, upon which we have built our success Innovation. We bring innovative solutions, then enhance them with breakthrough technologies one by one.

Business Strategy

We are continuing to implement our strategy of solidifying our position as a multinational manufacturer in the Defence & Aerospace and Small Caliber Ammunition segments, leveraging our business platform to capture opportunities in both our existing markets and new ones.

Our performance was strong in 2023, reflecting our continued successful execution of our strategies for organic and inorganic growth. Our existing operations are highly cash flow generative. We plan to continue investing in organic growth and in inorganic initiatives: increasing the synergies in existing operations, entering new markets, and making strategic bolt-on acquisitions.

Operational Efficiency & Integration

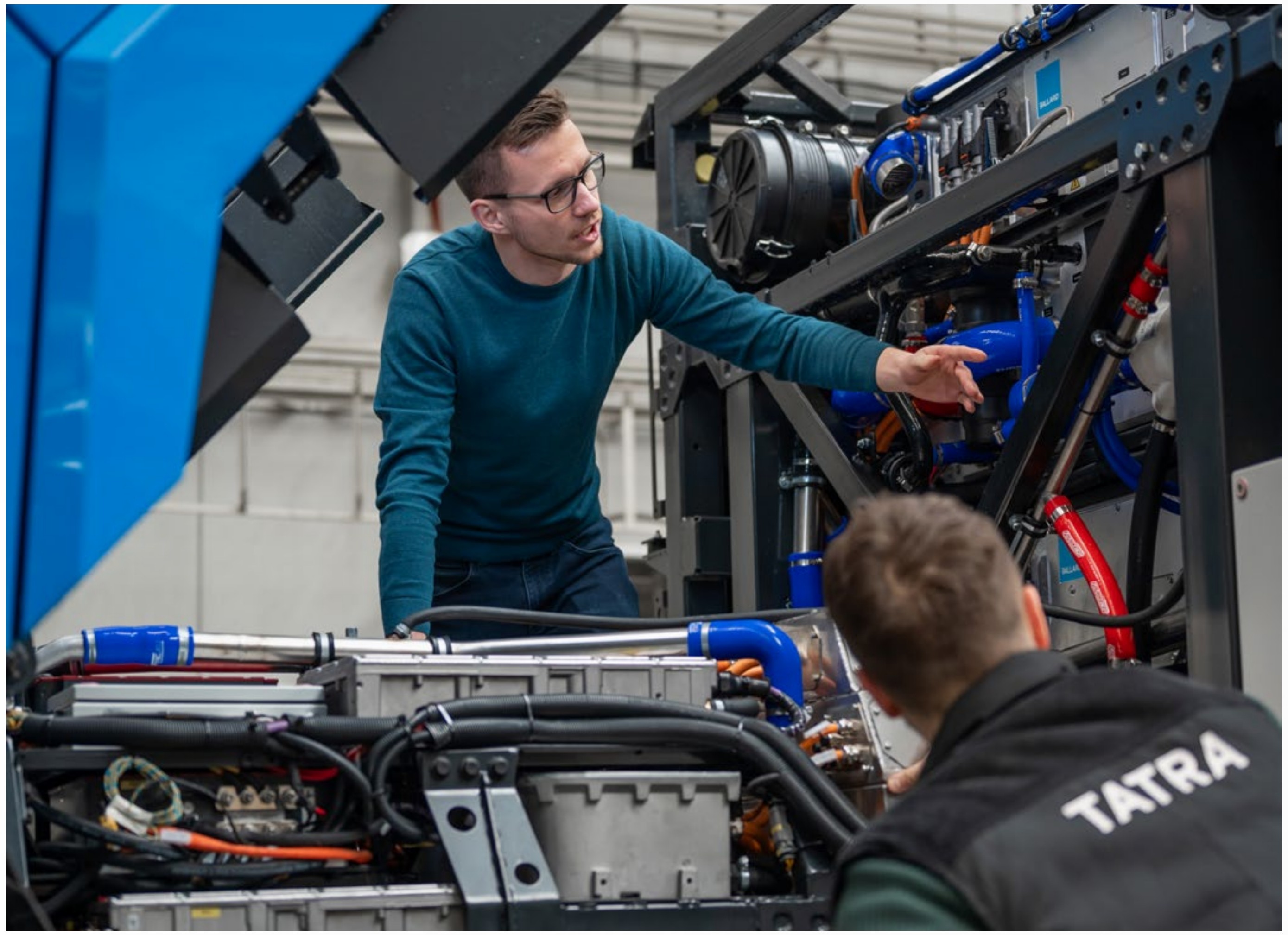
We are highly focused on operational efficiency and profitability as important drivers of cash flow and we aim to foster a culture focused on performance and efficiency across our operations. We are able to leverage benefits from sharing best practices across the group, such as product innovations and developments, CRM initiative and procurement strategies, in order to drive operational efficiencies and to accelerate growth. We target purchasing, marketing and cost synergies across our markets and pursue significant cost savings in areas such as key technologies and content supplies, leveraging our business scale and purchasing power. We have a strong track record of increasing the profitability of businesses we acquire.

Organic Growth

We continued with strong organic growth in 2023 as in the past; it was driven mainly by the CSG Defence and Ammo+ divisions. We have been able to expand our production capacities and work through innovations, increase of effectiveness and supply chain planning.

Innovation

Among our most significant recent innovation projects is the project for a truck with hydrogen fuel cells by our company Tatra Trucks. Its result is the prototype for the **Tatra Force e-Drive**, a vehicle which the company presented together with its partners last year. It is a truck for use in the mining industry, with a total weight of 45 t. Designers are currently testing various technologies on it in the most demanding of operating conditions. The prototype's drive system is electric, but it is designed to be independent of external sources of electrical energy. The truck therefore carries its energy source on-board: in addition to a traction electric motor, traction batteries, and two fuel cells, pressure tanks for gaseous hydrogen are installed on it as well. Fuel cells thus produce the necessary electrical energy through a chemical reaction from hydrogen directly on board the truck. Last year, Tatra Trucks also presented the **Tatra Force truck, which has an automated driving (AD) system**. The project is divided into three phases, with the first phase, for systems validation, currently underway. The project's ultimate goal is to create a truck with a Level 3 automated driving system, i.e. one capable of



autonomous driving. The prototype with remote control that is currently being tested is a prototype for vehicles that may find application in rescue units and in industry. This prototype is designed to handle even the most difficult conditions, in which Tatra vehicles normally operate, and so it is equipped with e.g. sensors with high resistance and has a cyber security system. The main benefit of Tatra's solution compared to other automated vehicle control systems is the consideration paid to operation in difficult terrain and to users with high demands.

In addition to the production of wheeled armored vehicles and armored cabins, Tatra Defence Vehicle has also started producing specialized superstructures for the Tatra chassis. The most recent example is the **Starkom** vehicle, designed for electronic warfare and jamming, which was ordered by the Army of the Czech Republic. For this project, Tatra Defence Vehicle produced armored cabins for the vehicle crews, as well as ballistic and mine-protected superstructures for special electronic devices and their operators. The company collaborated on this project with Vojenský výzkumný ústav, s. p. and other Czech companies such as Retia. Starkom is one of the most complex vehicles that Tatra Defence Vehicle has produced so far.

In recent years, MSM Group, or rather its subsidiary Vývoj Martin, has been supplying the Swedish army with **top-of-the-line containers for use in operational command**. These are used for a variety of purposes. There is a mobile unit command post that consists of, for example, ballistically protected containers for commanders of various levels, and also e.g. containers for electronic system operators and containers for IT equipment (masts with electronic sensors, server rooms, electronic assemblies, energy sources, etc.). The containers are equipped with air conditioners and are protected against the effects of electromagnetic pulses, and also against the effects of weapons of mass destruction. The manufacturer has been developing the individual container types according to the requirements of the Swedish army and delivering them on the basis of a contract obtained in 2011, the fulfilment of which continues to this day.

Our companies that work with small-caliber ammunition for handguns are producing innovations as well. In

2021, Fiocchi announced the results of its work on developing 100% biodegradable materials suitable for creating a complete line of components for shotgun targets and hunting-shotgun ammunition. The research and development department of Baschieri & Pellagri, which became part of the Fiocchi Group in 2020, was in charge of its development. Experts from Baschieri & Pellagri collaborated on this project with the University of Bologna. Thanks to this new technology, Fiocchi and Baschieri & Pellagri were able to launch their new **Green Core** ammunition in 2022.

Last year, our company Karbox likewise presented the results of its application of modern technologies. These are two unique mobile devices, **EWA (Emergency Water from Air) and SAWER (Solar Air Water Earth Resource)**, which are designed to extract water from the air. Karbox, which deals in the development and production of containers and special superstructures, developed these in cooperation with the University Center for Energy Efficient Buildings of the Czech Technical University in Prague. EWA can obtain 25–30 liters of water per day in a very dry desert environment, and it is many times more efficient than the world's technologically similar devices. SAWER is even more powerful as it is housed in a standard ISO 1C container. It can also include an autonomous energy source, also installed in an ISO 1C container, in the form of solar photovoltaic panels. SAWER uses the same basic principle as EWA. When deployed in dry desert conditions, it produces 280 liters of water per day with the use of solar panels, or around 590 liters of water per day when connected to an external power source.

Investment

In 2023, **Excalibur Army** began the construction of a new assembly hall including an administrative section. The expected investment costs for its construction and equipment are 500 million Czech crowns. The floor plan of the production hall will be approximately 80 m x 83 m, i.e. 6,640 m2 of production space. The new hall will bring a significant increase in the company's production capacity; therefore, it expects to increase its employee count from 100 to 150 in production and 30 to 50 in administration. The new production hall will focus on the assembly of wheeled vehicles, especially the Dita, DANA, Caesar, and Morana howitzers, as well as Patriot vehicles, engineer equipment, and rescue equipment such as the AM-50 EX, AM-70 EX, Treva-30, TRCV- 30, and more.

Last year, **Tatra Defence Vehicle (TDV)** launched a project for building a new production hall on its factory grounds in Kopřivnice. The company is currently finalizing the project documentation and commencing the building permit procedure for the construction of a new hall. The costs for its construction will exceed 300 million Czech crowns, and the company expects that 40 to 60 new jobs will be created. The new production hall will meet the highest of standards for a modern and eco-friendly building, and it will have significantly lower operating costs compared to existing buildings. The implementation of a photovoltaic power plant on the roof of the building is planned as well.

In the new production area, there will be a high concentration of welding capacities, especially for large units, which will optimize production in the existing assembly hall and improve the overall production flow in the company. A purchase of a welding robot is also planned. In addition to the construction of this new hall, TDV is investing tens of millions into expanding the capacities of the existing paint shop. Operations in the new hall and the expanded paint shop should begin, depending on the company's order occupancy, in late 2024 or early 2025.

The Slovak **MSM Group** also invested into the development of its companies' production capacities and facilities in 2023. It will gradually be investing over €50 million into its operations in Slovakia and Spain. Part of this investment will go into technologies. The goal here is to increase productivity through partial automation of production. Other funds are being directed toward increasing overall production capacity and furthering the development of their companies.

The majority of the funds is going to the companies **ZVS holding and ZVS IMPEX**, whose production facilities and related construction infrastructure are being reconstructed and modernized. Modern robotic technologies are being purchased one by one. At this company's operation in Snina, the production of large-caliber ammunition bodies has nearly been tripled. The planned investments, if executed successfully, will ensure an annual production capacity of up to 120,000 large-caliber ammunition units. Other investments concern the preparation of projects for further expansion of production, in terms of both capacity and the company's self-sufficiency.

Major investments were made at **VOP Nováky** as well. These financial stimuli have made the VOP Nováky plant one of the world's leaders in its field. Thanks to high automation, robotics, and the use of the latest technologies, it is also one of the most modern workplaces in Europe. Meanwhile the production of 122-millimeter artillery ammunition was successfully launched here and will soon form a significant part of the company's production portfolio. Factors like the increasing volume of revised 155 mm caliber ammunition, the start of production for 122 mm ammunition, and the start of mass production of the M-82 initiator and the KV-4 primer screw had caused the company's production to hit the capacity limits in warehouses. This is one of the reasons why the company decided to expand its storage capacities and introduce modern warehouse management system methods.

A second site for the production of powder charges was launched at the Spanish company **FMG**, doubling the company's production capacity to 240,000 units per year.

Growth in employee counts

Increasing demand and investment into production capacities have also forced companies, especially in the **CSG Defence** division, to strengthen their staffing. **Excalibur Army** hired a total of 109 new employees in 2023, with the majority heading into production, where they most frequently found employment as production workers, mechanics, and car mechanics. A total of 287 new employees were hired for technical professions—mainly designers, technologists, and purchasing staff.

In 2023, **Tatra Defence Vehicle** increased its employee count by about a tenth, with 10.8 percent of new employees being recruited by the company for technical and financial positions, and an 8.1 percent increase in production workers. Tatra Defence Vehicle has introduced new benefits to help with employee retention as well.

In the last 16 months, the number of employees in the companies within the MSM Group has almost doubled, from 696 to 1,208. In 2023, **MSM Group** recruited a total of 325 new employees, making use of massive recruitment campaigns. The majority of these new hires are working in production. MSM Group used both on-line and off-line advertising campaigns, introduced a recruitment bonus and a new-employee recommendation bonus, and changed its benefit program to make working at MSM Group companies even more attractive.

Inorganic Growth

We continued to deliver on our inorganic strategic growth initiatives, in efforts underpinned by strategic acquisitions and growing our position on new markets.

Entry into the small caliber ammunition markets
In December 2022, CSG obtained all the necessary approvals to close the acquisition of a 70% stake in Fiocchi Munizioni and established a new division, Ammo+. Through this acquisition, CSG has entered the commercial and law enforcement markets for small caliber ammunition in Italy, the UK, and the US.

Illustrating our ability to leverage learnings and expertise from across our businesses, CSG signed in October 2023 definitive agreement to acquire Vista Outdoor's sporting products business. Vista is a leading small caliber ammunition manufacturer in the US for commercial and law enforcement markets. The transaction's closing is subject to shareholder approval and the receipt of the necessary regulatory approvals.

Entry into sporting shotgun manufacturing
In December 2023, CSG acquired a majority 80% stake in Armi Perazzi S.p.A., a firearms company specializing in the segment of custom-made shotguns and for hunting and for the trap Olympic sport discipline. Our acquisition of Armi Perazzi has strengthened our strategic plan to systematically build up CSG as a global leader in sport shooting and hunting.

ESG Framework

The Sustainability Strategy as a Part of Our Strategic Approach

At CSG, we recognize that sustainability is not a stand-alone subject, but rather a fundamental aspect of our strategic planning. This recognition is reflected in our business model, which integrates environmental, social, and governance (ESG) considerations into every facet of our operations. Our commitment to sustainability is a testament to our belief that responsible business practices are key to long-term success and corporate integrity.

Through our strategic approach, we at CSG aim to demonstrate that sustainability and business success are not mutually exclusive but are, in fact, synergistic. We are committed to continuous improvement in our sustainability practices and to making a positive impact on society and the environment. Our strategy reflects our dedication to being a responsible corporate citizen and a leader in sustainable business practices.

Sustainability Frameworks and Principles

CSG's approach to sustainability reporting and strategy development is guided by a comprehensive understanding and integration of a collection of globally recognized frameworks and principles. This integration reflects our commitment to sustainability and our aim to be at the forefront of responsible business practices.

Last year, CSG's sustainability reporting was conducted in accordance with the Global Reporting Initiative (GRI) standards. This adherence ensured that our reported figures were transparent, comparable, and held to the highest standards of sustainability reporting. The GRI framework enabled us to communicate our environmental, social, and governance performance effectively to our stakeholders, providing them with a clear understanding of our impacts and initiatives.

Currently, we are preparing to align our reporting practices with the European Sustainability Reporting Standards (ESRS). This transition is a testament to our commitment to staying abreast of evolving sustainability reporting standards and our dedication to maintaining transparency and accountability in our sustainability disclosures.

In its journey towards a more integrated and comprehensive sustainability strategy, CSG has conducted a bottom-up ESG materiality assessment, focusing on a selection of ESG topics. This assessment was guided by the Sustainability Accounting Standards Board (SASB) materiality framework. Through this process, we identified the most material out of the sustainability issues pertinent to our business and stakeholders, ensuring that our sustainability strategy is both relevant and impactful. Our strategic alignment with the selected Sustainable Development Goals (SDGs) reflects our commitment to addressing some of the world's most pressing challenges. By focusing on these specific SDGs, we are contributing to global efforts to promote sustainable development while aligning our business operations with these important goals.

Additionally, CSG is preparing to commit to initiatives such as the Science Based Targets initiative (SBTi). This commitment signifies our readiness to set science-based emissions reduction targets, further demonstrating our dedication to mitigating climate change and contributing to a low-carbon economy.

Through these frameworks and initiatives, CSG is not only enhancing its sustainability performance but also reinforcing its position as a company striving for excellence in sustainable business practices. We remain dedicated to continuous improvement and to the integration of these globally recognized standards into our sustainability journey.

Sustainability Committee

The Sustainability Committee at CSG is a cornerstone in our pursuit of sustainable excellence and ethical governance. As an advisory body to the Board of Directors, it oversees the company's sustainability strategies, ensuring that these strategies are not only robust but also aligned with our long-term vision and stakeholder expectations. The committee's role further extends to rigorous risk management, particularly in identifying and addressing sustainability-related risks. It also plays a pivotal role in engaging with stakeholders, fostering a culture of transparency and responsiveness to their concerns and expectations. This committee is integral to our sustainability reporting, guaranteeing that our disclosures are comprehensive and reflect our genuine commitment to sustainable development and corporate responsibility.

Sustainability Report

The CSG Sustainability Report is a vital document that provides an in-depth exploration of our company's sustainable activities. This report serves as a comprehensive description of CSG's efforts across various sustainability dimensions, offering stakeholders a detailed view of our initiatives, achievements, and future plans in the environmental, social, and governance dimensions.

The purpose of this report is to communicate our progress and commitment in a structured and detailed manner, ensuring that our stakeholders, including investors, employees, customers, and the broader community, are well-informed about our sustainability journey.
It reflects our dedication to sustainable development and demonstrates the integration of sustainability into our business operations and corporate strategy.

Sustainability Strategy

CSG's Sustainability Strategy, encompassing a spectrum of environmental, social, and governance goals, is crafted to integrate sustainability at the core of our business operations. This strategy is anchored in promoting transparency and proactive stakeholder engagement, a vital aspect of our commitment to accountability and open communication. We imbue sustainability principles into our governance, aligning our practices with various global standards.

A significant part of our strategy focuses on stringent risk management and compliance, where we meticulously adhere to environmental, safety, and health regulations. This not only mitigates risks but also ensures the integrity and sustainability of our operations. In the realm of labor practices and human rights, we emphasize diversity, inclusion, and skill development, recognizing our workforce as a key stakeholder in our sustainability journey.

Community involvement is another cornerstone of our strategy. We engage in thorough social impact assessments and develop tailored community engagement plans. Our corporate social responsibility initiatives are geared towards minimizing potential negative impacts and fostering positive community relationships.

Supply chain management under our strategy involves integrating sustainable principles and conducting rigorous audits. This ensures that our entire value chain reflects our commitment to sustainability. We also place a strong emphasis on reducing our environmental footprint, setting targets for lowering our resource consumption and waste production.

Lastly, our strategy includes a decisive shift towards renewable energy sources. As we recognize the critical impact of climate change, we are committed to transitioning our operations towards more sustainable energy solutions, aligning our business processes with environmental sustainability goals.

Focus on CSG ESG Strategy

Strategic Pillar	Strategic Goal	Strategic Activity	SDGs Contributions
Sustainable Group Management	Transparency and disclosure of information	— Sustainability reporting — Stakeholder engagement	12 Responsible Consumption and Production; 13 Climate Action; 16 Peace, Justice and Strong Institutions; 17 Partnerships for the Goals
	Group Management	— Appointment of Members of the Board of Directors with relevant professional knowledge and experiences — Integration of sustainability as a key part of the Group's management structure	
	Risk management and regulatory compliance	— Sustainability risk assessment — Mitigation of sustainability related risks	
Employees and Social Responsibility	Working practices and human rights	— Diversity and inclusion — Fair Wage Policy — Safe working conditions	5 Gender Equality; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities; 12 Responsible Consumption and Production; 16 Peace, Justice and Strong Institutions
	Community involvement and development	— Communities support and social responsibility	
	Supply Chain Management	— Sustainable Supply Chain — Audit of Suppliers	
Support for the Environment	Reduction of Environmental Impacts	— Setting emissions reduction targets — Management of environmental impacts	6 Clean Water and Sanitation; 7 Affordable and Clean Energy; 8 Decent Work and Economic Growth; 12 Responsible Consumption and Production
	Renewable Energy Resources	— Investing in renewable energy resources — Obtaining energy from renewable resources	

Sustainability Targets

CSG is continuing to develop its sustainability framework, and so we are diligently preparing individual commitments across the environmental, social, and governance pillars. Central to our current focus is the establishment of key performance indicators (KPIs) in the governance domain, as detailed in our 2023 Sustainability Report. These KPIs are fundamental, as we are strongly persuaded that robust governance forms the bedrock of effective sustainability practices. Without a solid governance foundation, setting KPIs in other ESG areas would be less impactful. This approach underscores our belief that strong governance is crucial for ensuring the integrity and efficacy of our entire sustainability strategy. It sets the stage for expanding our KPIs into the environmental and social domains, with governance as the guiding principle.

ESG Ratings and Indices

At CSG, our journey towards obtaining relevant ESG ratings is a strategic endeavor aimed at enhancing our transparency and accountability to stakeholders. These ratings, which are recognized globally, serve as a benchmark for investors, customers, and other stakeholders to assess our commitment to sustainability.

We are thoroughly evaluating various ESG rating agencies, each of which has its own unique methodology and focus areas. This involves understanding the criteria and standards set by these agencies, which cover a wide range of sustainability aspects, including environmental impact, social responsibility, and governance quality. Our goal is to select ratings that best align with our sustainability strategy and values.

We are working in parallel to strengthen our internal ESG practices so that they meet these ratings' stringent requirements. This includes enhancing our data collection and reporting mechanisms, implementing best practices in sustainability, and ensuring that our policies and operations align with the high standards expected by these rating agencies.

Obtaining these ratings is more than just a metric for us; it's a journey towards continual improvement. We believe that participating in the ESG rating process will provide us with valuable insights and feedback, enabling us to refine our strategies and practices further. It also represents a commitment to our stakeholders—our dedication to being a transparent, responsible, and sustainable business.

Division-Specific Sustainability Plans

CSG is actively engaged in defining division-specific sustainability plans across our diverse portfolio. Each division is tasked with developing sustainability plans that resonate with its unique operational context and priorities. This tailored approach ensures that our sustainability efforts are not only cohesive at a corporate level but also deeply relevant and impactful within each specific business area.

In our Aerospace and Defence divisions, for example, our sustainability plans focus on advancing technological innovations that reduce environmental impacts and enhance safety standards. In Ammo+, the emphasis is on sustainable material usage and minimizing waste. The Mobility division is concentrating on developing eco-friendly transportation solutions, while Business Projects is integrating sustainable practices into project management and execution.

These division-specific plans are a crucial part of our overall sustainability strategy, allowing us to drive change effectively in line with the relevant priorities of each division. This comprehensive approach demonstrates our commitment to embedding sustainability into every aspect of our operations, ensuring that we lead by example in every market we serve.

1,734

Revenues,
EUR milion

Record financial performance in 2023, reflecting strong growth across our geographies and product segments.

Financial Review

Statement from the CFO

Zdeněk Jurák

Group Chief Financial Officer and Member of the Board of Directors

It is with great satisfaction that I reflect today upon the Group's financial performance for 2023. We achieved strong growth and high profitability, with our total revenue increasing by 70.9% year-on-year and an operating EBITDA margin of 25.3%. Our solid financial performance during a period of continued geopolitical tensions and increased spending in defence sectors across various European and NATO countries demonstrates the ability of the Group to respond to high demand for defence products.

We maintained our focus on operational efficiency, together with product and geographic diversification as well as investments into innovations to support high profitability that underpinned strong free cash flow generation.

We also continued to effectively execute our inorganic growth strategy in 2023. Fiocchi, our acquisition at the close of 2022, has been seamlessly integrated into the Group, further solidifying our market position.

In October 2023, we entered into a definitive agreement to acquire Vista Outdoor's Sporting Products division for a total consideration of $1.91 billion; this agreement is expected to be closed in the second quarter of 2024 (subject to further approvals). We also acquired a majority stake in the Italian family-owned firm Armi Perazzi S.p.A., a manufacturer of high-quality shotguns for sport shooters and elite hunters, for a total consideration of €50 million. These acquisitions extend our footprint as a global industrial and technology group with significant operations across Europe and the USA.

In the past year, our approach to risk management has been both prudent and proactive, particularly in the realms of interest and exchange rates. We are aware that fluctuations in these areas can have a significant impact on our financial performance. To mitigate these risks, we have employed a range of hedging strategies and financial instruments that are designed to provide stability and predictability for our cash flows.

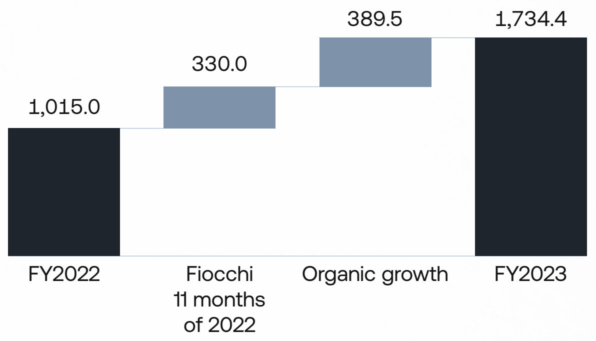
We continuously monitor global economic indicators and market trends to anticipate changes that could affect our operations. Our treasury team works diligently to align our financial activities with our risk appetite, ensuring that we maintain a balanced approach to both domestic and international transactions.

Concerning financing, we issued €181.3 million in unsecured notes during 2023 and signed loans and facilities totaling ~€252.3, which is a testament to the strength of our business and credit.

I would like to thank all our financing partners for their continued strong support, enabling us to successfully advance and execute our growth strategies. With our solid financial foundation and a clear vision for the future, we are well-positioned to navigate the challenges ahead and capitalize on any opportunities that arise.

Result Analysis

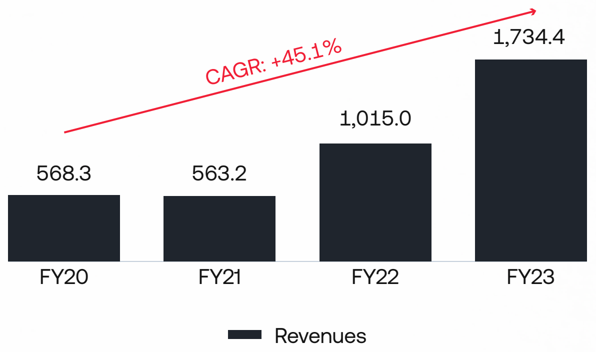
We delivered another year of record financial performance in 2023, reflecting strong growth across our geographies and product segments. This durable growth has been both organic and inorganic. Due to our acquisition of Fiocchi late in 2022, in November, this company contributed to only 1 month of the 2022 consolidated results; in 2023 it contributed to the full-year consolidation.

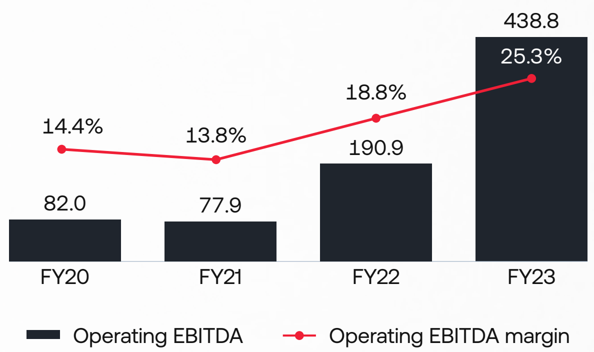


Our consolidated total revenue amounted to €1,734 million, which is 71% higher than in the previous year, as a result of the strong growth of the defence segment and the full consolidation of Fiocchi. Operating EBITDA amounted to €438.8 million with a 25.3% margin versus 18.8% in the previous year thanks to an improved gross profit and better absorption of fixed costs.

Financial Track Record

Revenues and operating EBITDA trend





Revenues increased by €719.5 million, i.e. 70.9%, to €1,734.4 million and Operating EBITDA increased by €247.9 million, i.e. 129.8%, to €438.8 million. The growth in Operating EBITDA was primarily driven by strong revenue growth, with margins having increased from 18.8% to 25.3% across our geographies.

Comparison

	Year ended December 31			Change
EUR milions	**2023**	**2022**	**ABS**	**%**
Revenues	1,734.4	1,015.0	719.5	70.9%
Consumed material and costs of goods sold	(840.8)	(542.7)	(298.2)	55.0%
Services	(245.3)	(168.5)	(76.8)	45.6%
Staff costs	(194.0)	(101.2)	(92.8)	91.8%
Amortization/depreciation of fixed assets	(60.7)	(28.3)	(32.4)	114.4%
Other operating income	18.1	17.0	1.1	6.6%
Other operating expenses	(33.6)	(28.8)	(4.9)	16.9%
Profit from operating activities	**378.1**	**162.6**	**215.5**	**132.6%**
Financial income	23.2	14.1	9.1	64.2%
Financial expense	(104.1)	(39.5)	(64.6)	163.8%
Profit from other financial instruments	(20.7)	34.2	54.9	(160.4)%
Profit / (loss) from financing activities	**(101.6)**	**8.8**	**(110.4)**	**(1,253.2)%**
Share of profit / (loss) from associates and joint ventures, net	0.6	9.9	(9.3)	(93.5)%
Profit / (loss) from the sale of an equity interest	1.8	0.4	1.4	322.5%
Profit before tax	**278.9**	**181.7**	**97.2**	**53.5%**
Income tax	(68.7)	(40.6)	(28.1)	69.3%
Net profit from continuing operations	**210.2**	**141.1**	**69.1**	**48.9%**
Other comprehensive income, net	(4.3)	10.7	(15.0)	-139.8%
Total other comprehensive income	**206.0**	**151.8**	**54.1**	**35.6%**

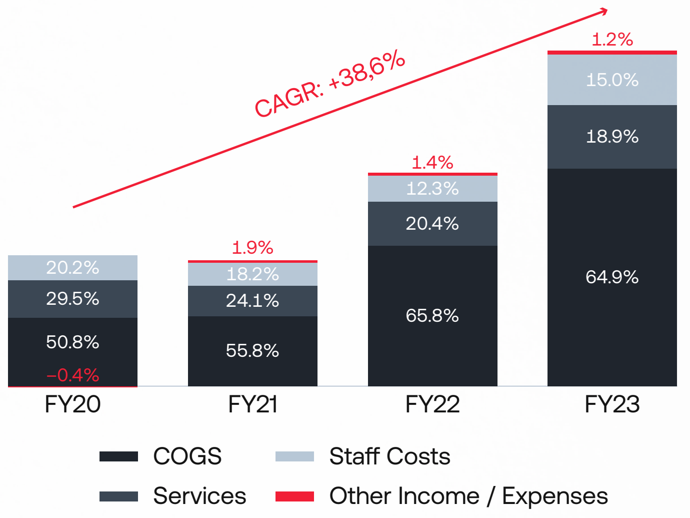
Revenues

Revenues increased by €719.5 million, or 70.9%, to €1,734.4 million in FY23 from €1,015.0 million in FY22. This increase was primarily due to full year consolidation of Fiocchi and increase in Defence division revenues.

Revenues split per Country

	Year ended December 31	
EUR milions	**2023**	**2022**
Czech Republic	247.2	267.7
Slovakia	75.1	37.4
Rest of European Union	560.4	157.2
United States of America	230.8	19.5
Indonesia	57.1	13.8
Ukraine	399.4	416.3
Other	164.4	103.1
Total revenues	**1,734.4**	**1,015.0**

Operating costs



Consumed material and cost of goods sold

Consumed material and cost of goods sold increased by €298.2 million, or 54.9%, to €840.8 million in FY23, from €542.7 million in FY22. This increase was a consequence of the Group's overall business. However, when comparing as a percentage of sales, material costs decreased from approx. 53.5% to 48.5%.

Services

Services, comprising mainly sub-deliveries, energy costs, external services (consulting, legal, etc.), and commission fees to agents, increased by €76.8 million, or 45.6%, to €245.3 million in FY23, up from €168.5 million in FY22. However, when comparing as a percentage of revenues, service costs decreased from 16.6% in FY22 to 14.1% in FY23, due to revenue growth and better fixed costs absorption and increased efficiency.

Staff costs

Staff costs in absolute numbers increased by €92.8 million, or 91.8%, to €194.0 million in FY23 from €101.2 million in FY22 due to new employees hired to meet increasing demand as well as full year consolidation of Fiocchi. When comparing as a percentage of sales, the staff costs increased from 10.0% in FY22 to 11.2% in FY23.

Amortization/depreciation of fixed assets

Amortization/depreciation of fixed assets increased by €32.4 million, or 114.5%, to €60.7 million in FY23 from €28.3 million in FY22. This increase was primarily due to new investments into the infrastructure of the production facilities throughout the group as well as full year consolidation of Fiocchi.

Other operating income

Other operating income increased by €1.1 million, or 6.6%, to €18.1 million in FY23, from €17.0 million in FY22. This increase was primarily due to gains realized on the disposal of tangible and intangible assets.

Other operating expenses

Other operating expenses increased by €4.9 million, or 16.9%, to €33.6 million in FY23, from €28.8 million in FY22. This increase was mainly attributed to changes in the impairment of receivables. However, when comparing as a percentage of revenues, the expenses decreased from 2.8% in FY22 to 1.9% in FY23, copying the overall increase of performance.

Profit from operating activities

Profit from operating activities increased by €215.5 million, or 132.6%, to €378.1 million in FY23, from €162.6 million in FY22. This increase was primarily due to the full-year consolidation of Fiocchi and increase of business primarily in defence.

Financial income

Financial income increased by €9.1 million, or 64.2%, to €23.2 million in FY23, from €14.1 million in FY22. This increase can be attributed primarily to heightened interest income stemming from expanded investments and loans provided during the FY23.

Financial expense

Financial expense increased €64.6 million, or 163.8%, to €104.1 million in FY23 from €39.5 million in FY22. This increase was primarily due to new interest expenses related to the loan used for acquisition of Fiocchi group and newly issued bonds in 2023.

Profit from other financial instruments

Profit from other financial instruments decreased by €54.9 million, or 160.4%, to €(21.0) million in FY23, from €34.2 million in FY22. This decrease was primarily due to adverse performance in interest rate derivatives, currency derivatives, and impairment on financial assets.

Cash flows

The table below presents a summary of our cash flows for the periods indicated, which have been extracted without material adjustment from the historical financial information set out in "Selected Historical Financial Information."

	Year ended December 31	
EUR milions	**2023**	**2022**
Net cash from operating activities	199.1	324.8
Net cash (used in) / from investing activities	(70.5)	(583.7)
Net cash (used in) / from financing activities	190.7	399.4
Net increase / (decrease) in cash and cash equivalents	319.4	140.5
Cash and cash equivalents at beginning of period	241.7	104.0
Foreign exchange rate gains / (losses) from the translation of cash and cash equivalents	2.8	(2.8)
Cash and cash equivalents at end of period	**563.9**	**241.7**

Net cash from operating activities

Net cash from operating activities for FY23 of €199.1 million comprised cash generated from operating profits of €422.0 million (inflow), and free capital movements of €170.2 million (outflow) and taxes paid of €52.6 million (outflow). For FY22, net cash from operations of €324.8 million comprised cash generated from operating profits of €195.7 million (inflow) and working capital movements of €145.4 million (inflow), which was partially offset by taxes paid of €16.3 million (outflow). Net cash from operating activities for FY23 decreased by €125.7 million, or 38.7%, to €199.1 million, primarily due to change in working capital which corresponds to the growth of overall business.

Net cash used in investing activities

Net cash used in investing activities for FY23 of €70.5 million (outflow) comprised primarily proceeds from disposal of subsidiaries of €19.0 million (inflow), change of loans provided of €27.9 million (inflow), interest received of €10.2 million (inflow), acquisition of investments in subsidiaries, net of cash acquired of €47.7 (outflow) investments into property, plant, and equipment, investment property and intangible assets of €74.2 million (outflow). For FY22, net cash used in investing activities of €583.7 million (outflow) comprised primarily the acquisition of investments in subsidiaries, net of cash acquired of €477.0 (outflow), investments into property, plant, and equipment, investment property and intangible assets of €65.3 million (outflow), and provided loans of €64.1 million. Net cash used in investing activities for FY23 decreased by €513.2 million, or 87.9%, to €70.5 million. This decrease was primarily due to major acquisition of Fiocchi in 2022 and partial decrease of loans provided.

Net cash from financing activities

Net cash from financing activities of €190.7 million (inflow) for FY23 primarily comprises proceeds of borrowings of €252.3 million (inflow) and bonds placements of €181.3 million (inflow), partially offset by repayments of borrowings of €121.3 million (outflow), repayment of bonds €30.4 million (outflow) and interest payments of €79 million (outflow).

For FY22, net cash from financing activities of €399.4 million (inflow) primarily comprises proceeds from borrowings of €548.6 (inflow), partially offset by repayments of borrowings of €119.5 million (outflow).

Borrowings

The table below presents a breakdown of our interest-bearing loans and borrowings as at the dates indicated.

	Year ended December 31	
EUR milions	**2023**	**2022**
Borrowings from credit institutions	718.1	612.3
Owner loans and loans from other related parties	38.3	28.5
Loans from third parties	1.1	11.9
Derivative instruments	7.0	0.5
Other financial liabilities	0.0	4.2
Financial liabilities from leases	42.5	38.3
Total	**806.9**	**695.8**
Of which current	300.5	186.7
Of which non-current	456.9	466.1
Of which other financial and lease liabilities	49.5	43.0

Further Information
Net Debt to EBITDA Covenant

Reason for inclusion: The consolidated net debt ratio is a selected non-IFRS financial indicator listed in the prospectus of bonds due in 2028, ISIN CZ0003534174 (similarly as the bonds due in 2026, ISIN CZ0003532681 and the bonds due in 2024, ISIN CZ0003523151). The prospectus has been published on CSG's website (https://czechoslovakgroup.com/) and in the Central Storage of Regulated Information on the Czech National Bank's website.

'000 EUR	Dec 31 2023	Dec 31 2022	Dec 31 2021
EBITDA covenant (pro forma)			
Net profit after taxation (pro forma)	213,189	179,395	55,053
Income tax (pro forma)	68,444	52,577	13,647
Depreciation and amortization (pro forma)	61,641	43,010	25,049
Share of profit (-)/(loss (+)) of associates and joint ventures, net (pro forma)	-647	(10,197)	(4,638)
Profit (loss) from financing activities (pro forma)	101,142	6,049	6,812
Profit (-) / loss (+) on disposal of fixed assets, net (pro forma)	-13,500	(4,275)	755
Profit (-) / loss (+) from sale of materials, net (pro forma)	3,630	(15)	3,754
Increases (+) / decreases (-) of impairment of inventories and assets (pro forma)	1,286	(919)	(3,577)
Adition (+) / Release (-) of impairment of receivables (pro forma)	16,703	11,941	5,616
Increases (+) / decreases (-) of provisions (pro forma)	4,205	4,299	1,599
EBITDA covenant (pro forma)	**456,090**	**281,865**	**104,070**
NET DEBT			
Overdraft	76,282	68,444	53,443
Collateralized bank loans	587,865	525,401	94,385
Uncollateralized bank loans	53,907	18,448	—
Owner loans and loans from other related parties	38,288	28,507	2,171
Loans from third parties (other loans)	1,057	11,948	6,343
Bonds	337,445	190,220	184,066
Total debt	**1,094,844**	**842,968**	**340,409**
less cash and cash equivalents	-563,865	241,650	104,006
NET DEBT	**530,979**	**601,317**	**236,403**
Net debt to EBITDA covenant			
EBITDA covenant (pro forma)	456,090	281,865	104,070
Net debt	530,979	601,317	236,403
Net debt to EBITDA covenant	**1.16**	**2.13**	**2.27**

The covenant values in 2021 and 2022 differ slightly from those previously stated due to the change of the presentation currency from CZK to EUR.

Net Debt to EBITDA Covenant

This document contains certain unaudited financial and operating measures that are not defined or recognized under IFRS; these are used for assessing the performance of our business. We use these to, among other things, evaluate the performance of our operations, develop budgets, and measure our performance against those budgets. We believe that these measures help us in understanding our trading performance, as they give an indication of our ability to service our indebtedness.

In accordance with the general guidelines of the ESMA, the Company is providing this explanation of the alternative performance measures used and the reason for their inclusion.

The Company's annual report contains the following alternative performance measures:

EBITDA
- = "net profit" increased by "income tax" increased by "net interest paid" increased by "depreciation and amortization of non-current assets" and
- is a standard indicator;
- this calculation is disclosed in notes to consolidated financial statements, note 34—Operating Segments.

Operating EBITDA
- = "operating profit" increased by "depreciation and amortization of non-current assets" and
- is a standard indicator used by investors for the valuation of a company;
- this calculation is disclosed in notes to consolidated financial statements, note 34—Operating Segments.

Operating EBITDA margin
- = "operating EBITDA" divided by "revenues"
- Net debt
- = "external loans and borrowings" less "cash and cash equivalents".

EBIT
- = "net profit" increased by "income tax" increased by "net interest paid" and
- is a standard indicator;
- this calculation is disclosed in notes to consolidated financial statements, note 34—Operating Segments.

Net debt to EBITDA covenant
- = "net debt" divided by "adjusted EBITDA" (pro forma);
- the covenant is defined in the prospectus of bonds;
- for a detailed definition, see the chapter entitled "Definition of Net Debt to EBITDA Covenant";
- this calculation is disclosed in the chapter entitled "Net Debt to EBITDA Covenant".

As there are no generally accepted accounting principles governing the calculation of non-IFRS financial and operating measures, other companies may calculate such measures differently or may use such measures for different purposes than we do, and therefore you should exercise caution in comparing these measures as reported by us to such measures or other similar measures as reported by other companies. An investor should not consider these non-IFRS measures (a) as a substitute for operating results (as determined in accordance with IFRS) or as a measure of our operating performance, (b) as a substitute for cash flow from or used in operating, investing, and financing activities (as determined in accordance with IFRS), or as a measure of our ability to meet cash needs, or (c) as a substitute for any other measure of performance under IFRS. These measures may not be indicative of our historical operating results or financial condition, nor are such measures meant to be predictive of our future results or financial condition. Even though the non-IFRS financial measures are used by our management to assess our financial position, and financial results and liquidity and these types of measures are likewise commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our financial position or results of operations as reported under IFRS.

Adjusted EBITDA is calculated as:

- profit from operating activities (consolidated statement of comprehensive income);
- increased by the depreciation and amortization of fixed assets (consolidated statement of comprehensive income);
- decreased by the profit or increased by the loss from the sale of property, plant, and equipment, investment property and intangible assets (account group 541 and 641 from the consolidated trial balance, entering in notes to consolidated financial statements in the following notes—note Other Operating Expenses—item Loss from Sale of Tangible Fixed Assets [potentially also the item Loss from the Sale of Business Assets], note Other Operating Income—item Proceeds from the Sale of Tangible and Intangible Assets);
- decreased by the proceeds or increased by the loss from the sale of inventory (account group 542 and 642 from the consolidated trial balance, entering in notes to consolidated financial statements in the following points—note Other Operating Expenses—item Loss from the Sale of Material, note Other Operating Income—item Proceeds from the Sale of Material);
- increased by the recognition (+) / release (-) of allowances for trade and other receivables, non-financial assets, inventory and assets, and write-off of receivables;
- increased by the recognition (+) / release (-) of provisions (account group 552 and 554 from the consolidated trial balance, entering in notes to consolidated financial statements in the following notes—note Other Operating Expenses—item Change in Provisions (+)/(-)); and
- increased by proceeds from the sale of an equity investment (consolidated statement of comprehensive income).

Adjusted EBITDA (Pro Forma) is calculated as:

- Adjusted EBITDA;
- decreased/increased by bond adjustments consisting in the inclusion of the Adjusted EBITDA by companies that were purchased during the year also for the period when they were not owned by the Group and the exclusion of EBITDA for the companies that were sold during the year.
- The calculation of the adjusted EBITDA (Pro Forma) of entities in the Group as of the effective date is used solely for the calculation of the consolidated net debt ratio, and it is based on individual items in the IFRS financial statements. The adjusted EBITDA indicator (Pro Forma) is based on the EBITDA indicator used in the financial statements of the issuer; however, it is adjusted in order to represent the real economic position of the issuer and the Group for the purposes of meeting the issuer's obligations under this Article 4 of the Terms of Issue. As of the effective date, the EBITDA of the entities is included on a rolling basis of twelve months. However, no additional obligation arises to the issuer to prepare the consolidated financial statements or the notes thereto solely for the purposes of the calculation of the consolidated net debt ratio.

Forward-looking Statements

This Report contains "forward-looking statements" within the meaning of the securities laws of certain jurisdictions. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including words such as "believe," "anticipate," "estimate," "expect," "suggest," "target," "intend," "predict," "project," "should," "would," "could," "may," "will," "forecast," "plan," and similar expressions or, for all such cases, their negative or other variations or comparable terminology, or by discussions of strategies, plans, objectives, targets, goals, future events, or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Report and include statements regarding our intentions, beliefs, or current expectations concerning, among other things, the results of the Group's operations, financial condition, liquidity, prospects, growth, strategies, and the industry in which the Group operates. By their nature, forward-looking statements involve known and unknown risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements. Any forward-looking statements are only made as of the date of this Report, and the Group does not intend, and does not assume, any obligation to update forward-looking statements set forth in this Report. Many factors may cause the Group's results of operations, financial condition, liquidity, and the development of the industry in which it operates to differ materially from those expressed or implied by the forward-looking statements contained in this Report.

These factors include, among others:

- the risk associated with damage to reputation;
- risks associated with new acquisitions;
- regulatory risks and the risk of potential loss of export licenses;
- competitive risks;
- political and macroeconomic risks;
- the risk of fluctuations in commodity prices;
- risks arising from product liability
- risks associated with our ownership interest in certain subsidiaries and other shareholders;
- the risk of a disruption to our external supply chains;
- risks associated with our indebtedness;
- other financial risks.

10,000+

Number
of employees

The system of bodies, practices and processes by which CSG is directed and controlled.

Governance

General Meeting

The General Meeting is the supreme body of CZECHOSLOVAK GROUP a.s. (“Company”). In light of the fact that the Company has a sole shareholder, namely CSG FIN a.s., as of the date of this Annual Report, no General Meeting is held. Instead, CSG FIN a.s. acts in the capacity of the General Meeting in accordance with Section 12 of Czech Act No. 90/2012 Coll., the Business Corporations Act, as amended. Any reference to the General Meeting within this document pertains to decisions made by the sole shareholder in this representative capacity.

Decisions of CSG FIN a.s., in its capacity as the sole shareholder of the Company, must be made in writing, signed by the shareholder, and delivered to a member of the Board of Directors or to the address of the registered office of the Company, or to an e-mail address designated by the Board of Directors.

The Board of Directors convenes the General Meeting at least once in each reporting period, while ensuring it occurs no later than six months after the conclusion of the reporting period. Alternatively, a General Meeting may be convened by a member of the Board of Directors or the Supervisory Board if it is deemed beneficial for the interests of the Company.

Board of Directors

The Board of Directors is the statutory body of the Company. Members of the Board of Directors are appointed and recalled by Company’s sole shareholder. In 2023, the Board of Directors had five members and elected its Chairman and Vice-Chairman from among its members. As of January 1, 2024, the Board of Directors has seven members and elected its Chairman and two Vice-Chairmans from among its members. Company is always represented by two members of the Board of Directors, one of whom must be the Chairman or Vice-Chairman of this board. In the event that neither a Chairman nor a Vice-Chairman of the Board of Directors is elected, the Company shall be represented by two members of the Board of Directors in all matters.

The Board of Directors is responsible for the business management of the Company. The competence of the Board of Directors includes making decisions in all matters that are reserved for the Board of Directors pursuant to the CSG’s Articles of Association, legal regulations, or decisions of Company’s sole shareholder. The Board of Directors shall form a quorum in the presence of a majority of its members. The consent of a majority of the present members of the Board of Directors shall be required for the adoption of decisions, except for the election and recall of the Chairman and Vice-Chairman of the Board of Directors, for which a unanimous decision of all its members shall be required in accordance with Company’s Articles of Association.

All arrangements between the Company and the members of the Board of Directors related to the performance of their functions are contained in the performance-of-function agreement o its amendments in accordance with Act No. 89/2012 Coll., the Civil Code, and Act No. 90/2012 Coll., the Business Corporations Act, as amended. These arrangements include all provisions on remuneration.

As of December 31, 2023, the members of the Board of Directors of the Company were Michal Strnad as Chairman, David Chour as Vice-Chairman, and Petr Formánek, David Štěpán, and Ladislav Štorek as members.

As of January 1, 2024, the members of the Board of Directors of the Company are Michal Strnad as Chairman, David Chour and Ladislav Štorek as Vice-Chairmen, and Petr Formánek, David Štěpán, Zdeněk Jurák and Lukáš Andrýsek as members. The business address of the Board’s members is the current address of the registered office of the Company, i.e. U Rustonky 714/1, Karlín, 186 00 Prague 8, Czech Republic.

Michal Strnad

Chairman of the Board of Directors
since October 31, 2015

Education, Experience and Other Relevant Information

Michal Strnad is a graduate of secondary education at Anglické gymnázium, Střední odborná škola and Vyšší odborná škola, s.r.o. From 2010 to 2013, he was actively engaged in assistance activities within the business/project sector of EXCALIBUR ARMY spol. s r.o. In 2014, he continued his professional engagement within the Group at CSGM a.s., where he held the position of assistant to the project manager from 2014 to 2015.

In addition to his responsibilities on the Board of Directors of CZECHOSLOVAK GROUP a.s., a position he assumed in 2015, Michal held the role of CEO at CSGM a.s. until 2019. As the current ultimate owner of CSG, he has the crucial voice in determining the Group’s strategic direction.

David Chour

Vice-Chairman of the Board of Directors
since September 1, 2020

Education, Experience and Other Relevant Information

David Chour is a graduate of the Faculty of Economics and Administration at University of Pardubice. Over the course of nearly two decades, he dedicated his professional efforts to the financial group Profireal Group, where he entered the position of CEO in 2003 and assumed the role of Chairman of the Board of Directors in 2007. Under his leadership, the Profireal Group evolved into a global player, successfully expanding onto markets in various countries of Europe.

In August 2020, David began a new chapter in his professional career when he joined the Group as CFO. In September 2020, he was appointed Vice-Chairman of the Board of Directors of the Company. At the beginning of 2023, he was entrusted with the role of Group COO.

Petr Formánek

Member of the Board of Directors
since November 4, 2019

Education, Experience and Other Relevant Information

Petr Formánek holds a degree in Finance from the Prague University of Economics and Business. From 1988 to 2001, Petr held a variety of positions within the financial market segment in banks, including membership on boards of directors in both the Czech Republic and Canada. From 2001 to 2005, he actively contributed to the management of a distressed asset portfolio in a joint venture with the finance division of General Motors.

In the period from 2005 to 2016, as a member of the Board of Directors of Patria Corporate Finance, Petr was responsible for overseeing numerous public and private projects on capital markets, both in the Czech Republic and internationally.

Since 2016, Petr holds the role of Group Director of M&A.

David Štěpán

Member of the Board of Directors
since March 1, 2022

Education, Experience and Other Relevant Information

David Štěpán is a graduate of the Faculty of Economics at The University of Mining and Metallurgy – Technical University of Ostrava. Following his graduation, he acquired eight years of experience with the international auditing and advisory company KPMG. Notably, from 2007 to 2009, he contributed his skills to KPMG's audit department in Australia.

In 2010, David joined Central European Media Enterprises (CME) as the Director of Accounting and Reporting. During his time at CME, he dedicated a year to a restructuring project in Romania and served as the CFO of Bulgaria's largest commercial television for three years. Upon his return to the Czech Republic in 2020, he established a consulting company, through which he actively participated in a restructuring project of the Đuro Đaković mechanical engineering company in Croatia. Before stepping up as the Investment Director of the Group, he assisted in the recovery of operations for the MSM Group, which is a part of the Group.

David has concluded all his activities for his consulting company and is now fully committed to exploring new international opportunities and integrating them into the Group, predominantly in his role of Chief Executive Officer (CEO) of CSG Ammo+ division.". This commitment aligns with the strategic vision for the growth and expansion of the Group.

Ladislav Štorek

Vice-Chairman of the Board of Directors
member since September 1, 2022

Education, Experience and Other Relevant Information

Ladislav Štorek holds a law degree from the Faculty of Law at the Charles University. After his graduation, he took the first steps on his professional journey as an associate and attorney at the American law firm Altheimer & Gray, which subsequently became part of an international law firm SALANS and later on Dentons. In 2002, he became a partner and, starting in 2008, he led its Prague office for a decade while concurrently leading the Czech Dispute Resolution practice and managing the Bratislava office for several years. In addition to these responsibilities, Ladislav was a member of European bodies of this firm. After contributing his expertise for a period that cumulatively exceeded 25 years, he began pursuing a new professional opportunity and joined the Czechoslovak Group as General Counsel.

Ladislav is a member of the Czech Bar Association. In his capacity as the General Counsel of CSG, he provides strategic advice to its top management and the sole shareholder. His responsibilities include overseeing the legal department's operations and addressing all significant legal matters within the Group. His leadership significantly contributes to the effective management and legal compliance of the Group.

Zdeněk Jurák

Member of the Board of Directors
since January 1, 2024

Education, Experience and Other Relevant Information

Zdeněk Jurák holds a degree from Mendel University in Brno and has completed an internship at the University of Illinois in the USA. He is ACCA/DipIFR certified and holds certification as a qualified accounting expert.

With over eight years of experience at KKCG, an international investment group, he has gained valuable insights into financial management in both domestic and foreign settings. His areas of expertise include mergers and acquisitions, bond issues, and guiding companies through capital markets preparations. During his time at KKCG, he played a key role in implementing new ERP, and CPM systems and handled negotiations and communication with auditors. Prior to his tenure at KKCG, he worked at Generali PPF Group and Mazars.

In June 2023, Zdeněk Jurák joined CSG as the Group Financial Officer (CFO), succeeding David Chour, who assumed the role of Chief Operation Officer (COO) of the Group in the same year.

Lukáš Andrýsek

Member of the Board of Directors
since January 1, 2024

Education, Experience and Other Relevant Information

Lukáš Andrýsek is a graduate of Silesian University in Opava. He holds degrees in economics and IT. Prior to joining CSG, he worked for over eight years in several financial management positions at Hyundai Motor Manufacturing Czech.

Lukáš has been with CSG since 2016, when he joined DAKO-CZ. He worked there as Chief Economic Officer, and then served from 2018 as the Executive Director, later rising to the positions of Chief Executive Officer (CEO) and Chairman of the Board of Directors. Under his leadership, DAKO-CZ expanded rapidly in terms of its production and economic performance. In the spring of 2023, he became the CEO of TATRA TRUCKS. In the summer of the same year, he took over the leadership of the Group's newly formed CSG Mobility division as its Managing Director; the main members of this division are TATRA TRUCKS and DAKO-CZ.

Leadership Team

The Group Management Team

Michaela Katolická

Chief Executive Officer of CSGM a.s.

Responsible for company operations.

Alena Kozáková

Group Human Resources Director

Responsible for the Human Resources management of the Group's companies.

Milan Matoušek

Director of Strategic Recruitment

Responsible for the strategic recruiting for key management positions.

Jakub Zdeněk

Group Production Director

Responsible for the area of production and for production investments, as well as for production process efficiency and quality.

Leadership Team

The Group Management Team




Milan Cícer

Director of Security and Compliance

Responsible for data and information security within the Group and for maintaining an effective CSG compliance policy.

Serge Damian

Chief Sustainability Officer

Responsible for ESG and sustainability in the Group.

Milan Franc

Chief Executive Officer (CEO) of CSG DEAL a.s.

Responsible for strategic procurement, investments, and supplier tenders for the Group.

Tomáš Vlček

Chief Operation Officer (COO) of CSG Aerospace division

Responsible for operational matters at CSG Aerospace division.

Leadership Team

The Group Management Team

Andrea Křížová

Financial Manager of CSG Aerospace division

Responsible for the financial management of the companies in the CSG Aerospace division.

Jan Marinov

Chief Executive Officer (CEO) of CSG Defence division

Responsible for the management of the companies in the CSG Defence division.

Rudolf Bureš

Chief Operation Officer (COO) of CSG Mobility division

Responsible for the operational matters of the CSG Mobility division.

Jiří Kaiser

Chief Financial Officer (CFO) of CSG Mobility division

Responsible for the financial management of the companies in the CSG Mobility division.

Audit Committee

The Audit Committee performs the following activities, without effect on the responsibilities of the members of the Board of Directors and the Supervisory Board:

1 it monitors the effectiveness of internal controls and the risk management system;

2 it monitors the effectiveness of internal auditing and ensures its functional independence;

3 it monitors the preparation process for financial statements and consolidated financial statements;

4 it approves the provision of other non-auditing services;

5 it monitors the process for the obligatory audit; and

6 it performs other activities in accordance with the Act on Auditors and directly applicable EU regulation.

The Audit Committee has three members appointed by the Company's General Meeting. Members of the Committee cannot be substituted. Members of the Audit Committee must also be independent and professionally qualified.

The members of the Audit Committee as of 31 December 2023 are:

Olga Nahodilová

Chairperson of the Audit Committee

Ivana Hubáčková

member of the Audit Committee

František Jirásek

member of the Audit Committee

Supervisory Body

The Supervisory Board is the supervisory body of CSG. The role of the Supervisory Board within CSG is to monitor and supervise the activities of the Board of Directors and that the business activities of CSG are carried out properly. This includes monitoring compliance with legal regulations, the Articles of Association, and the resolutions of the General Meeting or the sole shareholder of CSG.

As of December 31, 2023, the Supervisory Board consisted of three members: Michaela Katolická, Rudolf Bureš, and Aleš Klepek.

The business address for all members of the Supervisory Board is the current address of the registered office of the Company, U Rustonky 714/1, Karlín, 186 00 Prague 8, Czech Republic.

Michaela Katolická

Chairman of the Supervisory Board
since March 1, 2023

Education, Experience and Other Relevant Information

Michaela Katolická completed her education with a Doctor of Juridical Science degree (the Czech JUDr. degree) from Charles University in 2014, complementing an academic journey that included studies in EU Law at Université Toulouse 1 Science Sociales and the attainment of a Master's Degree from the University of West Bohemia in Pilsen.

Commencing her professional career as a paralegal at the District Office in Prague 1, she subsequently contributed her legal expertise to the Financial Analytical Office, specializing in the fight against money laundering and terrorist financing.

Since joining CSG in 2010, she has held a variety of roles, including Compliance Specialist and Director of Security and Compliance. Currently, Michaela Katolická is the CEO of CSGM a.s.

Supervisory Body

Rudolf Bureš

Member of the Supervisory Board
since October 4, 2018

Education, Experience and Other Relevant Information

Rudolf Bureš holds a degree from the Faculty of Economics (i.e. the school of economics) within the University of Economics in Prague. In 2015, he successfully completed the Master of Laws (LL.M.) educational program with a focus on corporate law at the Law and Legal Science Institute in Prague.

From 1995 to 2003, Rudolf Bureš worked at Eurotel Praha spol. s r.o., where he co-founded the Treasury department. He further enhanced his managerial and specialized expertise in the Unipetrol and AWT groups, where he worked from 2003 to 2008 and 2009 to 2015, respectively, and held directorial positions in Treasury and Risk Management. Starting from 2016, he held a managerial position in the advisory company PwC.

In 2017, Rudolf Bureš took on the role of Group Treasurer at CSG, and he is currently the COO of CSG Mobility division.

Aleš Klepek

Member of the Supervisory Board
since September 2, 2020

Education, Experience and Other Relevant Information

Aleš Klepek graduated from the Military Technical University in Liptovský Mikuláš, specializing in radiolocation. He furthered his education with post-graduate studies at IEHEI in Nice, focusing on international relations and European studies.

Throughout the majority of his career, he has been actively engaged in international relations, participation in bilateral cooperation, and contributions to processes related to the preparations for the Czech Republic to join NATO. Aleš Klepek concluded his activities in this field at a diplomatic post at the Czech Embassy in France. In 2008, he joined the Ministry of Defence and continued in various roles in state administration, including as the director of the Defence Minister's cabinet, as a deputy minister, and later in the cabinet of the Czech Prime Minister, where he remained until the end of 2011. In 2006, French president Jacques Chirac awarded Aleš Klepek the National Order of Merit for his contributions to the development of Czech-French relations. Aleš Klepek was a member of the Supervisory Board of ČEZ a.s., where he was appointed as the chairperson of its Strategic Committee.

Since January 2020, Aleš Klepek has held the position of member of the Board of Directors of CSG AEROSPACE a.s., and he is currently also the CEO of CSG Aerospace division. His responsibilities here include the establishment of the organizational, procedural, and executive framework for the industry pillar of the Group.

Risk Factors

Financial Risks

The financial risk management of CSG focuses on the financial risks arising

from the financial instruments to which CSG is exposed as a result of their activities. Financial risks include primarily credit risk, liquidity risk, currency risk, and interest rate risk. The main objective of financial risk management is to establish risk limits and ensure that exposure to these risks remains within those limits.

Oversight of CSG's risks is provided within the framework of the Group's established market risk management rules and, at the same time, by the decisions of the senior management of CSG in individual areas of activity upon the basis of reporting, as well as by the relevant decision-making process of the board of directors of the Company or its subsidiaries. CSG have used, and plan to continue to use, derivative financial instruments to reduce the above-mentioned risks, particularly foreign exchange and currency risks.

Credit Risk

Credit risk represents the potential inability of CSG's debtors to repay their debts arising from financial or commercial relationships. It may lead to financial losses for CSG Given the holding-company nature of the Company, this risk is minimal at this level. CSG has a policy whereby each new customer requesting products or services above a certain limit (based on the size and nature of a particular subsidiary) is analyzed by an individual credit assessment before the subsidiary's standard payment and delivery terms are offered.

As at December 31, 2023, trade and other receivables and other assets at their net value amounted to EUR 444,268 thousand (in 2022 it was EUR 298,941 thousand and 2021 EUR 157,290 thousands). Included in this amount are the following figures from the consolidated statement of financial position: trade and other non-current receivables, non-current advances granted, accruals, trade and other current receivables, current advances granted, and accruals. The maximum value of credit risk for December 31, 2023, December 31, 2022 and December 31, 2021 corresponds to the carrying amount of each financial asset. The Company also represents that there is no material concentration of credit risk with respect to any one business entity.

CSG makes provisions for impairment of assets representing estimates of losses incurred in respect to trade and other receivables. The main components of these provisions are the specific loss components relating to individually significant receivables and the collective loss components established for groups of similar assets in respect to losses incurred but not yet identified. The collective loss tolerance is determined on the basis of historical data of payment statistics for similar financial assets. Regarding the amounts for which no provision has been made, CSG believes that these are still collectible.

Despite all of the Group's measures to limit the effects of credit risk, the failure of the Group's counterparties could cause losses that could adversely affect the Group's business, results of operations, financial condition and ultimately the Company's ability to meet its obligations.

Liquidity Risk

The main objective of liquidity risk management is to reduce the risk that CSG will not have the resources to meet its debt, working capital, and capital expenditure commitments. CSG's liquidity management aims to ensure that resources are available to meet debts as they fall due.

CSG has a system in place for tracking income and expenses several months in advance,

in relation to purchase orders issued and invoices received, as well as in relation to orders received and confirmed, invoices issued, other contracts entered into (leases, insurance, and loans), expected salaries, etc. Expenditures are regulated so that there are always funds in the account in advance to pay debts to the state and health insurance companies, salaries, and debts to banks in the amount corresponding to 1–2 months.

Despite all of the Group's measures to mitigate the effects of liquidity risk, shortfall, if any, in available resources could adversely affect the Company's business, results of operations, financial condition, and ultimately its ability to meet its obligations.

Risk of Changes in Interest Rates

The Group's business is exposed to the risk of interest-rate fluctuations when interest-bearing assets (including investments) and liabilities mature or are repriced at different times or in different amounts. The time periods over which a financial instrument's interest rate is fixed indicate the extent to which the instrument is exposed to interest rate risk.

The set of various derivatives used to reduce the amount owed that is exposed to interest rate fluctuations and to reduce the cost of borrowing primarily contains interest-rate swaps. These contracts are typically arranged with a notional amount and an expiry date less than or equal to the underlying debt, so that any change in the fair value or expected future cash flows of these contracts is offset by a corresponding change in the fair value or expected future cash flows of the underlying position.

No matter what measures are taken, losses due to adverse shifts in interest rates cannot be ruled out and could adversely affect the Group's business, economic performance, financial position, and ultimately its ability to meet its obligations.

Risk of Changes in Exchange Rates

The Group is exposed to the effect of movements in current exchange rates on its financial position and cash flows.

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in currencies other than the functional currencies of the Group's entities. These are mainly the euro and the US dollar for Czech subsidiaries and the US dollar and the Czech crown (CZK) for Slovak subsidiaries. After that it is especially the US dollar and the Pound sterling (GBP) for other foreign Group's entities (Italy, Spain, etc.).

Various types of derivatives are used to mitigate currency risk on foreign currency assets, debt, and expected future cash flows. These include currency forwards with maturities from one month to five years. These contracts are also typically arranged with a notional amount and expiration date that is the same as the underlying debt or expected future cash flows. Any change in the fair value or future cash flows of these contracts—resulting from appreciation or depreciation, if any, of the Czech crown (CZK) against other currencies—is fully offset by a corresponding change in the fair value and/or expected future cash flows of the underlying position.

For financial assets and liabilities denominated in foreign currencies, CSG implements a currency risk management system within the group to limit the net exposure to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. Since 2022, the Group has sought to eliminate this risk to a greater extent through natural hedging, i.e. the conversion of a portion of the liabilities into EUR over the course of the year to naturally cover the income in EUR, and the remaining portion is covered using the aforementioned derivatives, primarily forwards.

No matter what measures are taken, losses due to adverse movements in exchange rates cannot be ruled out and could adversely affect the Group's business, its economic performance, its financial position, and ultimately the Company's ability to meet its obligations.

A. Operating Risks

Competition Risk

CSG and its subsidiaries operate in the aerospace, automotive, rail and defence industries and are subject to competition. For this reason, the Group must respond flexibly to the changing situation on the market, to the behavior of its competitors, and to customer requirements. In a highly competitive environment, the Group may not be able to respond appropriately to the competitive environment, which could lead to a deterioration in the economic position of the Company or the Group and ultimately adversely affect the Company's ability to meet its obligations.

Risk of Changes in the Ownership Structure of Company and Group Companies

Although CSG is not aware of any plans for a change in its ownership structure, it cannot be ruled out that the ownership structure of CSG will change in the future. In addition, in the event of a change of shareholders or partners (or their shares) in the Group, there may be a change of control and a modification of the Group's strategy, which may comprise different objectives from the current ones. These changes may have an impact on the results of the CSG's operations.

Risk of Insolvency Proceedings

Czech Act No. 182/2006 Sb. (Collection of Laws), on Bankruptcy and Methods of its Settlement, as amended (hereinafter referred to as the Insolvency Act), provides that a debtor is insolvent if it has multiple creditors and monetary debts for a period of more than 30 days after the due date and is unable to pay these debts, or if it is over-indebted. Insolvency proceedings may be initiated only upon a petition that the debtor or its creditor is entitled to file. If insolvency is imminent, only the debtor can file an insolvency petition.

Despite certain measures to prevent unfounded and unsubstantiated petitions to commence insolvency proceedings, the filing of such petitions cannot be ruled out. Insolvency proceedings are initiated by a court order within two hours of the insolvency petition being delivered to the court. From the moment of publication of the order until the court's decision on the insolvency petition (unless the court decides otherwise), the debtor is obliged to refrain from disposing of the estate and any assets that may be part of it if doing so would involve substantial changes in the composition, use, or destination of those assets or a non-insignificant reduction thereof. Pursuant to the Insolvency Act, the court shall decide on an insolvency petition filed by third parties without delay; the law does not provide for a more precise time limit for this decision.

Even though the restriction on the disposal of assets does not apply, inter alia, to acts necessary to run a business in the ordinary course of business or to avert imminent damage, it cannot be ruled out that, if an unfounded insolvency petition is filed against the Company, the Company will be restricted in the disposal of its assets for an indefinite period of time. This could adversely affect the Company's financial condition and results of operations.

Risk Associated with the Legal, Regulatory, and Tax Environment in the Czech Republic

CSG is subject to a number of laws and regulations. However, the legal, regulatory, and tax environment within the Czech Republic is subject to frequent changes and laws may not always be applied uniformly by courts and public authorities. Changes in laws or their interpretation may adversely affect CSG's operations and financial prospects in the future. Changes in legislation are not always entirely predictable, and any such change could have a negative impact on the Group's business activities. Changes in tax regulations, particularly increases in direct and indirect taxes or the introduction of new tax burdens, changes in tax authority practices, or failures in tax risk management may adversely affect the Company's ability to meet its obligations.

Moreover, the business of the Group in the defence industry is highly regulated. Selected companies from the Group were required to obtain a permit for foreign trade in military material in order for the Group to operate on the international military material market. Subsidiaries of CSG that are engaged in foreign trade in military material are subject to the regulations of Act No. 38/1994 Sb. (Collection of Laws), on Foreign Trade in Military Material, as amended (hereinafter referred to as the Foreign Trade in Military Material Act). In accordance with the Foreign Trade in Military Material Act, the relevant CSG subsidiaries hold a permit for foreign trade in military material, which is, however, only a general permit, and specific transactions, or, more precisely, the exporting or importing of military material is subject to further approval (and licensing) by the Licensing Administration of the Ministry of Industry and Trade of the Czech Republic. This administrative authority decides on the issuance of a specific license on the basis of the binding opinions of the authorities concerned, which are: a) the Ministry of Foreign Affairs in terms of the foreign policy interests of the Czech Republic, and compliance with the obligations arising for the Czech Republic from international treaties, as well as from the membership of the Czech Republic in international organizations; b) the Ministry of the Interior in terms of public order, security, and the protection of the population; c) the Ministry of Defence in terms of ensuring the defence of the Czech Republic. These controls on the export of military equipment are intended to prevent exports to high-risk countries where there is a risk that such equipment could be misused, for example for the suppression of human rights or for resale to unofficial armed forces. In addition, the Group is subject, for example, to the EU's common rules governing the control of exports of military technology and equipment (Council Common Position 2008/944/CFSP), which further restrict and regulate the Group's business in this segment. The security situation in individual regions of the world, as well as the policies of international organizations of which the Czech Republic is a member, in response to this security situation therefore play an important role in the decision-making process for approving specific foreign trade transactions in the realm of military equipment. All of the above-mentioned factors apply similarly to the Slovak subsidiaries and another foreign Group's entities (Italy, Spain, etc.). In addition, in some markets there is also an approval procedure by the government authorities for imports from the Czech Republic, Slovakia or other countries. These regulatory restrictions, or the lack or loss of licenses and permits, may adversely affect the Company's business and its ability to meet its obligations.

Risk of CZECHOSLOVAK GROUP a.s. as a Holding Company

CZECHOSLOVAK GROUP a.s. is a holding company that primarily holds, manages, and, where appropriate, finances interests in other CSG companies and does not itself carry out any significant business activities. Company is dependent on the success of its subsidiaries' businesses. If the subsidiaries do not perform as expected or if their ability to make payments (for example, in the form of dividends, interest, or otherwise) to the Company is restricted for other reasons (for example, unavailability of resources, legal or tax regulations, and/or contracts), this would have a material adverse effect on the Company's income and its ability to meet its obligations.

Operational Risk

Operational risk is the risk of loss resulting from fraud, unauthorized activities, errors, omissions, inefficiencies, or system failure. It arises in relation to all activities of the CSG and is a risk faced by all business corporations. Operational risk includes legal risk.

Risk of the Loss of Key Persons

CSG's key persons, i.e., members of the management of the Company and its subsidiaries, especially senior management, work together to develop and implement the Group's key strategies. Their work is critical to the overall management of the Group, as well as to the Group's ability to implement and execute the above strategies. CSG is committed to retaining and motivating these people, despite the strong demand for skilled people in the engineering sector. However, CSG cannot guarantee that it will be able to retain and motivate these key persons or that it will be able to reach and attract new key persons. CSG actively encourages and motivates these key persons to continuously upgrade their skills and gain practical knowledge in order to support their career development. The potential loss of key persons could adversely affect the business of the Company itself or the Group overall, results of operations, and financial condition, which could adversely affect the Company's ability to meet its obligations.

Risk of Information Leak

The Group employs people who are involved in developing the strategy of the Group or its subsidiaries, creating new products, and setting the Group's business direction. In the event of a leak of sensitive information about the Group, the Group's operations may be compromised or its current market position may be lost, which could result in a deterioration of CSG's financial performance and thus have an adverse impact on the ability of the Company to meet its obligations.

Risks Associated with Property Insurance

Company and its subsidiaries have property insurance covering their most important assets. The costs associated with any natural disasters or other unforeseeable events (fires, storms, floods, windstorms, hail, etc.) may nevertheless have a negative impact on the assets of the Group and on its economic and financial position, as the Group's property insurance does not provide full coverage for all property-related risks.

B. Risks Arising from the Group's Operations in Different Markets

Risk Associated with an Unfavorable Macroeconomic and Political Situation

Adverse developments in the overall macroeconomic situation or political instability on the markets where the Group operates would cause a slowdown in the economic activities of business undertakings and of the Group's partners in business and would have a significant impact on their current and future decisions. The financial performance of the Group can be directly and indirectly affected by macroeconomic parameters including, but not limited to, gross domestic product growth or decline, inflation trends, monetary and tax policies, exchange rate and interest rate movements, unemployment, and the overall level of investment in the countries in which the Group operates. The political or macroeconomic situation in these countries may also be affected by regional events, such as the situation in Ukraine, sanctions against the Russian Federation, the debt crisis in the euro area, and other similar factors. Any adverse changes in the macroeconomic situation or political instability in the countries in which Group operates may adversely affect the Company's operations, financial performance, and financial prospects.

Inflationary Risk

The results of CSG are affected by inflation in the countries in which CSG operates. Significant changes in inflation (i.e., changes of more than a few percent), or changes in inflation that cause it to differ significantly from its expected levels, could adversely affect CSG business and financial condition.

Risk of Unforeseeable Events

An unforeseeable event (natural disaster or terrorist attack) that causes disturbances on financial markets and/or rapid movements in currency exchange rates may affect the value of bonds issued by CZECHOSLOVAK GROUP a.s. The negative impact of such events could cause a reduction in the return on the funds invested by the Group and thus endanger its ability to repay all of its obligations.

Risk of a General Economic Recession and Demographic Factors

A slowdown or recession in the national or regional economies of the countries in which the Group operates and other significant external events, such as a decline in consumer demand, changes in interest rates, or changes in the economic policies of neighboring countries, may adversely affect the macroeconomic environment in which the Group operates. This may also have an adverse impact on the development of the Group's net income.

Risk Associated with the Legal and Regulatory Environment

The Group operates in many countries around the world and, as such, is subject to a wide range of legal, regulatory, and tax regulations. The legislative and regulatory environment in the countries in which the Group operates is evolving over time, and the current or future environment may not provide sufficient legal tools to mitigate the consequences of contractual breaches by business partners. There is a risk that the Group may not be able to fully enforce its contractual rights against third parties in a reasonable time, which could adversely affect the Company 's operations, financial performance, and financial prospects. At the same time, the legal and regulatory framework in the countries in which the Group operates varies and may be subject to change and amendment without clear predictability. These changes may adversely affect the Company's contractual relationships and business. The Group's assets, or any part thereof, may be subject to expropriation, nationalization, or confiscation without sufficient financial compensation or with financial compensation lower than the market value of the relevant assets, which may have an adverse effect on the Company's financial position.

Tax Risk in Countries Outside the Czech Republic

The business activities of the Group are subject to different tax regulations in each country in which it operates. However, the regulations in various tax systems are subject to change and may be subject to different interpretations, which may also result in a change (worsening) of the tax consequences on a particular investment or structure (including the repatriation of profits) after such investment is made. At the same time, the Group is required to comply with regulations and adapt to changes in tax systems, some of which arise at the European Union level. This may lead to increased costs for the Group for monitoring and adapting to these changes during the investment period. The above-mentioned changes, differing or changing interpretations of tax regulations, or the risk of non-compliance with tax regulations at the level of the Group's local companies may result in increased tax burdens or penalties, which could adversely affect the Company's operations, financial performance, and financial prospects.

C. Risks Related to the Defence Industry Segment

Risk of Reduced Defence Spending

Restrictions on spending on the military and armed forces in the Czech Republic and abroad may reduce demand for the arms-industry products supplied by CSG. The significant costs for the preparation and future implementation of a contract may thus be devalued. Tenders for supplying the armed forces are highly competitive and technically demanding, time-consuming, and costly. The potential cancellation or suspension of tenders, or the Group's failure to win individual tenders, may adversely affect the Group's operations, financial performance, and financial prospects.

Risk of Long-Term Fixed-Price Contracts

Long-term contracts for the armed forces often have fixed terms and conditions, which are sometimes very difficult to amend and could become less favorable to the relevant subsidiary in the event of a change in the market. The Group thus assumes all the potential risks involved. The preparation and execution of contracts takes several months or even years, and despite the relevant internal measures in place, the Group cannot always guarantee a smooth process that ensures on-time deliveries at the required quality and the budgeted production costs. Although the Group has some ability to change the terms of its contracts, fixed contracts are inherently risky. Any delay in delivery may result in financial loss—contractual penalties paid by the Group. Some contracts may also be terminated without adequate compensation. These circumstances may have a negative impact on CSG's performance.

Risk of Failure to Keep up with Technological Progress

The activities of the Group are based on technological advances. The development or updating of a new weapon technology takes years, during which multiple objective obstacles may arise, including an increase of costs or a delaying of the whole process. Due to the technology's complexity, extensive research and development expenditure may not always pay off in a commercially successful product. If the Group were to fail to respond to the requirements arising from customer needs and related changes in the field of weapons and technology development and ignore the needs of innovation and technological development, it would have a negative impact on the Group's financial performance and financial prospects.

D. Risks Related to the Engineering Industry

Risk of Increasing Requirements for Product Quality

In the field of engineering, the Group is exposed to increasing pressure and demands on the quality of production and of the final product, which have a significant impact on costs above all—due to the fact that if sufficient production quality is not achieved, several actions must be taken to remedy the situation. Often this involves a change in the production process, which in turn involves increasing input costs due to the use of higher quality materials and raw materials or the extending of the production process, which ultimately affects the Group's financial performance. In the case of a persistent state of low-quality production, this risk is reflected in a loss of customer confidence and thus a reduction in demand for our engineering products.

Risk of Failure in Public Procurement

In the engineering sector as elsewhere, the Group is partly dependent on sales arising through public procurement. Tender procedures tend to be time-consuming and costly, and failure, if any, to win tenders may adversely affect sales of the Group's engineering products, which may adversely affect the Group's results of operations.

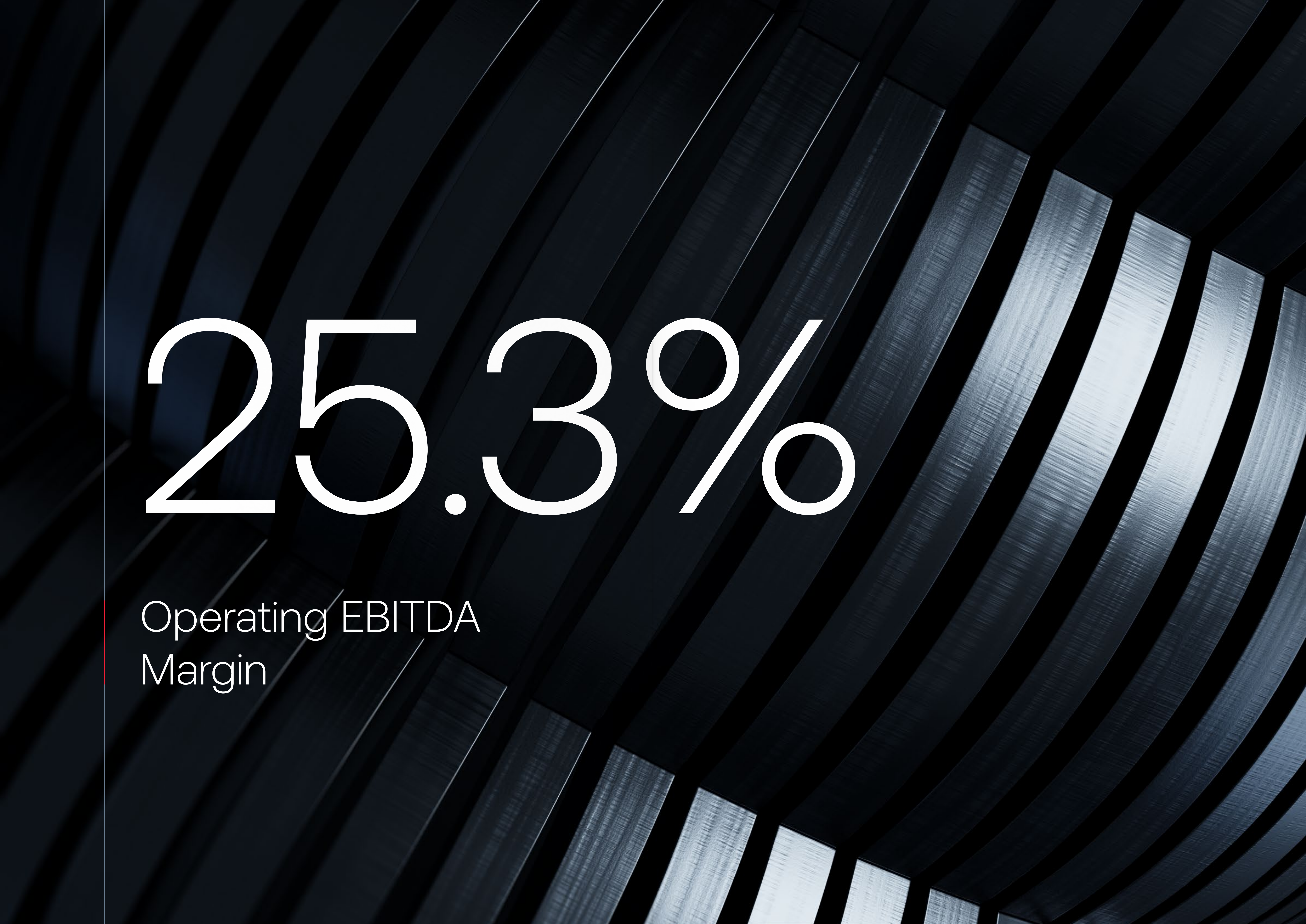
Risk of Failure to Keep up with Technological Progress

As in the defence segment, the Group is exposed here to the risk of failing to keep up with technological progress, which would have a negative impact on its financial performance and financial prospects.

E. Risks Related to the Aerospace Services Segment

Shortage of Skilled Workers

Professionally trained people are key to doing business in the aerospace segment. As the Group plans to expand in the aerospace services sector, it will become increasingly difficult to find enough skilled labor, not least due to the limited number of graduates in the relevant disciplines. The Group thus faces the risk that there will be an objective shortage of people with training or experience in the aerospace industry and that it will not be able to recruit such specialists. Personnel shortages could adversely affect the Group's business.



25.3%

Operating EBITDA
Margin

Direct Financial Impacts of the Russian Invasion of Ukraine

The Russian invasion of Ukraine has had a strong impact on CSG, mainly its Defence division, which primarily operates in two fields: land systems (i.e. ground warfare vehicles and equipment) and high caliber ammunition production. CSG has experienced strong growth in both fields. It serves as a strategic supplier of tanks, artillery systems, and high caliber ammunition to Ukraine. In this role it cooperates closely with the Czech government as well as other governments of the NATO member states that play an instrumental role in financing a significant share of the projects for Ukraine. Artillery and tank ammunition quickly became a strategic commodity in very short supply. CSG, thanks to its production facilities in Slovakia and Spain, is among the leading European producers in this regard, with a high degree of vertical integration. CSG acts here not only as a producer but also as a provider of expertise. In the current downgraded security situation, many states share the ambition of becoming self-sustaining in ammunition production, and CSG is ready to help with their projects for local production.

CSG expects long term strong demand for its defence products, not only because of the war in Ukraine, but also due to the increased defence spending on NATO member countries and their need to replenish stocks of artillery ammunition and land systems that they have sent off as aid to Ukraine. Therefore CSG is investing into expansion of its defence production, construction of new facilities, installation of production technologies, and hiring of new employees.

The Russian aggression against Ukraine has significantly changed the relationships of governments, the public, and investors as well towards the defence industry. This industry is viewed as a security pillar for NATO countries. CSG has accepted the challenge posed by the global security situation and is taking the necessary steps to fulfill the strategic needs of Ukraine and NATO.

In financial terms, Ukraine as a market generated 22% of CSG's sales in 2023. For comparison, in 2022 this figure was 41%.

Aligning CSG's member companies' operations with the EU's sustainability framework.

The EU Taxonomy for Sustainable Activities

Since 2021, the Group has been actively embracing Regulation (EU) 2020/852, also known as the EU Taxonomy for Sustainable Activities (the "Taxonomy Regulation"). This regulation outlines clear criteria for determining environmentally sustainable economic activities and requires entities to disclose qualitative and quantitative information regarding their compliance. The Group's adherence to these standards showcases its commitment to sustainability and transparency, providing stakeholders with a clear understanding of how its activities align with the European Taxonomy. This approach not only affirms the Group's dedication to sustainable practices but also sets a precedent in promoting transparent and sustainable investment.

The Taxonomy Regulation lays the foundational framework for the European Union's sustainability taxonomy, providing a detailed and structured approach to identifying environmentally sustainable economic activities. This regulation is instrumental in guiding the Group, along with other entities, towards a greener economy by establishing four overarching conditions that must be met for an economic activity to be considered environmentally sustainable.

The conditions set forth by the Taxonomy Regulation are stringent and comprehensive, ensuring that only activities that genuinely contribute to environmental sustainability are recognized. This is critical for the Group, as it navigates through its commitment to sustainability, ensuring that its operations not only align with but actively support the transition towards a sustainable future.

Furthermore, the Taxonomy Regulation outlines six ambitious climate and environmental objectives that form the backbone of this new framework. These objectives include:

- Climate change mitigation: Targeting actions that reduce greenhouse gas emissions or enhance greenhouse gas removals.
- Climate change adaptation: Focusing on reducing the negative impacts of climate change and exploiting potential opportunities.
- Sustainable use and protection of freshwater and marine water resources: Ensuring the long-term sustainability of freshwater and marine water resources.
- The transition to a circular economy: Promoting economic models that minimize waste and maximize the full use of resources.
- Pollution prevention and control: Striving to prevent, reduce, or eliminate pollution of the air, water, or soil.
- Protection and restoration of biodiversity and ecosystems: Safeguarding and enhancing the health of natural habitats and systems.

For an activity to make a substantial contribution to any of these objectives, different criteria may be required, reflecting the diverse nature of sustainability challenges across sectors and activities. This nuanced approach enables the Group to align its diverse operations with specific objectives, tailoring its sustainability strategies to meet these detailed criteria.

As part of the process of implementing the Taxonomy Regulation, the European Commission was given the responsibility of outlining a catalogue of environmentally sustainable activities. This involved developing technical screening criteria for each environmental objective, a process undertaken through delegated and implementing acts. These criteria are essential for the Group, as they provide the specific guidelines needed to evaluate and demonstrate the sustainability of its activities. By closely following these technical criteria, the Group can ensure that its contributions to sustainability are both significant and measurable, aligned with the EU's ambitious environmental goals and reinforcing its commitment to a sustainable future.

In 2023, the Group diligently persisted in its efforts to evaluate its taxonomy-eligible activities—efforts that have been in place since the previous year. This evaluation process utilizes the Nomenclature of Economic Activities (NACE) codes as a foundational tool for classification. The NACE system, designed to facilitate a uniform analysis and comparison of economic activities across the European Union, serves as a critical instrument in this assessment. However, the Group has adopted a comprehensive approach to the application of NACE codes, expanding beyond the confines of exact matches. This Group methodology includes the assigning of codes based on the broader category to which an activity belongs, as well as giving consideration to the parent category of each activity. This adapted methodology ensures a more comprehensive rendering of the Group's economic activities, aligning them with the taxonomy's criteria even when a direct NACE code match is not immediately apparent.

Moreover, in 2023, the Group significantly enhanced its methodology by identifying a list of relevant activities that, while not directly classifiable under specific NACE codes, are nonetheless intrinsic to the operations of the Group's companies. This strategic adjustment acknowledges the existence of activities that, despite their absence from the NACE classification, play a pivotal role in advancing the Group's sustainability agenda. By incorporating these activities into its taxonomy assessment, the Group is effectively broadening the scope of its sustainable practices, ensuring that all environmentally beneficial operations, regardless of their direct alignment with NACE codes, are recognized and valued. By ensuring a more inclusive and detailed evaluation of its activities in this way, the Group is strengthening its alignment with the European taxonomy, further embedding sustainability into the core of its business operations and strategy.

Building on this approach, the Group has further refined its method by identifying new taxonomy activities that are included within its agenda. These activities include:

- Manufacturing of electrical and electronic equipment: This is prevalent across the Group's automotive, rail, aerospace, and defence sectors, reflecting its varied industrial engagements.
- Collection and transport of hazardous waste: Most notably in the defence industry, hazardous waste is a by-product of production, necessitating responsible management.

- Collection and transport of non-hazardous and hazardous waste: A universal practice within the Group, indicative of its robust waste management protocols.

- Manufacturing of hydrogen: TATRA TRUCKS a.s. is spearheading this initiative, albeit currently on a modest scale, with the development of hydrogen-powered trucks.

- Manufacturing of equipment for the production and use of hydrogen: This aligns with hydrogen truck development by TATRA TRUCKS, reflecting a commitment to alternative energy vehicles.

- Manufacturing of automotive and mobility components: Central to TATRA TRUCKS and affiliated mobility divisions, showcasing our drive to create innovative transport solutions.

- Manufacturing of rail rolling stock constituents: Fundamental to DAKO-CZ, a.s. and its subsidiaries, underlining their expertise in rail industry components.

- Manufacturing of low carbon technologies for transport: Specifically relevant to the automotive and rail industries, in line with sustainable transport initiatives.

- Manufacturing of iron and steel: TATRA METALURGIE a.s. is integral in this respect, producing both iron and steel, essential for manufacturing operations.

- Electricity generation using solar photovoltaic technology: This activity by Baschieri & Pellagri S.p.A., ELTON hodinářská, a.s., Fiocchi Munizioni S.p.A., and FABRICA DE MUNICIONES DE GRANADA S.L. represents an investment into renewable energy.

- Provision of IT/OT data-driven solutions: Pertinent to companies in our Aerospace division such as ATRAK a.s. and CS SOFT a.s., this activity leverages data to enhance operational efficiency.

- Installation and operation of electric heat pumps: Adopted by select companies within the Group, indicating a move toward energy-efficient climate control.

- Cogeneration of heating/cooling and power from solar energy: Also characteristic for Baschieri & Pellagri S.p.A., ELTON hodinářská, a.s., Fiocchi Munizioni S.p.A., and FABRICA DE MUNICIONES DE GRANADA S.L., this activity signifies a dual application of solar technology.

- Electricity generation from fossil gaseous fuels: This is anticipated within certain companies; it amounts to a bridge activity in humanity's energy transition.

- High-efficiency co-generation of heating/cooling and power from fossil gaseous fuels: Also anticipated within select companies, this activity highlights our focus on maximizing energy efficiency.

- Sale of spare parts: This activity, relevant for our automotive, aerospace, and defence companies, ensures the longevity of complex machinery and provides for its maintenance.

- Construction of new buildings: A potential activity for all of the companies within the Group; it aligns with our growth and expansion strategies.

- Renovation of existing buildings: Likewise, this could be applicable to any of our companies, reflecting our commitment to modernizing and improving existing infrastructure.

- Data processing, hosting, and related activities: Essential for any company utilizing IoT solutions, this set of activities amounts to the Group's work to embrace the digital transformation.

Following its comprehensive identification and classification of taxonomy activities, the Group advanced to the next critical phase in its sustainability assessment: analyzing compliance with the European Taxonomy's contribution criteria. This analysis was aimed at discerning which of the previously identified activities not only qualify under the Taxonomy but also actively contribute towards the European Union's environmental objectives. This step is essential, as it moves us beyond mere eligibility to let us focus on the substantive impact of the Group's activities on sustainability goals.

Having established the contributory nature of these activities, the Group then embarked on an evaluation from the perspective of the "Do No Significant Harm" (DNSH) criteria. The DNSH principles are a cornerstone of the Taxonomy Regulation, designed to ensure that activities contributing to one environmental objective do not inadvertently harm any other objective. This dual assessment underlines the Group's commitment to holistic sustainability, ensuring that its operations foster overall environmental well-being without unintended negative impacts.

Having satisfied the DNSH criteria, the Group advanced to the final step in the sustainability assessment, which involved alignment with the minimum social safeguards. This evaluation encompasses multiple aspects of ethical business conduct, ranging from fair competition and taxation to human rights and anti-corruption measures, as described below.

In assessing fair competition, the Group evaluated its efforts to promote employee awareness and the involvement of senior management in upholding competition laws. This also includes scrutinizing any past incidents to ensure adherence to legal standards. Taxation has been another focal point, with the Group appraising its tax governance, compliance, and risk management practices relative to the OECD guidelines and making sure to have no history of tax evasion. Human rights have been assigned critical importance as well, with the Group reviewing its practices to respect and uphold these rights, including the implementation of due diligence processes to identify, prevent, and mitigate any adverse impacts, following the outlined steps to foster responsible business conduct and address grievances. Lastly, in tackling corruption, the Group has critically evaluated its internal controls, ethics, and compliance programs designed to prevent corrupt practices, while also examining the track record of its senior management to confirm that there have been no convictions related to corruption or bribery.

By assessing its activities against the Taxonomy Regulation's contribution criteria, DNSH principles, and minimum social safeguards, the Group is ensuring that its operations are not only eligible but also truly aligned with the EU's sustainability framework.

An assessment of the eligibility and alignment of activities with the Taxonomy Regulation's criteria has been systematically conducted across all the consolidated companies within the Group. This comprehensive evaluation aimed to ensure that each entity's operations are aligned with the ambitious sustainability goals set forth by the European Union. However, an exception was made for Armi Perazzi S.p.A., which only entered the Group toward the end of 2023. Given its quite recent integration, Armi Perazzi S.p.A. has been excluded from this year's assessment cycle, but it will be considered in future evaluations to ensure a uniform approach to sustainability across the entire Group.

In this examination, only those companies that have at least one activity qualifying as eligible under the Taxonomy Regulation's criteria have been included in the summary of key indicators. The companies that met these criteria include:

ATRAK a.s.

AVIA Motors s.r.o.

Baschieri & Pellagri S.p.A.

CS SOFT a.s.

CSGM a.s.

DAKO-CZ MACHINERY, a.s.

DAKO-CZ RE, s.r.o.

DAKO-CZ SERVICE, s.r.o.

DAKO-CZ TRANSELCO, s.r.o.

DAKO-CZ, a.s.

ELDIS Pardubice, s.r.o.

ELTON hodinářská, a.s.

EXCALIBUR ARMY spol. s r.o.

FABRICA DE MUNICIONES DE GRANADA S.L.

Fiocchi Munizioni S.p.A.

Fiocchi of America Inc.

JOB AIR Technic a.s.

KARBOX s.r.o.

Lyalvale Express Limited

MSM EXPORT, s.r.o.

MSM LAND SYSTEMS s.r.o.

MSM Martin, s.r.o.

MSM Services, s.r.o.

Prague Fertility Centre s.r.o.

REAL TRADE PRAHA a.s.

RETIA, a.s.

SBS ZVS, s.r.o.

TATRA DEFENCE VEHICLE a.s.

TATRA EXPORT s.r.o.

TATRA METALURGIE a.s.

TATRA TRUCKS a.s.

TRUCK SERVICE GROUP s.r.o.

UpVision s.r.o.

VOP Nováky, a.s.

VÝVOJ Martin, a.s.

ZVS holding, a.s.

ZVS IMPEX, akciová spoločnosť

This list amounts to a catalog of the current activities of the Group for each sector that could potentially contribute towards environmental sustainability.

KPI to turnover

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')							
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate Mitigation (5)	Climate Adaptation (6)	Water (7)	Circular economy (8)	Pollution prevention (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Portion of Taxonomy-aligned (A.1.) or eligible (A.2.) turnover, year N-1 (18)
		TEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%
A. Taxonomy-eligible activities																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																	
Computer programming, consultancy and related activities	CCA 8.2	14,209	0.82%	0.00%	0.82%	0.00%	0.00%	0.00%	0.00%	Y	Y	Y	Y	Y	Y	Y	2.49%
Education	CCA 11.1	331	0.02%	0.00%	0.02%	0.00%	0.00%	0.00%	0.00%	Y	Y	Y	Y	Y	Y	Y	0.02%
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**14,541**	**0.84%**	**0.00%**	**0.84%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**2.51%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																	
Activity 1 (e)				EL; N/EL;(f)	EL; N/EL;(f)	EL; N/EL;(f)	EL; N/EL;(f)	EL; N/EL;(f)	%								
Manufacture of electrical and electronic equipment	CE 1.2	15,671	0.90%														
Collection and transport of hazardous waste	PPC 2.1	9	0.00%														
Collection and transport of non-hazardous and hazardous waste	CE 2.3	12,739	0.73%														
Electricity generation using solar photovoltaic technology	CE 4.1	49	0.00%														
Sale of spare parts	CE 5.2	1,532	0.09%														
Acquisition and ownership of buildings	CCM 7.7	1	0.00%														
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**30,002**	**1.73%**														**0.03%**
A. Turnover of Taxonomy-eligible avtivities (A.1 + A.2)		**44,543**	**2.57%**														**2.54%**
B. Taxonomy-non-eligible activities																	
Turnover of Taxonomy-non-eligible activities (B)		**1,689,887**	**97.43%**														
Total (A + B)		**1,734,430**	**100.00%**														

[3] Activity 1 is Taxonomy-eligible in its entirety. However, only a proportion of it is Taxonomy-aligned. Therefore, Activity 1 may be reported under both A1 and A2. However, only the proportion reported under A1 may be counted as Taxonomy-aligned in the turnover KPI of the non-financial undertaking.

Column 21 should be filled in for transitional activities contributing to the climate change mitigation.

For activities listed under A2, columns 5 to 17 may be filled in on a voluntary basis by non-financial undertakings.

KPI to capital expenditure (CapEx KPI)

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')							
Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate Mitigation (5)	Climate Adaptation (6)	Water (7)	Circular economy (8)	Pollution prevention (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Portion of Taxonomy-aligned (A.1.) or eligible (A.2.) CapEx, year N-1 (18)
		TEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%
A. Taxonomy-eligible activities																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																	
Computer programming, consultancy and related activities	CCA 8.2	2,776	4.79%	0.00%	4.79%	0.00%	0.00%	0.00%	0.00%	Y	Y	Y	Y	Y	Y	Y	6.86%
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**2,776**	**4.79%**	**0.00%**	**4.79%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**6.86%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																	
				EL; N/EL;[f]	EL; N/EL;[f]	EL; N/EL;[f]	EL; N/EL;[f]	EL; N/EL;[f]	%								
Activity 1 (e)																	
Acquisition and ownership of buildings	CCM 7.7	172	0.30%														0.48%
Construction of new buildings	CCM 7.1	2,198	3.79%														
Data processing, hosting and related activities	CCM 8.1	114	0.20%														
Electricity generation using solar photovoltaic technology	CE 4.1	121	0.21%														
Renovation of existing buildings	CCM 7.2	3,235	5.58%														
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**5,840**	**10.08%**														**0.48%**
A. CapEx of Taxonomy-eligible avtivities (A.1 + A.2)		**8,616**	**14.87%**														**7.34%**
B. Taxonomy-non-eligible activities																	
CapEx of Taxonomy-non-eligible activities (B)		**49,330**	**85.00%**														
Total (A + B)		**57,947**	**100.00%**														

[4] Activity 1 is Taxonomy-eligible in its entirety. However, only a proportion of it is Taxonomy-aligned. Therefore, Activity 1 may be reported under both A1 and A2. However, only the proportion reported under A1 may be counted as Taxonomy-aligned in the turnover KPI of the non-financial undertaking.

For activities listed under A2, columns 5 to 17 may be filled in on a voluntary basis by non-financial undertakings.

KPI to operating expenditure (OpEx KPI)

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')							
Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate Mitigation (5)	Climate Adaptation (6)	Water (7)	Circular economy (8)	Pollution prevention (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Portion of Taxonomy-aligned (A.1.) or eligible (A.2.) OpEx, year N-1 (18)
		TEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%
A. Taxonomy-eligible activities																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																	
Computer programming, consultancy and related activities	CCA 8.2	-76	-0.71%	0.00%	-0.71%	0.00%	0.00%	0.00%	0.00%	Y	Y	Y	Y	Y	Y	Y	8.06%
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**-76**	**-0.71%**	**0.00%**	**-0.71%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**8.06%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																	
				EL; N/EL;(e)	EL; N/EL;(e)	EL; N/EL;(e)	EL; N/EL;(e)	EL; N/EL;(e)	%								
Activity 1 (e)																	
Renovation of existing buildings	CCM 7.2	769	7.24%														
Collection and transport of non-hazardous and hazardous waste	CE 2.3	4,077	38.40%														
Electricity generation using solar photovoltaic technology	CE 4.1	120	1.13%														
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**4,966**	**46.77%**														**0.00%**
A. OpEx of Taxonomy-eligible avtivities (A.1 + A.2)		**4,890**	**46.05%**														**8.06%**
B. Taxonomy-non-eligible activities																	
OpEx of Taxonomy-non-eligible activities (B)		**5,728**	**54.00%**														
Total (A + B)		**10,618**	**100.00%**														

[5] Activity 1 is Taxonomy-eligible in its entirety. However, only a proportion of it is Taxonomy-aligned. Therefore, Activity 1 may be reported under both A1 and A2. However, only the proportion reported under A1 may be counted as Taxonomy-aligned in the turnover KPI of the non-financial undertaking.

For activities listed under A2, columns 5 to 17 may be filled in on a voluntary basis by non-financial undertakings

Approval of the Annual Report

The members of the Company's Board of Directors declare that, to the best of their knowledge, the financial statements and consolidated financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and economic performance of the issuer and the consolidated entities as a group, and the consolidated annual report under the Accounting Act gives a true and fair view of the development and performance of the issuer and the position of the issuer and the consolidated entities as a group, together with a description of the principal risks and uncertainties that they are facing.

The annual report was approved on 4 April 2024 at the Company's registered office.

David Chour

Vice-Chairman of the Board of Directors
since September 1, 2020

Zdeněk Jurák

Member of the Board of Directors
since January 1, 2024

Financial Part

Consolidated Financial Statements

Consolidated Financial Statements prepared under International Financial Reporting Standards (IFRS) as Adopted by the EU for the Year Ended 31 December 2023

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Name of the Company:	**CZECHOSLOVAK GROUP a.s.**
Registered Office:	**U Rustonky 714/1, Karlín, 186 00 Praha 8**
Legal Status:	**Joint Stock Company**
Corporate ID:	**034 72 302**

Components of the Consolidated Financial Statements:

Consolidated Statement of profit or loss and Other Comprehensive Income

Consolidated Statement of Financial Position

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

These consolidated financial statements were authorized for issue on 4 April 2024.

Statutory body of the reporting entity:	**Signature**
David Chour Vice-Chairperson of the Board of Directors **Zdeněk Jurák** Member of the Board of Directors	

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

In EUR thousand (EUR '000)

	Note	For the year ended 31 December 2023	For the year ended 31 December 2022 restated	For the year ended 31 December 2021 restated
Revenues	8	1,734,430	1,014,966	563,238
Raw material and consumables	9	(840,848)	(542,654)	(270,681)
External costs	10	(245,255)	(168,477)	(117,016)
Employee benefits expense	11	(193,975)	(101,157)	(88,405)
Depreciation and amortisation expenses	16,17	(60,654)	(28,288)	(27,396)
Other operating income	12	18,076	16,963	12,674
Other operating expense	13	(33,647)	(28,789)	(21,899)
Profit from operating activities		**378,127**	**162,564**	**50,515**
Financial income	14	23,154	14,098	4,196
Financial expense	14	(104,107)	(39,471)	(24,408)
Profit from other financial instruments	14	(20,659)	34,184	12,617
Profit from financing activities		**(101,612)**	**8,811**	**(7,595)**
Share of profit/(loss) of associates and joint ventures, net of tax	19	647	9,921	4,638
Profit/(loss) from the sale of an equity interest	7	1,766	418	17,044
Profit before tax		**278,928**	**181,714**	**64,602**
Income tax	15	(68,717)	(40,577)	(13,256)
Net profit from continuing operations		**210,211**	**141,137**	**51,346**
Total profit		**210,211**	**141,137**	**51,346**
Other comprehensive income				
Items that are not reclassified subsequently to profit or loss				
Foreign currency translation differences from presentation currency		(2,046)	2,485	2,021
Items that are or may be subsequently reclassified to profit or loss				
Foreign exchange differences on translation of foreign operations, net		(2,908)	7,939	22,963
Fair value gain/(loss) arising on hedging instruments during the period				
Less: Cumulative (gain)/loss arising on hedging instruments reclassified to profit or loss		1,196	—	—
Share of the other comprehensive income of associates and joint ventures, net of tax		(501)	276	—
Other comprehensive income, net		**(4,259)**	**10,701**	**24,985**
Total comprehensive income		**205,952**	**151,838**	**76,331**

	Note	For the year ended 31 December 2023	For the year ended 31 December 2022 restated	For the year ended 31 December 2021 restated
Profit attributable to:				
Shareholders of the Company		174,055	120,761	47,870
Non-controlling interests	27	36,156	20,376	3,476
Profit for the year		**210,211**	**141,137**	**51,346**
Total comprehensive income attributable to:				
Shareholders of the Company		169,795	131,461	73,467
Non-controlling interests	27	36,157	20,377	2,863
Total comprehensive income for the year		**205,952**	**151,838**	**76,330**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2023

In EUR thousand (EUR '000)

	Note	31 December 2023	31 December 2022 restated	31 December 2021	1 January 2021
Non – current assets					
Intangible assets	16	217,482	226,814	51,947	47,202
Goodwill	16	416,910	403,812	42,151	35,140
Property, plant and equipment	17, 18	373,073	361,663	222,280	229,716
Investment property		2,572	2,637	2,716	2,572
Investments in associates and joint ventures	19	103,499	105,617	90,589	76,959
Loans and other financial assets	20	171,518	179,208	99,747	11,115
Trade and other receivables	21	2,392	1,928	3,363	187
Prepayments made and deferred expenses and accrued income	21	15,046	2,774	2,192	981
Deferred tax asset	22	11,640	7,766	5,451	5,510
Contract assets	8	—	—	—	1,465
Contract costs	8	41,185	4,712	1,877	2,590
Total non-current assets		**1,355,317**	**1,296,931**	**522,313**	**413,437**
Current assets					
Inventory	23	860,245	561,796	243,785	233,193
Trade and other receivables	21	218,044	211,889	121,487	191,824
Loans and other financial assets	20	102,091	96,890	44,921	63,714
Prepayments made and deferred expenses and accrued income	21	208,786	82,350	30,248	31,739
Tax receivables	24	19,331	14,361	2,907	3,680
Current income tax receivable`	24	7,458	1,897	2,507	409
Cash and cash equivalents	25	563,865	241,650	104,006	63,099
Assets classified as held for sale		1,979	—	—	—
Contract costs	8	15,211	30,125	30,150	18,825
Total current assets		**1,997,010**	**1,240,958**	**580,011**	**606,483**
Total assets		**3,352,327**	**2,537,889**	**1,102,324**	**1,019,920**

	Note	31 December 2023	31 December 2022 restated	31 December 2021	1 January 2021
Equity					
Share capital	26	78,427	78,427	78,427	74
Other reserves	26	(139,845)	(131,960)	29,122	110,159
Translation reserve	26	34,136	39,090	28,665	3,067
Retained earnings of past years including profit or loss for the current accounting period		487,720	331,024	210,287	191,900
Equity attributable to the Company's shareholders		**460,438**	**316,581**	**346,501**	**305,200**
Non-controlling interests	27	226,478	177,451	25,674	43,901
Total equity		**686,916**	**494,032**	**372,175**	**349,101**
Liabilities					
Non-current liabilities					
Liability from put option	20	176,451	161,164	—	—
Loans and borrowings	20	456,940	466,068	49,958	84,728
Other financial instruments	20	40,436	36,349	25,735	24,268
Trade and other payables	28	11,026	6,489	6,733	751
Provisions	29	10,180	7,612	3,562	1,853
Deferred tax liability	22	65,672	72,872	13,387	14,136
Bonds	20	278,073	189,162	183,716	66,080
Contract liabilities	8	103,553	126,740	163,157	68,346
Total non-current liabilities		**1,142,331**	**1,066,456**	**446,248**	**260,162**
Current liability					
Loans and borrowings	20	300,459	186,680	106,384	126,417
Other financial instruments	20	9,109	6,663	5,498	5,776
Trade and other payables	28	345,759	231,994	116,267	127,430
Provisions	29	3,233	5,594	6,042	5,185
Tax liabilities	30	15,264	16,516	9,401	5,297
Current income tax payable	30	52,913	31,797	6,219	7,872
Contract liabilities	8	736,971	497,100	33,740	82,452
Bonds	20	59,372	1,057	350	50,227
Total current liabilities		**1,523,080**	**977,401**	**283,901**	**410,656**
Total liabilities		**2,665,411**	**2,043,857**	**730,149**	**670,818**
Total equity and liabilities		**3,352,327**	**2,537,889**	**1,102,324**	**1,019,919**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

		Attributable to the shareholders of the Company						
In EUR thousand (EUR '000)	**Note**	**Share capital**	**Other reserves**	**Foreign exchange translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2023 (A)	26	**78,427**	**(131,960)**	**39,090**	**331,024**	**316,581**	**177,451**	**494,032**
Total comprehensive income for the year:								
Profit for the year (B)		—	—	—	174,055	**174,055**	36,156	210,211
Other comprehensive income:								
Foreign exchange differences on translation of foreign operations recycled		—	—	(2,908)	—	**(2,908)**	—	(2,908)
Foreign exchange differences on translation of foreign operations non-recycled		—	—	(2,046)	—	(2,046)	—	(2,046)
Share of the other comprehensive income of equity accounted investees, net of tax		—	—	—	(501)	(501)	—	(501)
Fair value gain/(loss) arising on hedging instruments during the period		—	1,196	—	—	**1,196**	—	1,196
Total other comprehensive income (C)		—	1,196	(4,954)	(501)	(4,259)	—	(4,259)
Total comprehensive income for the year (D) = (B + C)		**—**	**1,196**	**(4,954)**	**173,554**	**169,796**	**36,156**	**205,952**
Additions and disposals:								
Changes in non-controlling interests without a change of control	27	—	3,409	—	(14,889)	(11,480)	15,988	**4,508**
Effects of acquisitions in the form of business combinations	7	—	616	—	—	616	3,390	**4,006**
Effects of subsidiaries sold		—	(14)	—	226	212	(212)	—
Conditional commitment to acquire non-controlling share		—	(4,800)	—	—	(4,800)	—	(4,800)
Change in present value of put option liability		—	(10,487)	—	—	(10,487)	—	(10,487)
Dividends	26	—	—	—	—	—	(6,295)	**(6,295)**
Total additions and disposals (E)		**—**	**(11,276)**	**—**	**(14,663)**	**(25,939)**	**12,871**	**(13,068)**
Transfer in equity		—	2,195	—	(2,195)	—	—	—
Total transfers in equity (F)		**—**	**2,195**	**—**	**(2,195)**	**—**	**—**	**—**
Balance at 31 December 2023 (H) = (A + D + E + F)		**78,427**	**(139,845)**	**34,136**	**487,720**	**460,438**	**226,478**	**686,916**

For the year ended 31 December 2022

In EUR thousand (EUR '000)	Note	Share capital	Other reserves	Foreign exchange translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
			Attributable to the shareholders of the Company					
Balance at 1 January 2022 (A)	26	**78,427**	**29,122**	**28,665**	**210,287**	**346,501**	**25,674**	**372,175**
Total comprehensive income for the year:								
Profit for the year (B)		—	—	—	120,761	120,761	20,376	141,137
Other comprehensive income:								
Foreign exchange differences on translation of foreign operations recycled		—	—	7,940	—	7,940	—	7,940
Foreign exchange differences on translation of foreign operations non-recycled		—	—	2,485	—	2,485	—	2,485
Share of the other comprehensive income of equity accounted investees, net of tax		—	—	—	276	276	—	276
Total other comprehensive income (C)		—	—	10,425	276	10,701	—	10,701
Total comprehensive income for the year (D) = (B + C)		—	—	**10,425**	**121,037**	**131,462**	**20,376**	**151,838**
Additions and disposals:								
Changes in non-controlling interests without a change of control	27	—	82	—	(619)	(537)	(289)	**(826)**
Effects of acquisitions in the form of business combinations	7	—	—	—	—	—	132,996	**132,996**
Effects of subsidiaries sold		—	—	—	319	319	(319)	—
Conditional commitment to acquire non-controlling share		—	(161,164)	—	—	(161,164)	—	(161,164)
Dividends	26	—	—	—	—	—	(987)	**(987)**
Total additions and disposals (E)		—	**(161,082)**	—	**(300)**	**(161,382)**	**131,401**	**(29,981)**
Total transfers in equity (F)		—	—	—	—	—	—	—
Balance at 31 December 2022 (H) = (A + D + E + F)		**78,427**	**(131,960)**	**39,090**	**331,024**	**316,581**	**177,451**	**494,032**

For the year ended 31 December 2021

In EUR thousand (EUR '000)	Note	Share capital	Attributable to the shareholders of the Company: Other reserves	Foreign exchange translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2021 (A)	26	**74**	**110,159**	**3,067**	**191,900**	**305,200**	**43,901**	**349,101**
Total comprehensive income for the year:								
Profit for the year (B)		—	—	—	47,870	47,870	3,476	51,346
Other comprehensive income:								
Foreign exchange differences on translation of foreign operations recycled		—	—	23,576	—	23,576	(613)	22,963
Foreign exchange differences on translation of foreign operations non-recycled		—	—	2,022	—	2,022	—	2,022
Total other comprehensive income (C)		—	—	25,598	—	25,598	(613)	22,985
Total comprehensive income for the year (D) = (B + C)		**—**	**—**	**25,598**	**47,870**	**73,468**	**2,863**	**76,331**
Additions and disposals:								
Changes in non-controlling interests without a change of control	27	—	(81)	—	(30,949)	(31,030)	(19,409)	**(50,439)**
Effects of subsidiaries sold		—	—	—	880	880	(880)	—
Dividends	26	—	—	—	—	—	(801)	**(801)**
Total additions and disposals (E)		**—**	**(81)**	**—**	**(30,069)**	**(30,150)**	**(21,090)**	**(51,240)**
Transfer in equity		78,353	(80,956)	—	586	(2,017)	—	(2,017)
Total transfers in equity (F)		**78,353**	**(80,956)**	**—**	**586**	**(2,017)**	**—**	**(2,017)**
Balance at 31 December 2021 (H) = (A + D + E + F)		**78,427**	**29,122**	**28,665**	**210,287**	**346,501**	**25,674**	**372,175**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

In EUR thousand (EUR '000)

	Note	For the year ended 31 December 2023	For the year ended 31 December 2022	For the year ended 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year		**210,211**	**141,137**	**51,346**
Adjustments for:				
Amortisation/depreciation of fixed assets	16,17	60,654	28,288	27,396
Impairment of inventory		(696)	(655)	(4,729)
Impairment of property, plant and equipment		(40)	(519)	470
Impairment of non-financial assets		—	—	264
Impairment of financial assets		(1,462)	2,202	—
Gain (-) /loss (+) from the sale of property, plant and equipment, investment property and intangible assets	12,13	(13,688)	(5,776)	(19)
Gain (-) / loss (+) from the sale of inventory	12,13	818	1,934	3,754
Gain (-) / loss (+) from financial instruments		12,336	(38,924)	(14,193)
Gain (-) / loss (+) from the disposal of subsidiaries		(1,766)	(418)	(17,044)
Net interest income (-) / expense (+)	14	68,236	18,318	14,390
Recognition (+) / release (-) of allowances for trade and other receivables, write-offs		16,458	6,800	2,432
Recognition (+) / release (-) of provisions	13	638	1,818	3,382
Income tax	15	68,717	40,577	13,256
Unrealised foreign exchange rate (gains)/losses, net		2,129	10,828	14,295
Share of profit (-) /loss (+) of associates and joint ventures	19	(647)	(9,921)	(4,638)
Other		107	—	500
Operating cash flows before movements in working capital		**422,005**	**195,689**	**90,862**
Increase (-) / decrease (+) in trade receivables and other assets*		(218,828)	(69,397)	56,899
Increase (-) / decrease (+) in inventory (including income from sale)		(318,332)	(186,990)	(2,126)
Increase (+) / decrease (-) in trade and other payables**		366,906	401,797	21,907
Cash generated by operations		**251,751**	**341,099**	**167,542**
Income taxes paid		(52,622)	(16,287)	(16,845)
Net cash from operating activities		**199,129**	**324,812**	**150,697**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on disposal of property, plant and equipment, investment property and intangible assets		4,589	3,695	9,093
Dividend income		—	2,646	3,899
Proceeds on disposal of subsidiaries		19,002	3,456	23,474
Repayment of provided loans		83,095	7,195	11,485
Interest received		10,245	5,658	1,700
Acquisition of property, plant and equipment, investment property and intangible assets	16,17	(74,246)	(65,276)	(42,422)
Acquisition of subsidiaries, net of cash acquired	7	(47,714)	(476,994)	(13,914)
Loans provided		(65,429)	(64,126)	(46,828)
Net cash used in investing activities		**(70,458)**	**(583,746)**	**(53,513)**

	Note	For the year ended 31 December 2023	For the year ended 31 December 2022	For the year ended 31 December 2021
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings		252,331	548,641	56,503
Proceeds on bond placements		181,317	9,011	114,726
Repayments of borrowings		(121,306)	(119,493)	(101,922)
Costs related to bond placements		(2,327)	(4)	(1,126)
Payments of bonds		(30,399)	(8,978)	(54,514)
Dividends paid		(6,295)	(968)	(777)
Payments of obligations under leases		(7,955)	(5,240)	(4,180)
Interest paid		(79,164)	(22,738)	(13,647)
Effect of changes in non-controlling interests		4,507	(812)	(48,896)
Net cash (used in)/from financing activities		**190,709**	**399,419**	**(53,833)**
Net increase/decrease in cash and cash equivalents		319,380	140,485	43,351
Cash and cash equivalents at beginning of year		**241,650**	**104,006**	**63,099**
Foreign exchange rate gains (+) / losses (-) from the translation of cash and cash equivalents		2,835	(2,841)	(2,443)
Cash and cash equivalents at end of year		**563,865**	**241,650**	**104,006**

* Increase (-) /decrease (+) in receivables and other assets includes trade and other receivables, prepayments made and deferred expenses and accrued income, and tax receivables with the exception of the income tax receivable.
** Increase (+) /decrease (-) in trade and other payables includes trade and other payables, financial instruments and financial liabilities, deferred income and tax payables with the exception of the income tax payable.

Notes To the Consolidated Financial Statements

1. DESCRIPTION OF THE GROUP

CZECHOSLOVAK GROUP a.s. (the "Parent Company" or the "Company" or "CSG") is a joint stock company formed in compliance with the legal regulations of the Czech Republic on 13 October 2014. Its registered office is located at U Rustonky 714/1, Karlín, 186 00 Prague 8.

The consolidated financial statements of the Company were prepared for the year ended 31 December 2023 and include the financial statements of the Parent Company, its subsidiaries and associates or joint ventures (jointly referred to as the "Group" or the "CSG Group"). The entities included in the Group are disclosed in Note 36 – Entities in the Group and include primarily entities operating in the Czech Republic, Slovakia, Italy, Spain and United States.

CZECHOSLOVAK GROUP's strategy comprises the long-term operation and expansion in promising segments of the traditional Czech and Slovak industries having a strong potential for export. The vast majority of these activities are focused on the B2B or B2G segments. Business activities focusing on end consumers are marginal. The Group is primarily engaged in the arms, engineering, automotive, aircraft and rail transport industries.

The parent company gradually acquired the subsidiaries as part of transactions under joint control and from third parties (refer to Note 7 for details on the acquisitions made in 2023, 2022 and 2021). The Group's formation and the changes in its operating and management structure have been carried out in order to make use of synergistic effects. The Group has also combined and unified its financing structure.

As of 31 December 2023, the Company's sole shareholder was CSG FIN a.s., which, as the sole shareholder, acted as the supreme company body from 28 June 2022. Michal Strnad acted as the supreme company body from 1 January 2022 to 27 June 2022.

As of 31 December 2023, the Company's sole shareholder was as follows:

31 December 2023	Shares (EUR '000)	Ownership percentage %	Voting rights %
CSG FIN a.s.	78,427	100	100
Total shares	**78,427**	**100**	**100**

As of 31 December 2023 and 2022, the Group's 100 % ultimate owner was Michal Strnad.

Composition of the Board of Directors as of 31 December 2023:

- Michal Strnad (Chairperson of the Board of Directors)
- David Chour (Vice-Chairperson of the Board of Directors)
- David Štěpán (Member of the Board of Directors)
- Petr Formánek (Member of the Board of Directors)
- Ladislav Štorek (Member of the Board of Directors)

Composition of the Supervisory Board as of 31 December 2023:

- Aleš Klepek (Member of the Supervisory Board)
- Michaela Katolická (Member of the Supervisory Board)
- Rudolf Bureš (Member of the Supervisory Board)

2. STATEMENT OF COMPLIANCE

The consolidated financial statements were authorised for issue by the Board of Directors on 4 April 2024.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS © Accounting Standards) adopted by the European Union and to be included in an Offering Memorandum.

Furthermore, the consolidated financial statements have been drawn up on a going concern basis and using the conventional historical cost basis, except for in the event the measurement of financial assets and liabilities that required the application of the of fair value criterion.

The consolidated financial statements are presented in euro ("EUR"), which has been the presentation currency set by the CSG Group since January 1, 2021. The Company's functional currency is the Czech crown ("CZK"). Each entity included to the consolidated financial statements determine the functional currency in accordance with the requirements of IAS 21. All amounts included in this document are presented in thousands of euros, unless otherwise indicated. The reason for the presentation currency is that EUR suits the needs of the primary users of the financial statements better than CZK.

The consolidated financial statements are prepared using consistent accounting policies over the whole period covered by the financial statements (i.e. both the current and comparative periods). These accounting policies are in line with the IFRS applicable at the end of the reporting period i.e., 31 December 2023.

The detailed application of consolidation methods is described further in Note 5.

3. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis, except for the following assets and liabilities stated at their fair value: financial instruments at fair value through profit & loss ("FVTPL") (incl. those designated upon initial recognition as at FVTPL). Financial assets and liabilities as well as non-financial assets and liabilities measured at historical cost are stated at amortised cost ("AC") using the effective interest method or historical cost, as appropriate, net of any relevant impairment and cumulative depreciation or cumulative amortisation.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (refer to note 7). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes at a minimum an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has the option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets meets the definition of a business. The optional concentration test is met if substantially all fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in profit or loss immediately (refer to note 7). Transaction costs are expensed as incurred, expect if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay a contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent considerations are re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent considerations are recognised in profit or loss.

4. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

(a) Change in accounting policy

Change in presentation currency

During the year 2023, the Group has elected to change the Group's presentation currency from the Czech crown (CZK) to the Euro (EUR) effective from 1 January 2021. The change in presentation currency was a voluntary change which has been accounted for retrospectively. The consolidated financial statements as of and for the year ended 31 December 2022 and 31 December 2021 have been restated to euros using the procedures outlined below:

- Statement of profit or loss and other comprehensive income and statement of cash flows for each group entity were consolidated into EUR using average foreign currency rates prevailing for the relevant period.
- Assets and liabilities in the consolidated statement of financial position were translated into EUR at the closing foreign currency rates on the relevant balance sheet dates.
- The equity section of the consolidated statement of financial position, including foreign currency translation reserve, accumulated losses, share capital and the other reserves, were translated into EUR using the historical rates, being the rate on the date of the transaction.

All resulting translation exchange differences have been recognised within other comprehensive income in the foreign currency translation reserve. The effect of applying different exchange rates for the change in presentation currency have been included as a reconciling item within the statement of changes in shareholders' equity as at 1 January 2021.

The presentation currency of EUR has been adopted to suit the needs of the primary users of the financial statements.

Recognition of written put options over non-controlling interest

Furthermore, the Group has adopted its policy related to written put options following recent guidance of IFRS. Where the Group writes a put option, which if exercised triggers the purchase of non-controlling interests as part of its business acquisition, the put option is recognised as a financial liability at the acquisition date. Where risks and rewards remain with the non-controlling interests, a corresponding amount is deducted from equity. Any subsequent changes to the carrying amount of the put option liability are also recognised within equity.

Measurement period adjustments

During 2023, the Group has finalised the acquisition accounting of C3F S.pA. that was acquired in December 2022. The comparative balance sheet as of 31 December 2022 has been revised to include the impact to the provisional amounts recognised.

The detail is disclosed in Note 7.

Recognition of own work capitalized

During 2023, the Group has changed recognition of Own work capitalized since 2023 Owned work capitalized is recorded at appropriate line of incurred expenses. In previous years Own work capitalizes was included in line "Other operating income", since 2023 Owned work capitalizes has been included in "Employee benefits cost". The comparative as of 31 December 2022 and 31 December 2021 has been revised to include the impact of this change.

	Corrected Value as of 31 Dec 2022	Originally recognised value as of 31 Dec 2022	Difference
Other operating income	16,963	42,629	(25,666)
Employee benefits cost	(101,157)	(126,823)	25,666

	Corrected Value as of 31 Dec 2021	Originally recognised value as of 31 Dec 2021	Difference
Other operating income	12,674	30,638	(17,964)
Employee benefits cost	(88,405)	(106,369)	17,964

(b) New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the group has applied a number of new and amended IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in the EU for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 17 Insurance Contracts (including the June 2020 and December 2022 Amendments to IFRS 17)

The Group does not have any contracts that meet the definition of an insurance contract under IFRS 17.

Amendments to IAS 1 Presentation of financial statements and IFRS Practice Statement 2 Making Material Judgements – Disclosure of Accounting Policies.

The Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in the entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The Group has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single transaction

The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affect neither accounting profit nor taxable profit.

Amendments to IAS 12 Income Taxes – International Tax Reform – Pillar Two Model Rules

The Group has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose Information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Group is required to disclose that it has applied the exemption and to disclose separately its current tax expense (income) related to Pillar Two income taxes (see note 15).

(c) New and revised IFRS Accounting Standards adopted by the EU in issue but not yet effective

At the date of authorisation of these financial statements, the group has not applied the following revised IFRS Accounting Standards that have been issued and adopted by the EU but are not yet effective in the EU:

Amendments to IFRS 16 *Leases*	Lease Liability in a Sale and Leaseback	Effective from 1.1.2024
Amendments to IAS 1 *Presentation of Financial Statements*	Classification of Liabilities as Current or Non-Current	Effective from 1.1.2024
Amendments to IAS 1 *Presentation of Financial Statements*	Non-current Liabilities with Covenants	Effective from 1.1.2024

The directors do not expect that the adoption of the amendments to the existing Standards listed above will have a material impact on the consolidated financial statements of the group in future periods, except if indicated below.

(d) New and revised IFRS Accounting Standards issued by the IASB but not yet adopted by the EU

The following amendments to the existing IFRS Accounting standards have not been endorsed for use in the EU yet and could not therefore be adopted by the group:

(The effective dates stated below are for IFRS as issued by IASB. EU is expected to approve the amendments with the same effective dates.)

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been removed temporarily by the IASB.
Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*	Supplier Finance Arrangements	Effective from 1.1.2024
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*	Lack of Exchangeability	Effective from 1.1.2025

The directors do not expect that the adoption of the amendments to the existing standards listed above will have a material impact on the consolidated financial statements of the group in future periods, except if indicated below.

5. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company and entities controlled by the parent company (its subsidiaries) made up to 31 December each year. Control is achieved when the parent company:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns

The parent company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the parent company obtains control over the subsidiary and ceases when the parent company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the parent company gains control until the date when the parent company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value.

After acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the parent company and to the non-controlling interests.

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent company.

When the group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

(c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interest issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-Based Payments at the acquisition date (see below); or
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(d) Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The group's policy for goodwill arising on the acquisition of an associate is described below.

(e) Investments in associates and joint ventures

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the group's share of losses of an associate or a joint venture exceeds the group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the associate or joint venture), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

If there is objective evidence that the group's net investment in an associate or joint venture is impaired, the requirements of IAS 36 Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as it's fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the group reduces its ownership interest in an associate or a joint venture but the group continues to use the equity method, the group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the group.

The group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the group does not take into account adjustments to their carrying amount required by IAS 28 Investments in Associates and Joint Ventures (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

(f) Revenue recognition

Revenue from contracts with customers

The Group applies a five-step model to determine when and to what extent revenue should be recognised. Revenue is recognised when the Group transfers control of the goods and services to its customers and in the amount of the expected consideration. Following the fulfilment of specific requirements, revenue is reported either over time or at a point in time when control of goods or services is transferred. The Group enters into contracts with customers for different supplies and under different conditions, which is why it proceeded to assess the contracts individually.

Information on the method of accounting of revenues under IFRS 15 for individual types of transactions is provided in Note 8 Revenues. The main areas considered by the Group in applying IFRS 15 are the following:

a) Identification of the contract, identification of the performance obligations

The Group assesses performance obligations for all contracts in detail. The Group's contracts often involve several performance obligations. If the Group provides customers with a service of significant integration of these performance obligations, it considers these partial performance obligations to be part of one main performance obligation.

b) Significant financing component

For prepayments, the Group recognises interest expense on received prepayments, which are reflected in the reported contract price if these prepayments are considered a significant financing component in accordance with IFRS 15.

The Group used a practical expedient and does not account for the financing component if the expected time between the delivery and payment at the time of origination of the contractual relationship is less than 12 months.

c) Revenue recognition period

In the case of contracts with customers, where the Group has a legally enforceable right to payment, the Group recognises revenues from these contracts over time. For these contracts, sales and expenses are recognised taking into account the progress of the contractual activity at the balance sheet date using the percentage of completion method. The percentage of completion is usually calculated as the ratio of the costs incurred under the contract to the total estimated costs. Management believes that this input method is an appropriate indicator of progress towards fully meeting these performance obligations. Only in exceptional cases is the percentage of completion measured by the output method. If it is probable that total costs will exceed total revenues, the loss is recognised immediately in the financial statements.

For contracts where none of the requirements for revenue recognition over time are met, the Group recognises revenue at a point in time when control is transferred. Until the transfer of control, the Group recognises contract costs as work in progress.

Contract assets and contract liabilities

Contract assets are recognised in connection with contracts with customers if, in the case of contract manufacturing, the cumulative sales recognised over time exceed the sum of the advance payments received and progress billings. As of the end of the reporting period, this asset item is tested for impairment, and, if necessary, an impairment is recognised on the basis of expected losses. If the recognised sales are lower than the sum of the advance payments received and progress billings, a contract liability is recognised. A contract liability is also recognised if advance payments are received and consideration has not yet been provided. Provisions for loss-making contracts are reported under Provisions.

Contract costs

Contracts with customers concluded by the Group may lead to the recognition of incremental costs incurred to obtain, or to perform, the contracts. In this situation, the Group will only recognise the item costs to obtain or perform a contract if the costs are incremental and relate directly to the obtaining and performing of the contract with a customer. The Group uses the possibility of expedient, i.e. the costs are only capitalised in the statement of financial position if their allocation is expected over a period exceeding 12 months, i.e. it is a non-current asset. When an asset is recognised, its current and non-current portions are distinguished. The costs capitalised are subsequently allocated to expenses concurrently with the progress of complete satisfaction of the performance obligation. The costs capitalised are allocated to profit or loss to the relevant nature of cost, e.g. the costs to obtain a contract in the form of a brokerage fee are subsequently allocated to Services.

(g) Leases

(a) The group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the group and the lease does not benefit from a guarantee from the group.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss (see note 30).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

(h) Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the parent company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(i) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

(j) Taxation

The income tax expense represents the sum of current and deferred income tax expense.

a. <u>Current tax</u>

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

In cases where the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority, uncertain tax liabilities are presented as current tax liabilities and are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the parent company supported by previous experience with similar transactions and their tax impact and in certain cases based on specialist independent tax advice.

b. <u>Deferred tax</u>

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.
The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

c. <u>Current tax and deferred tax for the year</u>

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(k) Property, plant and equipment

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Plant, machinery, fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	1.6 per cent – 5.0 per cent per annum
Plant and machinery	5.0 per cent – 33.3 per cent per annum
Fixtures and fittings	5.0 per cent – 50.0 per cent per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(l) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in note 16. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(m) Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally- intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(n) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(o) Trademarks

Trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. In case of indefinite useful life, trademarks are tested for impairment at least annually or whenever there is any indication that impairment occurred.

(p) Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

(q) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(r) Cash and cash equivalents

In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are current (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Bank balances for which use by the group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the group's cash management. Such overdrafts are presented as current borrowings in the statement of financial position.

(s) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

i. Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

If these criteria are not met, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the group may make the following irrevocable election / designation at initial recognition of a financial asset:

- The group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below)
- The group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below)

1. Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "interest income" line item (Note 14).

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term
- On initial recognition it is part of a portfolio of identified financial instruments that the group manages together and has evidence of a recent actual pattern of short-term profit-taking
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

2. Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above)

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The group has not designated any debt instruments as at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item (Note 14). Fair value is determined in the manner described in note 32.

3. <u>Impairment of financial assets</u>

The group recognises a loss allowance for expected credit losses on trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The group always recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

4. <u>Significant increase in credit risk</u>

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the extent to which the fair value of a financial asset has been less than its amortised cost;

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

5. <u>Definition of default</u>

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due.

6. <u>Credit-impaired financial assets</u>

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) a significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event (see (ii) above);

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

b. <u>Financial liabilities and equity</u>

i. <u>Classification as debt or equity</u>

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

1. <u>Equity instruments</u>

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

2. <u>Financial liabilities</u>

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the group, are measured in accordance with the specific accounting policies set out below.

3. *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if either:

- It has been acquired principally for the purpose of repurchasing it in the near term
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if either:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL

c. Derivative financial instruments
The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in notes 32.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the group has both a legally enforceable right and intention to offset. The impact of the master netting agreements on the group's financial position is disclosed in note 32. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

d. Hedging derivatives
The Group designates certain derivatives as hedging instruments in relation to currency risk and interest rate risk and classifies them as cash flow hedges. Hedges of foreign currency risk on binding commitments are accounted for as cash flow hedges.

The Group considers derivatives to be hedging derivatives if the hedge accounting model is applied on them and if the following conditions are met:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item

Derivatives that do not meet the above conditions for hedging derivatives are classified by the Group as derivatives held for trading (speculative).

When a hedging relationship is established, the relationship between the hedging instrument and the hedged item, risk management objectives and strategies in executing the various hedging transactions are documented. On an ongoing basis, the hedging instrument is assessed for its effectiveness in offsetting changes in the fair value or cash flows of the hedged item that result from changes in the hedged risk.

If the derivative is used to hedge the risk of changes in cash flows arising from assets, liabilities or legally enforceable contractual relationships or forecast transactions, the change in the fair value of the hedging derivative corresponding to the effective portion of the hedge is recognised in other comprehensive income as a Revaluation Reserve. The ineffective portion of the change in the fair value of the derivatives is included in profit or loss.

Financial derivatives are carried at cost at the time of acquisition and subsequently remeasured to fair value at the date of the consolidated financial statements.

The Group uses financial derivatives only to hedge future cash flows. Changes in the fair value of financial derivatives are recognised in other comprehensive income.

The cumulative amount in equity remains in other comprehensive income and is reclassified to profit or loss in the same period(s) during which the hedged item affects profit or loss.

The Group shall discontinue hedge accounting only when the hedging relationship (or part of it) no longer meets the qualifying criteria. For example, the hedging instrument expires or the hedging instrument is sold, terminated or the contract is exercised. Termination of hedge accounting is accounted for prospectively. Any gains or losses recognised in other comprehensive income and accumulated in the cash flow hedge fund at that point in time remain in equity and are reclassified to profit or loss when the expected transaction is realised. If the expected transaction is no longer expected to occur, the gains or losses accumulated in the cash flow hedge fund are immediately reclassified to profit or loss.

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(u) Critical accounting judgements and key sources of estimation uncertainty

In applying the group's accounting policies, which are described in Note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(v) Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

- Note 8 – Revenue recognition
- Note 29 – Provisions
- Note 20 – Measurement of financial instruments
- Note 8 – Contract assets and liabilities
- Note 37 – Legal disputes

(w) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(x) Impairment testing

Following the assessment of the recoverable amount of goodwill allocated to groups subsidiaries to which goodwill of EUR 417 million is allocated, the directors consider the recoverable amount of goodwill to be most sensitive to the achievement of the 2024 – 2028 financial plan. Financial plan comprise forecasts of revenue, employee benefit expense and overheads based on current and anticipated market conditions that have been considered and approved by the board. Whilst the group is able to manage most costs, the revenue projections are inherently uncertain due to the future market conditions. Revenue of the CGU is most sensitive to changes in the sectors demand for sales in defence and aerospace sector.

The sensitivity analysis in respect of the recoverable amount of goodwill is presented in note 16.

6. FAIR VALUE MEASUREMENT

(a) Non-derivative financial assets

The fair value is based on their quoted market price as of the balance sheet date with no deduction of transaction costs. If no quoted market price is available, the directors estimate the fair value of the given instrument using price models or techniques based on discounted cash flows.

If techniques based on discounted cash flows are applied, the estimated future cash flows are based on best estimates made by the directors, and a market-based rate as of the balance sheet date for an instrument with similar conditions is used as the discount rate. If price models are used, inputs are based on market rates as of the balance sheet date.

The fair value of trade receivables and other receivables, except for contract assets but including receivables from services provided based on a concession, is estimated as the present value of future cash flows discounted using the interest rate as of the balance sheet date.

The fair value of trade receivables, other receivables and investments reported at amortised cost is only determined for the disclosure purposes.

(b) Non-derivative financial liabilities

The fair value determined in order to be disclosed is based on the present value of future cash flows from principals and interest discounted by a default interest rate as of the balance sheet date. For leases, the default interest rate is determined as the rate stated by the lessor in the contractual documentation. If this rate is not available, the lessee's incremental borrowing rate is used.

The incremental rate for the Group is derived from PRIBOR + margin 4.92% for contracts concluded in CZK and EURIBOR + margin 4.53 % for contract concluded in EUR, entered into in 2023.

Put option liabilities are recognised at the present value of the exercise price of the option. The exercise price of the option is generally based on fair value. The methodology the Group uses to estimate the fair values assumes the greater of net book value or a multiple of earnings, based on historical earnings and other factors. From time to time the Group engages external valuation firms for the valuation of the put options. The external valuation estimates the fair values using a combination of discounted cash flows and a multiple of earnings and/or revenue. The put option liabilities are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The estimated fair values of these put options can also fluctuate, and the discounted cash flows as well as the implicit multiple of earnings and/or revenue at which these obligations may ultimately be settled could vary significantly from the Group's current estimates depending upon market conditions.

(c) Derivatives

Financial derivatives are measured at fair value and classified under level 2.

7. CHANGES IN THE GROUP'S STRUCTURE

(a) The Group's new acquisitions

2023

i. Newly established subsidiaries

Company name	Acquisition type	Establishment date	Effective ownership in %
LBP 80 S.r.l.	Established	20. 11. 2023	80.0%
MANDURIA TRADE a.s.	Established	03. 10. 2023	100.0%
STALUNA TRADE a.s.	Established	03. 10. 2023	100.0%
DAKO-CZ EN, a.s.	Established	02. 05. 2023	100.0%
DAKO-CZ INDIA PRIVATE LIMITED	Established	27. 03. 2023	99.9%
MEDHA DAKO-CZ PRIVATE LIMITED	Established	17. 07. 2023	50.0%

ii. Acquired subsidiaries – IFRS 3 Business Combinations

1) In December 2023 the Group acquired 80 % of the company Armi Perazzi S.p.A., the manufacturer of high-quality shotguns for sport shooters and elite hunters. Olympic medallists and successful competitive shooters belong among owners of these premium firearms, of which Perazzi produces approximately 1,500 units per year. One of them is the Czech Olympic gold medal winner in trap from the 2008 Beijing Olympics, David Kostelecký.
As this extensive acquisition occurred before the end of 2023, the Group's assets and liabilities were not measured at fair value as of the date of preparation of the consolidated financial statements. The assets and liabilities of the acquired company are measured at provisional value, based on the accounting records of the acquired company. Consequently, the acquisition accounting process was not completed in 2023, and the remeasurement to fair value will occur within one year from the acquisition date, including the measurement of the non-controlling interest.
2) In May 2023 the Group acquired 50 % of the company JWL DAKO-CZ (INDIA) LIMITED RN through DAKO-CZ a.s., a manufacturer of braking systems and components for rolling stock. DAKO-CZ wants to improve its position on the Indian market.
3) In June 2023 the Group acquired the company Pocket Virtuality which develops distinctive solutions utilizing augmented and virtual reality. These solutions can be employed for purposes such as remote technical assistance, design of industrial systems, residential projects, and exhibitions.
4) The company ABIENNALE s.r.o acquired in September 2023 is a service organization which provides the services in air transport for the companies in the Group.

2022

i. Newly established subsidiaries

Company name	Acquisition type	Establishment date	Effective ownership in %
HARVO SPV s.r.o.	Established	13.1. 2022	100%
LAIRAN SPV a.s.	Established	11.1. 2022	100%
GACEL Holding s.r.o.	Established	25.4. 2022	100%
RETIA Realitní s.r.o.	Established	14.11. 2022	100%
TATRA a.s.	Established	6.5. 2022	100%
REALID SPV a.s.	Established	6.5. 2022	100%
RELAZA SPV a.s.	Established	5.5. 2022	100%
CLEVELOPMENT SPV a.s.	Established	6.5. 2022	100%
Development Přelouč s.r.o.	Established	17.2. 2022	90%
TATRA DEFENCE PROJECTS s.r.o.	Established	8.3. 2022	81%

ii. Acquired subsidiaries – IFRS 3 Business Combinations

1) GAMA OCEL, spol. s r.o.

In August 2022, through GACEL Holding s.r.o., the Group acquired a 100% equity interest in GAMA OCEL, a company specialising in the processing and supply of wear-resistant, high-strength, and armoured steel plates. As this acquisition occurred before the end of 2022, the Group's assets and liabilities were not measured at fair value as of the date of preparation of the consolidated financial statements. The assets and liabilities of the acquired company are measured at provisional value, based on the accounting records of the acquired company.

2) UpVision s.r.o.

In September 2022, through TRADITION CS a.s., the Group acquired a 100% equity interest in UpVision s.r.o. and its subsidiary UpVision Defence s.r.o., which focuses on utilising unmanned systems for various types of aerial work.

3) Fiocchi Group

In November 2022, the Group obtained a 70% equity interest in the Italian group FCC S.p.A. and its subsidiaries, Fiocchi Munizioni S.p.A, Baschieri & Pellagri S.p.A, Fiocchi of America Inc, Fiocchi UK Limited, and Lyalvale Express Limited through C3F S.p.A. The Fiocchi Group ranks among the world's leading small-calibre ammunition manufacturers.

As this extensive acquisition occurred before the end of 2022, the Group's assets and liabilities were not measured at fair value as of the date of preparation of the consolidated financial statements. The assets and liabilities of the acquired companies are measured at book value of the acquired companies (historical costs). Consequently, the acquisition accounting process was not completed in 2022, and the remeasurement to fair value will occur within one year from the acquisition date, including the measurement of the non-controlling interest.

During 2023, the Group has finalised acquisition accounting process that had not been completed before issuing 2022 consolidated financial statements. Consequently, the Group has retrospectively adjusted values of assets and liabilities of FCC S.p.A. provisional used in 2022 consolidated financial statements.

In June 2023, a merger between companies C3F SpA, FCC SpA, and Fiocchi Munizioони SpA took place. The successor company became Fiocchi Munizioni SpA.

Adjustment to assets and liabilities arising from the closing of acquisition accounting were reflected in the financial statements for 2022 of participating company with retrospective effect as follows:

Fiocchi Group acquisition	Corrected Value as of 31 Dec 2022	Originally recognised value as of 31 Dec 2022	Difference
C3F / Fiocchi Munizioni			
Goodwill	356,967	466,048	(109,081)
Fiocchi Group			
Intangible Assets	169,448	15,448	154,000
Deferred Tax Liability	(44,919)	0	(44,919)

The Group has applied the full goodwill method to calculate goodwill on acquisition of C3F where goodwill is recognised based on 100% ownership (including share attributable to non-controlling interest).

As part of the Fiocchi Group acquisition, the Group acquired option to acquire remaining 30% share in C3F at fair value, and also granted put options to Giulio Fiocchi S.p.A. and Fiocchi S.p.A. to sell their remaining 30% in Fiocchi Group for higher of a set multiple of EBITDA or fix price. The put option could be only exercised if there is an unapproved change of control of Fiocchi Munizioni or the Group itself between the date of approval of financial statements of Fiocchi Munizioni for 31 December 2024 and 31 December 2026.

The Group has considered that whilst CSG being owned by the sole shareholder who is involved in the key strategic and operational decisions, following the recent IFRS guidance from November 2023, the decisions of the Group of the sole shareholder to eventually dispose his ownership could be viewed as an investment decision of the sole shareholder and decision of the Group. However, the Group's sole shareholder will always consider all effects of an unapproved change of control and therefore the management of the Group considers the exercisability of the put option highly unlikely. Despite the very low probability of the put option being eventually exercised, IFRS do not impose any probability threshold and sets out that put option liability is evaluated purely based on contractual rights and obligations of the respective parties. As Giulio Fiocchi S.p.A. and Fiocchibi S.p.A. are still exposed to returns of Fiocchi Munizioni, the Group applied the present access method and recognised the commitment to eventually acquire non-controlling share in C3F as a put option liability at net present value with remeasurements made directly through equity attributable to the owner of the parent company and charged or credited to the other reserves.

iii. Other changes

In 2022, ELDIS Pardubice India Private Limited (India) and EXCALIBUR DEFENCE SYSTEMS PRIVATE LIMITED (India) were also established. They are listed as unconsolidated financial investments due to their immateriality.

2021

i. Newly established subsidiaries

Company name	Acquisition type	Establishment date	Effective ownership in %
BREVETI SPV a.s.	Established	10.04.2021	100 %
CSG a.s.	Established	16.06.2021	100 %
CSG DEAL a.s.	Established	10.09.2021	100 %
DAKO-CZ MACHINERY, a.s.	Established	10.04.2021	100 %
RUMPETA a.s.	Established	20.09.2021	100 %

ii. Acquired subsidiaries – IFRS 3 Business Combinations

1) Prague Fertility Centre, s.r.o.

In February 2021, the Group, through CSG Health Care, acquired an additional 40% equity interest in Prague Fertility Centre s.r.o., a leading assisted reproduction centre, with its subsidiaries AsterIVF s.r.o. and Sondany s.r.o., and gained control of the Group. The fair value of the Company's identifiable assets and assumed liabilities at the date of acquisition is presented in Note C) below.

2) 2) PPS Vehicles, s.r.o.

In October 2021, the Group acquired a 72.90% equity interest in PPS Vehicles through MSM Group, s.r.o. Through this company, the Group obtained a set of authorisations for the sale of ammunition for a range of weapon systems. The fair value of identifiable assets and assumed liabilities of the entity as of the acquisition date is disclosed in Note C) below.

iii. Other changes

In November 2021, the company Slovak Industry, s.r.o., which is the legal successor, merged with ZVS Ammunition a.s. As part of this merger, ZTS METALURG špeciál, s.r.o. was also added to the Group.

(b) Impact of acquisitions – IFRS 3 Business Combinations

i. 2023

(EUR '000)	**Armi Perrazi S.p.A**	**JWL DAKO-CZ (INDIA) LIMITED RN**	**POCKET VIRTUALITY a.s.**	**ABIENNALE s.r.o.**	**Total**
Month of acquisition	**December 2023**	**May 2023**	**June 2023**	**September 2023**	
Assets					
Intangible assets and Goodwill	129	—	404	—	533
Property, plant and equipment	10,557	2,141	172	9,616	22,486
Loans and other non-current financial assets	3	256	—	—	259
Trade and other non-current receivables	1,787	—	(2)	—	1,785
Deferred tax asset	49	—	—	—	49
Inventory	9,628	3,022	3	—	12,653
Trade and other current receivables	7	728	—	203	938
Tax assets	—	—	—	86	86
Cash and cash equivalents	1,178	11	31	62	1,282
Total acquired identifiable assets	**23,338**	**6,158**	**608**	**9,967**	**40,071**
Liabilities					
Non-current loans and borrowings	850	4,518	—	—	5,368
Non-current financial instruments and liabilities	481	—	58	6,059	6,598
Non-current provisions	10	—	—	—	10
Trade and other non-current payables	240	—	—	—	240
Deferred tax liability	90	—	—	—	90
Current financial instruments and liabilities	134	—	—	—	134
Current loans and borrowings	707	1,319	82	5,255	7,363
Trade and other current payables	2,934	—	64	20	3,018
Deferred income	390	—	—	—	390
Current contract liabilities	663	—	—	—	663
Tax liabilities	1,299	—	—	—	1,299
Total identifiable assumed liabilities	7,798	5,837	204	11,334	25,173
Acquired identifiable assets and assumed liabilities (D)	**15,540**	**321**	**404**	**(1,367)**	**14,898**
Payment for the acquired company – effective (A)	35,000	470	283	—	35,753
Deferred payment – effective (G)	—	—	—	1,084	1,084
Investment value as of the control acquisition (I)	—	—	—	—	—
Paid (H)	35,000	470	283	—	35,753
Acquired non-controlling interests €	3,108	160	121	—	3,389
Goodwill/ (bargain purchase) (F) = (G + A + I – (D – E))	**22,568**	**310**	**—**	**2,450**	**25,328**
Less: Acquired cash (B)	1,178	11	31	62	1,282
Net cash income (+)/ expense (-) of the transactions (C) = (B – H)	**(33,822)**	**(459)**	**(252)**	**62**	**(34,471)**

(EUR '000)	Armi Perrazi S.p.A	JWL DAKO-CZ (INDIA) LIMITED RN	POCKET VIRTUALITY a.s.	ABIENNALE s.r.o.	Total
Aggregate profit or loss (restated to 12 months by extrapolation from the period in which the company was part of the consolidation group)					
Revenues	13,937	142	69	2 901	17,049
Profit (+) / loss (-) from operating activities	1,808	(628)	(678)	(1,611)	(1,109)
Profit (+) / loss (-) before taxation	692	(471)	(589)	(1,861)	(2,229)
Income tax	(166)	—	—	—	(166)
Profit or loss for the period	**526**	**(471)**	**(589)**	**(1,861)**	**(2,395)**
-of which profit (+) / loss (-) attributable to shareholders	421	(236)	(413)	(1,861)	(2,089)
Other comprehensive income	—	—	—	—	—
Total comprehensive income	***526***	***(471)***	***(589)***	***(1,861)***	**(2,395)**
Share of the Group in total comprehensive income	***421***	***(236)***	***(413)***	***(1,861)***	**(2,089)**

ii. 2022

(EUR '000)	GAMA OCEL, Spol. s r.o.	UpVision s.r.o. + UpVision Defence s.r.o.	FCC Group*	Total
Month of acquisition	**August 2022**	**September 2022**	**November 2022**	
Assets				
Intangible assets	—	4	169,448	169,452
Goodwill	—	—	4,459	4,459
Property, plant and equipment	1,595	14	113,502	115,112
Loans and other non-current financial assets	—	—	1,275	1,275
Trade and other non-current receivables	1,641	52	1,029	2,722
Deferred tax asset	—	—	2,475	2,475
Inventory	2,519	—	118,669	121,188
Trade and other current receivables	—	—	68,099	67,099
Loans and other current financial assets	—	—	579	579
Current prepayments and accruals	—	—	1,830	1,830
Tax assets	—	—	7,913	7,913
Cash and cash equivalents	1,114	31	33,101	34,246
Total acquired identifiable assets	**6,869**	**101**	**521,380**	**528,350**
Liabilities				
Non-current loans and borrowings	—	—	37,770	37,770
Non-current financial instruments and liabilities	—	6	8,305	8,311
Non-current provisions	—	—	1,536	1,536
Trade and other non-current payables	—	—	—	—
Non-current contract liabilities	—	—	1,533	1,533
Deferred tax liability	6	—	58,992	58,998
Current financial instruments and liabilities	—	3	21,330	21,333
Current loans and borrowings	—	—	2,357	2,357
Trade and other current payables	750	29	78,772	79,551
Current provisions	40	—	—	40
Current contract liabilities	—	—	1,043	1,043
Tax liabilities	380	—	17,517	17,897
Total identifiable assumed liabilities	**1,176**	**38**	**229,154**	**230,368**
Acquired identifiable assets and assumed liabilities (D)	**5,693**	**63**	**292,226**	**300,709**
Payment for the acquired company – effective (A)	7,809	829	644,734	653,372
Deferred payment - effective (G)	—	203	—	203
Investment value as of the control acquisition (I)	—	—	—	—
Paid (H)	7,809	829	509,030	517,668
Acquired non-controlling interests (E)	—	2	—	2
Value of shares for other shareholders	—	—	135,704	135,704

(EUR '000)	GAMA OCEL, Spol. s r.o.	UpVision s.r.o. + UpVision Defence s.r.o.	FCC Group*	Total
Goodwill/ (bargain purchase) (F) = (G + A + I – (D – E))	**2,116**	**971**	**356,967**	**360,054**
Less: Acquired cash (B)	1,114	31	33,410	34,555
Net cash income (+)/ expense (-) of the transactions (C) = (B – H)	(6,695)	(798)	(475,620)	(483,114)
Post-acquisition revenues (31/12/2022)	2.968	13	26,454	29,435
Post-acquisition profit (+) / loss (-) (31/12/2022)	256	(52)	2,565***	2,769
Aggregate profit or loss (restated to 12 months by extrapolation from the period in which the company was part of the consolidation group)				
Revenues	8,905	51	317,447	326,404
Profit (+) / loss (-) from operating activities	715	(207)	28,712	29,220
Profit (+) / loss (-) before taxation	699	(208)	43,305	43,796
Income tax	69	—	(216)	(147)
Profit or loss for the period	768	(208)	43,089	43,649
- of which profit (+) / loss (-) attributable to shareholders[1]	768	(203)	30,162	30,727
Other comprehensive income	—	—	(2,744)	(2,744)
Total comprehensive income	768	(208)	40,345	40,905
Share of the Group in total comprehensive income	768	(203)	28,242	28,807

* The FCC Group includes data for FCC S.p.A with its subsidiaries Fiocchi Munizioni S.p.A, Baschieri & Pellagri S.p.A., Fiocchi of America Inc, Fiocchi UK Limited, and Lyalvale Express Limited.
**The assets of the FCC Group include additional goodwill of EUR 110 million arising from previous acquisitions of the FCC Group.
***Post-acquisition profit less acquisition costs

iii. 2021

(EUR '000)	Group Prague Fertility Centre*	PPS Vehicles s.r.o.	VORNEA SPV s.r.o.	Total
Month of acquisition	**February 2021**	**October 2021**	**March 2021**	
Assets				
Intangible assets and Goodwill	735	2,212	—	2,947
Property, plant and equipment	5,923	—	—	5,923
Inventory	56	—	—	56
Trade and other current receivables	182	—	—	182
Current prepayments and accruals	34	—	—	34
Tax assets	—	185	—	185
Cash and cash equivalents	1,237	2	1	1,239
Total acquired identifiable assets	**8,167**	**2,399**	**1**	**10,567**
Liabilities				
Non-current loans and borrowings	3	—	—	4
Non-current financial instruments and liabilities	4,482	—	—	4,482
Deferred tax liability	222	—	—	222
Current financial instruments and liabilities	312	—	—	312
Deferred income	612	38	—	650
Total identifiable assumed liabilities	**5,630**	**38**	**1**	**5,669**
Acquired identifiable assets and assumed liabilities (D)	**2,537**	**2,361**	**—**	**4,898**
Payment for the acquired company – effective (A)	8,830	1,721	—	10,551
Deferred payment - effective (G)	—	—	—	—
Investment value as of the control acquisition (I)	—	—	—	—
Paid (H)	10,056	2,361	—	12,417
Acquired non-controlling interests (E)	1,167	640	—	1,807

(EUR '000)	**Group Prague Fertility Centre***	**PPS Vehicles s.r.o.**	**VORNEA SPV s.r.o.**	**Total**
Adjustment for purchase price share	—	—	—	—
Goodwill/ (bargain purchase) (F) = (G + A + I – (D – E))	**7,460**	**—**	**—**	**7,460**
Less: Acquired cash (B)	1,237	2	1	1,239
Net cash income (+)/ expense (-) of the transactions (C) = (B – H)	**(8,820)**	**(2,359)**	**1**	**(11,178)**
Post-acquisition revenues (31/12/2021)	**5,985**	**—**	**—**	**5,985**
Post-acquisition profit (+) / loss (-) (31/12/2021)	**522**	**(2)**	**(1)**	**519**

* The Prague Fertility Centre group contains data for AsterIVF s.r.o., Prague Fertility Centre s.r.o., Sondany s.r.o

iv. Substantiation of acquisitions

There are several strategic reasons for the purchases, including the following:

- Areas of operation of subsidiaries complete the CSG Group's portfolio;
- Potential for a synergic effect;
- Subsidiaries have technical excellence and production capacities supporting the Group's operational growth.

One of the Group's strategic goals is further expansion of activities in the relevant sectors in the countries where the Group operates. The Group's current goal is to strengthen its position and become a significant market participant.

v. Substantiation of the existence of goodwill

In connection with the acquisition of the Armi Perazzi SpA, the Czechoslovak Group recognised goodwill in the amount of EUR 22,568 thousand. As mentioned above, in 2023, the assets and liabilities acquired will be measured at fair value and the amount of goodwill recognised will be adjusted.

With respect to the acquisition of ABIENALE, s. r.o., the Czechoslovak Group reported goodwill in the amount of EUR 2,450 thousand, and with respect to the acquisition of JWL DAKO-CZ (INDIA) LIMITED RN the Czechoslovak Group reported goodwill in the amount of EUR 310 thousand.

(c) Disposals of subsidiaries outside the Group

Given the significance of the sales performed this year, fair values of payments for companies sold and the identifiable assets and liabilities sold as of the date of the sale are provided below.

2023

(EUR '000)	**Česká letecká servisní a.s.**	**EHC Service, s.r.o.**	**EUROPEAN AIR SERVICES SLOVAKIA s. r. o.**	**HELI COMPANY s.r.o.**	**Slovak Training Academy, s.r.o.**	**GAMA OCEL, spol. s r.o.**	**Total**
Month of disposal	December 23	November 23	November 23	November 23	November 23	November 23	
Assets							
Intangible assets and Goodwill	—	—	—	—	3	—	**3**
Property, plant and equipment	497	—	—	118	16,978	1,507	**19,100**
Rights of use	—	—	—	—	23	—	**23**
Deferred tax asset	—	—	—	—	300	—	**300**
Inventory	1,504	—	—	2,481	23	2,881	**6,889**
Trade and other current receivables	3,253	—	8	90	234	1,555	**5,140**
Loans and other non-current financial assets	—	—	—	—	1,692	417	**2,109**
Current prepayments and accruals	1,583	—	—	23	1,034	12	**2,652**
Tax assets	212	—	—	190	37	—	**439**
Cash and cash equivalents	144	—	48	275	113	196	**776**
Current contract assets	11,244	—	—	—	—	—	**11,244**
Total assets sold (A)	**18,437**	**—**	**56**	**3,177**	**20,437**	**6,568**	**48,675**
Liabilities							
Non-current financial instruments	—	—	—	—	24	—	**24**
Deferred tax liability	30	1	—	—	—	1	**32**
Current loans and borrowings	—	—	—	—	12,313	570	**12,883**
Non-current loans and borrowings	—	—	—	—	—	3,439	**3,439**
Trade and other current payables	2,693	10	100	2,000	1,516	844	**7,163**
Current provisions	146	—	—	—	—	30	**176**
Deferred income	—	—	—	—	—	9	**9**
Tax liabilities	223	—	16	44	17	262	**562**
Non-current contract liabilities	10,756	—	—	—	—	—	**10,756**
Current contract liabilities	349	—	—	—	—	—	**349**
Total liabilities sold (B)	**14,196**	**11**	**116**	**2,044**	**13,870**	**5,155**	**35,392**
Assets and liabilities sold (C = A – B)	**4,241**	**(11)**	**(60)**	**1,133**	**6,567**	**1,414**	**13,284**
Non-controlling interest (D)	212	—	—	—	—	—	**212**
Goodwill (E)	24	48	—	243	—	2,064	**2,379**
Selling price (F)	4,044	—	4,607	—	4,607	3,904	**17,162**
Proceeds from the sale of subsidiaries =–(F - C + D - E)	**(8)**	**(38)**	**4,807**	**(1,417)**	**(2,018)**	**440**	**1,766**
Cash disposed	144	—	48	275	113	196	776
Net cash income from the transaction	**3,900**	**—**	**4,559**	**(275)**	**4,494**	**3,708**	**16,386**

2022

(EUR '000)	ZVS-Armory, s.r.o.	HARVO SPV s.r.o.	Total
Month of sale	December 2022	November 2022	
Assets			
Intangible assets	10	—	10
Property, plant and equipment	1,101	—	1,101
Inventory	833	—	833
Trade and other current receivables	131	—	131
Prepayments and accruals	5	—	5
Cash and cash equivalents	29	202	231
Rights of use	20	—	20
Total assets sold (A)	**2,129**	**202**	**2,331**
Liabilities			
Current financial instruments	20	—	21
Non-current financial instruments	15	—	15
Deferred tax liability	87	—	87
Current loans and borrowings	119	212	331
Trade and other current payables	209	1	210
Current provisions	25	—	25
Tax liabilities	58	1	59
Total liabilities sold (B)	**533**	**214**	**748**
Assets and liabilities sold (C = A – B)	**1,596**	**(12)**	**1,584**
Non-controlling interest (D)	311	—	311
Goodwill (E)	—	—	—
Adjustment for the derecognition of incidental acquisition costs	—	—	—
Selling price (F)	1,689	—	1,689
Proceeds from the sale of subsid–aries =–(F - C + D - E)	**404**	**12**	**416**
Cash disposed	29	202	231
Net cash income from the transaction	**1,660**	**(202)**	**1,458**

2021

(EUR '000)	MSM BUSINESS DEVELOPMENT s.r.o.	VÍTKOVICKÁ DOPRAVA a.s.	Skupina CAR STAR*	VÝVOJ Martin, a.s.	Total
Month of acquisition	April 2021	July 2021	September 2021	December 2021	
Assets					
Intangible assets and Goodwill	—	76	8	4,189	4,273
Property, plant and equipment	—	8,418	15,010	6,806	30,234
Rights of use	—	—	600	—	600

Trade and other non-current receivables	—	89	—	—	89
Deferred tax asset	—	258	143	—	402
Inventory	—	432	3,576	1,261	5,269
Trade and other current receivables	—	1,723	1,745	4,028	7,496
Loans and other current financial assets	—	523	—	—	523
Current prepayments and accruals	—	109	1	385	495
Tax assets	—	—	18	13	31
Cash and cash equivalents	3	354	3,293	34	3,684
Current contract assets	—	—	—	2,030	2,030
Total assets sold (A)	**3**	**11,982**	**24,396**	**18,746**	**55,126**
Liabilities					
Current financial instruments	—	—	76	126	202
Non-current financial instruments	—	—	321	1,539	1,860
Deferred tax liability	—	—	581	108	689
Current loans and borrowings	—	712	3,678	7,431	11,821
Current loans and borrowings	—	8	6,519	—	6,527
Trade and other short-term payables	1	1,229	3,474	5,677	10,382
Current provisions	—	127	839	109	1,075
Deferred income	—	—	—	442	442
Tax liabilities	—	122	418	121	661
Current contract liabilities	—	—	13	129	142
Total liabilities sold (B)	**1**	**2,198**	**15,919**	**15,682**	**33,800**
Assets and liabilities sold (C = A – B)	**2**	**9,784**	**8,477**	**3,064**	**21.327**
Non-controlling interest (D)	—	—	—	—	—
Goodwill (E)	—	—	420	1,986	2,406
Adjustment for the derecognition of incidental acquisition costs	—	—	141	—	141
Selling price (F)	5	9,670	10,056	21,443	41,174
Proceeds from the sale of subsidiaries = (F - C + D - E)	**3**	**(114)**	**1,300**	**16,393**	**17,582**
Cash sold	3	354	3,293	34	3,684
Net cash income from the transaction	**2**	**9,316**	**6,763**	**21,409**	**37,490**

8. REVENUES

The following table includes information on revenue from contracts with customers (in connection with continued activities) analysed by geographic location, the key products and services and the period of reporting the revenue for 2023 pursuant to the requirements of IFRS 15.

For the year ended 31 December 2023 *(EUR '000)*	**Defence industry**	**Mechanical engineering**	**Services for aircraft industry**	**Other continued activities**	**Total continued activities**
Revenues by geographic location					
Czech Republic	163,328	35,344	24,813	23,723	247,208
Slovakia	53,086	16,245	1,301	4,460	75,092
Italy	400	1,158	1	45,499	47,058
Rest of the European Union	398,419	11,589	33,859	69,431	513,298
United States of America	26,149	22	10,650	194,017	230,838
Nigeria	12,355	—	—	—	12,355
India	—	7,548	2,160	43	9,751
Indonesia	57,050	—	—	52	57,102
Serbia	5,404	114	—	1,142	6,660
Ukraine	398,218	30	—	1,184	399,432
Other	62,598	6,734	9,179	57,125	135,636
Total Revenues	**1,177,007**	**78,784**	**81,963**	**396,676**	**1,734,430**
Revenues of the key products and services					
Production and repair of military machinery	555,442	—	—	27	555,469
Servicing and repair of military machinery	89,036	—	—	532	89,568
Servicing of vehicles and their accessories	—	533	—	—	533
Production of brake systems	—	44,922	—	—	44,921
Servicing and repair of brake systems	—	17,643	—	—	17,643
Other engineering production	—	4,919	—	—	4,919
Airplane/helicopter maintenance and repair	—	—	2,164	—	2,164
Specialised airplane/helicopter accessories	—	—	6,946	—	6,946
Aircraft industry services	—	—	60,598	—	60,597
Production of radar equipment	—	—	12,038	—	12,038
Transportation services/logistics	3,435	—	—	—	3,435
Small arms ammunitions	—	—	—	368,420	368,420
Sale of goods	487,868	10,508	217	5,729	504,322
Other	41,225	259	—	21,968	63,452
Total Revenues	**1,177,007**	**78,784**	**81,963**	**396,676**	**1,734,430**
Revenues by revenue reporting period					
Products and services transferred as of a certain date	884,186	78,784	64,139	381,175	1,408,284
Products and services transferred during a period	292,821	—	15,130	11,902	319,853
Other income	—	—	2,694	3,599	6,293
Total Revenues	**1,177,007**	**78,784**	**81,963**	**396,676**	**1,734,430**

For the year ended 31 December 2022 *(EUR '000)*	Defence industry	Mechanical engineering	Services for aircraft industry	Other continued activities	Total continued activities
Revenues by geographic location					
Czech Republic	189,554	31,883	20,457	25,788	267,682
Slovakia	13,577	16,024	7,283	485	37,369
Rest of the European Union	98,106	14,973	24,327	19,790	157,196
United States of America	8,952	—	1,241	9,356	19,549
Nigeria	8,971	—	—	—	8,971
Indonesia	13,419	—	396	—	13,815
Ukraine	416,299	—	—	—	416,299
Other	27,389	35,888	28,244	2,564	94,085
Total revenues	**776,267**	**98,768**	**81,948**	**57,983**	**1,014,966**
Revenues of the key products and services					
Production and repair of military machinery	133,276	—	—	—	133,276
Servicing and repair of military machinery	86,378	—	—	—	86,378
Production of trucks	—	—	—	230	230
Servicing of vehicles and their accessories	—	182	—	48	230
Production of brake systems	—	59,679	—	—	59,679
Servicing and repair of brake systems	—	29,960	—	—	29,960
Energy supply	—	7	—	—	7
Other engineering production	—	2,171	—	—	2,171
Airplane/helicopter maintenance and repair	—	—	36,314	40	36,354
Aircraft industry services	—	—	28,964	—	28,964
Production of radar equipment	—	—	16,362	—	16,362
Transportation services/logistics	531	—	—	—	531
Small arms ammunitions	—	—	—	26,455	26,455
Sale of goods	547,306	6,769	308	6,965	561,348
Other	8,776	—	—	24,245	33,021
Total revenues	**776,267**	**98,768**	**81,948**	**57,983**	**1,014,966**
Revenues by revenue reporting period					
Products and services transferred as of a certain date	661,751	98,768	18,792	50,327	829,636
Products and services transferred during a period	114,426	—	63,156	7,361	184,945
Other income	90	—	—	295	385
Total revenues	**776,267**	**98,768**	**81,948**	**57,983**	**1,014,966**

For the year ended 31 December 2021 *(EUR '000")*	Defence industry	Mechanical engineering	Services for aircraft industry	Other continued activities	Total continued activities
Revenues by geographic location					
Czech Republic	47,825	19,143	15,884	59,479	142,331
Slovakia	15,412	14,144	11,103	859	41,518
Rest of the European Union	46,688	12,252	12,121	2,796	73,857
United States of America	24,877	—	29,357	158	54,392
Nigeria	47,609	—	—	—	47,609
Indonesia	8,440	40	—	103	8,583
Other	119,303	20,336	37,992	17,317	194,948
Total revenues	**310,154**	**65,915**	**106,457**	**80,712**	**563,238**
Revenues of the key products and services					
Production and repair of military machinery	106,433	—	—	513	106,946
Servicing and repair of military machinery	42,938	—	—	206	43,144
Production of trucks	—	310	—	76	386
Production of brake systems	—	41,198	—	—	41,198
Servicing and repair of brake systems	—	20,866	—	—	20,866
Other engineering production	—	903	—	—	903
Airplane/helicopter maintenance and repair	—	—	31,401	—	31,401
Specialised airplane/helicopter accessories	—	—	12,471	—	12,471
Aircraft industry services	—	—	40,444	—	40,444
Production of radar equipment	—	—	21,888	—	21,888
Transportation services/logistics	679	—	61	4,313	5,053
Sale of goods	148,107	2,462	—	56,827	207,396
Other	11,997	176	192	18,777	31,142
Total revenues	**310,154**	**65,915**	**106,457**	**80,712**	**563,238**
Revenues by revenue reporting period					
Products and services transferred as of a certain date	237,999	65,655	—	68,871	372,525
Products and services transferred during a period	49,701	—	89,531	6,014	145,246
Other income	22,454	260	16,926	5,827	45,467
Total revenues	**310,154**	**65,915**	**106,457**	**80,712**	**563,238**

The Group assumes that in the following years it will recognise revenues from already concluded contracts with customers in the amount of approximately EUR 4 billion relating to performance obligations that are outstanding as of 31 December 2023. The performance will be implemented according to the current assumptions, in particular in the next three years, in 2024 in the amount of approximately EUR 2 billion, in 2025 – 2026 in the amount of EUR 1.3 billion and in the following years in the amount of EUR 0.7 billion. The stated revenues include revenues from separate contracts for different supplies with individual customers, mainly in the defence industry segment.

(a) Contractual balances

The following tables provide information on receivables, contract assets and contract liabilities from contracts with customers in compliance with IFRS 15:

("EUR '000")	**31.12.2023**	**31.12.2022**	**31.12.2021**
Contract assets	15,211	30,125	30,150
Trade receivables and other receivables	220,436	213,817	124,850
Contract liabilities	840,524	623,840	196,897

The table below shows significant changes in contractual balances in the period ended 31 December 2023.

Changes in contract assets *("EUR '000")*	**2023**	**2022**	**2021**
Contract asset as of 1 January	**30,125**	**30,150**	**21,420**
Invoicing of contract assets reported as of 1 January	(11,208)	(2,359)	(4,019)
Increase in contract assets based on an ongoing revenue recognition	7,526	6,535	21,759
Change in the amount of contract assets due to impairment	—	(55)	(2,969)
Divestment disposals	(11,244)	—	—
Other changes (such as exchange rate impact)	12	(4,146)	(6,041)
Contract asset as of 31 December	**15,211**	**30,125**	**30,150**

Changes in contract liabilities *("EUR '000")*	**2023**	**2022**	**2021**
Contract liabilities as of 1 January	**623,840**	**196,897**	**159,199**
Revenue arising from contract liabilities recognised as of 1 January	(448,242)	(64,523)	(64,983)
Partial invoicing and prepayments received for which no revenue was recognised	770,389	473,988	104,233
Divestment disposals	(11,105)	—	—
Other changes (such as exchange rate impact)	(94,358)	17,478	(1,552)
Contract liabilities as of 31 December	**840,524**	**623,840**	**196,897**

The amount of EUR 448,242thousand (2022: EUR 64,523 thousand; 2021: EUR 64,983 thousand) reported as a contract liability as of 1 January 2023 was reported as part of revenue for the year ended 31 December 2023.

(b) Performance obligations and revenue reporting policies

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers controls of a product or service to a customer.

The table below provides additional information on the nature, method and time usual for the performance of performance obligations arising from contracts with customers, including significant payment terms and income recognition under IFRS 15.

Type of income	Performance nature and time of Performance Obligations	Revenue reporting under IFRS 15
Long-term production and service agreements - Sales from contracts with customers	The Group generates a significant portion of revenues by the sale of products and services that are subject to long-term contracts, namely in security services, mechanical engineering and aircraft industry services (maintenance and repair of airplanes and airplane equipment, production of radar equipment, etc.). Most engagements in this segment relate to specific production or services according to the requirements of customers who have control over the relevant asset or service or gradually consume benefits resulting from performance as the Group delivers the performance. At the same time, the engagements usually grant the Group the right to receive payments for work completed including an appropriate margin if a customer unilaterally terminates a contract. With respect to the above facts, the Group reports income over the period in line with IFRS 15. These projects are mostly financed by non-current or current prepayments that are gradually redeemed. A contract asset or a contract liability are reported depending on the amount of prepayments, in most cases, 5 – 70% of the total amount of the contract and invoicing. Most contracts usually include multiple performance obligations, such as the delivery of products, training, installation, etc. In accordance with IFRS 15, these contract liabilities are assessed based on the separability or degree of integration, where in case of a high degree of integration, they are considered performances of one main contract liability. Furthermore, in the case of the supply of a series of identical products, these performances are regarded as a single contract liability in line with IFRS 15. The usual payment terms combine the use of prepayments made, guarantees and invoicing according to certain milestones, which take into account the degree of completion of the production, the state of delivery to the destination, assembly and final tests. Project implementation is connected to a standard work quality guarantee, i.e. it is not reported as a separate contractual obligation.	Revenues are reported over time with respect to the progress of contractual activities as of the date of the financial statements using the percentage of completion method. The percentage of completion is predominantly determined using the method of inputs, specifically the proportion of the costs incurred under the contract and the total estimated costs. The Group has to assess and identify separable goods and services and report them as a separate contractual obligation representing a separate performance obligation. If a contract grants a customer a financing benefit, the benefits should be separated from the benefits resulting from the provision of products, goods and services if the financial component is significant and a financial component should be recognised. If the financial component is significant the interest income/interest expense should be separated from sales of assets and should be reported separately in the Statement of Comprehensive Income.
Sale of products - Sales of own products	The Group generates the most significant portion of revenues through the sale of own products, which namely includes income from the defence industry (military vehicles, weapon systems and ammunition) and mechanical engineering (the foundry industry, production of trucks and brake systems). The Group recognises sales as of a certain date as the conditions to report income over time are not met under IFRS 15, i.e. a product becomes under a customer's control after being delivered, customers consume the benefits after contractual obligations are met rather than as part of the production and the Group has no right for compensation of contractual costs including an appropriate margin if a contract is terminated (for reasons other than the Group's failure).	Revenue of products are reported at the moment when a customer assumes control over a product. The Group has to assess and identify separable goods and services and report them as a separate performance obligation.
Sales of goods	Sales of goods namely include income from the sale of armaments goods, radar equipment and accessories for airplanes and helicopters. The Group reports the sales at the point in time as the conditions to report income over time under IFRS 15 are not met, i.e. the goods become under a customer's control after being delivered, a customer consumes benefits after a contractual obligation is met and the Group is not entitled to receive any compensation of contractual costs including an appropriate margin if a contract is terminated (for reasons other than the Group's failure). If the Group acts as an agent (intermediary) in the sale of goods or services, then it accounts for the revenue from these contracts only as a commission for mediation (on a net basis).	Revenues of goods are reported when a customer assumes control over the goods. The Group has to assess and identify separable goods and services and report them as a separate performance obligation.
Sales of services	Sales of services namely include servicing and repairs of military machinery, airplanes and helicopters and services in the aircraft industry, which are provided for less than 30 days. The Group reports the sales at a point in time even if the conditions to report income over time under IFRS 15 are met.	Revenues of services are reported when control over the benefit from the service provided is transferred to a customer. The Group has to assess and identify separable goods and services and report them as a separate performance obligation.

Contract costs

(EUR '000)	2023	2022
Cost to obtain	28,119	3,110
Cost to fulfil a contract	13,066	1,601
Total	41,185	4,712
Current	—	—
Non-Current	41,185	4,712
Total	41,185	4,712

The price in the contracts with customers is mostly determined as a fixed cost for an object or a set of products, goods and services. In case of multiple separate performances within a single contract, the Group identifies separable goods and services to be delivered and subsequently allocates the expected transaction cost to the separate contractual obligations in line with the methodology specified in IFRS 15.

9. RAW MATERIAL AND CONSUMABLES

(EUR '000)	2023	2022	2021
Consumed material	507,984	175,623	121,601
Movements in stock of products and work in progress	6,465	(10,481)	(4,667)
Purchase costs of sold goods	326,399	377,492	153,699
Change in allowance for inventory		20	48
Total costs	**840,848**	**542,654**	**270,681**

10. EXTERNAL COSTS

(EUR '000)	2023	2022	2021
Administrative costs and other services	66,008	54,239	39,667
Costs of suppliers and other external costs	55,836	32,915	20,443
Services and supplies relating to production	62,594	45,105	32,613
Transport and travel expenses	33,492	14,199	13,466
Cost of energy	16,707	15,766	6,940
Rental	2,231	1,025	184
Repairs and maintenance	8,387	5,228	3,703
Total external costs	**245,255**	**168,477**	**117,016**

11. EMPLOYEE BENEFITS COSTS

(EUR '000)	2023	
	Total staff costs	**Of which key management costs**
Payroll costs	131,240	10,947
Social security and health insurance	53,653	3,056
Other employee benefits cost	9,083	541
Total employee benefits costs	**193,976**	**14,544**

(EUR '000)	2022	
	Total staff costs	**Of which key management costs**
Payroll costs	66,672	7,033
Social security and health insurance	30,392	1,953
Other employee benefits costs	4,093	140
Total employee benefits costs	**101,157**	**9,126**

(EUR '000)	2021	
	Total staff costs	**Of which key management costs**
Payroll costs	59,354	7,889
Social security and health insurance	25,976	2,514
Other employee benefits costs	3,075	96
Total employee benefits costs	**88,405**	**10,499**

As of 31 December 2023, the Group had 5,724 employees (2022: 5,300 employees; 2021: 3,574 employees) and 193 key managers (2022: 150; 2021: 168).

12. OTHER OPERATING INCOME

(EUR '000)	2023	2022	2021
Gain / loss from the sale of tangible and intangible assets	13,688	5,776	19
Gain / loss from the ceased receivables	2,462	792	7,576
Proceeds from insurance claims	1,609	95	301
Gain / loss on remeasurement of investment property	—	195	—
Other operating income	317	10,105	4,778
Total other operating income	**18,076**	**16,963**	**12,674**

13. OTHER OPERATING EXPENSES

(EUR '000)	2023	2022	2021
Loss from the sale of material	818	1,934	3,754
Change in provisions	4,180	4,298	1,702
Taxes and fees	2,458	2,035	1,244
Insurance costs	4,336	3,707	1,198
Other	4,111	6,240	11,180
Loss from revaluation of non-financial assets	—	—	264
Charge/(release) of asset and inventory allowances	1,286	(963)	(3,223)
Impairment losses and gains (including reversals of impairment losses) on financial assets and contract assets	16,458	11,538	5,780
Total other operating expenses	**33,647**	**28,789**	**21,899**

"Other" predominantly includes costs of fines and penalties and other operating charges.

14. FINANCIAL INCOME AND EXPENSES

(EUR '000)	2023	2022	2021
Interest income	21,799	13,459	4,024
Net foreign exchange gain	—	158	—
Other financial income	1,355	481	172
Financial income	**23,154**	**14,098**	**4,196**
Interest expense	88,675	30,838	17,361
Net foreign exchange loss	5,061	—	1,186
Interest expense from lease liabilities	1,360	939	1,053
Other financial expenses	9,011	7,694	4,808
Financial expenses	**104,107**	**39,471**	**24,408**
Charge / (release) of allowances	(11,108)	(2,198)	—
Other financial gain / (loss)	2,215	(2,542)	(1,576)
Gains /(losses) from remeasurement of derivatives	(11,766)	38,924	14,193
Profit/ (loss) from other financial instruments	**(20,659)**	**34,184**	**12,617**
Net financial income/expenses	**(101,612)**	**8,811**	**(7,595)**

Other financial gain/loss predominantly includes loss on the sale of financial investments with the Group's share of less than 20%. The increase of interest expense in 2023 is following the increase of secured bank loans primarily for the Fiocchi group acquisition. Charge / (release) of allowances predominantly includes impairment of financial investments with the Group's share less than 20%.

15. INCOME TAX

Income tax reported in profit or loss

(EUR '000)	2023	2022	2021
Current tax	78,874	39,812	13,454
Deferred tax	(10,157)	765	(198)
Total income tax	**68,717**	**40,577**	**13,256**

Deferred tax is calculated using the currently applicable tax rates that are assumed to be effective in the period when the asset will be recovered or the liability will be settled.

The corporate income tax rate for the fiscal year ended 31 December 2023 is 19% in the Czech Republic (2022: 19%; 2021: 19%), 21% in Slovakia (2022: 21%; 2021: 21%), 15% in Serbia (2022: 15%; 2021:15%), 25% in Spain (2022: 25%; 2021: 25%), 24 % (2022: 24%) in Italy and 21 % in USA.

Reconciliation of the effective tax rate

(EUR '000)	%	2023	%	2022	%	2021
Profit before tax on continued operations		278,928		181,714		64,602
Tax calculated using the local corporate income tax rate of the Company *	19.56%	54,449	19.10%	34,769	19.10%	11,771
Change in the opening balance of deferred tax due to a change in the tax rate		1,856		(214)		—
Non-deductible expenses		22,165		10,421		18,628
Tax-exempt income		(10,942)		(3,284)		(14,789)
Loss for the current year with no deferred tax receivable identified		4,020		1,008		171
Tax bonuses		2		(646)		(974)
Declaration of the tax effect of non-allowable tax losses of prior periods		(1,805)		(954)		(1,123)
Changes in estimates relating to prior periods		(1,028)		(523)		(428)
Income tax reported in the statement of comprehensive income	**24.68%**	**68,717**	**22.30%**	**40,577**	**22.30%**	**13,256**

* The statutory tax rates are 19% for the Czech Republic, 21% for Slovakia and 24 % for Italy. The average rate of the Group companies weighted by profit before tax was applied for the reconciliation of the effective tax.

The group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

16. INTANGIBLE ASSETS AND GOODWILL

(EUR '000)	Goodwill	Concessions, licences, rights and software	Internally generated intangible assets	Intangible assets under construction	Other intangible assets	Total
Net book value						
Balance at 1 January 2023	**403,813**	**193,976**	**16,156**	**611**	**16,070**	**630,626**
Acquisitions through business combinations	26,156	24	341	—	110	**26,631**
Additions	—	9,236	3,337	1,305	832	**14,710**
Amortisation for the period	—	(15,905)	(890)	—	(1,220)	**(18,015)**
Disposals	—	(49)	—	—	(112)	**(161)**
Divestment disposals	(2,441)	(3)	—	—	—	**(2,444)**
Reclassification	—	1,082	—	(1,038)	(54)	**(10)**
Impact of exchange rate changes	(10,618)	(5,428)	(479)	(43)	(377)	**(16,945)**
Balance at 31 December 2023	**416,910**	**182,933**	**18,465**	**835**	**15,249**	**634,392**

(EUR '000)	Goodwill	Concessions, licences, rights and software	Internally generated intangible assets	Intangible assets under construction	Other intangible assets	Total
Net book value						
Balance at 1 January 2022	**42,151**	**21,623**	**12,670**	**1,213**	**16,441**	**94,098**
Acquisitions through business combinations	357,874	166,534	—	—	97	**524,505**
Additions	—	4,534	7,013	3,094	149	**14,790**
Amortisation for the period	—	(2,843)	(2,516)	—	(1,125)	**(6,484)**
Allowance	—	—	—	—	7	**7**
Disposals	—	218	(1,721)	(3,103)	—	**(4,606)**
Divestment disposals	—	(10)	—	—	—	**(10)**
Reclassification	—	269	265	(579)	44	**(1)**
Impact of exchange rate changes	3,788	3,651	445	(14)	457	**8,327**
Balance at 31 December 2022	**403,813**	**193,976**	**16,156**	**611**	**16,070**	**630,626**

(EUR '000)	Goodwill	Concessions, licences, rights and software	Internally generated intangible assets	Intangible assets under construction	Other intangible assets	Total
Net book value						
Balance at 1 January 2021	**35,140**	**19,188**	**9,661**	**1,844**	**16,507**	**82,340**
Acquisitions through business combinations	—	2,857	—	—	—	**2,857**
Additions	7,231	2,463	7,506	3,432	33	**20,665**
Amortisation for the period	—	(2,107)	(2,757)	—	(1,084)	**(5,948)**
Allowance	—	(30)	—	—	—	**(30)**
Disposals	(2,332)	(116)	(2)	(3,757)	—	**(6,207)**
Divestment disposals	—	(73)	(3,366)	(704)	—	**(4,143)**
Reclassification	—	(1,483)	1,181	359	156	**213**
Impact of exchange rate changes	2,112	924	447	39	829	**4,351**
Balance at 31 December 2021	**42,151**	**21,623**	**12,670**	**1,213**	**16,441**	**94,098**

Amortisation of intangible assets is recognised in the line Amortisation/depreciation of fixed assets in the consolidated statement of comprehensive income. Licences predominantly include a licence valid for 25 years for the exclusive production and distribution of PANDURs (infantry fighting vehicles) with the cost of EUR 5 million (2022: EUR 5 million; 2021: EUR 5 million). Identified trademarks include ELDIS Pardubice s.r.o. in the total amount of EUR 7 million and are included in other intangible assets. The Group does not expect to use the trademarks over a certain period of time and as such it applies an indefinite useful life to them. Trademarks with indefinite useful lives are tested for impairment annually, refer to below.

The most significant additions to concessions, licences and rights and software in 2023 include predominantly licences and softwares of Fiocchi Munizioni S.p.A. in the total amount of EUR 8 million. A significant addition to internally generated intangible assets is represented by development work on radars in ELDIS Pardubice, s.r.o. of EUR 3 million and development work of new or significantly improved system and software solutions for air traffic control in company CS SOFT, a.s. in the amount of EUR 1 million.

Identified trademark include Fiocchi Munizioni S.p.A. in the total amount of EUR 154 million is from the closing of acquisition accounting were reflected in the financial statements for 2022 of participating company with retrospective effect.

Goodwill is subject to annual impairment testing, see below.

Impairment testing

General information

The Group performs annual impairment testing of goodwill, trademarks and other intangible assets with indefinite useful lives.

The Group management decided to apply the value-in-use method to impairment testing.

As management is not aware of any comparable market transactions the calculation of the value in use for trademarks and goodwill is based on estimated projections of discounted cash flows in financial plans approved and prepared by the Group's management for the period 2024 – 2028. It concerns the goodwill of Fiocchi Munizioni Group, ELDIS Pardubice s.r.o., CS Soft a.s. and Prague Fertility Center s.r.o. predominantly.

Significant assumptions used by management in the calculation include the predicted amount of sales, predicted profit or loss before interest, tax, depreciation and amortisation (EBITDA).

Impairment testing of goodwill and trademarks of individual companies

The recoverable amount for individual cash-generating units was estimated as mentioned above using the discounted cash flow method. As the recoverable amount exceeds the carrying amount of individual cash-generating units, no related impairment of goodwill, trademarks and other intangible assets was recognised.

The key assumptions used to calculate the value in use and sensitivity to changes of assumed input

The calculation of the value in use of individual cash-generating units is most sensitive to the following input considered:

- Budget sales and profit before interest and tax
- Discount rate
- Continuing value growth rate

<u>The budget sales and profit before interest and tax</u>: projections of sales and profit before interest and tax are updated on a regular basis and approved by senior management for a five-year period.

<u>Discount rate before tax</u>: a discount rate is the measurement of the current market risk; in cash flow estimates it takes into consideration the time value of money and individual risks of underlying assets that were not included in estimates of future cash flows. The discount rate is based on specific circumstances of the Group and segments in which it operates. It is derived from its weighted average cost of capital (WACC). WACC considers both liabilities and equity. The value of equity represents the expected return on investments by the Group's investors while liabilities are derived from the Group's interest bearing loans. The calculation includes a specific industry risk using beta factors. The discount rate before tax is calculated using the adjustment of the resulting discount rate after tax for future cash flows.

<u>Growth rate of intrinsic value:</u> The growth rate of intrinsic value is used for the extrapolation of cash flows after a planned period.

The following values were used for 2023:

Discount rate	7.39 % - 11.61 % (2022: 13 %; 2021: 12 %)
<u>Growth rate of intrinsic value:</u>	3% (2022: 3%; 2021: 3 %)

Trademark and goodwill relating to Fiocchi Munizioni Group

Based on a calculation, the estimated recoverable amount exceeds the carrying amount and as such, as of 31 December 2023, no trademark or goodwill impairment was identified for Fiocchi Munizioni Group, a.s. The calculation was based on budgets for 2024 – 2028.

Based on trademark and goodwill impairment testing of Fiocchi Munizioni Group performed in 2023, two key inputs were identified that would have to change significantly for the carrying amount to exceed the recoverable amount. The following table shows the value by which the input would have to change for the estimated recoverable amount to equal the carrying amount:

	Change needed for the carrying amount to equal the recoverable amount		
In %	**31 December 2023**	**31 December 2022**	**31 December 2021**
Discount rate before tax	10.06 p. p.	—	—
<u>Growth rate of intrinsic value:</u>	(32.93) p. p.	—	—

Trademark and goodwill relating to ELDIS Pardubice, s.r.o.

Based on a calculation, the estimated recoverable amount exceeds the carrying amount and as such as of 31 December 2023, no trademark or goodwill impairment was identified for ELDIS Pardubice, s.r.o. The calculation was based on budgets for 2024 – 2028.

Based on trademark and goodwill impairment testing of ELDIS Pardubice, s.r.o. performed in 2023, two key inputs were identified that would have to change significantly for the carrying amount to exceed the recoverable amount. The following table shows the value by which the input would have to change for the estimated recoverable amount to equal the carrying amount:

	Change needed for the carrying amount to equal the recoverable amount		
In %	**31 December 2023**	**31 December 2022**	**31 December 2021**
Discount rate before tax	21.72 p. p.	16.50 p. p.	13.28 p. p.
<u>Growth rate of intrinsic value:</u>	NA	(25.16) p. p.	(17.92) p. p.

Goodwill relating to CS SOFT a.s.

Based on a calculation, the estimated recoverable amount exceeds the carrying amount and as such as of 31 December 2023, no goodwill impairment was identified for CS SOFT a.s. The calculation was based on budgets for 2024 – 2028.

Based on goodwill impairment testing of CS SOFT a.s. performed in 2023, two key inputs were identified that would have to change significantly for the carrying amount to exceed the recoverable amount. The following table shows the value by which the input would have to change for the estimated recoverable amount to equal the carrying amount:

	Change needed for the carrying amount to equal the recoverable amount		
In %	**31 December 2023**	**31 December 2022**	**31 December 2021**
Discount rate before tax	12.96 p. p.	7.47 p. p.	14.02 p. p.
<u>Growth rate of intrinsic value:</u>	(17.75) p. p.	(11.95) p. p.	(13.72) p. p.

Goodwill relating to Prague Fertility Center s.r.o.

Based on a calculation, the estimated recoverable amount exceeds the carrying amount and as such as of 31 December 2023, no goodwill impairment was identified for Prague Fertility Center s.r.o. The calculation was based on budgets for 2024 – 2028.

Based on goodwill impairment testing of Prague Fertility Center s.r.o. performed in 2023, two key inputs were identified that would have to change significantly for the carrying amount to exceed the recoverable amount. The following table shows the value by which the input would have to change for the estimated recoverable amount to equal the carrying amount:

	Change needed for the carrying amount to equal the recoverable amount		
In %	**31 December 2023**	**31 December 2022**	**31 December 2021**
Discount rate before tax	4.49 p. p.	—	—
<u>Growth rate of intrinsic value:</u>	(7.24) p. p.	—	—

17. PROPERTY, PLANT AND EQUIPMENT

(EUR '000)	Property and plant	Machinery and equipment	Building and structure equipment	Right-of-use assets - property and plant	Right-of-use assets - machinery and equipment	Tangible assets under construction	Total
Balance at 1 January 2023	**179,767**	**101,709**	**5,547**	**27,703**	**18,406**	**28,531**	**361,663**
Acquisitions through business combinations	7,292	2,225	733	742	10,006	2,205	**23,203**
Additions	8,252	29,263	2,440	2,008	2,579	31,602	**76,144**
Depreciation for the period	(7,423)	(22,206)	(1,515)	(4,978)	(6,424)	(93)	**(42,639)**
Allowance	—	40	—	—	—	—	**40**
Disposals	(6,078)	(4,621)	23	(38)	(61)	(6,115)	**(16,890)**
Divestment disposals	(2,847)	(16,624)	(29)	(24)	—	(170)	**(19,694)**
Reclassification	(100)	2,545	(4)	—	—	(4,516)	**(2,075)**
Impact of exchange rate changes	(2,844)	(2,109)	(138)	(271)	(504)	(813)	**(6,678)**
Balance at 31 December 2023	**176,019**	**90,222**	**7,057**	**25,142**	**24,002**	**50,631**	**373,073**

(EUR '000)	**Property and plant**	**Machinery and equipment**	**Building and structure equipment**	**Right-of-use assets – property and plant**	**Right-of-use assets – machinery and equipment**	**Tangible assets under construction**	**Total**
Balance at 1 January 2022	**123,363**	**56,534**	**2,467**	**19,886**	**7,316**	**12,714**	**222,280**
Acquisitions through business combinations	48,980	36,219	2,770	8,844	6,292	10,938	**114,043**
Additions	10,583	16,224	618	1,764	8,013	31,872	**69,074**
Depreciation for the period	(4,811)	(10,444)	(303)	(3,009)	(3,237)	—	**(21,804)**
Allowance	420	13	—	—	—	80	**513**
Disposals	(4,852)	(1,856)	(13)	(143)	(300)	(19,304)	**(26,468)**
Divestment disposals	—	(1,108)	—	—	(20)	—	**(1,128)**
Reclassification	2,559	5,474	(80)	—	—	(8,007)	**(54)**
Impacts of exchange rate changes	3,525	653	88	361	342	238	**5,207**
Balance at 31 December 2022	**179,767**	**101,709**	**5,547**	**27,703**	**18,406**	**28,531**	**361,663**

(EUR '000)	**Property and plant**	**Machinery and equipment**	**Building and structure equipment**	**Right-of-use assets – property and plant**	**Right-of-use assets – machinery and equipment**	**Tangible assets under construction**	**Total**
Balance at 1 January 2021	**130,840**	**62,268**	**2,253**	**20,369**	**2,659**	**11,328**	**229,717**
Acquisitions through business combinations	157	939	—	4,627	20	—	**5,743**
Additions	10,196	15,204	335	2,191	6,396	13,720	**48,042**
Depreciation for the period	(4,970)	(11,738)	(237)	(3,185)	(1,318)	—	**(21,448)**
Allowance	27	(78)	—	—	—	(388)	**(439)**
Disposals	(770)	(3,883)	26	(2,710)	(619)	(9,654)	**(17,610)**
Divestment disposals	(19,281)	(8,075)	(14)	(1,880)	(34)	(25)	**(29,309)**
Reclassification	2,051	549	—	—	—	(2,815)	**(215)**
Impacts of exchange rate changes	5,113	1,348	104	474	212	548	**7,799**
Balance at 31 December 2021	**123,363**	**56,534**	**2,467**	**19,886**	**7,316**	**12,714**	**222,280**

The most significant addition to property, plant and equipment in 2023 comprises the production facilities completed by FIOCCHI MUNIZIONI S.P.A. in the amount of EUR 1.67 million and Fiocchi of America Inc. In the amount of EUR 1.33 million as well as the modernisation of EXCALIBUR ARMY spol. s r.o. premises in the amount of EUR 1.25 million. The most significant addition to machinery and equipment includes the equipment of production facilities of DAKO-CZ, a.s in the amount of EUR 5.71 million as well the modernisation of machining equipment of FIOCCHI MUNIZIONI S.P.A. in the amount of EUR 4.29 million and Fiocchi of America Inc. in the amount of EUR 3.75 million.

Pledged assets

As of 31 December 2023, property, plant and equipment with the carrying amount of EUR 71,335 thousand (2022: EUR 96,374 thousand; 2021: EUR 87,586 thousand) were pledged as collateral for bank loans. The most significant pledged assets include assets of JOB AIR Technic a.s. in the amount of EUR 30,691 thousand, DAKO-CZ, a.s. in the amount of EUR 16,918 thousand.

18. LEASES

Group as the lessee

Right-of-use

(EUR '000)	**Right-of-use assets – property and plant**	**Right-of-use assets – machinery and equipment**	**Total**
Balance at 1 January 2023	**27,703**	**18,406**	**46,109**
Acquisitions through business combinations	742	10,006	**10,748**
Additions	2,008	2,579	**4,587**
Depreciation for the period	(4,978)	(6,424)	**(11,402)**
Disposals	(38)	(61)	**(99)**
Divestment disposals	(24)	—	**(24)**
Impacts of exchange rate changes	(271)	(504)	**(775)**
Balance at 31 December 2023	**25,142**	**24,002**	**49,144**

(EUR '000)	**Right-of-use assets – property and plant**	**Right-of-use assets – machinery and equipment**	**Total**
Balance at 1 January 2022	**19,886**	**7,316**	**27,202**
Acquisitions through business combinations	8,844	6,292	**15,136**
Additions	1,764	8,013	**9,777**
Depreciation for the period	(3,009)	(3,237)	**(6,246)**
Disposals	(143)	(300)	**(443)**
Divestment disposals	—	(20)	**(20)**
Impacts of exchange rate changes	361	342	**703**
Balance at 31 December 2022	**27,703**	**18,406**	**46,109**

(EUR '000)	**Right-of-use assets – property and plant**	**Right-of-use assets – machinery and equipment**	**Total**
Balance at 1 January 2021	**20,369**	**2,659**	**23,028**
Acquisitions through business combinations	4,627	20	**4,647**
Additions	2,191	6,396	**8,587**
Depreciation for the period	(3,185)	(1,318)	**(4,503)**
Disposals	(2,710)	(619)	**(3,329)**
Divestment disposals	(1,880)	(34)	**(1,914)**
Impacts of exchange rate changes	474	212	**686**
Balance at 31 December 2021	**19,886**	**7,316**	**27,202**

The incremental rate for the Group is derived from PRIBOR + margin 4.92% for contracts concluded in CZK and EURIBOR + margin 4.53 % for contract concluded in EUR, entered into in 2023.

The Group uses mainly administrative buildings, land, production halls and cars for leasing. The average lease term of real estate is 6 years, the average lease term of cars and machines is 3 years. In relation to certain cars, the Group has the right to purchase leased assets at the end of the lease term.

In 2023, the most significant additions to the right-of-use of aircraft due to acquisition of the company ABIENNALE s.r.o. (see Note 7).

In 2022, the most significant additions to the right-of-use land and buildings due to acquisitions of companies in the Fiocchi Group (see Note 5, year 2022) primarily include the lease of non-residential premises leased by Baschieri & Pellagri S.p.A. in the amount of EUR 6 million, Fiocchi Munizioni S.p.A in the amount of EUR 2 million, and Fiocchi of America Inc in the amount of EUR 1 million.

In 2022, the additions to the right-of-use machinery and equipment due to acquisitions of companies in the Fiocchi Group (see Note 5, year 2022, par. iv. 3.) primarily include the lease of machines by Fiocchi Munizioni S.p.A in the amount of EUR 4 million and Fiocchi Munizioni S.p.A in the amount of EUR 1 million.

Other additions to the right-of-use machinery and equipment primarily include aircraft leased by RELAZA SPV a.s. in the amount of EUR 6 million.

Amounts reported in the statement of comprehensive income

(EUR '000)	2023	2022	2021
Right-of-use assets amortisation	(11,402)	(6,246)	(4,503)
Interest expense from lease liabilities	(1,360)	(939)	(1,053)
Costs related to current leases	(257)	(3)	(300)
Costs related to leases of low-value assets	(293)	(137)	(64)
Costs related to variable lease payments not included in lease liabilities	(406)	390	(235)
Total	**(13,718)**	**(6,935)**	**(6,155)**

The Group does not report any lease contracts with an early termination or extension option which are highly likely to be utilised.

Lease liabilities

As of 31 December 2023, the Group reported the following lease liabilities:

(EUR '000)	31 December 2023	31 December 2022	31 December 2021
Non-current lease liabilities	36,200	32,139	22,189
Current lease liabilities	6,323	6,129	4,088
Total lease liabilities	**42,523**	**38,268**	**26,277**

In relation to lease liabilities, the Group is not exposed to significant liquidity risk, which is managed by the Treasury department. Lease liabilities are the part of the rows "Other financial instruments" (current and non-current) in the statement of financial position.

19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group has investments in the following associates and joint ventures:

(EUR '000)		Direct ownership percentage	Investment carrying amount	Direct ownership percentage	Investment carrying amount	Direct ownership percentage	Investment carrying amount
		31 December 2023	31 December 2023	31 December 2022	31 December 2022	31 December 2021	31 December 2021
Associates	**State**						
ZVS technology, s.r.o.	Slovakia	27.54	2	27.54	2	27.54	2
Target Products 1978 Ltd	New Zealand	20.00	1,476	20.00	1,244	—	—
C.F.L. S.a.s.	Italy	14.00	43	14.00	29	—	—
Joint ventures							
CSG CENTRAL ASIA a.s.	Czech Republic	30.00	—	30.00	—	30.00	—
FALCON CSG a.s.	Czech Republic	30.00	22	30.00	23	30.00	23
HARVO SPV s.r.o.	Czech Republic	50.00	—	50.00	—	—	—
Milconn a.s.	Czech Republic	50.00	493	50.00	336	50.00	130
TATRA skupina*	Czech Republic	65.00	83,417	65.00	86,112	65.00	74,847
VÝVOJ Martin, a.s.**	Slovakia	61.56	18,047	61.56	17,871	61.56	15,587
Total			**103,499**		**105,617**		**90,589**

** TATRA group includes TATRA TRUCKS a.s., TATRA METALURGIE a.s. and TATRA EXPORT s.r.o.*
*** VÝVOJ Martin, a.s., a fully consolidated company until 22 December 2021*

The Group holds a 65% equity interest in TATRA TRUCKS a.s. (TATRA group). The Articles of Association of TATRA a.s. require the agreement of 75% of shareholders for some essential decisions of the General Meeting, therefore the Group does not control TATRA TRUCKS a.s. independently and considers it a joint venture. The Group has not concluded any agreements with the other shareholder of TATRA TRUCKS a.s. regarding the control of the company.

The Group holds a 62% equity interest in Vývoj Martin a.s. Based on the shareholders' agreement, certain important decisions of the General Meeting require the agreement of 100% of the shareholders. For this reason, the Group does not control the company independently and considers it a joint venture.

i. 2023

In 2023 there wasn't any new acquisition to Associate or JV.

ii. 2022

In November 2022, as part of the acquisition of the Fiocchi Group (see Note 7), Target Products 1978 Ltd and C.F.L. S.a.s. were acquired, both of which are consolidated by the Fiocchi Group using the equity method.

In December 2021, the equity interest in Vývoj Martin a.s. was sold, whereby the Group lost control over this company. The company is now consolidated using the equity method.

iii. 2021

At the beginning of 2021, additional equity interest in the leading assisted reproduction centre Prague Fertility Centre s.r.o. was purchased with its subsidiaries Aster IVF s.r.o. and Sondany s.r.o. The Group has been fully consolidated since 2021. In December 2021, the equity interest in Vývoj Martin, a.s. was sold, whereby the Group lost control over this company. The company is now consolidated using the equity method.

The CSG Group's share in the total comprehensive income of the TATRA group is disclosed in the table below:

	TATRA Group	TATRA Group	TATRA Group
Effective ownership percentage	**Joint venture**	**Joint venture**	**Joint venture**
	65.00%	65.00%	65.00%
(EUR '000)	31 December 2023	31 December 2022	31 December 2021
Summary balance sheet			
Non-current assets	122,252	113,740	96,287
Current assets (including cash and cash equivalents)	279,054	236,655	196,552
Non-current liabilities	17,682	17,782	10,640
Current liabilities	262,537	207,796	174,764
Net assets (100%)	**121,087**	**124,817**	**107,435**
The Group's share in the profit (+) / loss (-) of the associate	**134**	**11,620**	**4,503**
Summary income statement after the acquisition date			
Income	575,460	440,838	337,148
Profit (+) / loss (-) from operating activities	7,913	16,623	8,295
Profit (+) / loss (-) before tax	1,955	22,135	8,078
Income tax	(1,749)	(4,258)	(1,150)
Profit (+) / loss (-) for the year/reporting period	**206**	**17,877**	**6,928**
- of which profit (+)/loss (-) attributable to owners	134	11,620	4,503
Other comprehensive income	**(499)**	**281**	—
Total comprehensive income after considering the impact of IFRS 9	—	—	—
Group's share in the total comprehensive income after considering the impact of IFRS 9	—	—	—

	TATRA Group	TATRA Group	TATRA Group
Effective ownership percentage	**Joint venture**	**Joint venture**	**Joint venture**
	65.00%	65.00%	65.00%
(EUR '000)	31 December 2023	31 December 2022	31 December 2021
Other changes in equity	**(821)**	**(3,816)**	**(7,824)**
- of which dividends paid	—	**(2,695)**	**(5,229)**
- of which derivatives remeasured	**(487)**	**281**	—
The Group's share in other changes in equity	***(47)***	***(66)***	***143***
Adjustment for retained earnings at the intercompany sale of inventory	(265)	(286)	128
The Group's share in retained earnings	**(172)**	**(186)**	**83**
The Group's adjusted share in the total comprehensive income and other changes in equity	***(87)***	***11,368***	***4,730***

The Group only reports its share in the loss from associates if the carrying amount of the equity investment in as associate is not lower than zero. The Group does not account for any payables as it is not obliged to fund operations of an investee.

The CSG Group's investments in associates and joint ventures are disclosed in the table below:

	CSG CENTRAL ASIA a.s.	**FALCON CSG a.s.**	**Milconn a.s.**	**HARVO SPV s.r.o.***	**VÝVOJ Martin, a.s.**
	Joint venture	**Joint venture**	**Joint venture**	**Joint venture**	**Joint venture**
	30.00%	30.00%	50.00%	45.00%	61.56%
(EUR '000)	31 December 2023	31 December 2023	31 December 2023	31 December 2023	31 December 2023
Summary balance sheet					
Non-current assets	—	81	—	807	7,690
Current assets (including cash and cash equivalents)	81	—	1,216	189	7,286
Non-current liabilities	—	—	—	—	522
Current liabilities	—	12	229	1,043	9,869
Net assets (100%)	**81**	**69**	**987**	**(47)**	**4,585**
The Group's share in the profit (+) / loss (-) of an associate	**1**	**(1)**	**171**	**—**	**315**
Summary income statement					
Income	—	—	5,767	1	10,620
Profit (+) / loss (-) from operating activities	(4)	(3)	451	(13)	707
Profit (+) / loss (-) before tax	3	(4)	421	(36)	515
Income tax	—	—	(80)	—	(3)
Profit (+) / loss (-) for the year/reporting period	**3**	**(4)**	**341**	**(36)**	**512**
- Of which profit (+) / loss (-) attributable to owners	**1**	**(1)**	**171**	**—**	**315**
Total comprehensive income	***3***	***(4)***	***341***	***(36)***	***512***
The Group's share in total comprehensive income	***1***	***(1)***	***171***	***—***	***315***

(EUR '000)	CSG CENTRAL ASIA a.s. Joint venture 30.00% 31 December 2022	FALCON CSG a.s. Joint venture 30.00% 31 December 2022	Milconn a.s. Joint venture 50.00% 31 December 2022	HARVO SPV s.r.o.* Joint venture 45.00% 31 December 2022	VÝVOJ Martin, a.s. Joint venture 61.56% 31 December 2022
Summary balance sheet					
Non-current assets	—	83	—	—	8,735
Current assets (including cash and cash equivalents)	87	—	2,266	206	6,647
Non-current liabilities	—	—	—	—	578
Current liabilities	7	9	1,594	222	10,547
Net assets (100%)	**80**	**74**	**672**	**(16)**	**4,257**
The Group's share in the profit (+) / loss (-) of an associate	**—**	**(1)**	**198**	**—**	**(1,436)**
Summary income statement					
Income	—	—	6,183	—	9,370
Profit (+) / loss (-) from operating activities	(7)	(3)	532	(1)	(1,903)
Profit (+) / loss (-) before tax	(1)	(4)	489	(4)	(2,330)
Income tax	—	—	(93)	—	(2)
Profit (+) / loss (-) for the year/reporting period	**(1)**	**(4)**	**396**	**(4)**	**(2,332)**
- Of which profit (+) / loss (-) attributable to owners	**—**	**(1)**	**198**	**—**	**(1,436)**
Total comprehensive income	**(1)**	**(4)**	**396**	**(4)**	**(2,332)**
The Group's share in total comprehensive income	**—**	**(1)**	**198**	**—**	**(1,436)**

(EUR '000)	**CSG CENTRAL ASIA a.s.** **Joint venture** 30.00% 31 December 2021	**FALCON CSG a.s.** **Joint venture** 30.00% 31 December 2021	**Milconn a.s.** **Joint venture** 50.00% 31 December 2021	**VÝVOJ Martin, a.s.** **Joint venture** 61.56% 31 December 2021
Summary balance sheet				
Non-current assets	—	80	1	442
Current assets (including cash and cash equivalents)	78	—	535	312
Non-current liabilities	—	—	—	66
Current liabilities	—	5	276	565
Net assets (100%)	**78**	**76**	**260**	**123**
The Group's share in the profit (+) / loss (-) of an associate	**1**	**—**	**54**	**—**
Summary income statement				
Income	—	—	1,798	—
Profit (+) / loss (-) from operating activities	(1)	—	156	—
Profit (+) / loss (-) before tax	2	—	134	—
Income tax	—	—	(26)	—
Profit (+) / loss (-) for the year/reporting period	**2**	**—**	**109**	**—**
- Of which profit (+) / loss (-) attributable to owners	**1**	**—**	**54**	**—**
Total comprehensive income	***2***	**—**	***109***	**—**
The Group's share in total comprehensive income	***1***	**—**	***54***	**—**

20. FINANCIAL INSTRUMENTS

Loans and other financial assets

(EUR '000)	31 December 2023	31 December 2022	31 December 2021
Assets at amortised cost			
Granted loans	166,559	175,612	109,535
Other financial assets	88,617	60,683	23,108
Total assets at amortised cost	**255,176**	**236,295**	**132,643**
Assets at fair value			
Derivative instruments	18,433	39,803	12,025
Total assets at fair value	**18,433**	**39,803**	**12,025**
Non – current	171,518	179,208	99,747
Current	102,091	96,890	44,921
Total loans and other financial assets	**273,609**	**276,098**	**144,668**

Granted loans namely represent the loans provided to HELA GROUP s.r.o. and Mr. Michal Strnad; for more details refer to Note 35 Related parties.

The weighted average interest rate relating to loans other than to lending institutions was 8.62% in 2023 (2022: 7.41%; 2021: 3.54 %).

Trade and other receivables are disclosed in Note 21, trade and other payables are disclosed in Note 28.

Exposure of the Group to credit and currency risks and impairment losses relating to loans and other financial assets are disclosed in Note 32 – Risk Management Methods and Disclosures.

Other financial assets primarily comprise deposits in bank accounts with limited access (2023: EUR 37 million) and advances on financial assets and other investments (2023: EUR 38 million).

Loans, borrowings and other financial liabilities

(EUR '000)	31 December 2023	31 December 2022	31 December 2021	1 January 2021
Overdrafts	76,282	68,444	53,443	58,955
Secured bank loans	587,865	525,401	94,385	133,666
Unsecured bank loans	53,907	18,448	—	—
Loans from the shareholder and other related parties	38,288	28,507	2,171	5,490
Loans from third parties (other loans)	1,057	11,948	6,343	13,034
Total loans and borrowings at amortised cost	**757,399**	**652,748**	**156,342**	**211,145**
Liability from put option	176,451	161,164	—	—
Derivative instruments	6,984	533	1,825	4,287
Total financial liabilities at fair value	**183,435**	**161,697**	**1,825**	**4,287**
Other financial liabilities	38	4,211	3,131	2,757
Lease liabilities	42,523	38,268	26,277	23,001
Loans, borrowings and other financial liabilities	**983,395**	**856,924**	**187,575**	**241,190**
Non-current loans and borrowings	*456,940*	466,068	49,958	84,728
Current loans and borrowings	*300,459*	186,680	106,384	126,417
Total loans and borrowings	**757,399**	**652,748**	**156,342**	**211,145**
Non-current financial instruments	*216,887*	197,513	25,735	24,268
Current financial instruments	*9,109*	6,663	5,498	5,776
Other financial liabilities and lease liabilities	**225,996**	**204,176**	**31,233**	**30,044**
Non-current loans, borrowings and other financial instruments	673,827	663,581	75,693	108,996
Current loans, borrowings and other financial instruments	309,568	193,343	111,882	132,193
Total loans, borrowings and other financial liabilities	**983,395**	**856,924**	**187,575**	**241,189**

Financial liabilities from leases are reported in Note 18 Leases.

In 2023, the weighted average interest rate of loans amounted to 6.41 % (2022: 5.18 %; 2021: 3.83 %).

Terms and Summary of Loan Maturities

The following terms applied to outstanding loans and borrowings as of 31 December 2023:

(EUR '000)	**Currency**	**Nominal interest rate***	**Balance at 31 December 2023**	**Due in 1 year**	**Due in 1 to 5 years**	**Due in subsequent years**
Bank overdraft	CZK	Fixed	310	40	269	—
Bank overdraft	CZK	Variable	61,302	59,351	1,950	—
Bank overdraft	EUR	Fixed	—	—	—	—
Bank overdraft	EUR	Variable	13,656	13,668	(12)	—
Bank overdraft	RSD	Fixed	1,015	999	16	—
Other loans	CZK	Fixed	37	37	—	—
Other loans	CZK	Variable	195	195	—	—
Other loans	EUR	Variable	712	375	337	—
Other loans	GBP	Fixed	78	78	—	—
Other loans	USD	Fixed	35	35	—	—
Loans from related parties	CZK	Fixed	20,801	1,894	18,907	—
Loans from related parties	CZK	Variable	2,058	2,058	—	—
Loans from related parties	EUR	Variable	6,295	355	5,940	—
Loans from related parties	USD	Fixed	9,050	—	9,050	—
Loans from related parties	USD	Variable	84	84	—	—
Collateralised bank loan	CZK	Fixed	14,955	3,700	10,986	270
Collateralised bank loan	CZK	Variable	10,624	4,983	4,913	728
Collateralised bank loan	EUR	Fixed	35,029	11,622	11,114	12,294
Collateralised bank loan	EUR	Variable	524,735	149,622	355,809	19,303
Collateralised bank loan	USD	Fixed	2,522	—	—	2,522
Uncollateralised bank loans	CZK	Variable	30,216	28,229	1,987	—
Uncollateralised bank loans	EUR	Fixed	20,797	20,769	28	—
Uncollateralised bank loans	EUR	Variable	2,894	2,365	529	—
TOTAL			**757,399**	**300,459**	**421,823**	**35,117**

** The variable interest rate is derived from the PRIBOR, EURIBOR or LIBOR rate plus a mark-up. All interest rates correspond with arm's length conditions.*

The following terms applied to outstanding loans and borrowings as of 31 December 2022:

(EUR '000)	**Currency**	**Nominal interest rate***	**Balance at 31 December 2022**	**Due in 1 year**	**Due in 1 to 5 years**	**Due in subsequent years**
Bank overdraft	CZK	Fixed	758	240	518	—
Bank overdraft	CZK	Variable	32,861	32,861	—	—
Bank overdraft	EUR	Fixed	823	823	—	—
Bank overdraft	EUR	Variable	33,227	33,187	40	—
Bank overdraft	RSD	Fixed	775	729	46	—
Other loans	CZK	Fixed	600	570	30	—
Other loans	CZK	Variable	2,882	2,882	—	—
Other loans	EUR	Fixed	6,606	5,400	1,206	—
Other loans	EUR	Variable	1,860	1,258	602	—
Loans from related parties	CZK	Fixed	19,806	421	19,385	—
Loans from related parties	CZK	Variable	2,545	2,545	—	—
Loans from related parties	EUR	Fixed	6,155	215	5,940	—
Secured bank loan	CZK	Fixed	13,322	6,444	1,780	5,098
Secured bank loan	CZK	Variable	6,124	4,686	1,438	—
Secured bank loan	EUR	Fixed	261,029	27,943	155,383	77,703
Secured bank loan	EUR	Variable	244,109	50,131	177,859	16,119
Secured bank loan	USD	Fixed	818	155	—	663
Unsecured bank loans	EUR	Fixed	13,824	11,704	2,120	—
Unsecured bank loans	EUR	Variable	4,624	4,486	138	—
TOTAL			**652,748**	**186,680**	**366,485**	**99,583**

** The variable interest rate is derived from the PRIBOR, EURIBOR or LIBOR rate plus a mark-up. All interest rates correspond with arm's length conditions.*

The following terms applied to outstanding loans and borrowings as of 31 December 2021:

(EUR '000)	**Currency**	**Nominal interest rate***	**Balance at 31 December 2021**	**Due in 1 year**	**Due in 1 to 5 years**	**Due in subsequent years**
Bank overdraft	CZK	Fixed	928	928	—	—
Bank overdraft	CZK	Variable	15,709	15,709	—	—
Bank overdraft	EUR	Fixed	13,106	12,847	259	—
Bank overdraft	EUR	Variable	23,700	23,700	—	—
Other loans	CZK	Fixed	577	577	—	—
Other loans	CZK	Variable	1,545	1,346	199	—
Other loans	EUR	Fixed	4,078	3,218	860	—
Other loans	EUR	Variable	144	144	—	—
Loans from related parties	CZK	Fixed	514	—	514	—
Loans from related parties	CZK	Variable	1,642	1,642	—	—
Loans from related parties	EUR	Fixed	14	14	—	—
Collateralised bank loan	CZK	Fixed	11,320	4,684	5,000	1,636

Collateralised bank loan	CZK	Variable	46,301	28,719	17,582	—
Collateralised bank loan	EUR	Fixed	10,808	2,729	8,079	—
Collateralised bank loan	EUR	Variable	18,390	6,195	12,195	—
Collateralised bank loan	USD	Fixed	889	593	296	—
Collateralised bank loan	USD	Variable	6,677	3,339	3,338	—
TOTAL			**156,342**	**106,384**	**48,322**	**1,636**

** The variable interest rate is derived from the PRIBOR, EURIBOR or LIBOR rate plus a mark-up. All interest rates correspond with arm's length conditions.*

A majority of the Group's covenants is tied to the financial performance of a specific Group company. Major indicators in the agreed covenants include:

- Equity to total assets;
- Minimum amount of equity; and
- Net debt to EBITDA.

Bonds

On 1 November 2019, the Company issued CSG VAR/24 bonds (ISIN CZ0003523151) with a floating interest income in the total nominal value of placement of CZK 1,999.8 million (aprox EUR 81 million) with maturity in 2024. The bonds were issued as securities in the book-entry form with a nominal value of CZK 100 thousand per bond (aprox EUR 4 thousand). As of 31 December 2023, the Company recognised a payable from these issues in the principal amount of EUR 52,465 thousand. As of 31 December 2022, the Company recognised a payable from these issues in the principal amount of EUR 82,928.

The CSG VAR/24 bonds bear a floating interest rate consisting of 6M PRIBOR + a 3.25% margin p.a., with interest falling due biannually as of 1 November and 1 May each year.

On 1 July 2021, the Company issued CSG VAR/26 bonds (ISIN CZ0003532681) with a floating interest income in the total nominal value of placement of CZK 2,000 million (aprox. EUR 81 million) with maturity in 2026. The bonds were issued as securities in the book-entry form with a nominal value of CZK 10 thousand (EUR 0.4 thousand) per bond. As of 31 December 2023, the Company recognised a payable from these issues in the amount of EUR 80,890 thousand. As of 31 December 2022, the Company recognised a payable from these issues in the amount of EUR 82,936 thousand.

The CSG VAR/26 bonds bear a floating interest rate consisting of 6M PRIBOR + a 3.25% margin p.a., with interest falling due biannually as of 1 January and 1 July each year.

On 17 September 2021, the Company issued CSG VAR/26 bonds (ISIN CZ0003534174) with a fixed (step-up) interest income in the estimated total nominal value of placement of EUR 25 million with maturity in 2026. The bonds were issued as securities in the book-entry form with a nominal value of EUR 100 thousand per bond. As of 31 December 2023, the Company recognises a payable from these issues in the amount of EUR 15 million. As of 31 December 2022, the Company recognised a payable from these issues in the amount of EUR 15 million.

The CSG/VAR 26 bonds bear interest at a fixed (step-up) rate, which increases gradually from 3.5% p.a. to 4.35% p.a. according to a predetermined procedure specified in the bond prospectus. Interest is payable quarterly on 17 January, 17 March, 17 June and 17 September of each year.

On 21 December 2022, the Company issued CSG VAR/2027 (ISIN CZ003546780) floating rate bonds with an expected total nominal value of the issue of up to EUR 15 million, maturing in 2027. The bonds were issued as book-entry securities with a nominal value of EUR 100 thousand each. As of 31 December 2023, the Company recognises a payable of EUR 11.1 million for these issues. As of 31 December 2022, the Company recognised a payable of EUR 9.1 million.

CSG/VAR 27 bonds bear interest at a floating rate consisting of 6M EURIBOR + 3.5% p.a. margin, with a minimum interest rate of 4.25%. Interest is payable semi-annually on 21 June and 21 December each year.

On 4 July 2023, the Company issued CSG 8.00/2028 bonds (ISIN CZ0003550808) with a fixed interest income in the estimated total nominal value of placement up to CZK 3,000 million (aprox. EUR 121 million) and possible increase up to CZK 5,000 million (approx. EUR 202 million). Maturity of the bonds is in 2028. The bonds were issued as securities in the book-entry form with a nominal value of CZK 10 thousand (approx. EUR 0.4 thousand) per bond. As of 31 December 2023, the Company recognises a payable from these issues in the amount of EUR 173,053 thousand.

CSG 8.00/2028 bonds bear fixed interest 8.00% p.a. interest is payable semi-annually on 4 January and 4 July of each year.

(EUR '000)	**31 December 2023**	**31 December 2022**	**31 December 2021**
Issued bonds	332,508	189,963	184,953
Outstanding interest	7,761	1,536	813
Subtotal	340,269	191,499	185,766
Transaction costs	(2,824)	(1,280)	(1700)
Total bonds	**337,445**	**190,219**	**184,066**
Non-current	278,073	189,162	183,716
Current	59,372	1,057	350
Total bonds	**337,445**	**190,219**	**184,066**

Bonds as of 31 December 2023,2022 and 2021 were subject to the following conditions:

(in EUR '000)	**Currency**	**Nominal interest rate**	**Due in**	**Balance at 31 December 2023**	**Due in 1 year**	**Due in 1 to 5 years**
CSG VAR/24	CZK	variable	2019-2024	53,367	53,367	—
CSG VAR/26	CZK	variable	2021-2026	80,890	—	80,890
CSG VAR/26	EUR	fixed (step-up)	2021-2026	15,024	24	15,000
CSG VAR/27	EUR	variable	2022-2027	11,125	25	11,100
CSG 8,00/2028	CZK	fixed	2023-2028	179,863	6,810	173,053
TOTAL				**340,269**	**60,226**	**280,043**

(in EUR '000)	**Currency**	**Nominal interest rate**	**Due in**	**Balance at 31 December 2022**	**Due in 1 year**	**Due in 1 to 5 years**
CSG VAR/24	CZK	variable	2019-2024	84,423	1,495	82,928
CSG VAR/26	CZK	variable	2021-2026	82,936	—	82,936
CSG VAR/26	EUR	fixed (step-up)	2021-2026	15,023	23	15,000
CSG VAR/27	EUR	variable	2022-2027	9,117	17	9,100
TOTAL				**191,499**	**1,535**	**189,964**

(in EUR '000)	Currency	Nominal interest rate	Due in	Balance at 31 December 2021	Due in 1 year	Due in 1 to 5 years
CSG VAR/24	CZK	variable	2019-2024	81,180	778	80,402
CSG VAR/26	CZK	variable	2021-2026	80,451	—	80,451
CSG VAR/2026	EUR	fixed (step-up)	2021-2026	24,135	35	24,100
TOTAL				**185,766**	**813**	**184,953**

The sensitivity analysis relating to fair values of financial instruments is disclosed in Note 32 – – Risk Management Methods and Disclosures.

21. TRADE AND OTHER RECEIVABLES AND OTHER ASSETS

(EUR '000)	31 December 2023	31 December 2022	31 December 2021
Trade receivables	160,799	183,297	81,362
Receivables from sale of subsidiaries and associates	10,387	7,868	11,825
Receivables from assignment	1,805	6,399	23,884
Other receivables	38,140	10,007	4,843
Estimated receivables	5,002	5,801	2,579
Accrued income	4,303	445	357
Trade and other receivables	**220,436**	**213,817**	**124,850**
Deferred expenses	48,429	9,612	5,244
Prepayments made	175,403	75,512	27,196
Prepayments made and deferred expenses and accrued income	**223,832**	**85,124**	**32,440**
Trade and other receivables and total other assets	**444,268**	**298,941**	**157,290**
Non-current	*17,438*	*4,702*	*5,555*
Current	*426,830*	*294,239*	*151,735*
Trade and other receivables and total other assets	**444,268**	**298,941**	**157,290**

The Group's exposure to credit and currency risks and impairment losses in relation to trade and other receivables is disclosed in Note 32 – Risk Management Methods.

As of 31 December 2023, trade and other receivables amounted to EUR 99,661 thousand (2022: EUR 43,318 thousand; 2021: EUR 45,206 thousand) and were provided as collateral to bank loans.

Contract Assets

(EUR '000)	31 December 2023	31 December 2022	31 December 2021
Income recognised in the current period	265,297	114,461	99,087
Total expenses incurred to date	402,767	217,538	122,913
Total recognised profit (minus reported losses) to date*	141,742	98,077	75,122
Total income from contracts to date	**544,509**	**315,615**	**198,035**
Gradual billing*	536,135	237,119	138,666
	8,374	**78,496**	**59,369**
Of which:			
- Gross amount due from customers for contractual work	72,276	79,854	61,042
- Gross amount payable to customers for contractual work	(63,903)	(1,358)	(1,673)
	8,373	**78,496**	**59,369**
- Gross amount due from customers for contractual work	72,276	79,854	61,042
Divestment disposals	—	—	(23)
Prepayments received offset against gross amounts due from customers	(57,077)	(58,981)	(41,134)
Net amount due from customers for contractual work	**15,199**	**20,874**	**19,885**
Prepayments received from customers for contractual work	200,827	210,591	164,257

22. DEFERRED TAX ASSETS AND LIABILITIES

Reported Deferred Tax Assets and Liabilities

The following deferred tax assets (liabilities) were reported:

(EUR '000)	31 December 2023			31 December 2022			31 December 2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net
Intangible fixed assets	141	(48,983)	(48,842)	120	(53,075)	(52,955)	1,693	(5,211)	(3,518)
Property, plant and equipment	2,284	(19,965)	(17,681)	1,523	(18,828)	(17,305)	1,970	(8,551)	(6,581)
Investment property	192	(210)	(18)	197	(90)	107	—	(88)	(88)
Other investments	176	—	176	131	—	131	108	—	108
Provided loans	19	—	19	5	—	5	1	—	1
Receivables	3,995	(298)	3,697	3,962	(7)	3,955	2,137	(169)	1,968
Other assets	33	(336)	(303)	222	(456)	(234)	103	—	103
Inventories	4,419	(2,245)	2,174	2,279	(1,865)	414	589	(515)	74
Provisions	3,326	—	3,326	2,108	(6)	2,102	1,082	(524)	558
Loan interest	1	(18)	(17)	17	(17)	—	—	(23)	(23)
Payables	394	(48)	346	143	—	143	170	(11)	159
Other payables	2,021	—	2,021	574	(1,192)	(618)	495	(1,085)	(590)
Tax losses of prior years	164	—	164	181	—	181	118	—	118
Other temporary differences	1,818	(912)	906	575	(1,607)	(1,032)	82	(307)	(225)
Total	**18,983**	**(73,015)**	**(54,032)**	**12,037**	**(77,143)**	**(65,106)**	**8,548**	**(16,484)**	**(7,936)**
Tax offsetting	**(7,343)**	**7,343**	**—**	**(4,271)**	**4,271**	**—**	**(3,097)**	**3,097**	**—**
Net deferred tax asset (tax liability)	**11,640**	**(65,672)**	**(54,032)**	**7,766**	**(72,872)**	**(65,106)**	**5,451**	**(13,387)**	**(7,936)**

A deferred tax asset arising from unutilised tax losses of prior years is only recognised if it is likely that a future taxable profit will be generated in respect of which it will be possible to utilise unutilised tax losses. The moment when the possibility of utilising tax losses expires is presented in the table below:

(EUR '000)	2023	2024	2025	2026	2027	2028 onwards	Total
Total tax losses	**927**	**383**	**31**	**174**	**328**	**73**	**1,916**
Tax losses – utilized	24	1	1	65	—	73	164
Tax losses – unutilized	903	382	30	109	328	—	1,752

Movements in Temporary Differences during the Year

Temporary difference in relation to the below items:	**Balance at 1 January 2023**	**Reported through comprehensive income**	**Reported through equity**	**Acquired**	**Sold**	**Effect of changes in foreign exchange rates**	**Balance at 31 December 2023**
Intangible fixed assets	(52,955)	2,047	1,960	—	—	105	(48,843)
Property, plant and equipment	(17,304)	(739)	124	1	(16)	253	(17,681)
Investment property	107	(125)	—	—	—	1	(17)
Other investments	131	49	—	—	—	(4)	176
Loans provided	5	15	—	—	—	(1)	19
Receivables	3,955	140	(657)	—	312	(54)	3,696
Other assets	(234)	(82)	1	—	—	12	(303)
Inventories	414	3,018	(1,070)	(36)	(58)	(93)	2,175
Provisions	2,102	1,321	(45)	—	31	(83)	3,326
Loan interest	—	(17)	—	—	—	—	(17)
Payables	143	202	8	—	—	(7)	346
Other liabilities	(618)	2,716	19	—	—	(96)	2,021
Tax losses of prior years	181	(14)	(3)	—	—	—	164
Other temporary differences	(1,033)	1,628	345	(5)	—	(29)	906
Total	**(65,104)**	**10,157**	**682**	**(40)**	**269**	**4**	**(54,032)**

Temporary difference in relation to the below items:	**Balance at 1 January 2022**	**Reported through comprehensive income**	**Reported through equity**	**Acquired**	**Sold**	**Effect of changes in foreign exchange rates**	**Balance at 31 December 2022**
Intangible fixed assets	(3,518)	(1,434)	—	(47,865)	—	(138)	(52,955)
Property, plant and equipment	(6,581)	301	(54)	(11,046)	137	(61)	(17,304)
Investment property	(88)	193	—	—	—	2	107
Other investments	108	19	—	—	—	4	131
Loans provided	1	3	—	—	—	1	5
Receivables	1,968	1,782	(54)	213	—	46	3,955
Other assets	103	(200)	—	(150)	—	13	(234)
Inventories	73	(1,244)	19	1,591	—	(25)	414
Provisions	558	1,377	—	122	—	45	2,102
Loan interest	(23)	18	5	—	—	—	—
Payables	159	(14)	—	(3)	—	1	143
Other liabilities	(590)	(294)	(3)	273	—	(4)	(618)
Tax losses of prior years	118	22	(1)	90	(48)	—	181
Other temporary differences	(224)	(1,294)	251	248	—	(14)	(1,033)
Total	**(7,936)**	**(765)**	**163**	**(56,527)**	**89**	**(130)**	**(65,106)**

Temporary difference in relation to the below items:	**Balance at 1 January 2021**	**Reported through comprehensive income**	**Reported through equity**	**Acquired**	**Sold**	**Effect of changes in foreign exchange rates**	**Balance at 31 December 2021**
Intangible fixed assets	(5,132)	1,490	755	(110)	(326)	(195)	(3,518)
Property, plant and equipment	(5,829)	835	(1,841)	(105)	501	(142)	(6,581)
Investment property	(393)	—	318	—	—	(13)	(88)
Other investments	—	105	—	—	—	3	108
Loans provided	31	—	(30)	—	—	—	1
Receivables	889	1,052	14	—	(46)	59	1,968
Other assets	(5)	98	7	—	—	3	103
Inventories	(560)	(697)	1,253	—	70	7	73
Provisions	1,434	170	(1,001)	—	(88)	43	558
Loan interest	112	5	(142)	—	—	2	(23)
Payables	405	(21)	(258)	—	33	—	159
Other liabilities	217	359	(1,147)	—	22	(41)	(590)

Tax losses of prior years	581	(50)	(335)	—	(93)	15	118
Other temporary differences	(377)	(3,148)	3,378	—	(19)	(58)	(224)
Total	**(8,627)**	**198**	**971**	**(215)**	**54**	**(317)**	**(7,936)**

23. INVENTORY

(EUR '000)	31 December 2023	31 December 2022	31 December 2021
Material	346,836	213,991	108,001
Finished products	78,217	52,322	15,338
Goods	132,744	53,029	54,634
Work in progress	82,749	72,425	33,532
Prepayments to suppliers	219,699	170,029	32,280
Total inventory	**860,245**	**561,796**	**243,785**

As of 31 December 2023, the allowance for inventory was EUR 8,015 thousand (2022: EUR 6,968 thousand; 2021: EUR 6,145 thousand).

As of 31 December 2023, inventory of EUR 187,975 thousand (2022: EUR136,227 thousand; 2021: EUR 88,548 thousand) was provided as collateral to secure bank loans.

24. TAX RECEIVABLES

(EUR '000)	31 December 2023	31 December 2022	31 December 2021
Value added tax	16,973	11,638	2,720
Other taxes	2,358	2,723	187
Total tax receivables	**19,331**	**14,361**	**2,907**

25. CASH AND CASH EQUIVALENTS

(EUR '000)	31 December 2023	31 December 2022	31 December 2021
Current accounts with banks	398,276	223,987	72,977
Term deposits	105,066	17,271	30,846
Cash on hand	839	383	167
Other cash equivalents	59,684	9	16
Cash and cash equivalents in the cash flow statement	**563,865**	**241,650**	**104,006**

26. EQUITY

Share Capital

As of 31 December 2023, authorised, issued and fully paid-in share capital consisted of twenty ordinary registered shares in the book entry form in the nominal value of CZK 100,000,000. As of 31 December 2022, share capital consisted of twenty ordinary registered shares in the book entry form in the nominal value of CZK 100,000,000.

In 2021, the sole shareholder decided to increase the share capital of CZECHOSLOVAK GROUP a.s. The share capital was increased by CZK 1,998,000,000 (EUR 78,353,000) from CZK 2,000,000 (EUR 74,000) to CZK 2,000,000,000 (EUR 78,427,000) from the Company's own resources, i.e. from other reserves - other capital reserves. The increase in the share capital was carried out by increasing the nominal value of the existing shares held by the sole shareholder of the Company by increasing the nominal value of each share by CZK 99,900,000, i.e. to CZK 100,000,000, for the existing twenty registered book-entry shares with a nominal value of CZK 100,000 per share.

The shareholder is entitled to a payment of dividends and is entitled to vote at the General Meetings of the Company's shareholders with one vote attributable to a share of CZK 100,000 thousand. In 2023, the Company paid no dividends (2022 and 2021: EUR 0 thousand).

31 December 2023	Number of shares	Shares	Ownership percentage	Voting rights
	Pieces	EUR '000	%	%
CSG FIN a.s., Corporate ID: 141 41 442	20	78,427	100	100
Total shares	**20**	**78,427**	**100**	**100**

Funds reported in equity include the following items:

(EUR '000)	31 December 2023	31 December 2022	31 December 2021
Other capital reserves	(143,588)	(135,332)	25,930
Other indivisible reserves	3,743	3,372	3,192
Foreign currency translation reserve	34,136	39,090	28,665
Total	**(105,709)**	**(92,870)**	**57,787**

Other Capital Reserves

These reserves include contributions outside the share capital provided by the Company's sole shareholder, which amounted to EUR 33,262 thousand as of 31 December 2023 (2022 and 2021: EUR 33,262 thousand) and conditional commitment to acquire non-controlling share which amounted to EUR 176,451 thousand as of 31 December 2023 (2022 EUR 161,164 thousands, 2021 EUR 0). The conditional commitment to aquire non-controlling interest is disclosed as Put option liability at the same value.

Other Indivisible Reserves

A major portion of other indivisible reserves represents an effect on the Group's interest-rate advantage arising from the use of a non-interest bearing loan provided by the shareholder, which is recognised through equity. The Group considers the loan received from the owner acting from the actual position of an owner to constitute an instrument that brings a visible advantage to the Group in the form of exemption from interest. The fair value of a non-interest bearing loan is highly likely to differ from the nominal value during its initial recognition. The Group recognises the difference between the fair value of a loan during its initial recognition and its nominal value through equity, the reason being that the substance of non-interest bearing loans includes advantageous terms specifically in the form of zero interest representing the owner's non-reciprocal capital contribution. As of 31 December 2023, these non-reciprocal capital contributions totalled EUR 3,442 thousand (31 December 2022: EUR 3,529 thousand, 31 December 2021: EUR 3,444 thousand).

Reserve from foreign currency translation

The reserve includes changes in the equity of companies with a functional currency other than the Czech crown due to exchange rate changes over time.

27. NON-CONTROLLING INTERESTS

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests (NCI) is set out below.

31 December 2023 (EUR '000)	Fiocchi Munizioni i S.p.A Italy	EXCALIBUR ARMY spol. s r.o. Czech Republic	ZVS holding, a.s. Slovak Republic	NIKA Development a.s. Czech Republic	VOP Nováky, a.s. Slovak Republic	Fiocchi of America Inc. USA	Lyalvale Express Limited United Kingdom	Baschieri & Pellagri S.p.A Italy	MSM EXPORT, s.r.o. Slovak Republic	Armi Perazzi S.p.A. Italy	Tatra Defence Vehicle a.s. Czech Republic	Other immaterial subsidiaries*	Consolidation elimination	Total
Non-controlling interest percentage	30.00%	10.90%	60.00%	16.40%	19.00%	30.00%	33.00%	30.00%	19.00%	20.00%	20.00%	—	—	—
Non-current assets	626,866	36,510	73,403	11,982	33,994	31,553	8,990	14,141	2,512	10,436	22,048	—	—	—
Current assets	126,592	715,730	3,058	144,982	118,872	60,594	6,370	28,328	268,745	10,568	77,300	—	—	—
Non-current liabilities	242,761	16,822	—	3,484	4,644	13,192	861	6,383	15,701	1,721	2,141	—	—	—
Current liabilities	134,241	524,400	26	64,023	39,843	57,343	1,917	25,080	239,737	5,450	84,295	—	—	—
Net assets	**376,456**	211,018	76,435	89,457	108,379	21,612	**12,582**	**11,006**	**15,819**	**13,833**	**12,912**	—	—	—
Carrying amount of the non-controlling interest	**100,822**	22,333	14,137	16,490	31,570	12,486	**4,049**	**3,206**	**2,947**	**2,682**	**2,484**	**16,182**	**(2,910)**	**226,478**
Revenue	204,829	783,189	—	130,924	193,095	80,088	9,270	66,103	221,833	—	134,109	—	—	—
Profit (+)/loss (-)	(5,336)	149,172	213	51,460	17,402	6,045	536	3,243	14,763	—	5,364	—	—	—
Other comprehensive income (OCI)	—	623	—	—	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	**(5,336)**	149,795	213	51,460	17,402	6,045	**536**	**3,243**	**14,763**	**—**	**5,364**	—	—	—
Profit (+)/loss (-) attributable to the NCI	(1,601)	16,259	35	9,777	5,221	3,597	178	973	2,805	—	1,063	(2,150)	—	**36,157**
OCI attributable to the NCI	—	68	—	—	—	—	—	—	—	—	—	(68)	—	—
Net increase (+)/decrease (-) in cash and cash equivalents	**8,082**	**90,257**	**1**	**25,394**	**353**	**8,891**	**—**	**793**	**(6,825)**	**742**	**(2,592)**	—	—	—
Dividends paid to the NCI	—	—	—	—	—	—	—	—	—	—	—	**6295**	—	**6,295**

Material changes in the non-controlling interest during the year primarily include the following changes to the effective ownership interest:

In the year ended 31 December 2023:

RETIA a.s. from 5 % to 10 % (effective interest) as of 29 March 2023;

CSG Land Systems CZ a.s. from 10 % to 10.9 % (effective interest) as of 31 May 2023;

CS SOFT a.s. from 22 % to 7.5 % (effective interest) as of 5 October 2023;

KONVERTIAL SPV a.s. from 0 % to 45 % (effective interest) as of 17 July 2023;

NIKA Development a.s. from 8.03 % to 16.37 % (effective interest) as of 22 August 2023;

TRADITION CS a.s. from 2.5 % to 7.5 % (effective interest) as of 5 October 2023**.**

For effects of changes in non-controlling interests reported through equity, refer to the consolidated statement of changes in equity.

31 December 2022	**C3F - Fiocchi Group**	**EXCALIBUR ARMY spol. s r.o.**	**ZVS holding, a.s.**	**NIKA Development a.s.**	**VOP Nováky, a.s.**	**MSM Martin s.r.o.**	**CS SOFT a.s.**	**EXCALIBUR INTERNATIONAL a.s.**	**Other immaterial subsidiaries***	**Consolidation elimination**	**Total**
(EUR '000)	Italy	Czech Republic	Slovak Republic	Czech Republic	Slovak Republic	Slovak Republic	Czech Republic	Czech Republic	—	—	—
Non-controlling interest percentage	30.00%	10.00%	59.50%	8.03%	19.00%	19.00%	22.00%	10.00%	—	—	—
Non-current assets	589,062	38,465	13,426	71,736	8,277	21,715	8,802	4,672	—	—	—
Current assets	221,024	493,010	29,329	2,766	60,374	22,490	13,399	80,406	—	—	—
Non-current liabilities	238,264	70,047	1,717	—	3,161	691	3,003	246	—	—	—
Current liabilities	139,311	331,981	26,373	10	30,741	14,833	5,586	65,217	—	—	—
Net assets	**432,511**	**129,447**	**14,665**	**74,492**	**34,749**	**28,681**	**13,612**	**19,615**	—	—	—
Carrying amount of the non-controlling interest	132,088	13,186	8,889	7,066	6,713	5,724	3,051	1,986	5,517	(6,769)	**177,451**
Revenue	26,455	549,199	40,577	—	77,064	24,042	12,116	44,919	—	—	—
Profit (+)/loss (-)	(1,137)	67,742	30	2,753	25,480	2,087	6,448	4,891	—	—	—
Other comprehensive income (OCI)	(2,744)	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	**(3,881)**	**67,742**	**30**	**2,753**	**25,480**	**2,087**	**6,448**	**4,891**	—	—	—
Profit (+)/loss (-) attributable to the NCI	(390)	6,775	20	221	5,529	453	1,419	489	5,861	—	**20,377**
OCI attributable to the NCI	—	—	—	—	—	—	—	—	—	—	—
Net increase (+)/decrease (-) in cash and cash equivalents	61,239	43,384	(1,874)	1	3,747	4,686	(2,089)	13,634	—	—	—
Dividends paid to the NCI	—	—	**127**	—	—	—	—	—	**860**	—	**987**

* This primarily includes non-controlling interests in TATRA DEFENCE VEHICLE a.s. (EUR 1,401 thousand), FABRICA DE MUNICIONES DE GRANADA S.L (EUR 881 thousand), ELTON hodinářská, a.s. (EUR 838 thousand), RETIA, a.s. (EUR 799 thousand), and PPS Vehicles s.r.o. (EUR 557 thousand).

In the year ended 31 December 2022:

EHC Service s.r.o. from 7.65 % to 0 % (effective interest) as of 24 February 2022;

HELI COMPANY s.r.o. from 7.65 % to 0 % (effective interest) as of 24 February 2022;

Slovak Training Academy, s.r.o. from 7.65 % to 0 % (effective interest) as of 24 February 2022;

STA TECHNOLOGY, s.r.o. from 38.13 % to 0 % (effective interest) as of 24 February 2022;

DEFENCE TRADE SLOVAKIA s.r.o. from 19 % to 12.22 % (effective interest) as of 26 July 2022;

EUROPEAN AIR SERVICES s.r.o. from 3 % to 0 % (effective interest) as of 24 February 2022;

EUROPEAN AIR SERVICES SLOVAKIA s.r.o. from 15 % to 0 % (effective interest) as of 26 August 2022;

For effects of changes in non-controlling interests reported through equity, refer to the consolidated statement of changes in equity.

31 December 2021	EXCALIBUR ARMY spol. s r.o.	ZVS holding, a.s.	NIKA Development a.s.	MSM Martin s.r.o.	CS SOFT a.s.	TATRA DEFENCE VEHICLE a.s.	FABRICA DE MUNICIONES DE GRANADA S.	MSM Nováky, a.s.	Other immaterial subsidiaries*	Consolidation elimination	Total
(EUR '000)	Czech Republic	Slovak Republic	Czech Republic	Slovak Republic	Czech Republic	Czech Republic	Spain	Slovak Republic			
Non-controlling interest percentage	10.00%	59.50%	8.03%	19.00%	22.00%	19.00%	19.00%	19.00%			
Non-current assets	33,175	12,897	68,754	20,642	8,460	s19,958	7,418	9,810	—	—	—
Current assets	173,165	24,005	15	25,288	4,120	100,571	6,677	30,421	—	—	—
Non-current liabilities	24,685	2,000	—	1,157	2,022	106,729	5,506	4,076	—	—	—
Current liabilities	72,237	20,304	(51)	18,521	3,695	9,136	3,434	26,540	—	—	—
Net assets	**109,418**	**14,598**	**68,820**	**26,252**	**6,863**	**4,664**	**5,155**	**9,615**	—	—	
Carrying amount of the non-controlling interest	**11,289**	**8,960**	**5,692**	**5,606**	**1,557**	**913**	**1,010**	**1,872**	**5,389**	**(16,614)**	**25,674**
Revenue	108,287	38,735	—	47,080	6,422	24,742	13,936	20,043	—	—	—
Profit (+)/loss (-)	10,849	352	5,155	(402)	1,049	719	(1,073)	(2,652)	—	—	—
Other comprehensive income (OCI)	—	(805)	—	(1,597)	—	—	(345)	(675)	—	—	—
Total comprehensive income	**10,849**	**(453)**	**5,155**	**(1,999)**	**1,049**	**719**	**(1,418)**	**(3,327)**			
Profit (+)/loss (-) attributable to the NCI	1,085	209	414	(76)	231	137	(204)	(504)	2,184	—	**3,476**
OCI attributable to the NCI	—	(479)	—	(303)	—	—	(66)	(128)	(133)	516	**(593)**
Net increase (+)/decrease (-) in cash and cash equivalents	**(95)**	**(4,098)**	**1**	**(358)**	**1,407**	**32,212**	**2,504**	**1,697**	—	—	—
Dividends paid to the NCI	—	**119**	—	—	—	**114**	—	—	**568**	—	**801**

This primarily includes non-controlling interests in MSM LAND SYSTEMS s.r.o. (EUR 789 thousand), ELTON hodinářská, a.s.,(EUR 755 thousand),

RETIA, a.s. (EUR 671 thousand), and EXCALIBUR INTERNATIONAL a.s., (EUR 599 thousand).

In the year ended 31 December 2021:

DAKO-CZ, a.s. from 51% to 100% as of 25 March 2021.

TRANSELCO CZ s.r.o. from 51% to 100% as of 25 March 2021.

RETIA a.s. from 100% to 95% (effective interest) as of 25 June 2021.

TATRA DEFENCE VEHICLE a.s. from 90% to 81% (effective interest) as of 11 January 2021.

Slovak Training Academy, s.r.o. from 98% to 92% (effective interest) as of 11 January 2021.

For effects of changes in non-controlling interests reported through equity, refer to the consolidated statement of changes in equity.

28. TRADE AND OTHER PAYABLES

(EUR '000)	31 December 2023	31 December 2022	31 December 2021
Prepayments received	4,673	4,887	4,209
Trade payables	218,365	159,106	75,388
Other payables	31,959	24,624	11,070
Payables to employees	17,425	13,286	5,304
Payables arising from outstanding vacation days	2,611	1,917	1,558
Government grants	681	475	1,129
Trade and other payables – subtotal	**275,714**	**204,295**	**98,658**
Unbilled supplies	78,696	28,770	23,573
Accrued expenses	2,375	5,418	769
Estimated payables – subtotal	**81,071**	**34,188**	**24,342**
Trade and other payables – total	**356,785**	**238,483**	**123,000**
Non-current	11,026	6,489	6,733
Current	345,759	231,994	116,267
Trade and other payables – total	**356,785**	**238,483**	**123,000**

29. PROVISIONS

(EUR '000)	Warranty provisions	Provision for legal claims	Other provisions	Total
Balance at 1 January 2023	**5,532**	**2,859**	**4,815**	**13,206**
On acquisition of subsidiary	—	—	10	**10**
Additional provision in the year	2,918	1,238	1,277	**5,433**
Creation/(release) of provisions through balance sheet	—	(202)	(3,345)	**(3,547)**
Utilisation of provision	(498)	—	—	**(498)**
Release – provisions released in the given year	(307)	(430)	(13)	**(750)**
Disposed subsidiaries	—	—	(181)	**(181)**
Effects of changes in exchange rates	(193)	(79)	12	**(260)**
Balance at 31 December 2023	**7,452**	**3,386**	**2,575**	**13,413**
Non-current	5,636	3,386	1,158	**10,180**
Current	1,816	—	1,417	**3,233**
Total provisions	**7,452**	**3,386**	**2,575**	**13,413**

The expected timeframe for the use of non-current warranty provisions is two years, for the other provisions it is 5-10 years. Significant legal disputes are described in the Note 37.

(EUR '000)	Warranty provisions	Provision for legal claims	Other provisions	Total
Balance at 1 January 2022	3,209	1,144	5,251	**9,604**
On acquisition of subsidiary	—	786	788	**1,574**
Additional provision in the year	2,394	888	4,030	**7,302**
Creation/(release) of provisions through balance sheet	82	—	(2,561)	**(2,479)**
Utilisation of provision	(193)	—	(2,492)	**(2,685)**
Release – provisions released in the given year	(98)	—	(222)	**(320)**
Disposed subsidiaries	—	—	(34)	**(34)**
Effects of changes in exchange rates	138	51	55	**244**
Balance at 31 December 2022	**5,432**	**2,859**	**4,815**	**13,206**
Non-current	3,563	2,859	1,190	**7,612**
Current	1,969	—	3,625	**5,594**
Total provisions	**5,532**	**2,859**	**4,815**	**13,206**

(EUR '000)	Warranty provisions	Provision for legal claims	Other provisions	Total
Balance at 1 January 2021	2,496		4,542	**7,038**
Additional provision in the year	617	—	4,528	**5,145**
Creation/(release) of provisions through balance sheet	—	—	1,679	**1,679**
Utilisation of provision	(56)	—	(3,326)	**(3,382)**
Release – provisions released in the given year	(1)	—	(60)	**(61)**
Disposed subsidiaries	—	—	(1,048)	**(1,048)**
Effects of changes in exchange rates	153	—	80	**233**
Balance at 31 December 2021	**3,209**	**—**	**6,395**	**9,604**
Non-current	1,926	—	1,636	***3,562***
Current	1,283	—	4,759	***6,042***
Total provisions	***3,209***	**—**	***6,395***	***9,604***

30. TAX PAYABLES

(EUR '000)	**31 December 2023**	**31 December 2022**	**31 December 2021**
Value added tax	1,439	3,781	4,036
Social security and health insurance	5,531	5,484	3,630
Other taxes	8,294	7,251	1,735
Total tax payables	**15,264**	**16,516**	**9,401**

Other taxes primarily represent road tax and real estate tax.

31. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

(EUR '000)	**31 December 2023**	**31 December 2022**	**31 December 2021**
Provided guarantees	69,323	103,356	38,981
Total financial guarantees	**69,323**	**103,356**	**38,981**

The total value of guarantees provided as of 31 December 2023 predominantly included guarantees provided by CZECHOSLOVAK GROUP a.s. (EUR 46,314 thousand), MSM GROUP s.r.o. (EUR 37,042 thousand), Prague Fertility Centre s.r.o. (EUR 9,342 thousand), CS SOFT a.s. (EUR 8,842 thousand), EXCALIBUR ARMY spol. s.r.o. (EUR 4,216 thousand), ELDIS Pardubice s.r.o. (EUR 4,023 thousand), VOP Nováky, a.s. (EUR 1,021 thousand), DAKO-CZ, a.s. (EUR 407 thousand).

The total value of guarantees provided as of 31 December 2022 predominantly included guarantees provided by RETIA, a.s. (EUR 34,020 thousand), ELDIS Pardubice, s.r.o. (EUR 4,891 thousand), Excalibur Army spol.s.r.o. (EUR 21,841 thousand), Prague Fertility Centre s.r.o. (EUR 9,538 thousand) and CZECHOSLOVAK GROUP a.s. (EUR 28,110 thousand).

The total value of guarantees provided as of 31 December 2021 predominantly included guarantees provided by RETIA, a.s. (EUR 28,948 thousand), ELDIS Pardubice, s.r.o. (EUR 7,127 thousand) and CZECHOSLOVAK GROUP a.s. (EUR 2,678 thousand).

Bank guarantees issued by the above entities are connected with guarantees to customers for the delivery of products without defects.

32. RISK MANAGEMENT METHODS

This Note provides a detailed description of the financial and operating risks to which the Group is exposed and the methods used in managing them. The major financial risks to which the Group is exposed include credit risk, liquidity risk, interest rate risk and currency risk.

The following table contains information about:

- Classes of financial instruments;
- Amortised cost of financial instruments;
- Fair values of financial instruments (with the exception of financial instruments whose net book value approximates their fair value); and
- The hierarchy levels of the fair values of financial assets and financial liabilities for which fair value has been disclosed.

31 December 2023 *(EUR '000)*	**Note**	**Fair value – hedging instruments**	**Mandatorily at fair value FVTPL - other**	**Financial assets at amortised costs**	**Other financial payables**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value										
Derivatives	20	—	18,433	—	—	**18,433**	—	18,433	—	**18,433**
Financial assets not reported at fair value		—	—	—	—	—	—	—	—	—
Trade and other receivables	21	—	—	220,436	—	**220,436**	—	—	—	—
Prepayments made and accruals and deferrals	21	—	—	223,832	—	**223,832**	—	—	—	—
Provided loans	20	—	—	166,559	—	**166,559**	—	**166,559**	—	**166,559**
Other financial assets	20	—	—	88,617	—	**88,617**	—	**88,617**	—	**88,617**
Cash and cash equivalents	25	—	—	563,865	—	**563,865**	—	—	—	—
Contract costs		—	—	41,185	—	**41,185**	—	—	—	—
Contract assets		—	—	**15,211**	—	**15,211**	—	—	—	—
Total				**1,319,705**		**1,319,705**		**255,176**		**255,176**
Financial liabilities reported at fair value										
Liability from put option			(176,451)			**(176,451)**			(176,451)	**(176,451)**
Derivatives	20	—	(6,984)	—	—	**(6,984)**	—	(6,984)		**(6,984)**
Total		—	**(193,435)**	—	—	**(176,451)**		**(6,984)**	**(176,451)**	**(183,435)**
Financial liabilities not reported at fair value										
Overdraft	20	—	—	—	(76,282)	**(76,282)**	—	(76,282)	—	**(76,282)**
Collateralised bank loans	20	—	—	—	(587,865)	**(587,865)**	—	(587,865)	—	**(587,865)**
Uncollateralised bank loans	20	—	—	—	(53,907)	**(53,907)**	—	(53,907)	—	**(53,907)**
Owner loans and loans from other related parties	20	—	—	—	(38,288)	**(38,288)**	—	(38,288)	—	**(38,288)**
Loans from third parties (other loans)	20	—	—	—	(1,057)	**(1,057)**	—	(1,057)	—	**(1,057)**
Trade and other payables	28	—	—	—	(444,268)	**(444,268)**	—	—	—	—
Issued bonds including outstanding interest	20	—	—	—	(340,269)	**(340,269)**	—	(340,269)	—	**(340,269)**
Current and non-current contractual payables		—	—	—	(840,524)	**(840,524)**	—	—	—	—
Total					**(2,382,460)**	**(2,382,460)**		**(1,097,668)**		**(1,097,668)**

31 December 2022 *(EUR '000)*	**Note**	**Fair value – hedging instruments**	**Mandatorily at fair value FVTPL - other**	**FVOCI – debt instruments**	**FVOCI - equity instruments**	**Financial assets at amortised costs**	**Other financial payables**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value												
Derivatives	20	—	39,803	—	—	—	—	**39,803**	—	39,803	—	**39,803**
Financial assets not reported at fair value		—	—	—	—	—	—	—	—	—	—	—
Trade and other receivables	21	—	—	—	—	213,817	—	**213,817**	—	—	—	—
Prepayments made and accruals and deferrals	21	—	—	—	—	85,124	—	**85,124**	—	—	—	—
Provided loans	20	—	—	—	—	175,612	—	**175,612**	—	**175,612**	—	**175,612**
Other financial assets	20	—	—	—	—	60,683	—	**60,683**	—	**60,683**	—	**60,683**
Cash and cash equivalents	25	—	—	—	—	241,650	—	**241,650**	—	—	—	—
Contract costs		—	—	—	—	4,712	—	**4,712**	—	—	—	—
Contract assets		—	—	—	—	30,125	—	**30,125**	—	—	—	—
Total		—	—	—	—	**811,723**	—	**811,723**	—	**236,295**	—	**235,987**
Financial liabilities reported at fair value												
Liability from put option			(161,164)					**(161,164)**			(161,164)	**(161,164)**
Derivatives	20	—	(533)	—	—	—	—	**(533)**	—	(533)	—	**(533)**
Total		—	**(161,697)**	—	—	—	—	**(161,697)**	—	**(533)**	**(161,164)**	**(161,697)**
Financial liabilities not reported at fair value		—	—	—	—	—	—	—	—	—	—	—
Overdraft	20	—	—	—	—	—	(68,444)	**(68,444)**	—	(68,444)	—	**(68,444)**
Collateralised bank loans	20	—	—	—	—	—	(525,401)	**(525,401)**	—	(525,401)	—	**(525,401)**
Uncollateralised bank loans	20	—	—	—	—	—	(18,448)	**(18,448)**	—	(18,448)	—	**(18,448)**
Owner loans and loans from other related parties	20	—	—	—	—	—	(28,507)	**(28,507)**	—	(28,507)	—	**(28,507)**
Loans from third parties (other loans)	20	—	—	—	—	—	(11,948)	**(11,948)**	—	(11,948)	—	**(11,948)**
Trade and other payables	28	—	—	—	—	—	(298,941)	**(298,941)**	—	—	—	—
Issued bonds including outstanding interest	20	—	—	—	—	—	(191,499)	**(191,499)**	—	(191,499)	—	**(191,499)**
Current and non-current contractual payables		—	—	—	—	—	(623,840)	**(623,840)**	—	—	—	—
Total		—	—	—	—	—	**(1,767,028)**	**(1,767,028)**	—	**(844,247)**	—	**(844,247)**

31 December 2021 *(EUR '000)*	**Note**	**Fair value – hedging instruments**	**Mandatorily at fair value FVTPL - other**	**FVOCI – debt instruments**	**FVOCI - equity instruments**	**Financial assets at amortised costs**	**Other financial payables**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value												
Derivatives	20	—	12,025	—	—	—	—	**12,025**	—	12,025	—	**12,025**
Financial assets not reported at fair value		—	—	—	—	—	—	—	—	—	—	—
Trade and other receivables	21	—	—	—	—	124,850	—	**124,850**	—	—	—	—
Prepayments made and accruals and deferrals	21	—	—	—	—	32,440	—	**32,440**	—	—	—	—
Provided loans	20	—	—	—	—	109,535	—	**109,535**	—	**109,535**	—	**109,535**
Other financial assets	20	—	—	—	—	23,108	—	**23,108**	—	**23,108**	—	**23,108**
Cash and cash equivalents	25	—	—	—	—	104,006	—	**104,006**	—	—	—	—
Contract Costs		—	—	—	—	1,877	—	**1,877**	—	—	—	—
Contract assets		—	—	—	—	30,150	—	**30,150**	—	—	—	—
Total		—	—	—	—	**425,966**	—	**425,966**	—	**132,643**	—	**136,741**
Financial liabilities reported at fair value												
Derivatives	20	—	(1,825)	—	—	—	—	**(1,825)**	—	(1,825)	—	**(1,825)**
Total		—	**(1,825)**	—	—	—	—	**(1,825)**	—	**(1,825)**	—	**(1,825)**
Financial liabilities not reported at fair value		—	—	—	—	—	—	—	—	—	—	—
Overdraft	20	—	—	—	—	—	(53,443)	**(53,443)**	—	(53,443)	—	**(53,443)**
Collateralised bank loans	20	—	—	—	—	—	(94,385)	**(94,385)**	—	(94,385)	—	**(94,385)**
Owner loans and loans from other related parties	20	—	—	—	—	—	(2,171)	**(2,171)**	—	(2,171)	—	**(2,171)**
Loans from third parties (other loans)	20	—	—	—	—	—	(6,343)	**(6,343)**	—	(6,343)	—	**(6,343)**
Trade and other payables	28	—	—	—	—	—	(157,290)	**(157,290)**	—	—	—	—
Issued bonds including outstanding interest	20	—	—	—	—	—	(185,766)	**(185,766)**	—	(185,766)	—	**(185,766)**
Current and non-current contractual payables		—	—	—	—	—	(196,897)	**(196,897)**	—	—	—	—
Total		—	—	—	—	—	**(696,295)**	**(696,295)**	—	**(342,108)**	—	**(342,108)**

(a) Credit Risk

i. Credit Risk Exposure

Credit risk is a risk of the Company incurring a financial loss if the customer or counterparty fails to meet its contractual obligations in transactions with financial instruments. The risk primarily arises in respect of the Group's amounts due from customers and in respect of loans and borrowings. Credit risk is limited in respect of highly liquid assets (cash product on bank accounts) given that counterparties are entities with high credit ratings.

Credit Risk Management in Respect of Trade and Other Receivables

The Group reviews the financial positions of its existing customers and regularly assesses their creditworthiness. In respect of new customers requesting goods and services above a certain limit (determined on the basis of the size and nature of the specific business), the customer is firstly subject to an individual analysis of creditworthiness and only then are standard payment and supply terms proposed to it.

The Group assesses the credit quality of customers by reference to their financial position, historical experience and other factors. Individual limits for managing this risk are determined based on internal or external ratings in compliance with the limits stipulated by the Group's internal guidelines. The Group's management regularly assesses the level of credit risk and the size of its exposure and, at least on a monthly basis, monitors the balance of overdue trade receivables. The Group also requires that its customers provide it with appropriate forms of guarantees or collateral.

Impairment Loss and Write-Off of Receivables

The Group recognises allowances for impairment based on an estimate of future expected losses that may be incurred in respect of trade receivables, other receivables and provided loans. Expected future losses are estimated in compliance with the methodology applied by the Group.

To measure expected credit losses, trade receivables, loans and other receivables were assessed based on the customer's individual rating and days past due (referred to as the "individual approach"). The Group set the individual assessment of receivables in relation to the rating of the debtor's country, the reason being that a majority of the Group's business transactions are concluded with entities directly or closely related to state and public institutions.

Receivables are classified by country of origin of the business from which the receivable is recorded. These countries were assigned rating based on an assessment by Standard and Poors. Using this rating, receivables are classified into three groups based on the risk of potential failure to recover the receivables:

The first low-risk group includes receivables from entities based in countries with a rating of AAA to A-, which are considered to be stable with a low risk of default. A probability of default of 0.08% has been assigned to this group of receivables. This probability corresponds with a one-year probability of default of a corporate client included in the investment grade (refer to Standard and Poors 2022 Annual Global Corporate Default, Table No. 24.)

The highest-risk group includes private businesses from countries with a rating of BBB+ and worse, which has been assigned the highest probability of default at 3.52 % as of 31 December 2023 (3.71 % as of 31 December 2022 and 2021). This probability corresponds with a one-year probability of default of a corporate client included in the speculative grade (refer to Standard and Poors 2022 Annual Global Corporate Default, Table No. 24).

The middle-risk group includes public entities from countries with a rating of BBB+ and worse. This group has been assigned the probability of default at 1.9%. This value has been selected as the arithmetic average of the low-risk and high-risk values.

Furthermore, the Group has identified a group of critical receivables which includes receivables to bankrupt or insolvent entities, with a 100% probability of default. In this respect, the Group reports provisions at the level of lifetime loss in respect of all types of receivables (including provided loans).

The Group anticipates loss given default (LGD) at 100%, if no guarantee or collateral was stipulated.

The Group always reports lifetime expected credit loss in respect of trade receivables, contract assets and receivables arising from leases.

The allowance amount measured in line with the above-described rating-based system additionally includes factors specific to the given debtors, if such information is available to the Group.

In respect of other financial instruments, the Group reports lifetime expected credit loss for their duration, provided a significant increase in credit risk has occurred since initial recognition. However, if credit risk has not significantly increased since initial recognition in respect of the financial instrument, the Group will calculate the allowance for the loss arising from this financial instrument in the amount of expected credit losses over 12 months.

Write-off of Receivables

The Group assesses default receivables. If the receivable is assessed not to be recoverable by any means and the statute of limitations has expired – i.e. a period greater than 3 years from the due date – the Group's management will decide to write it off.

Impairment losses

The aging analysis and impairment losses in respect of financial assets with the exception of cash and cash equivalents as of the balance sheet date are as follows:

Trade and other receivables and contract assets

As of 31 December 2023

(EUR '000)	**Gross**	**Allowance**	**Average credit loss**	**Credit impaired**
Group*				
1	172,693	(5,325)	(3.08)%	No
2	49,293	(3,930)	(7.97)%	No
3	43,019	(20,103)	(46.73)%	No
4	—	—	0.00%	
Total	**265,005**	**(29,358)**		
Maturity				
Covered portion of financial assets	40,167	—	0.00%	No
Before due date	130,875	(36)	(0.03)%	No
1-90 days past due	50,827	(137)	(0.27)%	No
91-180 days past due	8,717	(266)	(3.05)%	No
181-360 days past due	10,362	(4,861)	(46.91)%	Yes
More than 360 days past due	24,057	(24,058)	(100.00)%	Yes
Total	**265,005**	**(29,358)**		

* Low risk (Group 1), Middle risk (Group 2), High risk (Group 3), Critical (Group 4)

As of 31 December 2022

(EUR '000)	Gross	Allowance	Average credit loss	Credit impaired
Group*				
1	169,499	(9,384)	(5.54)%	No
2	54,857	(3,732)	(6.80)%	No
3	38,365	(5,663)	(14.76)%	No
4	—	—	0.00%	
Total	**262,721**	**(18,779)**		

Maturity				
Covered portion of financial assets	105,298	—	0.00%	No
Before due date	105,482	(1,504)	(1.47)%	No
1-90 days past due	26,100	(835)	(3.20)%	No
91-180 days past due	5,064	(188)	(3.71)%	No
181-360 days past due	9,050	(4,525)	(50.00)%	Yes
More than 360 days past due	11,727	(11,727)	(99.61)%	Yes
Total	**262,721**	**(18,779)**		

* Low risk (Group 1), Middle risk (Group 2), High risk (Group 3), Critical (Group 4)

As of 31 December 2021

(EUR '000)	Gross	Allowance	Average credit loss	Credit impaired
Group*				
1	99,671	(6,656)	(6.47)%	No
2	45,816	(3,967)	(8.66)%	No
3	22,093	(1,957)	(8.86)%	No
4	1,145	(1,145)	(100.00)%	No
Total	**168,725**	**(13,725)**		

Maturity				
Covered portion of financial assets	39,014	—	0.00%	No
Before due date	105,309	(1,583)	(1.50)%	No
1-90 days past due	8,139	(183)	(2.24)%	No
91-180 days past due	3,103	(114)	(3.69)%	No
181-360 days past due	2,666	(1,333)	(50.00)%	Yes
More than 360 days past due	10,494	(10,512)	(100.00)%	Yes
Total	**168,725**	**(13,725)**		

* Low risk (Group 1), Middle risk (Group 2), High risk (Group 3), Critical (Group 4)

Provided loans and other financial assets

The stated gross amounts and allowances include current and non-current loans and other financial assets, excluding derivatives and bank accounts with limited access.

As of 31 December 2023

(EUR '000)	Gross	Allowance	Average credit loss	Credit impaired
Group				
1	205,970	(4,607)	(2.24)%	No
2	13,260	(123)	(0.93)%	No
3	14,645	(10,677)	(72.91)%	No
Total	**233,875**	**(15,407)**		

(EUR '000)	Gross	Allowance	Average credit loss	Credit impaired
Maturity				
Covered portion of financial assets	38,723	—	0.00%	No
Before due date	190,736	(12,284)	(6.44)%	No
1-90 days past due	1,315	(24)	(1.80)%	No
91-180 days past due	1	—	(4.17)%	No
181-360 days past due	2	(1)	(48.78)%	No
More than 360 days past due	3,098	(3,098)	(100.00)%	Yes
Total	**233,875**	**(15,407)**		

As of 31 December 2022

(EUR '000)	Gross	Allowance	Average credit loss	Credit impaired
Group				
1	192,491	(4,936)	(2.57)%	No
2	7,222	(12)	(0.17)%	No
3	—	—	0.00%	No
Total	**199,713**	**(4,948)**		

(EUR '000)	Gross	Allowance	Average credit loss	Credit impaired
Maturity				
Covered portion of financial assets	8,804	—	0.00%	No
Before due date	186,118	(196)	(0.11)%	No
1-90 days past due	—	—	0.00%	No
91-180 days past due	—	—	0.00%	No
181-360 days past due	76	(38)	0.00%	No
More than 360 days past due	4,715	(4,714)	(100.00)%	Yes
Total	**199,713**	**(4,948)**		

As of 31 December 2021

(EUR '000)	Gross	Allowance	Average credit loss	Credit impaired
Group				
1	120,716	(109)	(0.09)%	No
2	1,906	(2)	(0.10)%	No
3	2,524	(2,524)	(100.00)%	No
Total	**125,146**	**(2,635)**		

(EUR '000)	Gross	Allowance	Average credit loss	Credit impaired
Maturity				
Covered portion of financial assets	3,049	—	0.00%	No
Before due date	119,558	(109)	(0.09)%	No
1-90 days past due	13	—	(1.79)%	No
91-180 days past due	—	—	0.00%	No
181-360 days past due	—	—	0.00%	No
More than 360 days past due	2,526	(2,526)	(100.00)%	Yes
Total	**125,146**	**(2,635)**		

The movements reported in allowances against financial assets are as follows:

(EUR '000)	Allowance as of		
	2023	2022	2021
Balance at 1 January	**25,878**	**17,557**	**15,258**
Impairment losses reported during the period	29,289	9,663	5,393
Cancellation of the impairment loss reported during the period	(5,605)	(1,628)	(2,962)
Acquisitions through business combinations	55	—	—
Sale of equity investment with loss of control	(2,152)	—	(881)
Impact of changes in FX rates	(2,699)	286	749
Balance at 31 December	**44,766**	**25,878**	**17,557**

As of the balance sheet date, the maximum exposure to credit risk is classified by counterparty and geographical location as presented in the tables below.

Credit Risk by Counterparty

As of 31 December 2023 *(EUR '000)*	Legal entities (non-financial institutions)	State, government	Financial institutions	Individuals	Other	Total
Assets						
Loans and other financial assets	171,546	2	40,173	61,888	—	**273,609**
Trade and other receivables	179,357	13,662	12,935	4,168	10,314	**220,436**
Contract assets	13,434	1,777	—	—	—	**15,211**
Tax receivables	1,365	24,441	983	—	—	**26,789**
Cash and cash equivalents	—	4,955	558,910	—	—	**563,865**
Total	**365,702**	**44,837**	**613,001**	**66,056**	**10,314**	**1,099,910**

As of 31 December 2022 *(EUR '000)*	Legal entities (non-financial institutions)	State, government	Financial institutions	Individuals	Other	Total
Assets						
Loans and other financial assets	96,797	5,627	76,234	97,312	128	**276,098**
Trade and other receivables	181,875	30,189	443	1,180	130	**213,817**
Contract assets	11,652	18,473	—	—	—	**30,125**
Tax receivables	589	15,669	—	—	—	**16,258**
Cash and cash equivalents	—	68	241,582	—	—	**241,650**
Total	**290,913**	**70,026**	**318,259**	**98,492**	**258**	**777,948**

As of 31 December 2021 *(EUR '000)*	Legal entities (non-financial institutions)	State, government	Financial institutions	Individuals	Other	Total
Assets						
Loans and other financial assets	62,866	—	22,165	59,544	93	**144,668**
Trade and other receivables	104,807	18,109	1,614	314	6	**124,850**
Contract assets	24,784	5,366	—	—	—	**30,150**
Tax receivables	680	5,016	(282)	—	—	**5,414**
Cash and cash equivalents	—	—	104,006	—	—	**104,006**
Total	**193,137**	**28,491**	**127,503**	**59,858**	**99**	**409,088**

Credit Risk by Territory

As of 31 December 2023 (EUR '000)	Czech Republic	Slovakia	Other*	Total
Assets				
Loans and other financial assets	233,871	3,131	36,607	**273,609**
Trade receivables and other assets	56,894	19,434	144,108	**220,436**
Contract assets	1,339	—	13,872	**15,211**
Tax receivables	8,804	8,613	9,372	**26,789**
Cash and cash equivalents	303,226	72,864	187,775	**563,865**
Total	**604,134**	**104,042**	**391,734**	**1,099,910**

* The category of "Other" primarily includes receivables from other European Union countries, such as Hungary, Bulgaria, and Italy, and from other than European Union countries, such as Ukraine, USA, UAE, Pakistan, and Vietnam

As of 31 December 2022 (EUR '000)	Czech Republic	Slovakia	Other*	Total
Assets				
Loans and other financial assets	246,856	4,110	25,132	**276,098**
Trade receivables and other assets	40,123	7,667	166,027	**213,817**
Contract assets	3,597	2,785	23,743	**30,125**
Tax receivables	8,219	2,483	5,556	**16,258**
Cash and cash equivalents	137,441	35,606	68,603	**241,650**
Total	**436,236**	**52,651**	**289,061**	**777,948**

* The category of "Other" primarily includes receivables from other European Union countries, such as Hungary and Bulgaria, and from other than European Union countries, such as United Arab Emirates, Pakistan, and Vietnam.

As of 31 December 2021 (EUR '000)	Czech Republic	Slovakia	Other*	Total
Assets				
Loans and other financial assets	129,870	10,744	4,054	**144,668**
Trade receivables and other assets	43,451	6,709	74,690	**124,850**
Contract assets	1,048	2,328	26,774	**30,150**
Tax receivables	4,723	691	—	**5,414**
Cash and cash equivalents	98,217	3,169	2,620	**104,006**
Total	**277,309**	**23,641**	**108,138**	**409,088**

* The category of "Other" primarily includes receivables from other European Union countries, such as Hungary and Bulgaria, and from other than European Union countries, such as United Arab Emirates, Pakistan, and Vietnam.

(b) Liquidity Risk

Liquidity risk is a risk of the Group running into difficulties in meeting its commitments in relation to financial liabilities that are settled through cash or other financial assets. Individual Group entities use different methods to manage liquidity risk.

The Group's management focuses on the methods used by financial institutions, i.e. diversifying the sources of funds. Thanks to the diversification, the Group is more flexible and its dependency, if any, on a single source of funding, is limited. Liquidity risk is primarily assessed by monitoring the changes in the structure of funding and by comparing the changes with the Group's liquidity risk management strategy.

The below-stated table presents a breakdown of the Group's contractual cash flows classified by their due dates, specifically by the period remaining from the balance sheet date until the contractual maturity date. In situations when options and payment schedules make earlier repayment possible, the Group applies maximum caution in assessing the due dates. Therefore, the due dates of liabilities are presented at the earliest possible dates. Liabilities without contractually stipulated due dates are classified under the "unspecified due date" category.

As of 31 December 2023 (EUR '000)	Carrying amount	Contractual cash flows	Fewer than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Unspecified due date
Liabilities							
Loans and borrowings	806,944	887,367	62,020	232,479	495,476	46,096	51,297
Bonds	337,445	428,462	7,178	80,440	340,844	—	—
Trade and other payables	251,005	251,005	173,902	54,737	9,020	—	13,345
Lease liabilities	42,523	42,548	1,733	4,615	22,554	13,646	—
Put option	176,451	176,451	—	—	176,451	—	—
Total	**1,614,368**	**1,785,833**	**244,833**	**372,271**	**1,044,345**	**59,742**	**64,642**

As of 31 December 2022 (EUR '000)	Carrying amount	Contractual cash flows	Fewer than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Unspecified due date
Liabilities							
Loans and borrowings	695,760	709,847	27,067	159,710	465,017	37,116	20,938
Bonds	190,219	222,583	2,099	6,879	211,853	—	1,753
Trade and other payables	184,205	184,205	134,682	27,437	590	—	21,496
Lease liabilities	38,268	39,453	1,574	4,556	21,171	12,153	—
Put Option	161,164	161,164	—	—	161,164	—	—
Total	**1,269,616**	**1,317,252**	**165,422**	**198,582**	**859,795**	**49,269**	**44,187**

As of 31 December 2021

(EUR '000)	Carrying amount	Contractual cash flows	Fewer than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Unspecified due date
Liabilities							
Loans and borrowings	187,575	201,240	19,968	69,095	82,461	3,731	25,985
Bonds	184,066	215,460	2,072	6,425	206,963	—	—
Trade and other payables	87,587	87,586	62,287	17,384	6,733	—	1,183
Lease liabilities	26,277	27,096	1,411	2,677	15,196	7,812	—
Put Option	—	—	—	—	—	—	—
Total	**485,505**	**531,382**	**85,738**	**95,581**	**311,353**	**11,543**	**27,168**

The value of loans under "unspecified due date" represents loans that have no set contractual maturity but they are payable upon the creditor's request.

The contractual cash flows are higher than the carrying amount due to the inclusion of unrecognised future interest.

The Group does not expect that the cash flows included in the analysis of due dates would fall due earlier or in much larger volumes.

Among others, financial liabilities were also used to fund non-current assets and inventories.

(c) Interest Rate Risk

During its activities, the Group is exposed to the risk of interest rate fluctuations, the reason being that the interest-bearing assets (including investments) and interest-bearing liabilities have various due dates or interest rate refixing dates. The period during which a specific financial instrument has a fixed interest rate shows to what extent the financial instrument is exposed to interest rate risk.

The Group manages interest rate risk through interest rate swaps. As of 31 December 2023, CZECHOSLOVAK GROUP a.s. had interest rate swaps in place for the CZK bonds to hedge the floating 6M Pribor interest rates at fixed rates from 1.22% to 5.39% in the total volume of CZK 2,900,000 thousand (EUR 120,257 thousand) during the period from 2024 to 2026. For a credit facility in EUR, the company hedged floating 1M-6M Euribor interest rates at fixed rates from 0.49% to 3.74% in the total volume of EUR 120,290 thousand during the period from 2024 to 2028. Additionally, the company had concluded two currency interest rate swaps CZK/EUR. The first one in the volume of CZK 467,480 thousand / EUR 19,050 thousand with a fixed rate of 16.65% for the CZK portion and 6M Euribor + 11% for the EUR portion and the second one in the volume of CZK 1,683,500 thousands / EUR 70,000 with a fixed rate of 8% for the CZK portion and with a fixed rate 7.18% for the EUR portion.

As of 31 December 2023, JOB AIR TECHNIC a.s. had concluded interest rate swaps at fixed rates ranging from 1.21% to 3.25% to hedge the floating interest rates of loans amounting to EUR 2,987,218 and USD 685,662.

As of 31 December 2023, DAKO-CZ a.s. had concluded interest rate swaps at fixed rates ranging from 1.4% to 1.55% to hedge the floating interest rates of loans amounting to EUR 30,240,000.

As of 31 December 2022, CZECHOSLOVAK GROUP a.s. had interest rate swaps in place for the CZK bonds to hedge floating 6M Pribor interest rates at fixed rates from 1.22% to 5.39% in the total volume of CZK 2,900,000 thousand (EUR 120,257 thousand) during the period from 2023 to 2026. For a credit facility in EUR, the company hedged floating 1M-3M Euribor interest rates at fixed rates from 0.49% to 2.89% in the total volume of EUR 155,039 thousand during the period from 2023 to 2028. Additionally, the company had concluded a currency interest rate swap CZK/EUR in the volume of CZK 467,480 thousand / EUR 19,050 thousand with a fixed rate of 16.65% for the CZK portion and 6M Euribor + 11% for the EUR portion.

As of 31 December 2022, JOB AIR TECHNIC a.s. had concluded interest rate swaps at fixed rates ranging from 1.21% to 3.25% to hedge the floating interest rates of loans amounting to EUR 3,690,094 and USD 423,497.

As of 31 December 2021, JOB AIR TECHNIC a.s. had concluded an interest rate swap for the fixed rate of 0.365% to hedge the floating interest rate of a loan amounting to EUR 5,833,330.

As of 31 December 2022, EXCALIBUR ARMY spol. s r.o. had concluded an interest option for the fixed rate of 0.120% to hedge the floating interest rate of a loan amounting to EUR 727,500 (2021: EUR 1,195,000).

The table presented below presents information on the level of the Group's interest rate risk either based on the contractual maturity periods of the Group's financial instruments or – in respect of financial instruments remeasured at the market interest rate before the due date – based on the date of the next interest rate change. Assets and liabilities that do not have a contractually stipulated maturity period or do not bear interest are classified under the "unspecified due date" category.

Financial information relating to interest-bearing and non-interest-bearing assets and liabilities and their contractual maturity or restatement dates as of 31 December 2023, 31 December 2022 and 31 December 2021 not including the effects of derivatives are as follows:

As of 31 December 2023	Floating interest rate			Fixed interest rate or unspecified	Total
(EUR '000)	Less than 1 year	1 year to 5 years	More than 5 years		
Interest-bearing financial assets					
Loans and other financial assets	144,461	44,438	—	84,710	**273,609**
Total	**144,461**	**44,438**	**—**	**84,710**	**273,609**
Interest-bearing financial liabilities					
Loans and borrowings	277,273	366,628	32,411	81,087	**757,399**
Bonds	144,455	—	—	192,990	**337,445**
Put Option	—	176,451	—	—	**176,451**
Total	**421,728**	**543,079**	**32,411**	**274,077**	**1,271,295**
Net interest-rate risk balance	**(277,267)**	**(498,641)**	**(32,411)**	**(189,367)**	**(997,686)**

As of 31 December 2022	Floating interest rate			Fixed interest rate or unspecified	Total
(EUR '000)	Less than 1 year	1 year to 5 years	More than 5 years		
Interest-bearing financial assets					
Loans and other financial assets	159,938	31,872	2,776	81,512	**276,098**
Total	**159,938**	**31,872**	**2,776**	**81,512**	**276,098**
Interest-bearing financial liabilities					
Loans and borrowings	328,228	262,232	28,964	33,324	**652,748**
Bonds	174,963	—	—	15,256	**190,219**
Put option	—	161,164	—	—	**161,164**
Total	**503,191**	**423,396**	**28,964**	**48,580**	**1,004,131**
Net interest-rate risk balance	**(343,253)**	**(391,524)**	**(26,188)**	**32,932**	**(728,033)**

As of 31 December 2021	Floating interest rate			Fixed interest rate or unspecified	Total
(EUR '000)	Less than 1 year	1 year to 5 years	More than 5 years		
Interest-bearing financial assets					
Loans and other financial assets	19,483	10,777	—	114,408	**144,668**
Total	**19,483**	**10,777**	**—**	**114,408**	**144,668**
Interest-bearing financial liabilities					
Loans and borrowings	94,628	37,003	1,636	23,075	**156,342**
Bonds	160,853	—	—	23,213	**184,066**
Put Option	—	—	—	—	**—**
Total	**255,481**	**37,003**	**1,636**	**46,288**	**340,408**
Net interest-rate risk balance	**(235,998)**	**(26,226)**	**(1,636)**	**68,120**	**(195,740)**

Sensitivity Analysis

The Group performs stress testing using the standardised interest rate shock scenario, during which an immediate decrease/increase in interest rates of 100 basis points is applied to the portfolio interest rate positions in the whole length of the revenue curve.

As of the balance sheet date, the change in interest rates of 100 basis points would increase or decrease profit by the amounts presented in the following table. The analysis assumes that all other variables, namely foreign currency exchange rates, will remain unchanged.

(EUR '000)	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2021
Interest rate decrease of 100 basis points	6,704	6,082	1,347
Interest rate increase of 100 basis points	(6,704)	(6,082)	(1,347)

Following the recognition of the above-described derivative, only a portion of EUR 27,165 thousand (2022: EUR 69,706 thousand) of the financial liabilities from issued bonds is effectively exposed to the floating interest rate risk.

Bonds (EUR '000)	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2021
Interest rate decrease of 100 basis points	272	697	764
Interest rate increase of 100 basis points	(272)	(697)	(764)

The fair value of CSG's bonds (net price without accrued interest as of 31 December 2023 is EUR 53,078 thousand for the VAR/24 issue, EUR 80,853 thousand for the VAR/26 issue, EUR 14,285 thousand for the VAR/26 issue issued in EUR, EUR 10,923 thousand for the VAR/27 issue issued in EUR and 179,086 thousand for the CSG 8,00/28 issued in CZK.

The fair value of CSG's bonds (net price without accrued interest) as of 31 December 2022 is EUR 82,933 thousand for the VAR/24 issue, EUR 82,408 thousand for the VAR/26 issue, and EUR 13,846 thousand for the VAR/26 issue issued in EUR and EUR 9,007 thousand for the VAR/27 issue issued in EUR.

(d) Currency Risk

The Group's financial positions and cash flows are affected by fluctuations in the effective foreign exchange rate.

The entities in the Group are exposed to currency risk in relation to sales, purchases and loans denominated in currencies other than the relevant functional currencies applied by the Group. This primarily includes EUR and USD in respect of Czech entities and CZK and USD in respect of Slovak entities. For more information about the countries where the entities primarily operate, refer to Note 36.

The Company manages currency risk by concluding derivative transactions to hedge future cash flows (however, this does not constitute hedge accounting) and also covers currency risk management for the CSG Group.

The table below presents a summary of currency derivatives in nominal values for years 2023 – 2026 recorded by the Group as of 31 December 2023 (the values are presented in EUR thousand as equivalents):

As of 31 December 2023

(EUR '000)	2023			2024			2025			2026		
	EUR	**USD**	**Total**	**EUR**	**USD**	**Total**	**EUR**	**USD**	**Total**	**EUR**	**USD**	**Total**
Currency derivatives for purchase												
FX forward	13,558	—	**13,558**	—	—	—	—	—	—	—	—	—
Total currency derivatives for purchase	**13,558**	**—**	**13,558**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Currency derivatives for sale												
FX forward	162,119	6,767	**168,886**	97,038	6,188	**103,226**	26,403	4,872	**31,275**	12,591	—	**12,591**
FX Swap	1,386	—	**1,386**	—	—	—	—	—	—	—	—	—
Total currency derivatives for sale	**163,505**	**6,767**	**170,272**	**97,038**	**6,188**	**103,226**	**26,403**	**4,872**	**31,275**	**12,591**	**—**	**12,591**

As of 31 December 2022

(EUR '000)	2023			2024			2024			2025		
	EUR	**USD**	**Total**	**EUR**	**USD**	**Total**	**EUR**	**USD**	**Total**	**EUR**	**USD**	**Total**
Currency derivatives for purchase												
FX forward	19,222	—	**19,222**	4,768	—	**4,768**	—	—	—	—	—	—
FX Option	1,308	—	**1,308**	—	—	—	—	—	—	—	—	—
FX Swap	14,322	—	**14,322**	—	—	—	—	—	—	—	—	—
Total currency derivatives for purchase	**34,852**	**—**	**34,852**	**4,768**	**—**	**4,768**	**—**	**—**	**—**	**—**	**—**	**—**
Currency derivatives for sale												
FX forward	125,524	12,185	**137,709**	116,370	6,106	**122,476**	52,653	6,345	**58,998**	1,146	4,995	**6,141**
FX Option	1,701	—	**1,701**	—	—	—	—	—	—	—	—	—
FX Swap	3,053	—	**3,053**	—	—	—	—	—	—	—	—	—
Total currency derivatives for sale	**130,278**	**12,185**	**142,463**	**116,370**	**6,106**	**122,476**	**52,653**	**6,345**	**58,998**	**1,146**	**4,995**	**6,141**

As of 31 December 2021

(EUR '000)	2023			2024			2023			2024		
	EUR	**USD**	**Total**	**EUR**	**USD**	**Total**	**EUR**	**USD**	**Total**	**EUR**	**USD**	**Total**
Currency derivatives for purchase												
FX forward	12,184	—	**12,184**	—	—	—	—	—	—	—	—	—
FX Option	28,129	—	**28,129**	1,269	—	**1,269**	—	—	—	—	—	—
Total currency derivatives for purchase	**40,313**	**—**	**40,313**	**1,269**	**—**	**1,269**	**—**	**—**	**—**	**—**	**—**	**—**
Currency derivatives for sale												
FX forward	155,402	16,055	**171,457**	97,337	2,545	**99,882**	54,500	—	**54,500**	30,659	—	**30,659**
FX Option	30,382	—	**30,382**	1,650	—	**1,650**	—	—	—	—	—	—
FX Swap	66,155	—	**66,155**	2,154	—	**2,154**	—	—	—	—	—	—
Total currency derivatives for sale	**251,939**	**16,055**	**267,994**	**101,141**	**2,545**	**103,686**	**54,500**	**—**	**54,500**	**30,659**	**—**	**30,659**

The fair value of the open positions disclosed above amounts to EUR 18,433 thousand in the financial assets line and EUR 6,984 thousand in the financial liabilities line, see Note 21.

The following tables present the structure of assets and liabilities as of 31 December 2023 (31 December 2022 and 31 December 2021) by currency (translated to EUR thousand) at the level of the Group:

As of 31 December 2023

(EUR '000)	**CZK**	**EUR**	**USD**	**Other**	**Total**
Assets					
Loans and other financial assets	154,761	96,336	7,124	15,388	**273,609**
Trade and other receivables	42,425	136,670	37,586	3,755	**220,436**
Contract assets	1,339	13,135	726	11	**15,211**
Cash and cash equivalents	53,018	436,983	71,643	2,221	**563,865**
Total assets	**251,543**	**683,124**	**117,079**	**21,375**	**1,073,121**
Liabilities					
Loans, borrowings and other financial instruments	40,275	750,502	10,857	5,310	**806,944**
Bonds	337,445	—	—	—	**337,445**
Trade and other payables	65,914	247,759	40,664	2,448	**356,785**
Liability from put option	—	176,451	—	—	**176,451**
Total liabilities	**443,634**	**1,174,712**	**51,521**	**7,758**	**1,677,625**
Net currency risk balance	**(192,091)**	**(491,588)**	**65,558**	**13,614**	**(604,504)**

As of 31 December 2022 *(EUR '000)*	CZK	EUR	USD	Other	Total
Assets					
Loans and other financial assets	157,046	79,577	11,345	28,130	**276,098**
Trade and other receivables	39,459	120,167	49,366	4,825	**213,817**
Contract assets	3,609	9,971	16,545	—	**30,125**
Cash and cash equivalents	44,637	155,851	39,216	1,946	**241,650**
Total assets	**244,751**	**365,566**	**116,472**	**34,901**	**761,690**
Liabilities					
Loans, borrowings and other financial instruments	58,583	635,881	—	1,296	**695,760**
Bonds	190,219	—	—	—	**190,219**
Trade and other payables	65,939	127,121	40,960	4,463	**238,483**
Liability from put option	—	161,164	—	—	**161,164**
Total liabilities	**314,741**	**924,166**	**40,960**	**5,759**	**1,285,626**
Net currency risk balance	**(69,990)**	**(558,600)**	**75,512**	**29,142**	**(523,936)**

As of 31 December 2021 *(EUR '000)*	CZK	EUR	USD	Other	Total
Assets					
Loans and other financial assets	101,214	40,674	2,778	2	**144,668**
Trade and other receivables	39,415	39,112	42,852	3,471	**124,850**
Contract assets	812	29,338	—	—	**30,150**
Cash and cash equivalents	76,444	19,717	6,464	1,381	**104,006**
Total assets	**217,885**	**128,841**	**52,094**	**4,854**	**403,674**
Liabilities					
Loans, borrowings and other financial instruments	77,389	102,309	7,671	206	**187,575**
Bonds	184,066	—	—	—	**184,066**
Trade and other payables	59,005	39,106	23,940	949	**123,000**
Total liabilities	**320,460**	**141,415**	**31,611**	**1,155**	**494,641**
Net currency risk balance	**(102,575)**	**(12,574)**	**20,483**	**3,699**	**(90,967)**

The following tables present the exposure to currency risk as of 31 December 2023 (31 December 2022 and 31 December 2021) without the recognition of financial derivatives:

As of 31 December 2023 *(EUR '000)*	CZK	EUR	USD	Other	Total
Assets					
Loans and other financial assets	—	92,587	7,124	15,388	**115,099**
Trade and other receivables	170	88,694	23,599	3,755	**116,218**
Contract assets	—	13,135	726	11	**13,872**
Cash and cash equivalents	—	323,195	33,778	2,221	**359,194**
Total assets	**170**	**517,611**	**65,227**	**21,375**	**604,383**
Liabilities					
Loans, borrowings and other financial instruments	—	436,906	9,754	5,310	**451,970**
Trade and other payables	66	112,957	22,109	2,448	**137,580**
Put Option	—	176,451	—	—	**176,451**
Total liabilities	**66**	**726,314**	**31,863**	**7,758**	**766,001**
Net currency risk balance	**104**	**(208,703)**	**33,364**	**13,617**	**(161,618)**

As of 31 December 2022 *(EUR '000)*	CZK	EUR	USD	Other	Total
Assets					
Loans and other financial assets	—	75,355	11,345	28,130	**114,830**
Trade and other receivables	—	73,236	49,366	4,825	**127,427**
Contract assets	—	9,983	16,546	—	**26,529**
Cash and cash equivalents	2	87,516	39,216	1,946	**128,680**
Total assets	**2**	**246,090**	**116,473**	**34,901**	**397,466**
Liabilities					
Loans, borrowings and other financial instruments	—	329,121	—	1,296	**330,417**
Trade and other payables	—	35,774	40,960	4,463	**81,197**
Put Option	—	161,164	—	—	**161,164**
Total liabilities	**—**	**526,059**	**40,960**	**5,759**	**572,778**
Net currency risk balance	**2**	**(279,969)**	**75,513**	**29,142**	**(175,312)**

As of 31 December 2021 *(EUR '000)*	**CZK**	**EUR**	**USD**	**Other**	**Total**
Assets					
Loans and other financial assets	—	29,943	2,778	2	**32,723**
Trade and other receivables	—	29,446	42,853	3,470	**75,770**
Contract assets	—	24,471	—	—	**24,471**
Cash and cash equivalents	12	13,994	6,463	1,382	**21,850**
Total assets	**12**	**97,854**	**52,094**	**4,854**	**154,814**
Liabilities					
Loans, borrowings and other financial instruments	—	45,485	7,671	206	**53,362**
Trade and other payables	46	16,981	23,940	949	**41,916**
Put Option	—	—	—	—	**—**
Total liabilities	**46**	**62,466**	**31,611**	**1,155**	**95,278**
Net currency risk balance	**(34)**	**35,388**	**20,483**	**3,699**	**59,536**

The following material exchange rates were applied during the year:

	31 December 2023		**31 December 2022**		**31 December 2021**	
EUR	**Average rate**	**Spot exchange rate as of the balance sheet date**	**Average rate**	**Spot exchange rate as of the balance sheet date**	**Average rate**	**Spot exchange rate as of the balance sheet date**
1 EUR	24.007	24.725	24.565	24.115	25.645	24.860
1 USD	22.210	22.376	23.360	22.616	21.682	21.951

Sensitivity Analysis

The strengthening of the Czech crown as of the balance sheet date (as presented below) compared to EUR and USD would result in an increase/decrease of equity as presented in the table below. The analysis is based on the departures from foreign currency exchange rates which the Group considered to be sufficiently likely at of the balance sheet date. The sensitivity analysis anticipates that all other variables, namely interest rates, will remain unchanged.

Effect on profit or loss in EUR thousand	**31 December 2023**	**31 December 2022**	**31 December 2021**
EUR (10% strengthening)	129	478	51
USD (10% strengthening)	(135)	(304)	(93)

The weakening of the Czech crown as of the balance sheet date compared to the above-listed currencies would have the same effect (albeit with the opposite sign), provided that all the other variables remained the same.

(e) Operating Risk

Operating risk is a risk of losses arising from embezzlement, unlawful activities, errors, negligence, inefficiency or system failure. The risk of this type arises during all of the Group's activities and all of the corporate entities are exposed to it. Operating risk also includes legal risk.

The Group's objective is to manage operating risk so that balance is preserved between preventing financial losses and damage to the Group's good name on the one hand, and the total effectiveness of the costs incurred on the other hand. In addition, risk management procedures should not hinder initiative and creativity.

The primary responsibility for the implementation of control mechanisms to cope with operating risks is borne by management of each subsidiary. The Group's management is responsible for managing operating risks, whereby it may set the direction of procedures and measures resulting in the mitigation of operating risks and the adoption of decisions about:

- The acknowledgement of individual existing risks;
- The commencement of processes that will result in the mitigation of possible effects; or
- A decrease in the extent of risky activities or their full discontinuation.

(f) Capital Management

The Group's objective in managing capital is to have a sufficient amount of funds to finance additional acquisitions and settlement of financial liabilities.

The Company is subject to external capital requirements arising from bond placement terms. Furthermore, the Company and its subsidiaries are subject to requirements arising from contracts with banks.

As of the balance sheet date, the Group reported the following ratio of net debt to adjusted capital:

(EUR '000)	**31 December 2023**	**31 December 2022**	**31 December 2021**
Total liabilities	2,665,411	2,043,857	730,149
Cash and cash equivalents	(563,865)	(241,650)	(104,006)
Adjusted net debt	**2,101,546**	**1,802,207**	**626,143**
Total equity attributable to the holders of the Company	460,438	316,581	346,501
Adjusted capital	**460,438**	**316,581**	**346,501**
Ratio of debt to adjusted capital	4.56	5.69	1.81

33. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the group's consolidated cash flow statement as cash flows from financing activities.

			Non-cash changes						
("EUR '000")	**1 January 2023**	**Financing cash flows**	**Equity component of convertible notes**	**Acquisition of subsidiary (note 5)**	**Disposal of subsidiary (note 5)**	**Fair value adjustments**	**New leases**	**Other changes**	**31 December 2023**
Convertible loan notes	—	—	—	—	—	—	—	—	—
Perpetual notes	—	—	—	—	—	—	—	—	—
Bank loans (note 20)	612,293	76,170	—	12,731	(16,322)	—	—	33,182	718,054
Loans from related parties (note 20)	28,507	5,592	—	—	—	—	—	4,189	38,288
Loans from third parties (Note 20)	11,948	(10,281)	—	—	—	—	—	(610)	1,057
Lease liabilities (note 18)	38,268	(9,316)	—	6,598	(24)	—	3,110	3,887	42,523
Bills of exchange									
Redeemable preference shares	—	—	—	—	—	—	—	—	—
Bonds (Note 20)	190,219	130,332	—	—	—	—	—	16,894	337,445
Interest rate swaps fair value hedging, cash flow hedging or economically hedging financing liabilities	533	—	—	—	—	—	—	6,451	6,984
Total liabilities from financing activities	**881,768**	**192,496**	**—**	**19,329**	**(16,346)**	**—**	**3,110**	**63,994**	**1,144,351**

34. OPERATING SEGMENTS

The Group identifies operating segments at the level of divisions which represents the main pillars of the Group's business. Divisions comprise of individual member companies. Each Division has its own management, which coordinates the development, production, and business activities of the member companies which allows them to implement complex projects and create synergies.

Information reported to the group's Board of Directors which is also the Chief Operating Decision Maker ("CODM") for the purposes of resource allocation and assessment of segment performance is focused on revenue, Operating EBITDA, EBITDA, profit after tax, and additions to tangible and intangible assets of each division.

The Group's reportable segments under IFRS 8 therefore are as follows:

(1) CSG AEROSPACE

The following entities operate in this segment: Česká letecká servisní a.s., EUROPEAN AIR SERVICES s.r.o., JOB AIR Technic a.s., ELDIS Pardubice, s.r.o., and RETIA a.s. These entities principally focus on the development and production of radar systems, development of air traffic control systems and maintenance and repairs of aircraft and aircraft equipment.

(2) CSG DEFENCE

Group entities whose principal business activity involves trade and manufacturing activities, or providing services in the area of military material, military equipment and systems belong to the CSG DEFENCE segment. A major portion of sales is realised with external customers outside the CSG Group, namely in the European Union, Ukraine, Asia and Africa. This segment is dominated by Excalibur Army s.r.o., Czech leader on the military material market offering a wide range of military vehicles, weapon systems and ammunition for which it provides comprehensive services – spare parts, ammunition, repairs and modernisation. Some vehicles are manufactured internally directly by Excalibur Army s.r.o. and so is a wide array of spare parts. EXCALIBUR INTERNATIONAL a.s. is a separate entity which does not belong directly under CSG Defence division. However, by nature of its main business, the Group decided to include it under the defense segment for the reporting purposes. The company's activity is mainly trading with defense material, aviation technology and special material including related logistics and after-sale services. TATRA DEFENCE VEHICLE focuses mainly on the development, production, overhaul and modernisation of mainly armoured and special vehicles for domestic and foreign customers. The Slovak entity MSM Martin a.s. predominantly focuses on the repairs of ground military equipment and modernisation of military and special vehicles including the sale of spare parts. Furthermore, the company specialises in the production of ammunition; its services cover the entire ammunition life cycle including technical life extensions. The Company also develops and produces radio-navigation electronics. The Slovak entities ZVS deal with the production of ammunition and development, production and sale of guns. The Spanish company FABRICA DE MUNICIONES DE GRANADA S.L. predominantly manufactures ammunition.

(3) CSG MOBILITY

Major players in the CSG MOBILITY segment principally include TRUCK SERVICE GROUP s.r.o., NIKA DEVELOPMENT a.s., and TATRA MANUFACTURE a.s. The company TRUCK SERVICE GROUP s.r.o. is mainly dedicated to the purchase, overhaul and financing of TATRA vehicles.

DAKO-CZ, a.s. dominates as a manufacturer of pneumatic, electromechanical, and hydraulic braking systems and components for rail vehicles with a 205-year tradition. Additionally, the subsidiaries of the aforementioned manufacturer also play a significant role. Companies in this segment realise most of their sales outside the CSG Group.

(4) CSG AMMO+

This segment was created through a significant acquisition of a 70% equity interest in the Fiocchi Group, which is the world's third largest small-calibre ammunition manufacturer. The Italian family-owned company, originally founded in 1876, has production facilities not only in its country of origin, but also in the UK and the USA. The main representative of the group is Fiocchi Munizioni S.p.A., followed by its subsidiaries Fiocchi of America Inc and Fiocchi UK Limited.

(5) OTHER

The operating segment includes entities having an economic specialisation different from that of entities included in the operating segments disclosed above. The income generated by those entities is principally attributable to the rental of real estate and sales of consumables. Since 2021, this segment was expanded to include Prague Fertility Centre, a clinic for assisted reproduction.

The above-specified operating segments have their individual management at the level of individual entities; their accounting policies are identical. The Company accounts for the income and transactions between segments as if they represented income and transaction with third parties, i.e. at the level of arm's length prices.

The following tables summarise the information on operating segments for the period from 1 January 2023 to 31 December 2023 and as of 31 December 2023, for the period from 1 January 2022 to 31 December 2022 and as of 31 December 2022 and for the period from 1 January 2021 to 31 December 2021 and as of 31 December 2021:

Year ended 31 December 2023 *(EUR '000)*	**CSG AEROSPACE**	**CSG DEFENCE**	**CSG AMMO+**	**CSG MOBILITY**	**OTHER**	**Elimination of intercompany relations**	**Consolidated data**
Revenues - external customers	225,001	1,051,990	368,424	66,319	22,696	—	1,734,430
Revenues between segments	31,005	115,195	7,146	1,044	16,920	(171,310)	—
Revenues	**256,007**	**1,167,185**	**375,570**	**67,363**	**39,615**	**(171,310)**	**1,734,430**
Raw material and consumables	(165,469)	(596,385)	(194,299)	(22,316)	(10,355)	147,976	(840,848)
External costs	(33,302)	(151,337)	(43,927)	(11,452)	(26,512)	21,275	(245,255)
Employee benefits expense	(41,425)	(50,612)	(70,305)	(17,118)	(14,698)	4	(193,974)
Depreciation and amortisation expense	(12,048)	(13,315)	(25,790)	(3,964)	(5,537)	—	(60,654)
Other operating income	4,921	(3,319)	2,745	1,956	11,239	534	18,076
Other operating expense	(3,974)	(23,664)	(6,280)	(4,622)	4,568	325	(33,647)
Profit (loss) from operating activities	**4,890**	**328,553**	**37,714**	**9,847**	**(1,680)**	**(1,196)**	**378,128**
Financial income	3,015	16,124	(131)	6,384	22,029	(24,267)	23,154
Financial expense	(7,701)	(31,978)	(31,287)	(12,357)	(45,644)	24,860	(104,107)
Profit (loss) from other financial instruments	(1,397)	1,082	(547)	(784)	(19,024)	11	(20,659)
Profit (loss) from financing activities	**(6,083)**	**(14,771)**	**(31,965)**	**(6,757)**	**(42,640)**	**604**	**(101,612)**
Share of profit (loss) of associates and joint ventures, net	—	—	249	(415)	484	—	648
Profit (loss) from the sale of equity interests	1,326	441	—	—	(1)	—	1,766
Profit (loss) before tax	**133**	**314,223**	**5,998**	**3,505**	**(43,837)**	**(593)**	**278,430**
Income tax	274	(62,497)	(3,878)	(1,528)	(1,088)	—	(68,717)
Net profit (loss) from continuing operations	**406**	**251,726**	**2,121**	**1,976**	**(44,923)**	**(593)**	**210,713**

Calculation of EBITDA

Year ended 31 December 2023 *(EUR '000)*	**CSG AEROSPACE**	**CSG DEFENCE**	**CSG AMMO+**	**CSG MOBILITY**	**OTHER**	**Elimination of intercompany relations**	**Consolidated data**
Net profit (loss) from continuing operations	**406**	**251,726**	**2,121**	**1,976**	**(44,923)**	**(593)**	**210,713**
Interest income	1,751	11,369	610	6,687	18,775	(17,393)	21,799
Interest expense	(5,762)	(16,538)	(28,389)	(9,472)	(46,562)	18,048	(88,675)
Interest expense from lease liabilities	(179)	(455)	(144)	(9)	(573)	—	(1,360)
Net interest profit (loss)	**(4,190)**	**(5,623)**	**(27,922)**	**(2,794)**	**(28,362)**	**655**	**(68,236)**
Income tax	274	(62,497)	(3,878)	(1,528)	(1,088)	—	(68,717)
EBIT	**4,322**	**319,846**	**33,920**	**5,797**	**(15,473)**	**(1,247)**	**347,165**
Depreciation and amortisation expense	(12,048)	(13,315)	(25,790)	(3,964)	(5,537)	—	(60,654)
EBITDA	**16,370**	**333,161**	**59,711**	**9,760**	**(9,936)**	**(1,247)**	**407,819**

Calculation of OPERATING EBITDA

Year ended 31 December 2023 *(EUR '000)*	**CSG AEROSPACE**	**CSG DEFENCE**	**CSG AMMO+**	**CSG MOBILITY**	**OTHER**	**Elimination of intercompany relations**	**Consolidated data**
Net profit (loss) from continuing operations	**406**	**251,726**	**2,121**	**1,976**	**(44,922)**	**(593)**	**210,212**
Income tax	274	(62,497)	(3,878)	(1,528)	(1,088)	—	(68,717)
Profit (loss) before tax	**132**	**314,223**	**5,999**	**3,505**	**(43,834)**	**(593)**	**278,929**
Share of profit (loss) of associates and joint ventures, net	—	—	249	415	486	—	648
Profit (loss) from the sale of equity interests	1,326	441	—	—	(1)	—	1,766
Profit (loss) from financing activities	**(6,083)**	**(14,771)**	**(31,965)**	**(6,757)**	**(42,640)**	**604**	**(101,612)**
Financial income	3,015	16,124	(131)	6,384	22,029	(24,267)	23,154
Financial expense	(7,701)	(31,978)	(31,287)	(12,357)	(45,644)	24,860	(104,107)
Profit (loss) from other financial instruments	(1,397)	1,082	(547)	(784)	(19,024)	11	(20,659)
Profit (loss) from operating activities	**4,890**	**328,553**	**37,714**	**9,847**	**(1,680)**	**(1,196)**	**378,128**
Depreciation and amortisation expense	(12,050)	(13,315)	(25,790)	(3,964)	(5,537)	—	(60,654)
OPERATING EBITDA	**16,937**	**341,869**	**63,504**	**13,811**	**3,859**	**(1,196)**	**438,782**

Year ended 31 December 2022 *(EUR '000)*	**CSG AEROSPACE**	**CSG DEFENCE**	**CSG AMMO+**	**CSG MOBILITY**	**OTHER**	**Elimination of intercompany relations**	**Consolidated data**
Revenues - external customers	94,214	766,964	26,455	96,628	30,705	—	**1,014,966**
Revenues between segments	9,925	3,993	—	503	10,137	(24,558)	—
Revenues	**104,139**	**770,957**	**26,455**	**97,131**	**40,842**	**(24,558)**	**1,014,966**
Raw material and consumables	(22,650)	(465,191)	(13,581)	(41,519)	(3,351)	3,638	(542,654)
External costs	(25,396)	(119,561)	(5,055)	(14,921)	(23,810)	20,266	(168,477)
Employee benefits expense	(35,097)	(30,824)	(5,450)	(17,433)	(12,354)	1	(101,157)
Depreciation and amortisation expense	(9,531)	(11,682)	(1,483)	(3,173)	(2,419)	—	(28,288)
Other operating income	3,916	7,487	1,012	1,307	2,597	203	16,963
Other operating expense	(4,985)	(11,043)	(1,145)	(2,882)	(8,937)	644	(28,789)
Profit (loss) from operating activities	**10,396**	**140,143**	**753**	**18,510**	**(7,432)**	**194**	**162,564**
Financial income	4,419	(582)	1,029	5,486	14,773	(11,027)	14,098
Financial expense	(6,902)	(11,548)	(3,960)	(3,163)	(24,735)	10,837	(39,471)
Profit (loss) from other financial instruments	1,338	5,678	285	4,523	22,360	—	34,184
Profit (loss) from financing activities	**(1,145)**	**(6,452)**	**(2,646)**	**6,846**	**12,398**	**(190)**	**8,811**
Share of profit (loss) of associates and joint ventures, net	—	—	—	2,094	7,551	—	9,645
Profit (loss) from the sale of equity interests	—	1,700	—	—	(1,282)	—	418
Profit (loss) before tax	**9,251**	**135,391**	**(1,893)**	**27,450**	**11,235**	**4**	**181,438**
Income tax	(4,273)	(26,420)	(297)	(5,056)	(4,531)	—	(40,577)
Net profit (loss) from continuing operations	**4,978**	**108,971**	**(2,190)**	**22,394**	**6,704**	**4**	**140,861**

Year ended 31 December 2022 (EUR '000)	CSG AEROSPACE	CSG DEFENCE	CSG AMMO+	CSG MOBILITY	OTHER	Elimination of intercompany relations	Consolidated data
Net profit (loss) from continuing operations	**4,978**	**108,971**	**(2,190)**	**22,394**	**6,704**	**4**	**140,861**
Interest income	3,532	3,713	6	818	13,119	(7,729)	13,459
Interest expense	(4,692)	(6,866)	(2,633)	(1,743)	(22,685)	7,782	(30,837)
Interest expense from lease liabilities	(134)	(423)	(23)	(12)	(347)	—	(939)
Net interest profit (loss)	**(1,294)**	**(3,576)**	**(2,650)**	**(937)**	**(9,913)**	**53**	**(18,317)**
Income tax	(4,273)	(26,420)	(297)	(5,056)	(4,531)	—	(40,577)
EBIT	**10,545**	**138,967**	**757**	**28,387**	**21,148**	**(49)**	**199,755**
Depreciation and amortisation expense	(9,531)	(11,682)	(1,483)	(3,173)	(2,419)	—	(28,288)
EBITDA	**20,076**	**150,649**	**2,240**	**31,560**	**23,567**	**(49)**	**228,043**

Calculation of OPERATING EBITDA

Year ended 31 December 2022 (EUR '000)	CSG AEROSPACE	CSG DEFENCE	CSG AMMO+	CSG MOBILITY	OTHER	Elimination of intercompany relations	Consolidated data
Net profit (loss) from continuing operations	**4,978**	**108,971**	**(2,190)**	**22,394**	**6,704**	**4**	**140,861**
Income tax	(4,273)	(26,420)	(297)	(5,056)	(4,531)	—	(40,577)
Profit (loss) before tax	**9,251**	**135,391**	**(1,893)**	**27,450**	**11,235**	**4**	**181,438**
Share of profit (loss) of associates and joint ventures, net	—	—	—	2,094	7,551	—	9,645
Profit (loss) from the sale of equity interests	—	1,700	—	—	(1,282)	—	418
Profit (loss) from financing activities	**(1,145)**	**(6,452)**	**(2,646)**	**6,846**	**12,398**	**(190)**	**8,811**
Financial income	4,419	(582)	1,029	5,486	14,773	(11,027)	14,098
Financial expense	(6,902)	(11,548)	(3,960)	(3,163)	(24,735)	10,837	(39,471)
Profit (loss) from other financial instruments	1,338	5,678	285	4,523	22,360	—	34,184
Profit (loss) from operating activities	**10,396**	**140,143**	**753**	**18,510**	**(7,432)**	**194**	**162,564**
Amortisation and depreciation expense	(9,531)	(11,682)	(1,483)	(3,173)	(2,419)	—	(28,288)
OPERATING EBITDA	**19,927**	**151,825**	**2,236**	**21,683**	**(5,013)**	**194**	**190,852**

Year ended 31 December 2021 (EUR '000)	CSG AEROSPACE	CSG DEFENCE	CSG AMMO+	CSG MOBILITY	OTHER	Elimination of intercompany relations	Consolidated data
Revenues - external customers	138,948	305,109	—	64,368	54,813	—	563,238
Revenues between segments	5,568	2,786	—	501	7,739	(16,594)	—
Revenues	**144,516**	**307,895**	**—**	**64,869**	**62,552**	**(16,594)**	**563,238**
Raw material and consumables	(35,620)	(179,096)	—	(25,847)	(37,800)	7,682	(270,681)
External costs	(40,015)	(65,334)	(1)	(9,524)	(13,731)	11,589	(117,016)
Employee benefits expense	(33,511)	(26,829)	—	(14,308)	(13,759)	2	(88,405)
Depreciation and amortisation expense	(9,744)	(10,816)	—	(2,827)	(4,009)	—	(27,396)
Other operating income	3,115	4,498	—	947	6,286	(2,172)	12,674
Other operating expense	(6,346)	(10,804)	—	(1,230)	(3,696)	177	(21,899)
Profit (loss) from operating activities	**22,395**	**19,514**	**(1)**	**12,080**	**(4,157)**	**684**	**50,515**
Financial income	1,159	839	—	201	7,340	(5,343)	4,196
Financial expense	(3,931)	(12,703)	—	877	(13,243)	4,592	(24,408)
Profit (loss) from other financial instruments	276	1,281	—	(40,215)	51,221	54	12,617
Profit (loss) from financing activities	**(2,496)**	**(10,583)**	**—**	**(39,137)**	**45,318**	**(697)**	**(7,595)**
Share of profit (loss) of associates and joint ventures, net	—	—	—	5,069	(431)	—	4,638
Profit (loss) from the sale of equity interests	—	5	—	—	17,039	—	17,044
Profit (loss) before tax	**19,899**	**8,936**	**(1)**	**(21,988)**	**57,769**	**(13)**	**64,602**
Income tax	(3,878)	(4,183)	—	(3,006)	(2,189)	—	(13,256)
Net profit (loss) from continuing operations	**16,021**	**4,753**	**(1)**	**(24,994)**	**55,580**	**(13)**	**51,346**

Calculation of EBITDA

Year ended 31 December 2021 *(EUR '000)*	**CSG AEROSPACE**	**CSG DEFENCE**	**CSG AMMO+**	**CSG MOBILITY**	**OTHER**	**Elimination of intercompany relations**	**Consolidated data**
Net profit (loss) from continuing operations	**16,021**	**4,753**	**(1)**	**(24,994)**	**55,580**	**(13)**	**51,346**
Interest income	1,158	681	—	201	4,997	(3,012)	4,025
Interest expense	(2,590)	(6,861)	—	(1,058)	(9,898)	3,046	(17,361)
Interest expense from lease liabilities	(155)	(621)	—	(10)	(267)	—	(1,053)
Net interest profit (loss)	**(1,587)**	**(6,801)**	**—**	**(867)**	**(5,168)**	**34**	**(14,389)**
Income tax	(3,878)	(4,183)	—	(3,006)	(2,189)	—	(13,256)
EBIT	**21,486**	**15,737**	**(1)**	**(21,121)**	**62,937**	**(47)**	**78,991**
Depreciation and amortisation expense	(9,744)	(10,816)	—	(2,827)	(4,009)	—	(27,396)
EBITDA	**31,230**	**26,553**	**(1)**	**(18,294)**	**66,946**	**(47)**	**106,387**

Calculation of OPERATING EBITDA

Year ended 31 December 2021 *(EUR '000)*	**CSG AEROSPACE**	**CSG DEFENCE**	**CSG AMMO+**	**CSG MOBILITY**	**OTHER**	**Elimination of intercompany relations**	**Consolidated data**
Net profit (loss) from continuing operations	**16,021**	**4,753**	**(1)**	**(24,994)**	**55,580**	**(13)**	**51,346**
Income tax	(3,878)	(4,183)	—	(3,006)	(2,189)	—	(13,256)
Profit (loss) before tax	**19,899**	**8,936**	**(1)**	**(21,988)**	**57,769**	**(13)**	**64,602**
Share of profit (loss) of associates and joint ventures, net	—	—	—	5,069	(431)	—	4,638
Profit (loss) from the sale of equity interests	—	5	—	—	17,039	—	17,044
Profit (loss) from financing activities	**(2,496)**	**(10,583)**	**(1)**	**(39,137)**	**45,318**	**(697)**	**(7,595)**
Financial income	1,159	839	—	201	4,997	(5,343)	4,196
Financial expense	(3,931)	(12,703)	—	877	(9,898)	4,592	(24,408)
Profit (loss) from other financial instruments	276	1,281	—	(40,215)	(267)	54	12,617
Profit (loss) from operating activities	**22,395**	**19,514**	**(1)**	**12,080**	**(5,168)**	**684**	**50,515**
Amortisation and depreciation expense	(9,744)	(10,816)	—	(2,827)	(4,009)	—	(27,396)
OPERATING EBITDA	**32,139**	**30,330**	**(1)**	**14,907**	**(148)**	**684**	**77,911**

Total assets and liabilities by segments

As of 31 December 2023	CSG AEROSPACE	CSG DEFENCE	CSG AMMO+	CSG MOBILITY	OTHER	Elimination of intercompany relations	Consolidated data
(EUR '000)							
Total assets per segment	300,199	1,718,584	877,323	261,691	590,478	(395,946)	3,352,329
Entities accounted for using the equity method	—	18,049	1,519	—	83,931	—	103,499
Additions of intangible and tangible assets	10,923	44,171	22,625	9,802	3,333	—	90,854
Total liabilities per segment	(238,339)	(1,257,896)	(698,022)	(140,073)	(726,891)	395,808	(2,665,413)

As of 31 December 2022	CSG AEROSPACE	CSG DEFENCE	CSG AMMO+	CSG MOBILITY	OTHER	Elimination of intercompany relations	Consolidated data
(EUR '000)							
Total assets per segment	425,150	971,469	826,053	269,505	426,742	(425,949)	2,492,970
Entities accounted for using the equity method	—	17,873	1,273	86,112	359	—	105,617
Additions of intangible and tangible assets	10,675	43,168	22,111	9,579	3,257	—	88,790
Total liabilities per segment	(363,903)	(739,844)	(476,877)	(145,617)	(537,481)	425,948	(1,837,774)

As of 31 December 2021	CSG AEROSPACE	CSG DEFENCE	CSG AMMO+	CSG MOBILITY	OTHER	Elimination of intercompany relations	Consolidated data
(EUR '000)							
Total assets per segment	397,797	546,163	79	183,210	380,804	(405,728)	1,102,325
Entities accounted for using the equity method	—	15,589	—	74,846	154	—	90,589
Additions of intangible and tangible assets	14,813	17,974	—	17,387	12,035	—	62,209
Total liabilities per segment	(342,231)	(379,105)	—	(94,314)	(320,227)	405,726	(730,151)

Information by country

The tables below summarise the assets of operating segments by asset location:

As of 31 December 2023

(EUR '000)	**Czech Republic**	**India**	**Italy**	**Slovakia**	**USA**	**Serbia**	**Spain**	**United Kingdom**	**Total operating segments**	**Consolidated data**
Property, plant and equipment	176,637	2,064	87,586	56,787	30,858	7,771	5,570	5,800	373,073	373,073
Intangible assets	48,412	—	156,081	8,184	1,440	50	367	2,948	217,482	217,482
Investment property	2,572	—	—	—	—	—	—	—	2,572	2,572
Total	**227,623**	**2,064**	**243,667**	**64,971**	**32,297**	**7,821**	**5,937**	**8,747**	**593,128**	**593,128**

As of 31 December 2022

(EUR '000)	**Czech Republic**	**India**	**Italy**	**Slovakia**	**USA**	**Serbia**	**Spain**	**United Kingdom**	**Total operating segments**	**Consolidated data**
Property, plant and equipment	181,106	2,116	89,802	58,224	31,638	7,967	5,711	5,947	382,511	382,511
Intangible assets	49,638	—	160,029	8,391	1,476	52	376	3,022	222,984	222,984
Investment property	2,637	—	—	—	—	—	—	—	2,637	2,637
Total	**233,381**	**2,116**	**249,831**	**66,614**	**33,114**	**8,019**	**6,087**	**8,969**	**608,131**	**608,131**

As of 31 December 2021

(EUR '000)	**Czech Republic**	**India**	**Italy**	**Slovakia**	**USA**	**Serbia**	**Spain**	**United Kingdom**	**Total operating segments**	**Consolidated data**
Property, plant and equipment	179,240	—	109,659	50,132	—	5,748	6,045	—	350,824	350,824
Intangible assets	47,955	—	14,959	7,245	—	51	421	—	70,631	70,631
Investment property	2,558	—	—	—	—	—	—	—	2,558	2,558
Total	**229,753**	**—**	**124,618**	**57,377**	**—**	**5,799**	**6,466**	**—**	**424,014**	**424,014**

Information on income from external customers, their breakdown by product group and geographical breakdown is included in Note 8 Revenues.

Major customers

The Group's analysis of the customer base identified three major customers in 2023 Their total income amounted to EUR 518,071 thousand, accounting for 30.52 % of the Group's aggregate turnover. This income was wholly generated in the CSG DEFENCE segment.

In 2022, five major customers accounted for 44.09% of the Group's aggregate sales. In 2021, five major customers accounted for 30.26% of the Group's aggregate sales.

35. RELATED PARTIES

Definition of related parties

The Group's relations with related parties include relations with shareholders and other parties as disclosed in the table below.

(a) Summary of balances with related parties as of 31 December 2023, 31 December 2022 and 31 December 2021:

(EUR '000)	Receivables and other financial assets	Payables and other financial liabilities	Receivables and other financial assets	Payables and other financial liabilities	Receivables and other financial assets	Payables and other financial liabilities
	2023	**2023**	**2022**	**2022**	**2021**	**2021**
Shareholders	61,324	35,547	95,297	26,789	57,665	1
Related parties and related individuals	50,545	4,363	43,533	1,821	30,025	6,489
Key management of the Group	—	—	—	6	1,921	2
Non-controlling equity interests	—	—	—	—	—	1,103
Joint ventures	23,655	21,918	8,924	12,077	4,150	19,328
Associates	253	—	15	86	5	77
Total	**135,777**	**61,828**	**147,769**	**40,799**	**93,766**	**27,000**

(b) Summary of transactions with related parties for the years ended 31 December 2023, 31 December 2022 and 31 December 2021:

(EUR '000)	Income	Expense	Income	Expense	Income	Expense
	2023	**2023**	**2022**	**2022**	**2021**	**2021**
Shareholders	11,591	8,309	5,242	1,680	1,383	1
Related parties and individuals	12,212	2,255	1,643	453	866	181
Key management of the Group	—	—	—	—	9	702
Non-controlling equity interests	—	—	—	—	1	77
Joint ventures	23,058	47,154	19,309	16,815	6,041	20,397
Associates	23	—	1	(1)	—	3
Total	**46,884**	**57,718**	**26,195**	**18,947**	**8,300**	**21,361**

Transactions with shareholders and the Group's key management consist of relations arising from received and provided loans. Transactions with related parties and related individuals as well as with associates and joint ventures principally include business relations and relations arising from received and provided loans.

Remuneration of the key Group's management is disclosed in the Note 11, Administrative, Management and Supervisory Bodies of CSG.

All transactions have been realised under arm's length conditions.

36. GROUP ENTITIES

Disclosed below is a list of Group entities as of 31 December 2023:

Entity	Country of registration	31 December 2023			31 December 2022			31 December 2021		
		Effective ownership percentage	Ownership interest**	Consolidation method*	Effective ownership percentage	Ownership interest**	Consolidation method*	Effective ownership percentage	Ownership interest**	Consolidation method*
CZECHOSLOVAK GROUP a.s.	Czech Republic	100.00 %	parent company	—	100.00%	parent company	—	100.00%	parent company	—
14. OKTOBAR d.o.o. Kruševac	Serbia	100.00 %	direct	full	100.00 %	direct	full	100.00 %	direct	full
ABIENNALE s.r.o.	Czech Republic	100.00%	direct	full	—	—	—	—	—	—
ANGERONA TRADE a.s.	Czech Republic	100.00%	direct	full	—	—	—	—	—	—
Armi Perazzi S.p.A.	Italy	80.00%	direct	full	—	—	—	—	—	—
ARMY TRADE a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
AsterIVF s.r.o.	Czech Republic	59.88%	direct	full	54.00%	direct	full	60.00%	direct	full
ATLAN GROUP, spol. s r.o.	Slovakia	81.00%	direct	full	81.00%	direct	full	81.00%	direct	full
ATRAK a.s.	Czech Republic	92.50%	direct	full	97.50%	direct	full	100.00%	direct	full
AVIA AVIATION a.s.	Czech Republic	50.00%	direct	not consolidated	50.00%	direct	not consolidated	50.00%	direct	not consolidated
AVIA Electric a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
AVIA Motors s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
AVIEN, spol. s r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
Baschieri & Pellagri S.p.A.	Italy	70.00%	direct	full	70.00%	direct	full	—	—	—
C.F.L. S.a.s.	Italy	14.00%	direct	equity	14.00%	direct	equity	—	—	—
CLEVELOPMENT SPV a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	—	—	—
CS SOFT a.s.	Czech Republic	92.50%	direct	full	78.00%	direct	full	78.00%	direct	full
CSG a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
CSG AEROSPACE a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
CSG Ammo+ a.s.	Czech Republic	100.00%	direct	full	—	—	—	—	—	—
CSG CENTRAL ASIA a.s.	Czech Republic	30.00%	direct	equity	30.00%	direct	equity	30.00%	direct	equity
CSG DEAL a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
CSG DEFENCE a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
CSG Elevate I Inc.	USA		direct	not consolidated	—	—	—	—	—	—
CSG Elevate II Inc.	USA		direct	not consolidated	—	—	—	—	—	—
CSG Elevate III Inc.	USA		direct	not consolidated	—	—	—	—	—	—
CSG EXPORT a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
CSG FIN a.s.	Czech Republic	100.00%	direct	not consolidated	—	—	—	—	—	—

Entity	Country of registration	31 December 2023			31 December 2022			31 December 2021		
		Effective ownership percentage	Ownership interest**	Consolidation method*	Effective ownership percentage	Ownership interest**	Consolidation method*	Effective ownership percentage	Ownership interest**	Consolidation method*
CSG HEALTH CARE a.s.	Czech Republic	60.00%	direct	full	60.00%	direct	full	60.00%	direct	full
CSG INDUSTRY a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
CSG Land System SK a.s.	Slovakia	89.10%	direct	full	90.00%	direct	full	90.00%	direct	full
CSG Land Systems CZ a.s.	Czech Republic	89.10%	direct	full	90.00%	direct	full	90.00%	direct	full
CSG MOBILITY a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
CSG RECOVERY s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
CSG USA, Inc.	USA	90.00%	direct	not consolidated	90.00%	direct	not consolidated	90.00%	direct	not consolidated
CSGM a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
CZECH CAMOUFLAGE SYSTEMS a.s.	Czech Republic	71.28%	direct	full	72.00%	direct	full	78.00%	direct	full
CZECH DEFENCE SYSTEMS a.s.	Czech Republic	89.10%	direct	full	90.00%	direct	full	90.00%	direct	full
CZECHOSLOVAK EXPORT a.s.	Czech Republic	90.00%	direct	full	90.00%	direct	full	90.00%	direct	full
CZECHOSLOVAKIA TRADE a.s.	Slovakia	100.00%	direct	full	81.00%	direct	full	81.00%	direct	full
DAKO-CZ EN, a.s.	Czech Republic	95.00%	direct	full	—	—	—	—	—	—
DAKO-CZ INDIA PRIVATE LIMITED	India	100.00%	direct	full	—	—	—	—	—	—
DAKO-CZ MACHINERY, a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
DAKO-CZ RE, s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
DAKO-CZ SERVICE, s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
DAKO-CZ TRANSELCO, s.r.o.	Czech Republic	100.00%	direct	full	—	—	—	—	—	—
DAKO-CZ, a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
DEFENCE SYSTEMS a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
DEFENCE TRADE SLOVAKIA, s.r.o.	Slovakia	86.33%	direct	full	88.00%	direct	full	81.00%	direct	full
Development Přelouč s.r.o.	Czech Republic	89.10%	direct	full	90.00%	direct	full	—	—	—
ELDIS Pardubice India Plt	India	100.00%	direct	not consolidated	100.00%	direct	not consolidated	—	—	—
ELDIS Pardubice, s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
ELTON hodinářská, a.s.	Czech Republic	73.16%	direct	full	73.16%	direct	full	73.16%	direct	full
ENGINEERING SPV a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
ENVERCOTE a.s.	Czech Republic	60.00%	direct	full	60.00%	direct	full	60.00%	direct	full
EUROPEAN AIR SERVICES s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full	97.00%	direct	full
EXCALIBUR ARMY HELLAS LTD	Cyprus	45.00%	direct	not consolidated	45.00%	direct	not consolidated	45.00%	direct	not consolidated
EXCALIBUR ARMY spol. s r.o.	Czech Republic	89.10%	direct	full	90.00%	direct	full	90.00%	direct	full
EXCALIBUR DEFENCE SYSTEMS PRIVATE LIMITED	Cyprus	44.10%	direct	not consolidated	44.10%	direct	not consolidated	—	—	—
EXCALIBUR INTERNATIONAL a.s.	Czech Republic	89.00%	direct	full	90.00%	direct	full	90.00%	direct	full
EXCALIBUR INTERNATIONAL HU Kft.	Hungary	90.00%	direct	not consolidated	90.00%	direct	not consolidated	90.00%	direct	not consolidated

Entity	Country of registration	31 December 2023			31 December 2022			31 December 2021		
		Effective ownership percentage	Ownership interest**	Consolidation method*	Effective ownership percentage	Ownership interest**	Consolidation method*	Effective ownership percentage	Ownership interest**	Consolidation method*
EXCALIBUR USA a.s.	Czech Republic	51.00%	direct	not consolidated	51.00%	direct	not consolidated	51.00%	direct	not consolidated
FABRICA DE MUNICIONES DE GRANADA S.L.	Spain	81.00%	direct	full	81.00%	direct	full	81.00%	direct	full
FALCON CSG a.s.	Czech Republic	30.00%	direct	equity	30.00%	direct	equity	30.00%	direct	equity
FIOCCHI MUNIZIONI S.P.A.	Italy	70.00%	direct	full	70.00%	direct	full	—	—	—
Fiocchi of America Inc.	USA	70.00%	direct	full	70.00%	direct	full	—	—	—
FIOCCHI UNITED KINGDOM LIMITED	Velká Británie	52.50%	direct	full	52.50%	direct	full	—	—	—
GAUSSIN S.A.	Francie	20.42%	direct	not consolidated	—	—	—	—	—	—
GERLENAIR a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
HARVO Reality s.r.o.	Czech Republic	44.55%	direct	equity	44.55%	direct	equity	—	—	—
HELI COMPANY s.r.o.	Slovakia	100.00%	direct	full	100.00%	direct	full	92.35%	direct	full
HTH land a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
INTEGRA CAPITAL a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
JOB AIR Technic a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
JWL DAKO—CZ (INDIA) LIMITED RN	India	50.00%	direct	full	33.30%	direct	not consolidated	—	—	—
KARBOX Holding s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
KARBOX s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
KARMONIKA AERO a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00%	direct	full
KONVERTIAL SPV a.s.	Czech Republic	55.00%	direct	full	100.00%	direct	full	—	—	—
Kopřivnice Energy s.r.o.	Czech Republic	27.18%	direct	not consolidated	29.89%	direct	not consolidated	29,89 %	direct	not consolidated
LAIRAN SPV a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	—	—	—
LBP 80 S.r.l.	Italy	80.00%	direct	full	—	—	—	—	—	—
LIAZ TRUCKS a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
LOSTR a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
Lyalvale Express Limited	Velká Británie	70.00%	direct	full	70.00%	direct	full	—	—	—
MADE CS a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
MANDURIA TRADE a.s.	Czech Republic	100.00%	direct	full	—	—	—	—	—	—
MATIS z.a.o.	Russia	5.44%	direct	not consolidated	5.98%	direct	not consolidated	5.98 %	direct	not consolidated
MEDHA DAKO-CZ PRIVATE LIMITED	India	49.95%	direct	full	—	—	—	—	—	—
MEFITIS TRADE a.s.	Czech Republic	100.00%	direct	full	—	—	—	—	—	—
MERIT SPV a.s.	Czech Republic	92.50%	direct	full	97.50%	direct	full	97.50 %	direct	full
Milconn, a.s.	Czech Republic	50.00%	direct	equity	50.00%	direct	equity	50.00 %	direct	equity
MSM - OPTICAL s.r.o.	Slovakia	81.00%	direct	not consolidated	—	—	—	—	—	—

Entity	Country of registration	31 December 2023			31 December 2022			31 December 2021		
		Effective ownership percentage	Ownership interest**	Consolidation method*	Effective ownership percentage	Ownership interest**	Consolidation method*	Effective ownership percentage	Ownership interest**	Consolidation method*
MSM EXPORT, s.r.o.	Slovakia	81.00%	direct	full	81.00%	direct	full	81.00%	direct	full
MSM GROUP KAZAKHSTAN LLP	Kazakhstan	40.50%	direct	not consolidated	—	—	—	—	—	—
MSM GROUP s.r.o.	Slovakia	81.00%	direct	full	81.00%	direct	full	81.00 %	direct	full
MSM LAND SYSTEMS s.r.o.	Slovakia	89.10%	direct	full	90.00%	direct	full	90.00 %	direct	full
MSM Martin, s.r.o.	Slovakia	81.00%	direct	full	81.00%	direct	full	81.00 %	direct	full
MSM Services, s.r.o.	Slovakia	81.00%	direct	full	—	—	—	—	—	—
NIKA Development a.s.	Czech Republic	83.63%	direct	full	91.97%	direct	full	91.97 %	direct	full
Perazzi USA, Inc.	USA	80.00%	direct	full	—	—	—	—	—	—
POCKET VIRTUALITY a.s.	Czech Republic	70.00%	direct	full	—	—	—	—	—	—
PPS VEHICLES, s.r.o.	Slovakia	72.90%	direct	full	72.90%	direct	full	72.90 %	direct	full
Prague Fertility Centre s.r.o.	Czech Republic	59.88%	direct	full	54.00%	direct	full	60.00 %	direct	full
PROGRESS SPV a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
RADIATIK a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
Real Info d.o.o. Kruševac	Serbia	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
REAL TRADE PRAHA a.s.	Czech Republic	81.90%	direct	full	81.90%	direct	full	81.90 %	direct	full
REALID SPV a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	—	—	—
ReDat Recording, a.s.	Czech Republic	90.00%	direct	not consolidated	95.00%	direct	not consolidated	95.00 %	direct	not consolidated
Regionální muzeum v Kopřivnici, o.p.s.	Czech Republic		direct	not consolidated	—	—	—	—	—	—
RELAZA SPV a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	—	—	—
RETIA, a.s.	Czech Republic	90.00%	direct	full	95.00%	direct	full	95.00 %	direct	full
Rheinmetall Tatra Land Systems s.r.o.	Czech Republic	43.66%	direct	not consolidated	44.10%	direct	not consolidated	44.10 %	direct	not consolidated
SBS ZVS, s.r.o.	Slovakia	40.50%	indirect	full	40.50%	indirect	full	40.50 %	indirect	full
SHER Technologies a.s.	Czech Republic	51.00%	direct	full	51.00%	direct	full	51.00 %	direct	full
Slovak Aviation Factory s.r.o.	Slovakia	81.00%	direct	full	81.00%	direct	full	81.00%	direct	full
Slovak industry s.r.o.	Slovakia	81.00%	direct	full	81.00%	direct	full	81.00 %	direct	full
Sondany s.r.o.	Czech Republic	59.88%	direct	full	54.00%	direct	full	60.00 %	direct	full
Space T a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
STA TECHNOLOGY, s.r.o.	Slovakia	40.50%	direct	full	100.00%	direct	full	61.87 %	direct	full
STALUNA TRADE a.s.	Czech Republic	100.00%	direct	full	—	—	—	—	—	—
TABLON SPV a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
Target Products 1978 Ltd.	New Zeland	20.00%	direct	equity	20.00%	direct	equity	—	—	—
TATRA a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
TATRA AVIATION a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
TATRA CLASSIC s.r.o.	Czech Republic	54.36%	direct	not consolidated	—	—	—	—	—	—

Entity	Country of registration	31 December 2023			31 December 2022			31 December 2021		
		Effective ownership percentage	Ownership interest**	Consolidation method*	Effective ownership percentage	Ownership interest**	Consolidation method*	Effective ownership percentage	Ownership interest**	Consolidation method*
TATRA DEFENCE PROJECTS s.r.o.	Czech Republic	80.19%	direct	full	81.00%	direct	full	—	—	—
TATRA DEFENCE SLOVAKIA s.r.o.	Slovakia	74.73%	direct	full	75.19%	direct	full	75.19 %	direct	full
TATRA DEFENCE SYSTEMS s.r.o.	Czech Republic	80.19%	direct	full	81.00%	direct	full	81.00 %	direct	full
TATRA DEFENCE VEHICLE a.s.	Czech Republic	80.19%	direct	full	81.00%	direct	full	81.00 %	direct	full
TATRA EURASIA t.o.o.	Kazakhstan	19.57%	direct	not consolidated	21.52%	direct	not consolidated	21.52 %	direct	not consolidated
TATRA EXPORT s.r.o.	Czech Republic	54.36%	direct	equity	59.78%	direct	equity	59.78 %	direct	equity
TATRA MACHINERY s.r.o.	Czech Republic	54.36%	direct	not consolidated	—	—	—	—	—	—
TATRA MANUFACTURE a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
TATRA METALURGIE a.s.	Czech Republic	54.36%	direct	equity	59.78%	direct	equity	59.78 %	direct	equity
TATRA Slovensko spol. s .r.o.	Slovakia	54.36%	direct	not consolidated	59.78%	direct	not consolidated	59.78 %	direct	not consolidated
TATRA TRUCK GULF COMMERCIAL BROKERS L.L.C.	United Arab Emirates	26.64%	direct	not consolidated	29.29%	direct	not consolidated	29.29 %	direct	not consolidated
TATRA TRUCK INDIA PRIVATE LIMITED	India	48.92%	direct	not consolidated	59.78%	direct	not consolidated	59.78 %	direct	not consolidated
TATRA TRUCKS a.s.	Czech Republic	54.36%	direct	equity	59.78%	direct	equity	59.78 %	direct	equity
TATRA VOSTOK, OOO	Russia	54.00%	direct	not consolidated	59.78%	direct	not consolidated	59.78 %	direct	not consolidated
TATRABRAS LTDA	Brasil	54.00%	direct	not consolidated	59.78%	direct	not consolidated	59.78 %	direct	not consolidated
TECHNOLOGY CS a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
TECHPARK Hradubická a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
TRADITION CS a.s.	Czech Republic	93.00%	direct	full	97.50%	direct	full	97.50 %	direct	full
TRIBLAN a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
TRUCK SERVICE GROUP s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
UpVision Defence s.r.o.	Czech Republic	71.00%	direct	full	97.50%	direct	full	—	—	—
UpVision s.r.o.	Czech Republic	71.00%	direct	full	97.50%	direct	full	—	—	—
VENILIA TRADE a.s.	Czech Republic	100.00%	direct	full	—	—	—	—	—	—
Virte, a. s.	Slovakia	81.00%	direct	full	81.00%	direct	full	81.00%	direct	full
VMT Trade s.r.o.	Slovakia	41.00%	direct	not consolidated	40.50%	direct	not consolidated	81.00 %	direct	not consolidated
VOP Nováky, a.s.	Slovakia	81.00%	direct	full	81.00%	direct	full	81.00%	direct	full
VORNEA SPV s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full	100.00 %	direct	full
VÝVOJ Martin, a.s.	Slovakia	62.00%	direct	equity	61.56%	direct	equity	61.56 %	direct	equity
ZVS holding, a.s.	Slovakia	41.00%	indirect	full	40.50%	indirect	full	40.50 %	nedirect	full
ZVS IMPEX, akciová spoločnosť	Slovakia	81.00%	direct	full	81.00%	direct	full	81.00 %	direct	full
ZVS technology, s.r.o.	Slovakia	28.00%	direct	not consolidated	27.54%	direct	not consolidated	27.54 %	direct	not consolidated

*Entities that are not consolidated – these entities are immaterial in the Group's consolidated financial statements; both on the individual and aggregate bases.
**Indirect ownership percentage means an ownership percentage controlled by way of the management rather than by shares. Other types of ownership percentages are referred to as direct.

The list in the table above is structured based on the ownership of entities at different levels in the Group.

37. LEGAL DISPUTES

Provisions for legal disputes are disclosed in the Note 29.

Dispute with SARN SD3LLC

The Company continues as a defendant in litigation pending in the Superior Court of the State of Delaware, New Castle County, USA, captioned “SARN SD3 LLC v. Czechoslovak Group a.s, C.A. No. NI 7C-12-185EMD (CCLD)“. The plaintiff is SARN SD3 LLC (SARN), a limited liability company located in the State of Delaware.

On December 13, 2017, SARN SD3 LLC ("SARN"), a Delaware limited liability company, commenced proceedings against us in Delaware for: (i) a breach of contractual obligations under a call option agreement between us and SARN for SARN to acquire 25% of the shares in our portfolio company, RETIA a.s. and (ii) a breach of fiduciary obligations under the call option agreement.

On September 28, 2018, SARN submitted an amended complaint to the court, which included: a claim against us for failing to pay a penalty amount to SARN of approximately CZK 56,875,000 (approximately EUR 2.3 million) plus interest under the call option agreement ("Count I"), and a separate breach of contractual fiduciary duty claim ("Count II"). Count II was settled in July 2022 and subsequently dismissed by the court. On December 23, 2020, the court issued its decision on Count I and granted SARN most of the relief sought in SARN's motions. On January 18, 2023, SARN filed a motion to amend the court's Count I decision and increase the penalty amount. SARN requested a higher penalty in the amount of approximately CZK 120 million (approximately EUR 4.8 million). On June 8, April 27, 2023, the court denied this motion and, following briefings on issues involving the calculation of pre- and post-judgment interest, on July 19, 2023 the court confirmed the Count I award in the total amount of CZK 80,214,396 (approximately EUR 3.2 million), consisting of a CZK 56,875,000 (approximately EUR 2.3 million) penalty amount and CZK 23,339,396 (approximately EUR 0.9 million) in pre-judgment interest. In November 2023 and January 2024, respectively, SARN and CSG filed a notice of appeal against said judgment and the matter remains pending on appeal.

MSM Martin s.r.o. (Slovensko)

In 2020, a criminal investigation was initiated in Slovakia into MSM Martin, s.r.o. and Mr. Marián Goga (a former shareholder and executive director of MSM Martin). Both MSM Martin and Mr. Goga were accused (*obvinení*) of an alleged manipulation of a public procurement process organized by the Slovak Administration of State Material Reserves related to the purchase of recovery vehicles, tanks and mobile bridges. In December 2020, the charges against MSM Martin were dropped. However, in March 2021, the decision was reversed, and the criminal charge reinstated by a higher prosecutorial authority. MSM Martin continues to actively cooperate with the Slovak criminal authorities and the proceedings (under ref. no. PPZ-99/NKA-BA3-2020, originally PPZ-233/NKA-BA3-2020) remain pending.

38. SUBSEQUENT EVENTS

Between 31 December 2023 and the date of preparation of the consolidated annual report, the following changes to the CSG Group structure occurred:

a) Change in Board of Directors and Headquarters

As of 1 January 2024, Zdeněk Jurák was appointed Member of the Board of Directors.

As of 1 January 2024, Lukáš Andrýsek was appointed Member of the Board of Directors.

As of 1 January 2024, Ladislav Štorek was elected Vice-chairman of the Board of Directors

As of 1 January 2024, Michaela Katolická was elected Chairman of the Supervisory Board

b) Registered office

From 1 April 2024 the CZECHOSLOVAK GROUP has changed its registered office to the new address: U Rustonky 714/1, Karlín, 186 00 Prague 8.

c) Disposal of subsidiary

In February 2024, the subsidiary RELAZA SPV a.s. was sold out of the Group.

Separate Financial Statements

Separate Financial Statements prepared under International Financial Reporting Standards (IFRS) as Adopted by the EU for the Year Ended 31 December 2023

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Name of the Company:	**CZECHOSLOVAK GROUP a.s.**
Registered Office:	**U Rustonky 714/1, Karlín, 186 00 Praha 8**
Legal Status:	**Joint Stock Company**
Corporate ID:	**034 72 302**

Components of the Financial Statements:

Statement of Profit or loss and Other Comprehensive Income

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

These financial statements were prepared on 4 April 2024.

Statutory body of the reporting entity:	Signature
David Chour Vice-Chairperson of the Board of Directors **Zdeněk Jurák** Member of the Board of Directors	

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

(in EUR '000)	Note	For the year ended 31 December 2023	For the year ended 31 December 2022
Revenues	5	**48**	**51**
Purchases and consumables	5	—	(39)
External costs	7	(12,379)	(10,528)
Other operating income	8	250	1
Other operating expense	8	(3,313)	(7,822)
Profit/ (Loss) from operating activities		**(15,394)**	**(18,337)**
Financial income	9	37,739	46,869
Financial expense	9	(63,642)	(27,199)
Profit / (loss) from the sale of investments	10	7,111	4
Profit / (Loss) from financing activities		**(18,792)**	**19,674**
Profit / (loss) before taxation		**(34,186)**	**1,337**
Income tax	11	(101)	(1,071)
Net profit / (loss) from continuing operations		**(34,287)**	**266**
Other comprehensive income			
Remeasurement of derivatives	14	(3,031)	4,406
Revaluation in other comprehensive income		(89)	(22)
Foreign currency translation differences from presentation currency		(3,834)	5,922
Other comprehensive income		(6,954)	10,306
Total other comprehensive income		**(41,241)**	**10,572**

The notes to the financial statements form an inseparable part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As of 31 December 2023

EUR thousand (in EUR '000)	Note	31 December 2023	31 December 2022	1 January 2022
Non-current Assets				
Investments in subsidiaries	12	378,361	359,442	173,083
Investments in associates	12	65	66	64
Loans and other financial assets	13,14	169,961	170,419	89,165
Trade and other receivables	15	812	833	3,297
Deferred tax asset	24	71	89	16
Total non-current assets		**549,270**	**530,849**	**265,625**
Current Assets				
Inventory	16	–	–	7
Trade and other receivables	15	38,065	21,937	41,677
Loans and other financial assets	13,14	129,799	88,231	161,893
Tax receivables arising from the current income tax payable	17	1,237	–	–
Cash and cash equivalents	18	96,540	32,387	20,779
Total current assets		**265,641**	**142,555**	**224,356**
Total assets		**814,911**	**673,404**	**489,981**
Equity				
Share capital	19	78,427	78,427	78,427
Other reserves	19	30,955	31,044	31,066
Gains or losses from the remeasurment of derivatives	19	1,375	4,406	–
Retained earnings including profit (loss) for the current period		32,449	66,736	66,470
Translation reserve		14,984	18,818	12,896
Total equity		**158,190**	**199,431**	**188,859**
Non-current Liabilities				
Loans and borrowings	20	105,022	129,236	15,307
Financial instruments and financial payables	14	4,288	1,741	354
Provisions	23	3,166	2,073	1,144
Bonds	21	278,073	189,162	183,756
Total non-current liabilities		**390,549**	**322,212**	**200,561**
Current Liabilities				
Loans and borrowings	20	134,534	141,486	78,134
Financial instruments and financial payables	14	2,779	659	1,450
Trade and other payables	22	69,487	7,166	18,635
Tax payables arising from the current income tax payable	17	–	1,393	1,992
Bonds – current portion	21	59,372	1,057	350
Total current liabilities		**266,172**	**151,761**	**100,561**
Total liabilities		**656,721**	**473,973**	**301,122**
Total equity and liabilities		**814,911**	**673,404**	**489,981**

The notes to the financial statements form an inseparable part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(in EUR '000)	Note	Share capital	Other reserves	Gains or losses from the revaluation of derivatives	Retained earnings	Foreign exchange translation reserve	Total
Balance at 1 January 2022	19	**78,427**	**31,066**	**0**	**66,470**	**12,896**	**188,859**
Total comprehensive income for the year:							
Profit for the year		—	—	—	266	—	266
Revaluation - other comprehensive income		—	(22)	—	—	—	(22)
Revaluation of derivatives		—	—	4,406	—	—	4,406
Foreign exchange differences on change in presentation currency		—	—	—	—	5,922	5,922
Total comprehensive income for the year		**—**	**(22)**	**4,406**	**266**	**5,922**	**10,572**
Transactions with shareholders and MI	19	—	—	—	—	—	—
Total transactions with shareholders		**—**	**(22)**	**4,406**	**266**	**5,922**	**10,572**
Balance at 31 December 2022	19	**78,427**	**31,044**	**4,406**	**66,736**	**18,818**	**199,431**
Total comprehensive income for the year:							
Profit for the year		—	—	—	(34,287)	—	(34,287)
Revaluation - other comprehensive income		—	(89)	—	—	—	(89)
Revaluation of derivatives	19	—	—	(3,031)	—	—	(3,031)
Foreign exchange differences on change in presentation currency		—	—	—	—	(3,834)	(3,834)
Total comprehensive income for the year		**—**	**(89)**	**(3,031)**	**(34,287)**	**(3,834)**	**(41,241)**
Transactions with shareholders and MI	19	—	—	—	—	—	—
Total transactions with shareholders		**—**	**(89)**	**(3,031)**	**(34,287)**	**(3,834)**	**(41,241)**
Balance at 31 December 2023	19	**78,427**	**30,955**	**1,375**	**32,449**	**14,984**	**158,190**

The notes to the financial statements form an inseparable part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(in EUR '000)	Note	For the year ended 31 December 2023	For the year ended 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (+) / loss (-) for the year		**(34,287)**	**266**
Adjustments for:			
Profit (-) /loss (+) from the sale of investments	10	(7,111)	(4)
Net interest income (-) / expense (+)	9	29,914	10,041
Recognition (+) / release (-) of allowances and provisions	8	(2,462)	1,706
Recognition (+) / release (-) of allowances for investments in entities	9	10,205	—
Dividend income	9	(12,258)	(9,962)
Income tax	11	101	1,071
Exchange rate gains (-) / losses (+)		(412)	(356)
Other		(25)	81
Release of costs of bond issues		704	469
Increase (-) / decrease (+) of receivables and payables from derivative financial instruments		13,327	(11,399)
Operating profit before movements in working capital		**(2,304)**	**(8,087)**
Increase (-) / decrease (+) in trade receivables and other assets		(30,295)	21,543
Increase (+) / decrease (-) in trade and other payables		59,612	(685)
Increase (+) / decrease (-) in inventory (including income from sale)	15	—	7
Cash generated by operations		**27,013**	**12,778**
Income taxes paid		(2,298)	(2,037)
Net cash from operating activities		**24,715**	**10,741**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments in subsidiaries		(40,824)	(188,738)
Acquisition of investments in associates		—	(4,735)
Income from the sale of investments		13,426	1,841
Dividends received		11,935	13,412
Provided loans		(359,230)	(239,549)
Repayment of provided loans		346,066	259,195
Interest received		6,636	7,497
Other investments		(32,212)	—
Net cash (used in)/from investing activities		**(54,203)**	**(151,077)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		905,433	282,544
Repayments of borrowings		(941,434)	(111,687)
Proceeds from bond placements	20	197,979	9,092
Costs related to bond placements	20	(2,327)	(4)
Repayment of bonds	20	(30,399)	(8,978)
Interest paid		(35,611)	(19,023)
Net cash (used in)/from financing activities		**93,641**	**151,944**
Net increase in cash and cash equivalents		64,153	11,608
Cash and cash equivalents at beginning of year	17	**32,387**	**20,779**
Cash and cash equivalents at end of year	17	96,540	32,387

The notes to the financial statements form an inseparable part of these financial statements.

Notes To the Financial Statements

1. DESCRIPTION OF THE COMPANY

CZECHOSLOVAK GROUP a.s. (the "Company" or "CSG") is a joint stock company formed in compliance with the legal regulations of the Czech Republic on 13 October 2014. Its registered office is located at U Rustonky 714/1, Karlín, 186 00 Prague 8. The Company changed its name from EXCALIBUR GROUP a.s. to CZECHOSLOVAK GROUP a.s, and the change was adopted and recorded in the Czech Register of Companies on 14 January 2016.

As of 1 January 2015, CZECHOSLOVAK GROUP a.s. merged with EXCALIBUR ARMY CZ a.s. and EXCALIBUR INDUSTRY a.s., the successor company being CZECHOSLOVAK GROUP a.s.

As of 1 January 2016, CZECHOSLOVAK GROUP a.s. merged with LOGEKO a.s., the successor company being CZECHOSLOVAK GROUP a.s.

As a result of a cross-border merger by amalgamation, the net assets of Czechoslovak Group B.V., as the dissolving company, were transferred to CZECHOSLOVAK GROUP a.s., as the successor company. The effective date of the cross-border merger by amalgamation is 1 January 2020. This fact was recorded in the Register of Companies on 31 August 2020.

CSG FIN a.s. was the sole shareholder as of 31 December 2023 which, as the sole shareholder, exercised the powers of the Company's supreme body from 28 June 2022. In the period from 1 January 2022 to 27 June 2022, Michal Strnad exercised the powers of the Company's supreme body.

The financial statements of the Company were prepared for the years ended 31 December 2023 and 31 December 2022. These financial statements are unconsolidated separate financial statements.

The Company's principal activities include production, trade and services not listed in Appendices 1–3 to the Trade Licencing Act, in the scope of the following areas:

- Mediation of trade and services;
- Wholesale and retail;
- Providing of software, information technology consulting, data processing, hosting and related activities and web portals;
- Purchase, sale, management and maintenance of real estate;
- Rental and lending of movable property;
- Advisory and consulting services, preparation of expert studies and reports;
- Advertising, marketing, media representation;
- Administrative management services and services of an organisational and economic nature;
- Providing of technical services.

As of 31 December 2023 and 31 December 2022, the Company's sole shareholder is:

	Equity investment (EUR '000)	%	Voting rights %
CSG FIN a.s. (Corporate ID: 141 41 442)	78,427	100%	100%
Total shares	**78,427**	**100%**	**100%**

Composition of the Board of Directors as of 31 December 2023:

- Michal Strnad (Chairman of the Board of Directors)
- David Chour (Vice-Chairman of the Board of Directors)
- Ladislav Štorek (Member of the Board of Directors)
- Petr Formánek (Member of the Board of Directors)
- David Štěpán (Member of the Board of Directors)

Composition of the Supervisory Board as of 31 December 2023:

- Michaela Katolická (Member of the Supervisory Board)
- Aleš Klepek (Member of the Supervisory Board)
- Rudolf Bureš (Member of the Supervisory Board)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Statement of Compliance

The financial statements were authorised for issue by the Board of Directors on 4 April 2024.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS © Accounting Standards) adopted by the European Union and to be included in an Offering Memorandum.

Furthermore, the financial statements have been drawn up on a going concern basis and using the conventional historical cost basis, except for in the event the measurement of financial assets and liabilities that required the application of the of fair value criterion.

The financial statements are presented in euro ("EUR"), which has been the presentation currency set by the Group since January 1, 2021. The Company's functional currency is the Czech crown ("CZK"). All amounts included in this document are presented in thousands of euros, unless otherwise indicated. The reason for the presentation currency is that EUR suits the needs of the primary users of the financial statements better than CZK.

The financial statements are prepared using consistent accounting policies over the whole period covered by the financial statements (i.e. both the current and comparative periods). These accounting policies are in line with the IFRS applicable at the end of the reporting period i.e., 31 December 2023.

(b) Measurement Method

These financial statements were prepared under the going concern assumption.

The Company reported net loss in Other comprehensive income that is driven by loss from financing activities. The main reason for such loss in increase in financial expense. For more information see Note 9 – Financial income and expenses.

These financial statements were prepared under the historical cost (amortised cost) convention, with the exception of the following material statement of financial position items, which are carried at fair value:

- Derivative financial instruments.

(c) Functional and Presentation Currencies

The statements are presented in euro ("EUR"). The functional currency of the Company is the Czech crown ("CZK"). All financial information presented in EUR is rounded to the nearest thousand, unless stated otherwise.

(d) Use of Estimates and Judgement

Information on the estimates and critical judgement used in applying accounting policies that have the most significant effect on the balances reported in the financial statements are disclosed in the following Notes:

- Note 4 (a), (b), (c) – Measurement of financial instruments
- Note 31 – Legal disputes

(e) Adoption of new and revised IFRS accounting standards and change in accounting policy

Change in presentation currency

During the year 2023, the Company has elected to change the presentation currency from Czech crown (CZK) to Euro (EUR) effective from 1 January 2023. The change in presentation currency was a voluntary change which has been accounted for retrospectively. The financial statements for 31 December 2023 have been restated to euro using the procedures outlined below:

● Statement of profit or loss and other comprehensive income and statement of cash flows for each group entity were consolidated into EUR using average foreign currency rates prevailing for the relevant period.

●Assets and liabilities in the statement of financial position were translated into EUR at the closing foreign currency rates on the relevant balance sheet dates.

●The equity section of the statement of financial position, including foreign currency translation reserve, accumulated losses, share capital and the other reserves, were translated into EUR using the historical rates, being the rate on the date of the transaction.

All resulting translation exchange differences have been recognized within other comprehensive income in the foreign currency translation reserve. The effect of applying different exchange rates for the change in functional currency and presentation currency have been included as a reconciling item within the statement of changes in shareholders' equity as at 1 January 2022.

The presentation currency of EUR has been adopted to suit the needs of the primary users of the financial statements.

(f) New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Company has applied a number of new and amended IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in the EU for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 17 Insurance Contracts (including the June 2020 and December 2022 Amendments to IFRS 17)

The Company does not have any contracts that meet the definition of an insurance contract under IFRS 17.

Amendments to IAS 1 Presentation of financial statements and IFRS Practice Statement 2 Making Material Judgements – Disclosure of Accounting Policies.

The Company has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in the entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The Company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single transaction

The Company has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affect neither accounting profit nor taxable profit.

Amendments to IAS 12 Income Taxes – International Tax Reform – Pillar Two Model Rules

The Company has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose Information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Company is required to disclose that it has applied the exemption and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

(e) New and revised IFRS Accounting Standards adopted by the EU in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following revised IFRS Accounting Standards that have been issued and adopted by the EU but are not yet effective in the EU:

Amendments to IFRS 16 *Leases*	Lease Liability in a Sale and Leaseback	Effective from 1.1.2024
Amendments to IAS 1 *Presentation of Financial Statements*	Classification of Liabilities as Current or Non-Current	Effective from 1.1.2024
Amendments to IAS 1 *Presentation of Financial Statements*	Non-current Liabilities with Covenants	Effective from 1.1.2024

The directors do not expect that the adoption of the amendments to the existing Standards listed above will have a material impact on the financial statements of the Company in future periods, except if indicated below.

(f) New and revised IFRS Accounting Standards issued by the IASB but not yet adopted by the EU

The following amendments to the existing IFRS Accounting standards have not been endorsed for use in the EU yet and could not therefore be adopted by the Company:

(The effective dates stated below are for IFRS as issued by IASB. EU is expected to approve the amendments with the same effective dates.)

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been removed temporarily by the IASB.
Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*	Supplier Finance Arrangements	Effective from 1.1.2024
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*	Lack of Exchangeability	Effective from 1.1.2025

The directors do not expect that the adoption of the amendments to the existing standards listed above will have a material impact on the consolidated financial statements of the group in future periods, except if indicated below.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are analogous to those of the consolidated financial statements presented in Note 5 to the Consolidated Financial Statements for the year ended 31 December 2023.

4. FAIR VALUE MEASUREMENT

(a) Non-derivative financial assets

The fair value is based on their quoted market price as of the balance sheet date with no deduction of transaction costs. If no quoted market price is available, the management estimates the fair value of the given instrument using price models or techniques based on discounted cash flows.

If techniques based on discounted cash flows are applied, the estimated future cash flows are based on best estimates made by the management, and a market-based rate as of the balance sheet date for an instrument with similar conditions is used as the discount rate. If price models are used, inputs are based on market rates as of the balance sheet date.

The fair value of trade receivables and other receivables, except for contract assets but including receivables from services provided based on a concession, is estimated as the present value of future cash flows discounted using the interest rate as of the balance sheet date.

The fair value of trade receivables, other receivables and investments reported at amortised value is only determined for the disclosure purposes.

(b) Non-derivative financial liabilities

The fair value determined in order to be disclosed is based on the present value of future cash flows from principals and interest discounted by a market interest rate as of the balance sheet date. For finance leases, the market interest rate is determined using similar lease contracts.

(c) Derivatives

Financial derivatives are measured at fair value classified under level 2, the measurement is based on market valuation.

5. REVENUES, PURCHASES AND CONSUMABLES

The Company recognised revenue related to the sale of software licenses in 2023 in the amount of EUR 48 thousand (2022: EUR 51 thousand)

In 2023, the Company did not recognise any costs related to purchases and consumables.

In 2022, the cost related to the sale of licences amounted to EUR 39 thousand.

6. EMPLOYEE BENEFITS COSTS

In 2023 and in 2022, the Company did not recognise any employee benefits costs.

7. EXTERNAL COSTS

(in EUR '000)	For the year ended 31 December 2023	For the year ended 31 December 2022
Costs of outsourcing and other external costs	11,574	10,384
Rental	95	63
Advisory fees	661	41
Other external costs	49	40
Total external costs	**12,379**	**10,528**

In 2023, costs for subcontractors and other external costs consist predominantly of costs for services from CSGM a.s. in the amount of EUR 11,106 thousand.

In 2022, costs for subcontractors and other external costs consist predominantly of costs for services from CSGM a.s. in the amount of EUR 8,868 thousand.

8. OTHER OPERATING INCOME AND EXPENSES

Other Operating Income

In 2023, other operating income amounted to EUR 250 thousand.

In 2022, other operating income amounted to EUR 1 thousand.

Other Operating Expenses

(in EUR '000)	For the year ended 31 December 2023	For the year ended 31 December 2022
Insurance payments	140	67
Recognition / (release) of allowances	(3,583)	(226)
Recognition/ (release) of provisions	1,178	878
Write-off of a receivable	3,240	2,587
Other	2,338	4,516
Total other operating expenses	**3,313**	**7,822**

In 2023, the "Other" item predominantly includes the costs related to write-off of lost investments in amount of EUR 1,963 thousand.

In 2023, the company released allowances to receivables that were written – off.

In 2022, the "Other" item predominantly includes the costs related to the acquisition of the FCC S.p.A. group in 2022, amounting to EUR 2,925 thousand. In addition, there is an expense related to the out-of-court settlement agreement in the litigation with SARN SD 3 LLC in the amount of EUR 686 thousand.

The recognition of allowances is described in greater detail in Note 29a) Risk Management and Disclosure Methods – Credit Risk.

The recognition of provisions is described in greater detail in Note 23 Provisions.

9. FINANCIAL INCOME AND EXPENSES

(in EUR '000)	**For the year ended 31 December 2023**	**For the year ended 31 December 2022**
Interest income	16,969	12,993
Profit from derivative transactions	–	20,660
Dividend income	12,258	9,962
Other financial income	8,512	3,254
Financial income	**37,739**	**46,869**
Interest expense – related parties	20,600	7,422
Interest expense – bonds	21,118	13,311
Interest expense – banks	4,209	2,192
Interest expense – other	956	109
Exchange rate losses	667	1,499
Loss from derivative transactions	4,335	–
Other financial expenses	11,757	2,666
Financial expenses	**63,642**	**27,199**
Net financial income/(expense)	**(25,903)**	**19,670**

Other financial expenses in 2023 predominantly include costs related to bond placement and increase of allowance for investment in entities in the amount of EUR 10,205 thousand (described also in Note 12 – Investment in Entities).

Other financial expenses in 2022 predominantly include fees for arranging financing related to the acquisition of the FCC S.p.A group and bond placement costs. It also includes the creation of an allowance for loans granted in the amount of EUR 1,055 thousand.

In 2023, the Company generated income from dividends of EUR 12,258 thousand originating from profit shares received from the subsidiaries CSG DEFENCE a.s. (EUR 10,414 thousand), GERLENAIR a.s. (EUR 903 thousand), AVIA Motors s.r.o. (EUR 754 thousand), CSG INDUSTRY a.s. (EUR 187 thousand).

In 2022, the Company generated income from dividends of EUR 9,962 thousand originating from profit shares received from the subsidiaries AVIA Motors s.r.o. (EUR 4,837 thousand) and CSG INDUSTRY a.s. (EUR 5,125 thousand).

10. PROFIT/LOSS FROM THE SALE OF INVESTMENTS

(in EUR '000)	**For the year ended 31 December 2023**	**For the year ended 31 December 2022**
Sales of investments	13,315	94
Investments sold	(6,204)	(90)
Profit/(loss) from the sale of investments	**7,111**	**4**

The net profit from the sale of investments predominantly includes the profit from sale of 8,3% share of its equity investment in Nika Development a.s.

11. INCOME TAX

Income tax reported in profit or loss

(in EUR '000)	**For the year ended 31 December 2023**	**For the year ended 31 December 2022**
Current income tax	(85)	(1,137)
Deferred income tax	(16)	66
Total income tax	**(101)**	**(1,071)**

Deferred tax is calculated using the currently applicable tax rates that are assumed to be effective in the period when the asset will be recovered, or the liability will be settled. Under Czech legislation, the corporate income tax rate is 19% for the fiscal year ended 31 December 2023 (2022: 19%). For the year 2024 the tax rate is increased to 21%.

Reconciliation of the effective tax rate

(in EUR '000)	**For the year ended 31 December 2023**		**For the year ended 31 December 2022**	
	%		**%**	
Profit / (loss) before tax on continued operations		(34,186)		1,337
Tax calculated using the corporate income tax rate	19%	6,495	19%	(254)
Tax effect:				
Non-deductible expenses		(11,341)		(3,538)
Tax-exempt income		4,913		1,911
Losses for which no deferred tax asset was recognised in the current period		(89)		–
Changes in estimates relating to prior periods		(79)		810
Income tax reported in the statement of comprehensive income		**(101)**		**(1,071)**

Sales of investments, including dividend income, are reduced in the reconciliation of the effective tax rate by the costs of investments sold and the balance is reflected in the 'Tax-exempt income' line.

12. INVESTMENTS IN ENTITIES

i. Investments in Subsidiaries

Name of Company	Country of Incorporation	31 Dec 2023	31 Dec 2022
14. OKTOBAR d.o.o. Kruševac	Serbia	100.00%	100.00%
ABIENNALE s.r.o.	Czech Republic	100.00%	–
AVIA Electric a.s.	Czech Republic	100.00%	100.00%
AVIA Motors s.r.o	Czech Republic	100.00%	100.00%
AVIEN, spol. s.r.o [1)]	Czech Republic	100.00%	100.00%
CLEVELOPMENT SPV a.s.	Czech Republic	100.00%	100.00%
CSG a.s.	Czech Republic	100.00%	100.00%
CSG AEROSPACE a.s.	Czech Republic	100.00%	100.00%
CSG AMMO+ a.s.[2)]	Czech Republic	100.00%	100.00%
CSG DEAL a.s.	Czech Republic	100.00%	100.00%
CSG DEFENCE a.s.	Czech Republic	100.00%	100.00%
CSG EXPORT a.s.	Czech Republic	100.00%	100.00%
CSG INDUSTRY a.s.	Czech Republic	100.00%	100.00%
CSG MOBILITY a.s. [3)]	Czech Republic	100.00%	100.00%
CSGM a.s.	Czech Republic	100.00%	100.00%
ENGINEERING SPV a.s.	Czech Republic	100.00%	100.00%
ENVERCOTE a.s.	Czech Republic	60.00%	60.00%
EXCALIBUR INTERNATIONAL a.s.	Czech Republic	89.00%	90.00%
GERLENAIR a.s.	Czech Republic	100.00%	100.00%
HTH land a.s.	Czech Republic	100.00%	100.00%
INTEGRA CAPITAL a.s.	Czech Republic	100.00%	100.00%
KARBOX Holding s.r.o.	Czech Republic	100.00%	100.00%
KARMONIKA AERO a.s.[4)]	Czech Republic	100.00%	100.00%
KONVERTIAL SPV a.s. [5)]	Czech Republic	55.00%	100.00%
LBP 80 S.r.l.	Italy	80.00%	–
LIAZ TRUCKS a.s.	Czech Republic	100.00%	100.00%
LOSTR a.s	Czech Republic	100.00%	100.00%
MADE CS a.s.	Czech Republic	100.00%	100.00%
MANDURIA TRADE a.s.	Czech Republic	100.00%	–
MEFITIS TRADE a.s.	Czech Republic	100.00%	–
NIKA Development a.s.	Czech Republic	83.63%	91.97%
PROGRESS SPV a.s.	Czech Republic	100.00%	100.00%
RADIATIK a.s.	Czech Republic	100.00%	100.00%
REALID SPV a.s.	Czech Republic	100.00%	100.00%
RELAZA SPV a.s.	Czech Republic	100.00%	100.00%
STALUNA TRADE a.s.	Czech Republic	100.00%	–
TABLON SPV a.s.	Czech Republic	100.00%	100.00%
TATRA a.s.	Czech Republic	100.00%	100.00%
TATRA AVIATION a.s.	Czech Republic	100.00%	100.00%
TATRA MANUFACTURE a.s.	Czech Republic	100.00%	100.00%
TECHPARK Hradubická a.s.	Czech Republic	100.00%	100.00%
TRIBLAN a.s. [6)]	Czech Republic	–	–
TRUCK SERVICE GROUP a.s.	Czech Republic	100.00%	100.00%
VENILIA TRADE a.s.	Czech Republic	100.00%	–
VORNEA SPV s.r.o.	Czech Republic	100.00%	100.00%

1) IN 2022, AVIEN, WHICH WAS PREVIOUSLY RECORDED AS A FINANCIAL INVESTMENT, WAS INCLUDED
2) IN 2023, RUMPETA a.s. WAS RENAMED to CSG AMMO+ a.s.
3) IN 2022, CSG RAIL a.s. WAS RENAMED to CSG MOBILITY a.s.
4) IN 2022, KARMONIKA SPV A.S. WAS RENAMED KARMONIKA AERO A.S.
5) IN 2022, THE COMPANY TATRA A.S. WAS RENAMED TO KONVERTIAL SPV A.S. IN THE SAME YEAR, A NEW COMPANY CALLED TATRA A.S. WAS ESTABLISHED.
6) IN 2022, SHARE OF TRIBLAN WAS TRANSFERRED TO CSG MOBILITY a.s.

The costs of investments (without the effect of impairment) and accompanying information on selected investments are presented in the tables below.

As of 31 December 2023

(in EUR '000)	Total profit/ (loss) for 2023	Equity as of 31 December 2023	Cost
CSG Ammo+ a.s.	(4)	225,971	225,437
NIKA DEVELOPMENT a.s.	213	74,216	62,347
CSG MOBILITY a.s.	(246)	66,190	24,217
TABLON SPV a.s.	(11,248)	642	11,567
INTEGRA CAPITAL a.s.	(483)	4,574	10,220
LBP 80 S.R.L.	(479)	15,554	9,734
EXCALIBUR INTERNATIONAL a.s.	(1,535)	16,822	7,765
ABIENNALE s.r.o	(901)	2,790	6,116
14. OKTOBAR d.o.o. Kruševac	3,996	3,781	5,569
CSG AEROSPACE a.s.	(18,553)	47,593	5,552
KARMONIKA AERO a.s.	(2,443)	(126)	4,692
RELAZA SPV a.s.	(3,581)	315	4,449
AVIA Motors s.r.o.	5,887	10,169	4,440
Other	—	—	10,335
Total			**392,440**

As of 31 December 2022

(in EUR '000)	Total profit/ (loss) for 2022	Equity as of 31 December 2022	Cost
RUMPETA a.s.	(1)	224,241	224,244
NIKA DEVELOPMENT a.s.	2,753	75,881	69,973
CSG RAIL a.s.	(127)	68,109	24,830
INTEGRA CAPITAL a.s.	(996)	5,171	10,478
EXCALIBUR INTERNATIONAL a.s.	4,891	19,615	8,051
14. OKTOBAR d.o.o. Kruševac	(799)	(100)	5,710
AVIA Motors s.r.o.	770	5,316	4,553
CSG AEROSPACE a.s.	(2,796)	60,051	2,997
KARMONIKA SPV a.s.	(1,831)	64	2,571
TECHPARK HRADUBICKÁ a.s.	(52)	2,495	2,435
CSGM a.s.	588	2,996	2,171
Ostatní	—	—	19,710
Total			**377,723**

In line with the accounting policies disclosed in Note 5, the Company recognised an allowance for non-current financial assets of EUR 14,079 thousand as of 31 December 2023; for the investment in TABLON SPV a.s. of EUR 8,898 thousand, INTEGRA CAPITAL a.s. of EUR 4,449 thousand, for the investment in LOSTR a.s. of EUR 688 thousand and for the investment in TECHPARK Hradubická a.s. of EUR 44 thousand (31 December 2022: INTEGRA CAPITAL a.s. of EUR 3,525 thousand, LOSTR a.s. of EUR 705 thousand,TECHPARK Hradubická a.s. of EUR 45 thousand).

The Company did not recognise an allowance for other financial investments either owing to the anticipated profits in the coming years or for the reason that the market cost of the asset is greater than its valuation in the accounting records.

ii. ***Sale of Companies***

In 2023 the company sold only minor shares in its subsidiaries.

In 2022, the equity investment in GACEL Hoding a.s., established in 2022, was sold.

In 2022, the equity investment in LAIRAN SPV a.s., established in 2022, was sold.

In 2022, the equity investment in DD ACQUISITION a.s. was sold. The company was recognised as a financial investment.

The effect of the sale of the companies' equity investments in 2023 and 2022 is quantified in Note 10 to the financial statements.

iii. ***New Companies***

In 2023, the following companies were established or acquired:

Name of Company	Country of Incorporation	31 December 2023	31 December 2022
ABIENNALE s.r.o.	Czech Republic	100.00 %	–
LBP 80 S.r.l.	Italy	80.00 %	–
MANDURIA TRADE a.s.	Czech Republic	100.00 %	–
MEFITIS TRADE a.s.	Czech Republic	100.00 %	–
STALUNA TRADE a.s.	Czech Republic	100.00 %	–
VENILIA TRADE a.s.	Czech Republic	100.00 %	–

iv. ***Investments in Joint Ventures and Associates***

Name of the Company	Country of Incorporation	31 December 2023	31 December 2022
FALCON CSG a.s.	Czech Republic	30.00%	30.00%
Milconn, a.s.	Czech Republic	50.00%	50.00%

13. LOANS AND OTHER FINANCIAL ASSETS

(in EUR'000)	31 December 2023	31 December 2022
Assets at amortised cost		
Granted loans	246,342	224,850
Other financial assets	37,953	6,825
Receivables from the payment of dividends	313	–
Total assets at amortised cost - subtotal	**284,608**	**231,675**
Financial derivatives	15,152	26,975
Total financial assets at fair value	**15,152**	**26,975**
Total loans and other financial assets	**299,760**	**258,650**
Non-current	*169,961*	*170,419*
Current	*129,799*	*88,231*
Total loans and other financial assets	**299,760**	**258,650**

Granted loans namely represent the loans provided to related parties. Relations with related parties including the loans granted are described in more detail in Note 30 – Related Parties.

Other financial assets in 2023 predominantly consist of advances on non-current financial assets in the amount of EUR 31,895 thousand.

Receivables arising from the payment of dividends as of 31 December 2022 include receivable from CSG DEFENCE s.r.o. in the amount of EUR 313 thousand.

Allowances for loans and other financial assets are disclosed in Note 29(a)(i).

14. DERIVATIVES

As of 31December 2023 and 31 December 2022, the Company recorded receivables and payables arising from derivative contracts entered into at fair value, broken down as follows:

(in EUR '000)	31 December 2023	31 December 2022
Assets at fair value		
Current derivatives	7,496	4,703
Non-current derivatives	7,656	22,272
Derivatives – total assets	**15,152**	**26,975**
Liabilities at fair value		
Current derivatives	2,779	659
Non-current derivatives	4,288	1,741
Derivatives – total liabilities	**7,067**	**2,400**
Total derivatives	**8,085**	**24,575**
revaluated through profit or loss	*(4,142)*	*14,937*
revaluated through other comprehensive income	*12,227*	*9,638*
Total derivatives	**8,085**	**24,575**

The above amounts are reported under Current or Non-current financial instruments and financial liabilities. Derivatives recognised in profit or loss are speculative in nature. Derivatives recognised in other comprehensive income are hedging derivatives.

The Company records the following derivative types and open position amounts as of 31 December 2023:

<u>Speculative derivatives:</u>

- FX forwards for the purchase of Euro against CZK in the total volume of EUR 13,500 thousand in 2024;
- FX forwards on the sale of Euro for CZK in the total volume of EUR 16,500 thousand in 2024, EUR 23,500 thousand in 2025, EUR 20,500 thousand in 2026 and EUR 12,500 thousand in 2027;
- FX forwards on the sale of USD against Euro in the total volume of USD 900 thousand in 2024;
- Interest rate swaps for hedging the floating interest rate 1M-6M EURIBOR at a fixed rate between 0.49% - 3.74% for an EUR credit facility in the total amount of EUR 120,290 thousand for the period between 2024 and 2028;

- CZK/EUR cross-currency interest rate swap in the amount of CZK 467,480 thousand / EUR 19,050 thousand with a fixed exchange rate for the CZK part at 16.65% and 6M EURIBOR + 11% for the EUR part.
- CZK/EUR cross-currency interest rate swap in the amount of CZK 1,683,500 thousand / EUR 70,000 thousand at a fixed exchange rate 8% for the CZK part and fixed interest rate 7.18% for the EUR part.

Hedging derivates:

- FX forwards on the sale of Euro against CZK in the total volume of EUR 81,500 thousand in 2024;
- FX forwards on the sale of Euro against CZK in the total volume of EUR 41,000 thousand in 2025;
- Interest rate swaps for hedging the floating interest rate 6M PRIBOR at a fixed rate between 1.22% - 5.39% for a CZK bonds in the total amount of CZK 2,900,000 thousand (aprox. EUR 117 million) for the period between 2024 and 2026.

The Company records the following derivative types and open position amounts as of 31 December 2022:

Speculative derivatives:

- FX forwards for the purchase of Euro against CZK in the total volume of EUR 9,000 thousand in 2023;
- Currency swaps for the purchase of Euro against CZK in the total volume of 14,000 thousand CZK in 2023;
- FX forwards on the sale of Euro for CZK in the total volume of EUR 59,000 thousand in 2023, EUR 62,000 thousand in 2024 and EUR 41,000 thousand in 2025;
- Currency swaps on the sale of Euro for CZK in the total volume of EUR 20 thousand in 2023;
- Interest rate swaps for hedging the floating interest rate 1M-3M EURIBOR at a fixed rate between 0.49% - 2.89% for an EUR credit facility in the total amount of EUR 155,039 thousand for the period between 2024 and 2028;
- CZK/EUR currency interest rate swap in the amount of CZK 467,480 thousand / EUR 19,050 thousand with a fixed exchange rate for the CZK part at 16.65% and 6M EURIBOR + 11% for the EUR part.

Hedging derivates:

- Interest rate swaps for hedging the floating interest rate 6M PRIBOR at a fixed rate between 1.22% - 5.39% for a CZK bonds in the total amount of CZK 2,900,000 thousand (aprox. EUR 117 million) for the period between 2024 and 2026.

In 2022, the Company began reporting selected derivatives as hedging instruments in relation to interest rate risk for hedging cash flows. During 2023 were added heding instruments in relation to currency risk for hedging cash flows. In accordance with the accounting policy set out in Note 3a, the loss arising from the remeasurement of these derivatives is recognised in the line Other comprehensive income in the amount of EUR – 3,031 thousand (2022: profit EUR +4,406 thousand).

The impact on profit or loss from speculative derivative transactions for 2023 is a loss of EUR -4,335 thousand (2022: profit EUR +20,660 thousand), presented in the line Financial income/ Financial expense (Note 9).

The impact on the total comprehensive income from derivative transactions in 2023 is a loss of EUR -7,366 thousand (2022: profit EUR +25,066 thousand).

15. TRADE RECEIVABLES AND OTHER ASSETS

(in EUR '000)	**31 December 2023**	**31 December 2022**
Trade receivables	4,911	1,674
Other receivables	27,178	21,000
Estimated receivables	44	–
Total trade receivables and other receivables	**32,133**	**22,674**
Deferred expenses	75	72
Advances paid	6,669	24
Accruals	**6,744**	**6**
Total trade receivables and other assets	**38,877**	**22,770**
Non-current	*812*	*833*
Current	*38,065*	*21,937*
Total trade receivables and other assets	**38,877**	**22,770**

As of 31 December 2023, the balance of other receivables predominantly includes a receivable arising from re-invoicing of project costs connected to planned acquisition; a receivable from STRNAD HOLDING LTD from assigned receivables in amount of EUR 12,313 thousand.

As of 31 December 2022, the balance of other receivables predominantly includes a receivable from CSG AEROSPACE a.s. from assigned bonds in the amount of EUR 16,587 thousand, a receivable from ASSET SPV a.s. from assigned receivable in the amount of EUR 1,700 thousand, and a receivable from Dubnica Property s.r.o. from assigned receivable in the amount of EUR 1,347 thousand.

The Company's exposure to credit and currency risks and impairment losses in relation to trade and other receivables is disclosed in Note 29 – Risk Management and Disclosure Methods.

Allowances for receivables and other assets are presented in Note 29(a)(i).

16. INVENTORY

As of 31 December 2023 and 31 December 2022, the Company recorded no inventory balance.

17. TAX RECEIVABLES AND PAYABLES

As of 31 December 2023, the Company recorded tax receivables in the amount of EUR 1,237 thousand that represent income tax receivable.

As of 31 December 2022, the Company recorded tax payables in the amount of EUR 1,393 thousand, of which EUR 1,050 thousand represents income tax payables.

18. CASH AND CASH EQUIVALENTS

(in EUR '000)	31 December 2023	31 December 2022
Current bank accounts	71,084	32,387
Other cash equivalents	25,456	–
Cash and cash equivalents in the cash flow statement	**96,540**	**32,387**

In 2019, the Company stopped using cash and all monetary transactions are cashless.

19. EQUITY

Share Capital

As of 31 December 2023 and as of 31 December 2022, authorised, issued and fully paid-in share capital consisted of twenty ordinary registered shares in the book entry form in the nominal value of CZK 100,000,000 (aprox. EUR 3,9 million).

The shareholder is entitled to a payment of dividends and is entitled to vote at the General Meetings of the Company's shareholders with one vote attributable to a share of CZK 100,000,000. (aprox. EUR 3,9 million).

In 2023 and 2022, the Company paid no dividends.

31 December 2023	**Shares (EUR '000)**	**Ownership percentage %**	**Voting rights %**
CSG FIN a.s.	78,427	100%	100%
Total shares	**78,427**	**100%**	**100%**

Other reserves

(in EUR '000)	31 December 2023	31 December 2022
Other capital reserves	28,343	28,343
Other indivisible reserves	2,612	2,701
Other reserves Total	**30,955**	**31,044**

Gains or losses from the revaluation of derivatives	1,375	4,406
Revaluation of derivatives fund total	**1,375**	**4,406**

A major portion of Other indivisible reserves represents an effect on the Company's interest-rate advantage arising from the use of a non-interest bearing ownership loan, which is recognised through equity. The Company considers the ownership loan received from the owner acting from the actual position of an owner to constitute an instrument that brings a visible advantage to the Company in the form of exemption from interest. The fair value of a non-interest bearing ownership loan is highly likely to differ from the nominal value during its initial recognition. The Company recognises the difference between the fair value of an ownership loan during its initial recognition and its nominal value through equity, the reason being that the substance of non-interest bearing loans includes advantageous terms specifically in the form of zero interest representing the owner's non-reciprocal capital contribution. As of 31 December 2023, these non-reciprocal capital contributions totalled EUR 2,612 thousand (31 December 2022: EUR 2,701 thousand).

Gains or Losses from the Remeasurement of Derivates

In connection with the introduction of hedge accounting for selected financial derivatives, differences arising from the remeasurement of these hedging instruments were recognised in equity in the line Gains or Losses from the Remeasurement of Derivatives. The total impact in 2023 amounted to EUR 1,375 thousand (2022: EUR 4,406 thousand).

20. LOANS AND BORROWINGS – RECEIVED

(in EUR '000)	31 December 2023	31 December 2022
Owner loans and loans from related parties	196,657	223,847
Loans from third parties (other loans)	42,899	46,875
Total	**239,556**	**270,722**
Non-current	*105,022*	*129,236*
Current	*134,534*	*141,486*
Total	**239,556**	**270,722**

As of 31 December 2023, the weighted average interest rate of loans amounted to 9.19% (31 December 2022: 8.68%).

Terms and Summary of Loan Maturities

The following terms applied to outstanding loans and borrowings:

31 December 2023

(in EUR '000)	Currency	Nominal interest rate	Due in	Balance at 31 December 2023	Due in 1 year	Due in 1 to 5 years	Due in more than 5 years
Loans from related parties	CZK	fixed	2024-2028	26,859	7,952	18,907	–
Loans from related parties	CZK	interest free	2024	1,269	1,269	–	–
Loans from related parties	CZK	variable	2024	24,584	24,584	–	–
Loans from related parties	EUR	interest free	2024	1,069	1,069	–	–
Loans from related parties	EUR	variable	2024-2027	122,890	79,765	43,125	–
Loans from related parties	USD	fixed	2026	9,050	–	9,050	–
Loans from related parties	USD	interest free	2024	419	419	–	–
Loans from related parties	USD	variable	2024	10,516	10,516	–	–
Loans from third parties	CZK	fixed	2024	453	453	–	–
Loans from third parties	CZK	interest free	2024	150	150	–	–
Loans from third parties	CZK	variable	2024	44	44	–	–
Loans from third parties	EUR	variable	2024-2028	42,253	8,313	33,940	–
TOTAL				**239,556**	**134,534**	**105,022**	–

31 December 2022

(in EUR '000)	Currency	Nominal interest rate	Due in	Balance at 31 December 2022	Due in 1 year	Due in 1 to 5 years	Due in more than 5 years
Loans from related parties	CZK	fixed	2023-2027	24,271	4,885	19,386	–
Loans from related parties	CZK	interest free	2023	1,314	1,314	–	–
Loans from related parties	EUR	interest free	2023	213	213	–	–
Loans from related parties	CZK	variable	2023	43,731	43,731	–	–
Loans from related parties	USD	variable	2023	2,176	2,176	–	–
Loans from related parties	EUR	variable	2023-2027	152,142	78,292	58,707	15,143
Loans from third parties	CZK	fixed	2023-2027	6,424	6,424	–	–
Loans from third parties	CZK	interest free	2023	153	153	–	–
Loans from third parties	CZK	variable	2023	42	42	–	–
Loans from third parties	EUR	variable	2023-2027	40,256	4,256	–	36,000
TOTAL				**270,722**	**141,486**	**78,093**	**51,143**

Other financial instruments

Liabilities from financial derivatives are presented in Note 14 - Derivatives.

21. BONDS

On 1 November 2019, the Company issued CSG VAR/24 bonds (ISIN CZ0003523151) with a floating interest income in the total nominal value of placement of CZK 1,999.8 million (aprox EUR 81 million) with maturity in 2024. The bonds were issued as securities in the book-entry form with a nominal value of CZK 100 thousand per bond (aprox EUR 4 thousand). As of 31 December 2023, the Company recognised a payable from these issues in the principal amount of EUR 52,465 thousand. As of 31 December 2022, the Company recognised a payable from these issues in the principal amount of EUR 82,928.

The CSG VAR/24 bonds bear a floating interest rate consisting of 6M PRIBOR + a 3.25% margin p.a., with interest falling due biannually as of 1 November and 1 May each year.

On 1 July 2021, the Company issued CSG VAR/26 bonds (ISIN CZ0003532681) with a floating interest income in the total nominal value of placement of CZK 2,000 million (aprox. EUR 81 million) with maturity in 2026. The bonds were issued as securities in the book-entry form with a nominal value of CZK 10 thousand (EUR 0.4 thousand) per bond. As of 31 December 2023, the Company recognised a payable from these issues in the amount of EUR 80,890 thousand. As of 31 December 2022, the Company recognised a payable from these issues in the amount of EUR 82,936 thousand.

The CSG VAR/26 bonds bear a floating interest rate consisting of 6M PRIBOR + a 3.25% margin p.a., with interest falling due biannually as of 1 January and 1 July each year.

On 17 September 2021, the Company issued CSG VAR/26 bonds (ISIN CZ0003534174) with a fixed (step-up) interest income in the estimated total nominal value of placement of EUR 25 million with maturity in 2026. The bonds were issued as securities in the book-entry form with a nominal value of EUR 100 thousand per bond. As of 31 December 2023, the Company recognises a payable from these issues in the amount of EUR 15 million. As of 31 December 2022, the Company recognised a payable from these issues in the amount of EUR 15 million.

The CSG/VAR 26 bonds bear interest at a fixed (step-up) rate, which increases gradually from 3.5% p.a. to 4.35% p.a. according to a predetermined procedure specified in the bond prospectus. Interest is payable quarterly on 17 January, 17 March, 17 June and 17 September of each year.

On 21 December 2022, the Company issued CSG VAR/2027 (ISIN CZ003546780) floating rate bonds with an expected total nominal value of the issue of up to EUR 15 million, maturing in 2027. The bonds were issued as book-entry securities with a nominal value of EUR 100 thousand each. As of 31 December 2023, the Company recognises a payable of EUR 11.1 million for these issues. As of 31 December 2022, the Company recognised a payable of EUR 9.1 million.

CSG/VAR 27 bonds bear interest at a floating rate consisting of 6M EURIBOR + 3.5% p.a. margin, with a minimum interest rate of 4.25%. Interest is payable semi-annually on 21 June and 21 December each year.

On 4 July 2023, the Company issued CSG 8.00/2028 bonds (ISIN CZ0003550808) with a fixed interest income in the estimated total nominal value of placement up to CZK 3,000 million (aprox. EUR 121 million) and possible increase up to CZK 5,000 million (aprox. EUR 202 million). Maturity of the bonds is in 2028. The bonds were issued as securities in the book-entry form with a nominal value of CZK 10 thousand (aprox EUR 0.4 thousand) per bond. As of 31 December 2023, the Company recognises a payable from these issues in the amount of EUR 173,053 thousand.

CSG 8.00/2028 bonds bear fixed interest 8.00% p.a. Interest is payable semi-annualy on 4 January and 4 July of each year.

(in EUR '000)	31 December 2023	31 December 2022
Bonds issued	332,508	189,965
Outstanding interest	7,761	1,535
Subtotal	**340,269**	**191,500**
Bond issue costs	(2,824)	(1,280)
Bonds Total	**337,445**	**190,220**
Non-current	278,073	189,163
Current	59,372	1,057
Bonds Total	**337,445**	**190,220**

Bonds as of 31 December 2023 and 31 December 2022 were subject to the following conditions:

(in EUR '000)	Currency	Nominal interest rate	Due in	Balance at 31 December 2023	Due in 1 year	Due in 1 to 5 years	Due in subsequent years
CSG VAR/24	CZK	variable	2019-2024	53,367	53,367	–	–
CSG VAR/26	CZK	variable	2021-2026	80,890	–	80,890	–
CSG VAR/26	EUR	fixed (step-up)	2021-2026	15,024	24	15,000	–
CSG VAR/27	EUR	variable	2022-2027	11,125	25	11,100	–
CSG 8,00/2028	CZK	fixed	2023-2028	179,863	6,810	173,053	–
TOTAL				**340,269**	**60,226**	**280,043**	–

(in EUR '000)	Currency	Nominal interest rate	Due in	Balance at 31 December 2022	Due in 1 year	Due in 1 to 5 years	Due in subsequent years
CSG VAR/24	CZK	variable	2019-2024	84,424	1,495	82,929	–
CSG VAR/26	CZK	variable	2021-2026	82,936	–	82,936	–
CSG VAR/26	EUR	fixed (step-up)	2021-2026	15,023	23	15,000	–
CSG VAR/27	EUR	variable	2022-2027	9,117	17	9,100	–
TOTAL				**191,500**	**1,535**	**189,965**	–

The sensitivity analysis relating to fair values of financial instruments is disclosed in Note 29 – Risk Management and Disclosure Methods.

22. TRADE AND OTHER PAYABLES

(in EUR '000)	31 December 2023	31 December 2022
Trade payables	2,440	4,502
Other payables	56,130	2,642
Trade and other payables – subtotal	**58,570**	**7,144**
Unbilled supplies	10,917	22
Estimated payables – subtotal	**10,917**	**22**
Trade and other payables – total	**69,487**	**7,166**
Non-current	–	–
Current	*69,487*	*7,166*
Trade and other payables – total	**69,487**	**7,166**

As of 31 December 2023, other payables predominantly include a payable to CSG DEFENCE a.s. in amount of EUR 48,534 thousand due to received advance payment for dividends.

As of 31 December 2023, trade payables predominantly include a payable for services from CSGM a.s. in the amount of EUR 1,224 thousand and Deloitte&Touche LLP in the amount of EUR 993 thousand.

The balance of unbilled supplies consists predominantly of accrual for service fee from CSGM a.s. in the amount of EUR 10,856 thousand.

As of 31 December 2022, other payables predominantly include a payable to COMMERZBANK Aktiengesellschaft of EUR 1,336 thousand from the settlement of interest rate derivatives. Another significant payable is the advance payment for dividends received from GERLENAIR a.s. in the amount of EUR 871 thousand.

The balance of trade payables as of 31 December 2022 consists predominantly of a payable for services from CSGM a.s. in the amount of EUR 3,086 thousand and payable to Fineurop Soditic S.p.A in the amount of EUR 1,400 thousand.

23. PROVISIONS

(in EUR '000)	Litigation provisions	Total
Balance as of 1 January 2023	**2,073**	**2,073**
Additions – provisions created in current period	1,178	**1,178**
Additions and (release) of provisions through balance sheet	–	–
Drawing – provisions drawn down in current period	–	–
Release – provisions released in current period	–	–
Effects of changes in Exchange rates	(85)	**(85)**
Balance as of 31 December 2023	**3,166**	**3,166**
Non-current	*3,166*	***3,166***
Current	–	–
Total provisions	***3,166***	***3,166***

In 2023, a provision for the "SARN" litigation (see Note 31 – Legal Disputes) was increased to the amount of EUR 3,166 thousand. In 2022, the provision balance was EUR 2,073 thousand.

24. DEFERRED TAX ASSETS AND LIABILITIES

Reported Deferred Tax Assets and Liabilities

The following deferred tax assets and liabilities were reported:

(in EUR '000)	31 December 2023	31 December 2022
Interest-bearing loans	–	64
Other loans and payables	71	24
Total	71	88
Tax offsetting	–	–
Net deferred tax asset (+) / tax liability (-)	71	88

Movements in Temporary Differences during the Year

(in EUR '000)

Temporary difference in relation to the below items:	Balance at 1 January 2023	Reported through comprehensive incom	Reported through equity	FX difference	Balance at 31 December 2023
Allowance against loans and receivables	24	49	–	(2)	71
Non-interest-bearing owner loans	–	–	–	–	–
Interest-bearing loans	64	(65)	–	1	–
Total	**88**	**(16)**	–	**(1)**	**71**

(in EUR '000)

Temporary difference in relation to the below items:	Balance at 1 January 2022	Reported through comprehensive incom	Reported through equity	FX difference	Balance at 31 December 2022
Allowance against loans and receivables	22	2	–	–	24
Non-interest-bearing owner loans	(6)	1	5	–	–
Interest-bearing loans	–	63	–	1	64
Total	**16**	**66**	**5**	**1**	**88**

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy of Financial Instruments Carried at Fair Value

The Company has no financial instruments (assets or liabilities) for the years ended 31 December 2023 and 2022 carried at fair value with the exception derivatives. The fair values of financial instruments reported at their carrying amounts are presented below:

- Derivatives are recognised at fair value within Level 2.

The sensitivity analysis relating to fair values of financial instruments is disclosed in Note 29 – Risk Management and Disclosure Methods.

26. LEASES

The Company did not enter into any significant lease contracts whether as a lessee or lessor.

27. PROVIDED GUARANTEES

(in EUR '000)	31 December 2023	31 December 2022
Provided guarantees	679,991	446,190
Total financial guarantees	**679,991**	**446,190**

In 2023, the Company provided financial guarantees with an aggregate value of EUR 837,299 thousand. The value of the guarantees as of 31 December 2023 is EUR 679,991 thousand. The provided financial guarantees as of 31 December 2023 predominantly include guarantees for CSG subsidiaries in the amount of EUR 639,487 thousand.The rest are guarantees provided to companies GAMA OCEL spol.s.r.o and CHEMCOMEX, a.s.

In 2022, the Company provided financial guarantees with an aggregate value of EUR 572,061 thousand. The value of the guarantees as of 31 December 2022 is EUR 446,190 thousand. The provided financial guarantees as of 31 December 2022 predominantly include guarantees for CSG subsidiaries in the amount of EUR 444,817 thousand. The rest are guarantees provided to company CHEMCOMEX, a.s.

28. PLEDGED ASSETS

As of 31 December 2023, the following assets were provided as a collateral to secure bank loans:

- Agreement on the establishment of a lien on receivables from accounts No. 1230940000/2250 in CZK, 101121434/2250 in EUR and 1011121442/2250 in USD;
- Pledge agreement on securities, issuer NIKA Development a.s., 2,759 pcs/1 piece with a nominal value of CZK 1 thousand.
- Pledge agreement on securities, issuer CSG Rail, 20 pcs/1 piece with a nominal value of CZK 100 thousand.

As of 31 December 2022, the following assets were provided as a collateral to secure bank loans:

- Agreement on the establishment of a lien on receivables from accounts No. 1230940000/2250 in CZK, 101121434/2250 in EUR and 1011121442/2250 in USD;
- Pledge agreement on securities, issuer NIKA Development a.s., 2,759 pcs/1 piece with a nominal value of CZK 1 thousand.
- Pledge agreement on securities, issuer CSG Rail, 20 pcs/1 piece with a nominal value of CZK 100 thousand.

29. RISK MANAGEMENT AND DISCLOSURE METHODS

This Note provides a detailed description of the financial and operating risks to which the Company is exposed and the methods used in managing them. The major financial risks to which the Company is exposed include credit risk, liquidity risk, interest rate risk and currency risk.

Classes and Categories of Financial Instruments and Measurement of their Fair Value

The following table contains information about:

- Classes of financial instruments, their substance and characteristics;
- Amortised cost of financial instruments;
- Fair values of financial instruments (with the exception of financial instruments whose value approximates their fair value);
- The hierarchy levels of the fair values of financial assets and financial liabilities for which fair value has been disclosed.

The hierarchy of Fair Value Levels 1 to 3 is based on the extent to which fair value is observable:

- Level 1 fair value measurements are derived from prices listed (unadjusted) on active markets for identical assets or liabilities;
- Level 2 fair value measurements are derived from inputs other than the listed prices included in Level 1 that are either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable in respect of the asset or liability; and
- Level 3 fair value measurements are derived from measurement techniques including inputs for the asset or liability that is not based on identifiable market information (unobservable inputs).

31 December 2023 *(in EUR '000)*	Note	Mandatorily at fair value FVTPL - other	FVOCI - equity instruments	Financial assets at amortised costs	Other financial payables	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value										
Derivatives	14	1,854	13,298	–	–	**15,152**	–	15,152	–	**15,152**
Total		**1,854**	**13,298**	–	**–**	**15,152**	**–**	**15,152**	**–**	**15,152**
Financial assets not reported at fair value										
Trade and other receivables	15	–	–	38,877	–	**38,877**	–	–	–	**–**
Provided loans	13	–	–	246,342	–	**246,342**	–	246,342	–	**246,342**
Other financial assets	13	–	–	37,953	–	**37,953**	–	–	–	**–**
Cash and cash equivalents	18	–	–	96,540	–	**96,540**	–	–	–	**–**
Total		**–**	**–**	**419,712**	**–**	**419,712**	**–**	**246,342**	**–**	**246,342**
Financial payables reported at fair value										
Derivatives	14	5,995	1,071	–	–	**7,066**	–	7,066	–	**7,066**
Total		**5,995**	**1,071**	**–**	**–**	**7,066**	**–**	**7,066**	**–**	**7,066**
Financial payables not reported at fair value										
Secured bank loans	20	–	–	–	36,313	**36,313**	–	36,313	–	**36,313**
Loans from related parties	20	–	–	–	196,658	**196,658**	–	196,658	–	**196,658**
Loans from third parties	20	–	–	–	6,586	**6,586**	–	6,586	–	**6,586**
Trade and other payables	22	–	–	–	69,487	**69,487**	–	–	–	**–**
Non-current bonds	21	–	–	–	278,073	**278,073**	–	278,073	–	**278,073**
Current bonds	21	–	–	–	59,372	**59,372**	–	59,372	–	**59,372**
Total		**–**	**–**	**–**	**646,489**	**646,489**	**–**	**577,002**	**–**	**577,002**

31 December 2022 *(in EUR '000)*	Note	Mandatorily at fair value FVTPL - other	FVOCI - equity instruments	Financial assets at amortised costs	Other financial payables	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value										
Derivatives	14	17,338	9,638	—	—	**26,976**	—	26,976	—	**26,976**
Total		**17,338**	**9,638**	**—**	**—**	**26,976**	**—**	**26,976**	**—**	**26,976**
Financial assets not reported at fair value										
Trade and other receivables	15	—	—	22,770	—	**22,770**	—	—	—	**—**
Provided loans	13	—	—	224,850	—	**224,850**	—	224,850	—	**224,850**
Other financial assets	13	—	—	6,825	—	**6,825**	—	—	—	**—**
Cash and cash equivalents	18	—	—	32,387	—	**32,387**	—	—	—	**—**
Total		**—**	**—**	**286,832**	**—**	**286,832**	**—**	**224,850**	**—**	**224,850**
Financial payables reported at fair value										
Derivatives	14	2,400	—	—	—	**2,400**	—	2,400	—	**2,400**
Total		**2,400**	**—**	**—**	**—**	**2,400**	**—**	**2,400**	**—**	**2,400**
Financial payables not reported at fair value										
Secured bank loans	20	—	—	—	42,642	**42,642**	—	42,642	—	**42,642**
Loans from related parties	20	—	—	—	223,847	**223,847**	—	223,847	—	**223,847**
Loans from third parties	20	—	—	—	4,233	**4,233**	—	4,233	—	**4,233**
Trade and other payables	22	—	—	—	7,166	**7,166**	—	—	—	**—**
Long-term bonds	21	—	—	—	189,162	**189,162**	—	189,162	—	**189,162**
Short-term bonds	21	—	—	—	1,057	**1,057**	—	1,057	—	**1,057**
Total		**—**	**—**	**—**	**468,107**	**468,107**	**—**	**460,941**	**—**	**460,941**

(a) Credit Risk

i. Credit Risk Exposure

Credit risk is a risk of the Company incurring a financial loss if the customer or counterparty fails to meet its contractual obligations in transactions with financial instruments. The risk primarily arises in respect of the Company's amounts due from customers and in respect of loans and borrowings. Credit risk is limited in respect of highly liquid assets (cash product on bank accounts) given that counterparties are entities with high credit ratings.

As of the balance sheet date, the maximum credit risk exposure is divided by counterparty as shown in the following tables.

The majority of financial assets as of 31 December 2023 are from counterparties within the European Union, with the exception of a loan to a counterparty in Serbia in the amount of EUR 4,199 thousand (31 December 2022: EUR 5,418 thousand) and in the USA in the amount of EUR 2,167 thousand (31 December 2022: EUR 2,151 thousand).

<u>Credit Risk Management in Respect of Trade and Other Receivables</u>

The Company reviews the financial positions of its existing customers and regularly assesses their creditworthiness. In respect of new customers requesting goods and services above a certain limit (determined on the basis of the size and nature of the specific business), the customer is firstly subject to an individual analysis of creditworthiness and only then are standard payment and supply terms proposed to it.

The Company assesses the credit quality of customers by reference to their financial position, historical experience and other factors. Individual limits for managing this risk are determined based on internal or external ratings in compliance with the limits stipulated by the Company's internal guidelines. The Company's management regularly assesses the level of credit risk and the size of its exposure and, at least on a monthly basis, monitors the balance of overdue trade receivables. The Company also requires that its customers provide it with appropriate forms of guarantees or collateral.

<u>Impairment Loss and Write-Off of Receivables</u>

The Company recognises allowances for impairment based on an estimate of future expected losses that may be incurred in respect of trade receivables, other receivables and provided loans. Expected future losses are estimated in compliance with the methodology applied by the Company.

To measure expected credit losses in relation to the transition to IFRS 9, trade receivables, loans and other receivables were assessed based on the customer's individual rating and days past due (referred to as the "individual approach"). The Company set the individual assessment of receivables in relation to the rating of the debtor's country, the reason being that a majority of the Company's business transactions are concluded with entities directly or closely related to state and public institutions.

Receivables are classified by country of origin of the business from which the receivable is recorded. These countries were assigned rating based on an assessment by Standard and Poors. Using this rating, receivables are classified into three groups based on the risk of potential failure to recover the receivables:

The first low-risk group includes receivables from entities based in countries with a rating of AAA to A-, which are considered to be stable with a low risk of default. A probability of default of 0.1% has been assigned to this group of receivables. This probability corresponds with a one-year probability of default of a corporate client included in the investment grade1 (refer to Default, Transition and Recovery: 2022 Annual Global Corporate Default And Rating Transition Study, Table No. 26).

The middle-risk group includes public entities from countries with a rating of A- to BB. This group has been assigned the probability of default at 1.8%. This value has been selected as the arithmetic average of the low-risk and high-risk values.

The highest-risk group includes private businesses from countries with a rating of BB- and worse, which has been assigned the highest probability of default at 3.5%. This probability corresponds with a one-year probability of default of a corporate client included in the speculative grade 2 (refer to Default, Transition and Recovery: 2022 Annual Global Corporate Default And Rating Transition Study, Table No. 26).

Furthermore, the Company has identified a group of critical receivables which includes receivables to bankrupt or insolvent entities, with a 100% probability of default. In this respect, the Company reports provisions at the level of lifetime loss in respect of all types of receivables (including provided loans).

The Company anticipates loss given default (LGD) at 100%.

The Company always reports lifetime expected credit loss in respect of trade receivables.

The allowance amount measured in line with the above-described rating-based system additionally includes factors specific to the given debtors, general economic conditions in the debtor's country and the assessment of the existing and expected development of the conditions as of the reporting date, including the recognition of the time value of money, if relevant.

In respect of other financial instruments, the Company reports lifetime expected credit loss for their duration, provided a significant increase in credit risk has occurred since initial recognition. However, if credit risk has not significantly increased since initial recognition in respect of the financial instrument, the Company will calculate the allowance for the loss arising from this financial instrument in the amount of expected credit losses over 12 months.

<u>Write-off of Receivables</u>

The Company assesses default receivables. If the receivable is assessed not to be recoverable by any means and the statute of limitations has expired – i.e. a period greater than 3 years from the due date – the Company's management will decide to write it off.

[1] Refer to Default, Transition and Recovery: 2022 Annual Global Corporate Default And Rating Transition Study | S&P Global Ratings (spglobal.com), table no. 26 – investment grade); Default, Transition, and Recovery: 2022 Annual Global Corporate Default And Rating Transition Study | S&P Global Ratings (spglobal.com)

[2] Refer to Default, Transition and Recovery: 2022 Annual Global Corporate Default And Rating Transition Study | S&P Global Ratings (spglobal.com), table no. 26 – speculative grade); Default, Transition, and Recovery: 2022 Annual Global Corporate Default And Rating Transition Study | S&P Global Ratings (spglobal.com)

Credit Risk by Counterparty

As of 31 December 2023

(in EUR '000)	Legal entities (non-financial institutions)	State, government	Financial institutions	Individuals	Other	Total
Assets						
Loans and other financial assets	224,676	–	15,178	59,907	–	299,761
Trade receivables and other assets	39,033	–	–	1,082	–	40,115
Cash and cash equivalents	–	–	96,540	–	–	96,540
Total	**263,709**	**–**	**111,718**	**60,989**	**–**	**436,416**

As of 31 December 2022

(in EUR '000)	Legal entities (non-financial institutions)	State, government	Financial institutions	Individuals	Other	Total
Assets						
Loans and other financial assets	137,612	–	26,975	94,062	–	258,649
Trade receivables and other assets	21,938	–	–	833	–	22,771
Cash and cash equivalents	–	–	32,387	–	–	32,387
Total	**159,550**	**–**	**59,362**	**94,895**	**–**	**313,807**

Impairment Losses

As of the balance sheet date, the aging analysis of financial assets (without derivatives), excluding cash and cash equivalents was as follows:

Financial assets

(EUR '000)	31 December 2023	31 December 2022
Before due date (net)	324,499	254,216
Past due date (net)	294	319
Total	**324,793**	**254,535**

The allowance for financial assets is used to recognise impairment losses, provided the Company does not conclude that the outstanding amount can no longer be recovered. In this situation, the amounts are considered to be irrecoverable and are written off directly through financial assets.

The aging analysis and impairment losses on financial assets excluding cash and cash equivalents as of the balance sheet date:

As of 31 December 2023:

(EUR '000)	Net carrying amount	Before due date	More than 0 days past due date	More than 91-180 days past due date	More than 180-360 days past due date	More than 360 days past due date	Allowance	Risk group 1	Risk group 2
		gross	gross	gross	gross	gross		net	net
Loans and other financial assets	**284,608**	284,882	–	–	–	1,038	(1,312)	274,070	10,538
Trade receivables and other financial assets	**32,134**	31,857	131	129	83	393	(459)	32,053	80
Total	**316,742**	**316,739**	**131**	**129**	**83**	**1,431**	**(1,771)**	**306,123**	**10,618**

As of 31 December 2022

(EUR '000)	Net carrying amount	Before due date	More than 0 days past due date	More than 91-180 days past due date	More than 180-360 days past due date	More than 360 days past due date	Allowance	Risk group 1	Risk group 2
		gross	gross	gross	gross	gross		net	net
Loans and other financial assets	**225,959**	226,215	–	–	74	3,587	(3,917)	214,360	11,599
Trade receivables and other financial assets	**22,115**	21,860	190	24	131	1,303	(1,393)	22,068	46
Total	**248,074**	**248,075**	**190**	**24**	**205**	**4,890**	**(5,310)**	**236,428**	**11,645**

In 2023, the rating of business partners in risk group 1 was between A and AAA, the rating of business partners in risk group 2 was between BBB and BB+.

In 2022, the rating of business partners in risk group 1 was between A and AAA, the rating of business partners in risk group 2 was between BB and A-, the rating of business partners in risk group 3 was BB-.

The following movements in allowances against financial assets were reported in the reporting period ended 31 December 2023:

(in EUR '000)	31 December 2023	31 December 2022
Balance at 1 January	**5,445**	**4,463**
Impairment losses reported during the period	96	1,260
Release (recognition) of impairment loss reported during the period	(3,741)	(431)
FX difference	(29)	153
Balance at 31 December	**1,771**	**5,445**

Release of impairment loss reported during period ended 31 December 2023 is connected primarily to write-off of receivables from companies that were in insolvency proceedings in previous period.

Impairment losses on loans and other financial assets as of 31 December 2022 primarily concern companies in insolvency proceedings.

(b) Liquidity Risk

Liquidity risk is a risk of the Company running into difficulties in meeting its commitments in relation to financial liabilities that are settled through cash or other financial assets.

The Company's management focuses on the methods used by financial institutions, i.e. diversifying the sources of funds. Thanks to the diversification, the Company is more flexible and its dependency, if any, on a single source of funding, is limited. Liquidity risk is primarily assessed by monitoring the changes in the structure of funding and by comparing the changes with the Company's liquidity risk management strategy.

The below-stated table presents a breakdown of the Company's financial assets and liabilities classified by their due dates, specifically by the period remaining from the balance sheet date until the contractual maturity date. In situations when options and payment schedules make earlier repayment possible, the Company applies maximum caution in assessing the due dates. Therefore, the due dates of liabilities are presented at the earliest possible dates and for assets at the latest possible date. Assets and liabilities without contractually stipulated due dates are classified under the "unspecified due date" category.

As of 31 December 2023

(in EUR '000)	Carrying amount	Contractual cash flows	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Unspecified due date
Liabilities							
Loans and borrowings	**239,556**	289,436	5,503	151,045	132,888	–	–
Bonds	**337,445**	436,850	7,024	80,443	349,383	–	–
Financial instruments and financial payables	**7,066**	7,066	–	2,779	4,287	–	–
Trade and other payables	**69,148**	69,148	–	69,148	–	–	–
Tax payables	**–**	–	–	–	–	–	–
Total	**653,215**	**802,500**	**12,527**	**303,415**	**486,558**	**–**	**–**

As of 31 December 2022

(in EUR '000)	Carrying amount	Contractual cash flows	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Unspecified due date
Liabilities							
Loans and borrowings	**270,722**	339,367	7,595	157,393	170,277	4,102	–
Bonds	**190,220**	242,284	4,631	14,951	222,655	47	–
Financial instruments and financial payables	**2,400**	2,400	–	659	1,741	–	–
Trade and other payables	**7,166**	7,143	3,000	4,143	–	–	–
Tax payables	**1,393**	1,393	1,393	–	–	–	–
Total	**471,901**	**592,587**	**16,619**	**177,146**	**394,673**	**4,149**	**–**

The contractual cash flows are higher than the carrying amount due to the inclusion of unrecognised future interest.

The Company does not expect that the cash flows included in the analysis of due dates would fall due earlier or in much larger volumes.

(c) Interest Rate Risk

During its activities, the Company is exposed to the risk of interest rate fluctuations, the reason being that the interest-bearing assets (including investments) and interest-bearing liabilities have various due dates or interest rate change dates. The period during which a specific financial instrument has a fixed interest rate shows to what extent the financial instrument is exposed to interest rate risk.

The Company manages interest rate risk through interest rate swaps.

As of 31 December 2023, the Company records interest rate swaps for the CZK bonds to hedge the floating interest rate 6M Pribor at fixed rates between 1.22% and 5.39% in the total amount of CZK 2,900,000 thousand (EUR 120,257 thousand) for the period between 2024 and 2026. For the EUR credit facility, the Company had an interest rate swap in the amount of EUR 120,290 thousand for the period between 2024 and 2028 to hedge the floating interest rate 1M-6M Euribor at fixed rates between 0.49% and 3.74%. The Company also records two cross currency interest rate swaps. One in the amount of CZK 467,480 thousand / EUR 19,050 thousand at a fixed exchange rate of 16.65% for the CZK part and 6M Euribor +11% for the EUR part. Another one in the amount of CZK 1,683,500 thousand / EUR 70,000 thousand at a fixed exchange rate 8% for the CZK part and fixed interest rate 7.18% for the EUR part.

As of 31 December 2022, the Company records interest rate swaps for the CZK bonds to hedge the floating interest rate 6M Pribor at fixed rates between 1.22% and 5.39% in the total amount of CZK 2,900,000 thousand (EUR 120,257 thousand) for the period between 2023 and 2026. For the EUR credit facility, the Company had an interest rate swap in the amount of EUR 155,039 thousand for the period between 2023 and 2028 to hedge the floating interest rate 1M-3M Euribor at fixed rates between 0.49% and 2.89%. The Company also records a CZK/EUR cross currency interest rate swap in the amount of CZK 467,480 thousand / EUR 19,050 thousand at a fixed exchange rate of 16.65% for the CZK part and 6M Euribor + 11% for the EUR part.

The table presented below presents information on the level of the Company's interest rate risk either based on the contractual maturity periods of the Company's financial instruments or – in respect of financial instruments remeasured at the market interest rate before the due date – based on the date of the next interest rate change. Assets and liabilities that do not have a contractually stipulated maturity period or do not bear interest are classified under the "unspecified due date" category.

Financial information relating to interest-bearing and non-interest-bearing assets and liabilities and their contractual maturity or restatement dates as of 31 December 2023 and 31 December 2022 not including the effects of derivatives and receivables from the payment of dividends and other financial assets are as follows:

As of 31 December 2023

	Floating interest rate			Fixed interest rate or unspecified	Total
(in EUR '000)	Less than 1 year	1 year to 5 years	More than 5 years		
Interest-bearing financial assets					
Loans and other financial assets	158,866	–	–	140,894	**299,760**
Total	**158,866**	**–**	**–**	**140,894**	**299,760**
Interest-bearing financial liabilities					
Bonds	144,455	–	–	192,990	337,445
Loans and borrowings - received	200,287	–	–	39,269	239,556
Total	**344,742**	**–**	**–**	**232,259**	**577,001**
Net interest-rate risk balance	**(185,876)**	**–**	**–**	**(91,365)**	**(277,241)**

As of 31 December 2022

(in EUR '000)	Floating interest rate: Less than 1 year	Floating interest rate: 1 yera to 5 years	Floating interest rate: More than 5 years	Fixed interest rate or unspecified	Total
Interest-bearing financial assets					
Loans and other financial assets	186,842	–	–	**71,807**	**258,649**
Total	**186,842**	**–**	**–**	**71,807**	**258,649**
Interest-bearing financial liabilities					
Bonds	174,964	–	–	15,256	190,220
Loans and borrowings - received	238,303	–	–	32,418	270,721
Total	**413,267**	**–**	**–**	**47,674**	**460,941**
Net interest-rate risk balance	**(226,425)**	**–**	**–**	**24,133**	**(202,292)**

Sensitivity Analysis

As of 31 December 2023, financial assets with a floating interest rate primarily include loans provided from subsidiaries of the Company and related companies and entities. As of 31 December 2023 and 2022, interest-bearing financial liabilities predominantly include loans from CSG subsidiaries and related companies and bonds. Out of the interest-bearing financial liabilities, especially bonds are subject to a floating interest rate. Following the recognition of the above-described derivative, as of 31 December 2023, only a portion of these issued bonds of EUR 27,165 thousand is effectively exposed to the floating interest rate risk (2022: EUR 69,706 thousand).

Bonds (in EUR '000)	Reporting period from 1 January to 31 December 2023	Reporting period from 1 January to 31December 2022
Decrease in interest rate by 100 basis point	272	697
Increase in interest rate by 100 basis points	(272)	(697)

Fair Value of Bonds

The fair value of CSG's bonds (net price without accrued interest as of 31 December 2023 is EUR 53,078 thousand for the VAR/24 issue, EUR 80,853 thousand for the VAR/26 issue, EUR 14,285 thousand for the VAR/26 issue issued in EUR, EUR 10,923 thousand for the VAR/27 issue issued in EUR and 179,086 thousand for the CSG 8,00/28 issued in CZK.

The fair value of CSG's bonds (net price without accrued interest) as of 31 December 2022 is EUR 82,933 thousand for the VAR/24 issue, EUR 82,408 thousand for the VAR/26 issue, and EUR 13,846 thousand for the VAR/26 issue issued in EUR and EUR 9,007 thousand for the VAR/27 issue issued in EUR.

(d) Currency Risk

The Company's financial positions and cash flows are affected by fluctuations in the effective foreign exchange rate.

The Company is exposed to currency risk in relation to sales, purchases and loans denominated in currencies other than the Company's functional currency, primarily in EUR.

As of 31 December 2023 and as of 31 December 2022, the Company was exposed to currency risk in the following scope:

As of 31 December 2023

(in EUR '000)	CZK	EUR	USD	Other*	Total
Assets					
Loans and other financial assets	188,960	101,157	1,212	8,431	**299,760**
Trade receivables and other assets	10,162	17,426	11,289	–	**38,877**
Cash and cash equivalents	22,736	69,744	4,060	–	**96,539**
Total assets	**221,858**	**188,327**	**16,561**	**8,431**	**435,177**
Liabilities					
Loans and borrowings	53,359	166,238	19,960	–	**239,557**
Financial instruments and financial liabilities	–	–	–	7,066	**7,066**
Bonds	311,303	26,142	–	–	**337,445**
Trade and other payables	65,074	1,248	2,826	–	**69,148**
Tax liabilities	–	–	–	–	–
Total liabilities	**429,736**	**193,628**	**22,786**	**7,066**	**653,216**

As of 31 December 2022

(in EUR '000)	CZK	EUR	USD	Other*	Total
Assets					
Loans and other financial assets	161,902	61,452	8,320	26,975	**258,649**
Trade receivables and other assets	19,871	2,760	140	–	**22,771**
Cash and cash equivalents	11,235	19,640	1,511	–	**32,386**
Total assets	**193,008**	**83,852**	**9,971**	**26,975**	**313,806**
Liabilities					
Loans and borrowings	75,935	192,611	2,176	–	**270,722**
Financial instruments and financial liabilities	–	–	–	2,400	**2,400**
Bonds	166,089	24,130	–	–	**190,219**
Trade and other payables	5,222	1,403	541	–	**7,166**
Tax liabilities	1,393	–	–	–	**1,393**
Total liabilities	**248,639**	**218,144**	**2,717**	**2,400**	**471,900**

**The Other column shows financial derivates*

The following material exchange rates applied during the year:

CZK	31 December 2023: Average rate	31 December 2023: Spot exchange rate as of the balance sheet date	31 December 2022: Average rate	31 December 2022: Spot exchange rate as of the balance sheet date
1 EUR	24.007	24.725	24.565	24.115
1 USD	22.210	22.376	23.360	22.616

Sensitivity Analysis

The strengthening of the Czech crown as of the balance sheet date (as presented below) compared to EUR and USD would result in an increase/decrease of equity as presented in the table below. The analysis is based on the departures from foreign currency exchange rates which the Company considered to be sufficiently likely as of the balance sheet date. The sensitivity analysis anticipates that all other variables, namely interest rates, will remain unchanged.

Effect on profit or loss (in EUR '000)	**31 December 2023**	**31 December 2022**
EUR (10% strengthening)	(13)	(318)
USD (10% strengthening)	(14)	16

The weakening of the Czech crown as of the balance sheet date compared to the above listed currencies would have the same effect (albeit with the opposite sign), provided that all the other variables remained the same.

(e) Operating Risk

Operating risk is a risk of losses arising from embezzlement, unlawful activities, errors, negligence, inefficiency or system failure. The risk of this type arises during all of the Company's activities and all of the corporate entities are exposed to it. Operating risk also includes legal risk.

The Company's objective is to manage operating risk so that balance is preserved between preventing financial losses and damage to the Company's good name on the one hand, and the total effectiveness of the costs incurred on the other hand. In addition, risk management procedures should not hinder initiative and creativity.

The primary responsibility for the implementation of control mechanisms to cope with operating risks is borne by management of each subsidiary. The Company's management is responsible for managing operating risks, whereby it may set the direction of procedures and measures resulting in the mitigation of operating risks and the adoption of decisions about:

- The acknowledgement of individual existing risks;
- The commencement of processes that will result in the mitigation of possible effects; or
- A decrease in the extent of risky activities or their full discontinuation.

(f) Commodity Risk

The Company's activities do not face a significant commodity risk.

(g) Capital Management

The Company's objective in managing capital is to have a sufficient amount of funds to finance additional acquisitions.

As of the balance sheet date, the Company reported the following ratio of debt to equity:

(in EUR '000)	**31 December 2023**	**31 December 2022**
Total liabilities	656,721	473,973
Cash and cash equivalents	(96,540)	(32,387)
Adjusted net debt	**560,181**	**441,586**
Total equity	158,190	199,431
Ratio of debt to equity	**3.54**	**2.21**

30. RELATED PARTIES

Definition of related parties

The Company's relations with related parties include relations with shareholders and other parties as disclosed in the table below.

(a) Summary of balances with related parties as of 31 December 2023 and 31 December 2022:

(in EUR '000)	**31 December 2023**		**31 December 2022**	
	Receivables and other financial assets	**Payables and other financial liabilities**	**Receivables and other financial assets**	**Payables and other financial liabilities**
Shareholders	61,316	35,547	95,079	26,789
Companies with controlling interest	145,178	230,357	92,956	201,475
Companies with significant interest	84	79	52	86
Key management of the Company	–	–	–	–
Other related parties	40,994	704	35,681	1,569
Total	**247,572**	**266,687**	**223,768**	**229,919**

(b) Summary of transactions with related parties as of 31 December 2023 and 31 December 2022:

(in EUR '000)	**Revenues 2023**	**Expenses 2023**	**Revenues 2022**	**Expenses 2022**
Shareholders	9,141	5,866	5,236	1,680
Companies with controlling interest	11,324	29,000	7,205	17,804
Companies with significant interest	242	34	84	11
Key management of the Company	–	–	–	–
Other related parties	3,736	566	1,383	452
Total	**24,443**	**35,466**	**13,908**	**19,947**

31. LEGAL DISPUTES

Dispute with SARN SD3LLC

Provisions for legal disputes are disclosed in the Note 23.

The Company continues as a defendant in litigation pending in the Superior Court of the State of Delaware, New Castle County, USA, captioned "SARN SD3 LLC v. Czechoslovak Group a.s, C.A. No. NI 7C-12-185EMD (CCLD)". The plaintiff is SARN SD3 LLC (SARN), a limited liability company located in the State of Delaware.

On December 13, 2017, SARN SD3 LLC ("SARN"), a Delaware limited liability company, commenced proceedings against us in Delaware for: (i) a breach of contractual obligations under a call option agreement between us and SARN for SARN to acquire 25% of the shares in our portfolio company, RETIA a.s. and (ii) a breach of fiduciary obligations under the call option agreement.

On September 28, 2018, SARN submitted an amended complaint to the court, which included: a claim against us for failing to pay a penalty amount to SARN of approximately CZK 56,875,000 (approximately EUR 2.3 million) plus interest under the call option agreement ("Count I"), and a separate breach of contractual fiduciary duty claim ("Count II"). Count II was settled in July 2022 and subsequently dismissed by the court. On December 23, 2020, the court issued its decision on Count I and granted SARN most of the relief sought in SARN's motions. On January 18, 2023, SARN filed a motion to amend the court's Count I decision and increase the penalty amount. SARN requested a higher penalty in the amount of approximately CZK 120 million (approximately EUR 4.8 million). On June 8, April 27, 2023, the court denied this motion and, following briefings on issues involving the calculation of pre- and post-judgment interest, on July 19, 2023 the court confirmed the Count I award in the total amount of CZK 80,214,396 (approximately EUR 3.2 million), consisting of a CZK 56,875,000 (approximately EUR 2.3 million) penalty amount and CZK 23,339,396 (approximately EUR 0.9 million) in pre-judgment interest. In November 2023 and January 2024, respectively, SARN and CSG filed a notice of appeal against said judgment and the matter remains pending on appeal.

32. SUBSEQUENT EVENTS

In the period between 31 December 2023 and the date of preparation of the annual report, the following changes occurred:

1. Changes in the Company's Management

As of 1 January 2024, Zdeněk Jurák was appointed Member of the Board of Directors.

As of 1 January 2024, Lukáš Andrýsek was appointed Member of the Board of Directors.

As of 1 January 2024, Ladislav Štorek was elected Vice-Chairman of the Board of Directors.

As of 1 January 2024, Michaela Katolická was elected Chairman of Supervisory Board.

2. Registered office

From 1 April 2024 the CZECHOSLOVAK GROUP has changed its registered office to the new address: U Rustonky 714/1, Karlín, 186 00 Prague 8.

3. Disposal of subsidiary

In February 2024, the equity investment in RELAZA SPV a.s was sold.

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of CZECHOSLOVAK GROUP a.s.

Having its registered office at: U Rustonky 714/1, Karlín, 186 00 Praha 8

Audit Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of CZECHOSLOVAK GROUP a.s. and its subsidiaries (hereinafter also the "Group") prepared on the basis of IFRS Accounting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as of 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information. In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the group of CZECHOSLOVAK GROUP a.s. as of 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How it was addressed
Existence of revenues and revenue recognition date	
The key audit matter is the Group's revenues (Note 8 to the consolidated financial statements). Revenues are a significant indicator in evaluating the Group's performance. Because the Group generates revenues from various types of activities, including construction contracts, on various markets and under various conditions, the existence of revenues and the revenue recognition date correctness represent a risk for the audit of the Group. Principally the recognition of revenue on construction contracts is based on a high degree of judgement applied by the Group.	In addressing this key audit matter we performed a combination of tests of internal controls and substantive testing. • We have obtained understanding of main revenue streams including evaluation of design and implementation of relevant controls. • At certain subsidiaries we performed test of operating effectiveness of relevant controls. • We performed a substantive test of specific revenue transactions on a sample basis. • We tested in detail whether revenue was recognised in the relevant reporting periods and whether revenue was not misstated through reporting in an incorrect period. • On a sample basis, we selected invoices recorded around the year-end and based on supporting documents related to these invoices we assessed if the revenue was recorded in the correct period. • We tested receivables by sending year-end confirmation letters to selected customers and compared the amounts confirmed by the customers with the balance of receivables reported by the Group. • We performed analytical tests of significant revenue accounts and compared the expected amount of revenues on the basis of our calculation with the amount presented in the accounting records. In the case of revenues from contracts with customers and construction contracts, we performed the following audit procedures: • We critically assessed the methodology applied by the Group to determine the stage of completion and subsequently, for the calculation of revenue on the basis of this stage of completion, compliance of the methodology with IFRS 15 *Revenue from Contracts with Customers*. • We evaluated the estimates made by the Group in respect of total and future expected costs and revenues on construction contracts. • We tested in detail the recognition of revenue on a sample of construction contracts, primarily focused on checking the used input data from contracts with customers and financial plans of construction contracts; in addition, we reviewed the calculation for mathematical correctness. • We cooperated with our internal IFRS 15 experts to assess and test the most significant contracts. • We assessed the adequacy of disclosures made in the notes to the consolidated financial statements with regard to revenues recognised in terms of the stage of completion of construction contracts and judgement applied.

Key Audit Matter	How it was addressed
Correctness and completeness of the presentation of financial liabilities (bank loans and bonds issued)	
The correctness and completion of the presentation of financial liabilities (Note 20 to the consolidated financial statements) represent a key audit matter since the Group uses significant external financing in the form of issued bonds and banking loans for its operating and investment activities. These types of financing carry covenants and other criteria, the evaluation of which by the Group has a material impact on the presentation of financial liabilities in the consolidated financial statements (e.g. on the presentation of long-term and short-term components).	Our audit procedures, included, among others: • We sent bank confirmation letters and based on received responses, we compared the confirmed amounts of bank loans with the amounts presented by the Group in the accounting records. • We determined whether the loan balance is appropriately presented as a short-term or long-term payable pursuant to the concluded contract, repayment schedule or bank confirmation letter. • With regard to issued bonds, we compared the information reported in public sources of the Prague Stock Exchange with the information disclosed in the consolidated financial statements. • We agreed the year-end balance of issued bonds to the confirmation from the issue manager. • We agreed the information on covenants in respect of received bank loans and issued bonds to supporting documentation (e.g. contract, prospectus). • We tested the mathematical correctness of the calculation of the covenants. • We assessed compliance with the relevant covenants. • We assessed the adequacy of disclosures made in the notes to the consolidated financial statements with regard to issued bonds and external funding in the form of bank loans.
Correctness and completeness of the presentation of loss allowances for trade and other receivables	
Determining the correctness and completeness of the presentation of loss allowances for trade and other receivables in accordance with IFRS 9 Financial Instruments (Notes 21 and 32 to the consolidated financial statements) is a key audit matter. The correct value of the allowance affects the information presented in the consolidated financial statements and has an impact on the Group's consolidated financial position as of 31 December 2023 and its consolidated financial performance for the year then ended.	In addressing this key audit matter, we performed a combination of tests of internal controls and substantive testing. • We tested the design and implementation of the key internal controls relating to the determination of loss allowances for trade and other receivables. • We critically assessed the methodology used by the Group to determine loss allowances based on compliance with IFRS 9 Financial Instruments. • We performed a substantive test on a selected sample of specific transactions. • We performed an assessment of the estimates made by the Group in relation to the recoverability of past due receivables. • We regularly discussed the determination of the correctness and completeness of loss allowances for trade and other receivables with the Group's management, including the impact on the Group's consolidated financial position as of 31 December 2023 and its consolidated financial performance for the year then ended.

Correctness and completeness of the presentation of the acquisition of a subsidiary	
The proper presentation of the acquisition of the controlling interest in the Fiocchi Group (Note 7.a.ii to the consolidated financial statements) represents an important matter for the Group's audit. As this extensive acquisition occurred before the end of 2022, the Group's assets and liabilities were not measured at fair value in 2022 and the acquisition accounting process was completed in 2023 and as a result company reports identified intangible asset and goodwill. Following the IFRS 3 and IAS 8 criteria, also comparative figures were revised.	Our audit procedures, included, among others: • We gained an understanding of the entire transaction, including the legal analysis of the purchase contract. • We communicated with the component auditor in Italy regarding the audit of the Fiocchi Group. • We agreed on the purchase price to the supporting documentation. • In collaboration with an internal expert, we assessed the correct application of IFRS 3 Business Combinations and, in particular, the assumption used by external appraiser and management of the Company to determine fair value of assets including newly identified intangible fixed assets and liabilities including put option. • We assessed the correctness of the calculation and recognition of goodwill and put option. • From the Group's management, we obtained the business plans of the Fiocchi Group for the coming period and assessed the existence of indicators of potential impairment of the goodwill recognized. We have evaluated appropriateness of impairment analysis prepared by management. • We assessed the adequacy of the information provided in the notes to the financial statements regarding this transaction.

Other Information in the Consolidated Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the consolidated Annual Report other than the consolidated financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors, the Supervisory Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit Report on the Financial Statements

<u>Opinion</u>

We have audited the accompanying financial statements of CZECHOSLOVAK GROUP a.s. (hereinafter also the "Company") prepared on the basis of IFRS Accounting Standards as adopted by the European Union, which comprise the statement of financial position as of 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of CZECHOSLOVAK GROUP a.s. as of 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

<u>Basis for Opinion</u>

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

<u>Key Audit Matters</u>

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How it was addressed
Valuation of investments in subsidiaries and associates	
The correct valuation of investments in subsidiaries and associates (Note 12 to the financial statements) represents a key audit matter. The Company reports investments in a number of companies that carry the risk of the value of the investment being greater than its fair value. The correct valuation requires a significant degree of judgement and estimates dependent upon, e.g. future demand or successful implementation of restructuring plans.	Our audit procedures included, among others: • We tested the design and implementation of key internal controls regarding the measurement of the value of interests in subsidiaries using the impairment indicator calculations and DCF models. • We critically assessed the indicators of potential impairment of investments in subsidiaries which may trigger the recognition of loss allowances. For this purpose, we primarily: o Compared the valuation of the investment with the amount of equity of the subsidiary at the balance sheet date; o Assessed the profitability of investments for the relevant reporting period; o Determined the amount of dividends and profit shares paid out. • Where the indicator of potential impairment of investments in subsidiaries was identified, we focused on: o Inquiring the company's management and the reasons that led to the recognition or non-recognition of an allowance; o Assessing financial plans prepared by the subsidiaries; and o Assessing whether the allowance is recognised appropriately and in a sufficient amount. o We assessed the adequacy of disclosures made in the notes to the financial statements with regard to material investments and their financial position and profitability.
Correctness and completion of the presentation of financial liabilities (bank loans and bonds issued)	
The correctness and completion of the presentation of financial liabilities (Notes 20 and 21 to the financial statements) represent a key audit matter since the Company uses significant external financing in the form of issued bonds, borrowings and banking loans for its operating and investment activities. These types of financing carry covenants and other criteria, the evaluation of which by the Company has a material impact on the presentation of financial liabilities in the financial statements (e.g. on the presentation of long-term and short-term components).	Our audit procedures, included, among others: • We sent bank confirmation letters and based on received responses, we compared the confirmed amounts of bank loans with the amounts presented by the Company in the accounting records. • We determined whether the loan balance is appropriately presented as a short-term or long-term payable pursuant to the concluded contract, repayment schedule or bank confirmation letter. • With regard to issued bonds, we compared the information reported in public sources of the Prague Stock Exchange with the information disclosed in the financial statements. • We agreed the year-end balance of issued bonds to the confirmation from the issue manager. • We agreed the information on covenants in respect of received bank loans and issued bonds to supporting documentation (e.g. contract, prospectus). • We tested the mathematical correctness of the calculation of the covenants.

Key Audit Matter	How it was addressed
	• We assessed compliance with the relevant covenants. • We assessed the adequacy of disclosures made in the notes to the consolidated financial statements with regard to issued bonds and external funding in the form of bank loans.
Correctness and completeness of the presentation of loss allowances for trade and other receivables	
Determining the correctness and completeness of the presentation of loss allowances for trade and other receivables in accordance with IFRS 9 Financial Instruments (Notes 15 and 29 to the financial statements) is a key audit matter. The correct value of the loss allowance affects the information presented in the financial statements and has an impact on the Group's financial position as of 31 December 2023 and its financial performance for the year then ended.	In addressing this key audit matter, we performed a combination of tests of internal controls and substantive testing. • We critically assessed the methodology used by the Group to determine loss allowances based on compliance with IFRS 9 Financial Instruments. • We performed a substantive test on a selected sample of specific transactions. • We performed an assessment of the estimates made by the Group in relation to the recoverability of past due receivables. • We regularly discussed the determination of the correctness and completeness of loss allowances for trade and other receivables with the Group's management, including the impact on the Group's financial position as of 31 December 2023 and its financial performance for the year then ended.

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Consolidated Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and the Audit Committee are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors, the Supervisory Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 31 August 2023 and our uninterrupted engagement has lasted for six years.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 4 April 2024 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. We provided the following non-audit services to Company which are not disclosed in the financial statements.

- Agreed-upon procedures according to ISRS 4400 for the component EXCALIBUR ARMY spol. s.r.o.
- Agreed-upon procedures according to ISRS 4400 for the component TATRA DEFENCE VEHICLE a.s.
- Agreed-upon procedures according to ISRS 4400 for the component TATRA TRUCKS a.s.
- Agreed-upon procedures according to ISRS 4400 for CZECHOSLOVAK GROUP a.s.
- Agreed-upon procedures according to ISAE 3420 for CZECHOSLOVAK GROUP a.s.

- Comfort letter for prospectus for CZECHOSLOVAK GROUP a.s.
- Report on pro forma financial information included in the prospectus according to ISAE 3420 for CZECHOSLOVAK GROUP a.s.
- Financial Due Diligence services and Tax Due Diligence services for CZECHOSLOVAK GROUP a.s.

Report on Compliance with the ESEF Regulation

We have conducted a reasonable assurance engagement on the verification of compliance of the financial statements and the consolidated financial statements included in the consolidated annual report with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation") that apply to the financial statements and the consolidated financial statements.

Responsibilities of the Board of Directors

The Company's Board of Directors is responsible for the preparation of the financial statements and the consolidated financial statements in compliance with the ESEF Regulation. Inter alia, the Company's Board of Directors is responsible for:

- The design, implementation and maintenance of the internal controls relevant for the application of the requirements of the ESEF Regulation;
- The preparation of all financial statements included in the consolidated annual report in the valid XHTML format; and
- The selection and use of XBRL mark-ups in line with the requirements of the ESEF Regulation.

Auditor's Responsibilities

Our task is to express a conclusion whether the financial statements and the consolidated financial statements included in the consolidated annual report are, in all material respects, in compliance with the requirements of the ESEF Regulation, based on the audit evidence obtained. Our reasonable assurance engagement was conducted in accordance with the International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

The nature, timing and scope of the selected procedures depend on the auditor's judgment. A reasonable assurance is a high level of assurance; however, it is not a guarantee that the examination conducted in accordance with the above standard will always detect a potentially existing material non-compliance with the requirements of the ESEF Regulation.

As part of our work, we performed the following procedures:

- We obtained an understanding of the requirements of the ESEF Regulation;
- We obtained an understanding of the Company's internal controls relevant for the application of the requirements of the ESEF Regulation;

- We identified and evaluated risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- Based on this, we designed and performed procedures responsive to those risks and aimed at obtaining a reasonable assurance for the purposes of expressing our conclusion.

The aim of our procedures was to assess whether:

- The sets of financial statements included in the consolidated annual report were prepared in the valid XHTML format;
- The data in the consolidated financial statements were marked up where required by the ESEF Regulation and all mark-ups meet the following requirements:
    - XBRL mark-up language was used;
    - The elements of the core taxonomy specified in the ESEF Regulation with the closest accounting meaning were used, unless an extension taxonomy element was created in compliance with the ESEF Regulation; and
    - The mark-ups comply with the common rules for mark-ups pursuant to the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Company's financial statements and the consolidated financial statements for the year ended 31 December 2023 included in the consolidated annual report are, in all material respects, in compliance with the requirements of the ESEF Regulation.

In Prague on 4 April 2024

Audit firm:	Statutory auditor:
Deloitte Audit s.r.o. registration no. 079	David Batal registration no. 2147

Other Regulatory Disclosures

The Group's Corporate Governance Strategy

Principles of Internal Control and Approach to Risks in Relation to the Financial Reporting Process

CZECHOSLOVAK GROUP keeps its accounts in accordance with the national Act on Accounting and the International Financial Reporting Standards (IFRS) as adopted by the EU. Other entities within the Group also report for consolidation purposes in accordance with the IFRS, regardless of local accounting regulations.

Accounting documents are approved either in the electronic approval system or by a designated employee (the chief accounting officer, financial manager or CFO).

Only designated employees have access to the accounting software, pursuant to approval by a senior employee and a system administrator.

Accounting and approval processes are contained in internal guidelines that are regularly revised and updated as needed.

The control system involves an annual physical inventory count of assets and a document-based inventory of balances on balance-sheet accounts. The accuracy of accounting is audited annually by an independent auditor.

The Company additionally uses an internal audit, which checks adherence to the approved internal processes.

Random inspections are additionally performed by the Company's Board of Directors, Supervisory Board and Audit Committee.

Any deficiencies found are remedied without delay.

Description of Procedures Used by the Company's Bodies in Decision-Making

The information on the procedure used in decision-making by the Company's bodies is discussed in section "Governance."

Information on Codes of the Company's Governance

In accordance with Section 118 (4) of Act No. 256/2004 Coll., on Capital Market Undertakings, in regard to information on codes of corporate governance that are binding for the Company or that the Company is adhering to voluntarily, the Group states that it is governed by and adheres to all requirements for corporate governance stipulated by the generally binding legal regulations of the Czech Republic, primarily Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the Business Corporations Act), Act No. 563/1991 Coll., on Accounting, Act No. 256/2004 Coll., on Capital Market Undertakings, and the related legal norms.

At the same time, the Group is actively responding to a dynamically developing corporate governance legislation framework. To provide for due and effective governance, it has approved the internal CSG Corporate Governance Code, which is a declaration of adoption of the principal standards of the Corporate Governance Code of the Czech Republic (2018) issued by the Institute of Members of Administrative Bodies based on international standards of corporate governance (primarily the G20/ OECD Principles of Corporate Governance from 2015).

The Code forms an integral part of the Group's internal standards as well as the Group's new project addressing corporate responsibility and sustainable business (more information on these matters is available in the standalone Sustainability Report).

Declaration on Conflicts of Interest and Adherence to Good Corporate Governance

CSG is not aware of any possible conflicts of interest between the obligations of members of the Board of Directors and the Supervisory Board in relation to CSG and their private or other obligations. CSG adheres to all of the Group's corporate governance requirements stipulated by the generally binding legal regulations of the Czech Republic, primarily the Civil Code and the Business Corporations Act.

Note to ESEF version

Due to the technical limitations inherent to the block-tagging of the consolidated financial statements according to the European single electronic format, the content of certain tags of the notes may not be rendered identically to the accompanying consolidated financial statements.

Diversity policy

Since September 1 2019, in line with Section 118 (4) l) of Act No. 256/2004 Coll., on Capital Market Undertakings, CSG has applied a diversity policy aiming at a balanced and diverse composition for the Company's Board of Directors and the Supervisory Board, primarily as regards its members' age, gender, education, and professional knowledge and experience.

The nomination committee, serving as an advisory body to the General Meeting:

● assesses candidates for filling vacancies in the Board of Directors and the Supervisory Board and recommends them to the General Meeting for its approval;

● regularly evaluates the knowledge, skills, and experience of individual members of the Board of Directors and the Supervisory Board, and of these bodies as a whole, at least once a year, and presents the corresponding reports to the General Meeting; and

● assesses the structure, size, composition, and activities of the Board of Directors and the Supervisory Board at least once a year and presents recommendations to the General Meeting regarding changes.

A candidate's suitability is always assessed by the committee in line with the principles determined by the policy; consideration is primarily given to the criteria of adequate education, professional work experience, understanding of the Company's activities, moral integrity, time availability given the position's time requirements, reliability, and previous activities. Every candidate is also assessed in the context of the diversity of the elected body as a whole in terms of experience, education, professional knowledge, gender, and age.

At its meeting held in 2023, the nomination committee also made a regular assessment of the collective adequacy of the members of the Board of Directors and the Supervisory Board and evaluated the structure, size, composition, and activities of these bodies. More information regarding this issue can also be found in the standalone Sustainability Report.

Fees Paid to the Auditing Firm

The total fees paid to the auditing firm and its related parties in 2023 and 2022 were as follows:

In EUR thousand (EUR '000)

	Year ended December 31, 2023		Year ended December 31, 2022		Year ended December 31, 2021	
	Consolidated group	of which parent company	Consolidated group	of which parent company	Consolidated group	of which parent company
Statutory audit	1,502	324	1,250	247	809	10
Other assurance services	132	121	2	–	1	55
Tax advisory	–	–	5	2	5	2
Other services	1,395	1,396	19	–	50	–
Total	3,029	1,841	1,275	249	865	67

Definition of Net Debt to EBITDA Covenant

Reason for inclusion: The consolidated net debt ratio is a selected non-IFRS financial indicator listed in the prospectus of bonds due in 2028, ISIN CZ0003534174 (similarly as for the bonds due in 2026, ISIN CZ0003532681 and the bonds due in 2024, ISIN CZ0003523151). The prospectus has been published on CSG's website (**https://czechoslovakgroup.com/**) and in the Central Storage of Regulated Information on the Czech National Bank's website.

Net Debt to EBITDA = NET DEBT / ADJUSTED EBITDA (Pro Forma)
Net debt Debt − Cash and Cash Equivalents (from the consolidated statement of financial position) "Debt" as used here means the total outstanding amount of the principal, capital, or nominal value (including the fixed or minimum premium in the event of early repayment or purchase) of the debts of such an entity, as regards the following: (a) borrowed cash and debit balances on accounts in banks or other financial institutions; (b) acceptance within an acceptance or discount loan (or its equivalent in a dematerialized form); (c) a loan for the purchase of bonds (note purchase facility) or issue of bonds (other than trading instruments), debentures, bills of exchange, obligations, borrowed shares or any other similar securities;

(d) sold or discounted receivables (except for receivables sold without recourse while meeting the requirements for elimination from the balance sheet ["derecognition"] under IFRS);

(e) an obligation of indemnification relating to a guarantee, warranty, stand-by or documentary letter of credit, or another bank instrument (with the exclusion of trading instruments) issued by a bank or financial institution in relation to (i) underlying debt of an entity (that is not a relevant entity) falling under any of the other items of this definition; or (ii) debts of a relevant entity involving a plan of retirement benefits;

(f) any amount obtained through an issue of redeemable shares (in a different manner than as selected by the Issuer) or shares that are otherwise classified as borrowings under IFRS;

(g) the amount of any debt arising from a previously concluded purchase contract or a purchase contract with deferred effect if (i) one of the principal reasons for this contract's conclusion is to obtain funds or finance an acquisition or construction of a relevant asset (or assets) or service; and (ii) the contract relates to the supply of assets or services, and the payment is due more than 180 days after the supply date;

(h) any amount obtained as part of another transaction (including a contract for a forward purchase or sale, agreements on sale and resale or contracts for sale and leaseback) that has the commercial effect of a borrowing/loan or that is otherwise classified as a borrowing/loan under IFRS; and

(i) (without double offsetting) the amount of any debt arising from a guarantee or indemnification for any of the items listed in (a) through (h) above.

"Debt" as used here does not include:

(a) any lease of assets that would be treated as a lease under IFRS 16 (in the wording effective as of the issue date) or any guarantee provided by a relevant entity or its subsidiary as part of the ordinary course of business solely in connection and in relation to debts of a relevant entity and its subsidiary as part of a lease; provided that, if there are any changes in the IFRS after the issue date, an assessment and determination of whether the lease is treated as a lease under the IFRS in the wording effective as of the issue date will be performed on the basis of the reasonable judgement of the relevant entity's CFO (or any person in a similar senior accounting position at the relevant entity) made in good faith in a manner that is in line with the existing procedures and after the application of the IFRS principles (in the wording effective as of the issue date);

(b) pension debt;

(c) potential debts as part of the ordinary course of business;

(d) in relation to the purchase or sale of any business by a relevant entity or its subsidiary, any adjustments (allowances) made after the completion of the transaction (settlement) to which the seller may be authorized in the scope in which the relevant payment is determined in the final balance sheet or in which the payment depends on the performance of such an entity after the completion of the transaction (settlement);

(e) for the avoidance of doubt: any potential debts in relation to the entitlement of employees for indemnification, debts that arose from early retirement or the early termination of a contract, debts of a pension fund or contributions to a pension fund and/or other similar claims, debts, or contributions, and social security payments or payroll tax; and

(f) borrowings/loans provided by the issuer or its subsidiary to any subsidiary in anticipation of a future payment of dividends to the issuer or its subsidiary in the period of 12 months from the provision of the relevant borrowing/loan, provided that such a subsidiary has or will have available provisions representing the profit for distribution, i.e. for the payment of future dividends for the relevant period.

As there are no generally accepted accounting principles governing the calculation of non-IFRS financial and operating measures, other companies may calculate such measures differently or may use such measures for different purposes than we do, and therefore you should exercise caution in comparing these measures as reported by us to such measures or other similar measures as reported by other companies. An investor should not consider these non-IFRS measures (a) as a substitute for operating results (as determined in accordance with IFRS) or as a measure of our operating performance, (b) as a substitute for cash flow from or used in operating, investing, and financing activities (as determined in accordance with IFRS), or as a measure of our ability to meet cash needs, or (c) as a substitute for any other measure of performance under IFRS. These measures may not be indicative of our historical operating results or financial condition, nor are such measures meant to be predictive of our future results or financial condition. Even though the non-IFRS financial measures are used by our management to assess our financial position, and financial results and liquidity and these types of measures are likewise commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our financial position or results of operations as reported under IFRS.

CZECHOSLOVAK GROUP a.s.

REPORT ON RELATIONS

drawn up for the period from January 1, 2023 to December 31, 2023

Controlled entity:

Business name:	**CZECHOSLOVAK GROUP a.s.**
Registered Office:	Pernerova 691/42, Karlín, 186 00 Prague 8, Czech Rep.
Identification No (IČO):	034 72 302
File No.:	B 20071 filed with the Metropolitan Court in Prague

CZECHOSLOVAK GROUP a.s., Identification No (IČO): 034 72 302, having its registered office at Pernerova 691/42, Karlín, 186 00 Prague 8, Czech Republic, registered in the Czech Register of Companies under file No. B 20071 maintained at the Metropolitan Court in Prague (hereinafter referred to as the “**Company**”), is obliged to prepare a “report on related party transactions between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity” for the 2023 financial year (hereinafter referred to as “**Related Parties**”) pursuant to the provisions of Section 82 of Act No. 90/2012 Sb. (Collection of Laws), on Business Corporations, as amended (hereinafter referred to as the “**Report on Relations**”).

I. Controlling Entity

Until June 27, 2022, Mr. Michal Strnad was the controlling entity of CZECHOSLOVAK GROUP a.s., the controlled entity. Since June 28, 2022, CSG FIN a.s., Identification No. (IČO): 14141442, a company having its registered office at Na Poříčí 1071/17, Nové Město, 110 00 Prague 1, Czech Republic, registered in the Register of Companies under file No. B 26982 maintained at the Metropolitan Court in Prague, has been the controlling entity of the Company.

CSG FIN a.s. is controlled by Michal Strnad. This is also true as of 31 December 2023.

II. Structure of Relations between the Controlling Entity and the Company and between the Company and Entities Controlled by the Same Controlling Entity

The structure of the relationships is set out in Appendix 1 hereto.

As regards TATRA TRUCKS a.s. (Identification No. (IČO): 1482840), NIKA Development a.s. and PROMET TOOLS, a.s. control this company by acting in concert through their direct shares in the controlled entity, i.e., through the decisions adopted by the Company’s General Meeting as the supreme body of the company.

III. Role of the Company, Method and Means of Control

The primary role of the Company is to be the entity under whose patronage the activities of its subsidiaries in the Czech Republic, Slovakia, Italy, Spain, and other countries are performed. During the reporting period, no measures or other legal actions were taken or implemented by the Company in the interest, or at the instigation, of the controlling entity or entities controlled by the same controlling entity that would give the Company special advantages or impose special obligations upon it. The Company does not receive any special benefits in connection with the control, nor does it incur any special obligations toward the controlling entity and/or entities controlled by the same controlling entity in addition to those agreed upon in the agreements referred to in Article V of this Report on Relations.

The controlling entity exercises control through its ownership rights by means of resolutions adopted at the General Meetings of the Company (or more precisely, decisions of the Company’s sole shareholder). The methods and means of the Company’s control include the Company’s Articles of Association and decisions of the Company’s supreme body. Accordingly, there are no special agreements between the Company and the controlling entity in relation to the method and means of control of the Company.

IV. Summary of Actions Performed pursuant to Section 82 (2) (d) of Czech Act No. 90/2012 Sb. (Collection of Laws), on Business Corporations, as Amended

During the relevant period, the Company did not take any actions at the instigation or in the interest of the controlling entity, or entities controlled by the controlling entity, that would involve the disposal of assets exceeding 10% of the Company's equity as determined by the financial statements for the reporting period immediately preceding the reporting period for which this Report on Relations has been prepared.

V. List of Mutual Contracts and Agreements Entered into by and between the Controlled Entity and the Controlling Entity or between Controlled Entities

During the relevant period, the Company entered into the following agreements with the controlling entity and the Related Parties, each of which are on record with the Company:

According to its records, the Company has a share transfer agreement with CS SOFT a.s.
According to its records, the Company has loan agreements with TATRA DEFENCE VEHICLE a.s.
According to its records, the Company has loan agreements with EXCALIBUR INTERNATIONAL a.s.
According to its records, the Company has a loan agreement with MSM GROUP s.r.o.
According to its records, the Company has a loan agreement with ATRAK a.s.
According to its records, the Company has a loan agreement with ABIENNALE s.r.o.
According to its records, the Company has a loan agreement with KARBOX s.r.o.
According to its records, the Company has a receivable assignment agreement with CSG AEROSPACE a.s.
According to its records, the Company has a receivables set-off agreement with AVIA Motors s.r.o.
According to its records, the Company has a receivables set-off agreement with GERLENAIR a.s.
According to its records, the Company has a sub-licensing agreement with ETIA, a.s.
According to its records, the Company has loan agreements with TATRA TRUCKS a.s.
According to its records, the Company has a loan agreement with ARMY TRADE a.s.
According to its records, the Company has a loan agreement with EXCALIBUR ARMY spol. s r.o.
According to its records, the Company has a loan agreement with MSM LAND SYSTEMS s.r.o.
According to its records, the Company has an agreement on an additional contribution outside the share capital with CSG AEROSPACE a.s.
According to its records, the Company has a loan agreement with CSG DEAL a.s.
According to its records, the Company has a loan agreement with DEFENCE TRADE SLOVAKIA, s.r.o.
According to its records, the Company has loan agreements with CSG FIN a.s.
According to its records, the Company has an agreement on an additional contribution outside the share capital with CSG Ammo+ a.s.
According to its records, the Company has a loan agreement with VENILIA TRADE a.s.
According to its records, the Company has a loan agreement with TATRA a.s.
According to its records, the Company has a loan agreement with MEFITIS TRADE a.s.
According to its records, the Company has a loan agreement with CLEVELOPMENT SPV a.s.

According to its records, the Company has a loan agreement with ANGERONA TRADE a.s.
According to its records, the Company has a loan agreement with TRUCK SERVICE GROUP s.r.o.
According to its records, the Company has a loan agreement with CSG a.s.
According to its records, the Company has a loan agreement with TABLON SPV a.s.
According to its records, the Company has a loan agreement with CSG Land Systems a.s.
According to its records, the Company has a loan agreement with AVIEN, spol. s r.o.
According to its records, the Company has a loan agreement with LOSTR a.s.
According to its records, the Company has a loan agreement with ENVERCOTE a.s.
According to its records, the Company has a treasury services agreement with FABRICA DE MUNICIONES DE GRANADA S.L.
According to its records, the Company has a treasury services agreement with TABLON SPV a.s.
According to its records, the Company has an agreement on additional contribution outside the share capital with RELAZA SPV a.s.
According to its records, the Company has a receivable assignment agreement with MSM GROUP s.r.o.
According to its records, the Company has agreements on the provision of certain services with CSGM a.s.
According to its records, the Company has a treasury services agreement with CSG Land Systems CZ a.s.
According to its records, the Company has a receivables set-off agreement with Mr. Michal Strnad
According to its records, the Company has a loan agreement with ELDIS Pardubice, s.r.o.
According to its records, the Company has a debt payment agreement with CSG AUTOMOTIVE a.s.
According to its records, the Company has an agreement on an additional contribution outside the share capital with LBP 80 S.r.l.

VI. Assessment of whether the Company has Incurred Damage and Assessment of its Compensation pursuant to Sections 71 and 72 of Czech Act No. 90/2012 Sb. (Collection of Laws), on Business Corporations, as Amended

The Company uses services and funding from the Related Parties in the ordinary course of its business.

The Company represents that during the relevant period, there has not been any influence on the Company's conduct by an influencing entity or a controlling entity that has had a decisive and/or significant detrimental effect on the conduct of the Company. The Company represents that all the actions described in Article IV of this Report on Relations were taken, and the agreements described in Article V of this Report on Relations entered into, at arm's length conditions, and all the services provided and received under these agreements were also provided at arm's length conditions, and the Company has not incurred any damage as a result of these actions, and that it is therefore not necessary to consider compensation for damage pursuant to Sections 71 and 72 of Act No. 90/2012 Sb. (Collection of Laws), on Business Corporations and Cooperatives, as amended.

VII. Assessment of Advantages and Disadvantages Arising from the Relations between the Related Parties

The statutory body of the Company represents that, based on the assessment of the role of the Company vis-à-vis the controlling entity and entities controlled by the same controlling entity, the Company does not derive any special advantages and/or disadvantages from the relations between the Company and its controlling entity and/or entities controlled by the same controlling entity.

The Company's role vis-à-vis the controlling entity and entities controlled by the same controlling entity did not and does not represent any risk for the Company, and therefore it is not necessary to state whether and in what manner and in what period damage has been or will be compensated pursuant to Sections 71 and 72 of Act No. 90/2012 Sb. (Collection of Laws), on Companies and Cooperatives, as amended.

In Prague, March 28, 2024

David Chour
Vice-Chairman of the Board of Directors

Zdeněk Jurák
Member of the Board of Directors

APPENDIX 1
List of Companies Controlled Directly or Indirectly by the Same Controlling Entity

Companies controlled by CZECHOSLOVAK GROUP a.s.

CZECHOSLOVAK GROUP a.s. directly or indirectly controls the entities listed below:

Business name	Identification number, registered in	Registered office	Country of incorporation	Control	Note	Direct controlling entity
14. OKTOBAR d.o.o. Kruševac	21178772	Jasički put br. 2, 11104 Kruševac	Serbia	direct		CZECHOSLOVAK GROUP a.s.
ABIENNALE s.r.o.	27896871 file no. C 124968 (Metropolitan Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	direct	from September 25, 2023	CZECHOSLOVAK GROUP a.s.
ANGERONA TRADE a.s.	18008224 file no. B 27937 (Metropolitan Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	direct	from February 2, 2023	CZECHOSLOVAK GROUP a.s.
Armi Perazzi S.p.A.	03192910176	Via Daniele Perazzi, 1/3, Botticion, 25082	Italy	indirect	from December 14, 2023	LBP 80 S.r.l.
ARMY TRADE a.s.	06123724 file no. B 22516 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG DEFENCE a.s.
AsterIVF s.r.o.	03648311 file no. C 235869 (Metropolitan Court in Prague)	Sokolovská 810/304, Vysočany, 190 00 Prague 9	Czech Republic	indirect		Prague Fertility Centre s.r.o.
ATLAN GROUP, spol. s r.o.	35754222 file No. Sro 13718/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.
ATRAK a.s.	08208638 file No. B 24436 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		TRADITION CS a.s.
AVIA AVIATION a.s.	04837924 file No B 26187 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		50% CZECHOSLOVAK GROUP a.s., 50% Scott & Hagget Czech
AVIA Electric a.s.	08735654 file No. B 24931 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
AVIA Motors s.r.o.	27422356 file No. C 112025 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
AVIEN, spol. s r.o.	47539682 file No. C 19027 (Metropolitan Court in Prague)	Pernerova 691/42, Karlín, 186 00 Prague 8	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.

Business name	Identification number, registered in	Registered office	Country of incorporation	Control	Note	Direct controlling entity
Baschieri & Pellagri S.p.A.	00290260371	Via del Frullo 26, Castenaso	Italy	indirect		Fiocchi Munizioni S.p.A
C.F.L. S.a.s.	01768700021	STRADA VICINALE PALESTRINA 7 – 13040 – CARISIO	Italy	indirect		Fiocchi Munizioni S.p.A
CLEVELOPMENT SPV a.s.	17119952 file No. B 27268 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CLS Polska SP z.o.o.	0000433767	ul. Królowej Marysieńki 50A, 02-954 Warsaw	Poland	indirect	until November 30, 2023 shell company	Česká letecká servisní a.s.
CS SOFT a.s.	25781723 file No. B 15253 (Metropolitan Court in Prague)	Aviatická 1048/12, Ruzyně, 161 00 Prague 6	Czech Republic	indirect		TRADITION CS a.s.
CSG a.s.	11854855 file No. B 26633 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CSG AEROSPACE a.s.	03312208 file No. B 19923 (Metropolitan Court in Prague)	Pernerova 691/42, Karlín, 186 00 Prague 8	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CSG Ammo+ a.s.	11858061 file No. B 26638 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	On March 13, 2023, this entity changed its business name – formerly RUMPETA a.s.	CZECHOSLOVAK GROUP a.s.
CSG CENTRAL ASIA a.s.	05081335 file No. B 21532 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		FALCON CSG a.s.
CSG DEAL a.s.	11858095 file No. B 26641 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CSG DEFENCE a.s.	07333528 file No. B 23675 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CSG Elevate I Inc.	EIN 32-0749435	251 Little Falls Drive, Wilmington, 19808	United States of America	indirect	From September 26, 2023	CSG Ammo+ a.s.
CSG Elevate II Inc.	EIN 61-2126439	251 Little Falls Drive, Wilmington, 19808	United States of America	indirect	From September 26, 2023	CSG Elevate I Inc.

Business name	Identification number, registered in	Registered office	Country of incorporation	Control	Note	Direct controlling entity
CSG Elevate III Inc.	EIN 36-5083842	251 Little Falls Drive, Wilmington, 19808	United States of America	indirect	From September 26, 2023	CSG Elevate II Inc.
CSG EXPORT a.s.	06224971 file No. B 22599 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CSG HEALTH CARE a.s.	09326073 file No. B 25495 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		ENVERCOTE a.s.
CSG INDUSTRY a.s.	06015689 file No. B 22298 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CSG Land System SK a.s.	52830381 file No. Sa 10771/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		CSG Land Systems CZ a.s.
CSG Land Systems CZ a.s.	08584923 file No. B 24764 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG DEFENCE a.s.
CSG MOBILITY a.s.	08950181 file No. B 25126 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	On September 5, 2023, this entity changed its business name – formerly CSG RAIL a.s.	CZECHOSLOVAK GROUP a.s.
CSG RECOVERY s.r.o.	09579036 file No. C 338429 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSGM a.s.
CSG USA Inc.	117027146	14507 Kingsmill Way, Culpeper 22 701, Virginia	United States of America	indirect		EXCALIBUR INTERNATIONAL a.s.
CSGM a.s.	01384694 file No. B 19596 (Metropolitan Court in Prague)	Pernerova 691/42, Karlín, 186 00 Prague 8	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CZECH CAMOUFLAGE SYSTEMS a.s.	06135013 file No. B 22517 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG Land Systems CZ a.s.
CZECH DEFENCE SYSTEMS a.s.	24147133 file No. B 17410 (Metropolitan Court in Prague)	Náměstí 14. října 1307/2, Smíchov, 150 00 Prague 5	Czech Republic	indirect		CSG Land Systems CZ a.s.

Business name	Identification number, registered in	Registered office	Country of incorporation	Control	Note	Direct controlling entity
CZECHOSLOVAK EXPORT a.s.	04986512 file No. B 21489 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG EXPORT a.s.
CZECHOSLOVAKIA TRADE a.s.	50018175 file No. Sa 10724/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP, s.r.o.
Česká letecká servisní a.s.	25101137 file No. B 4510 (Metropolitan Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	indirect	until November 30, 2023	CSG AEROSPACE a.s.
DAKO-CZ EN, a.s.	19304307 file No. B 38869 (Regional Court in Hradec Králové)	Josefa Daňka 1956, 538 43 Třemošnice	Czech Republic	indirect	from May 2, 2023	DAKO-CZ, a.s.
DAKO-CZ INDIA PRIVATE LIMITED	U35999TG2022PTC162270	C408, Sterling Residency, Rmv Extn 2nd Stage, Near Dollars Colony, Bangalore North K, 560094	India	indirect	from March 27, 2023	DAKO-CZ, a.s.
DAKO-CZ MACHINERY, a.s.	10743952 file No. B 11386 (Regional Court in Ostrava)	Matuškova 1929/10, Slezská Ostrava, 710 00 Ostrava	Czech Republic	indirect		DAKO-CZ, a.s.
DAKO-CZ RE, s.r.o.	08741000 file No. C 44950 (Regional Court in Hradec Králové)	Josefa Daňka 1956, 538 43 Třemošnice	Czech Republic	indirect		DAKO-CZ, a.s.
DAKO-CZ SERVICE, s.r.o.	09243348 file No. C 45951 (Regional Court in Hradec Králové)	Josefa Daňka 1956, 538 43 Třemošnice	Czech Republic	indirect		DAKO-CZ, a.s.
DAKO-CZ TRANSELCO, s.r.o.	25733117 file No. C 47575 (Regional Court in Hradec Králové)	U Vápenky 562, 538 43 Třemošnice	Czech Republic	indirect	On August 22, 2023 this entity changed its business name – formerly TRANSEL CO CZ s.r.o.	DAKO-CZ, a.s.
DAKO-CZ, a.s.	46505091 file No. B 668 (Regional Court in Hradec Králové)	Josefa Daňka 1956, 538 43 Třemošnice	Czech Republic	indirect		TRIBLAN a.s.
DEFENCE SYSTEMS a.s.	07333544 file No. B 23691 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG DEFENCE a.s.
DEFENCE TRADE SLOVAKIA, s.r.o.	51087723 file No. Sro 35274/R (District Court in Trenčín)	Kasárenská 8, 911 02 Trenčín	Slovak Republic	indirect		MSM LAND SYSTEMS s.r.o.

Business name	Identification number, registered in	Registered office	Country of incorporation	Control	Note	Direct controlling entity
Development Přelouč s.r.o.	14267900 file No. C 49100 (Regional Court in Hradec Králové)	Tovární 1553, 535 01 Přelouč	Czech Republic	indirect		EXCALIBUR ARMY spol. s r.o.
EHC Service, s.r.o.	36507245 file No. C 524 (District Court in Košice)	Košice 1094, 040 15 Košice – municipal district of Poľov	Slovak Republic	indirect	until November 30, 2023	Slovak Training Academy, s.r.o.
ELDIS PARDUBICE INDIA PRIVATE LIMITED	U31900HR2021FTC098031	876 Sector 15 Part Ii , Gurgaon Haryana Gurgaon, 122001	India	indirect		ELDIS Pardubice, s.r.o.
ELDIS Pardubice, s.r.o.	15050742 file No. C 524 (Regional Court in Hradec Králové)	Dělnická 469, Pardubičky, 533 01 Pardubice	Czech Republic	indirect		CSG AEROSPACE a.s.
ELTON hodinářská, a.s.	25931474 file No. B 2007 (Regional Court in Hradec Králové)	Náchodská 2105, 549 01 Nové Město nad Metují	Czech Republic	indirect		MADE CS a.s.
ENGINEERING SPV a.s.	06926827 file No. B 23253 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00, Praha 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
ENVERCOTE a.s.	09326928 file No. B 25497 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
EUROPEAN AIR SERVICES s.r.o.	29131987 file No. C 202310 (Metropolitan Court in Prague)	Pernerova 691/42, Karlín, 186 00 Prague 8	Czech Republic	indirect		CSG AEROSPACE a.s.
EUROPEAN AIR SERVICES SLOVAKIA s. r. o.	52014673 file No. Sro 44919/V (District Court in Košice)	Košice 1094, 040 15 Košice – Poľov municipal district	Slovak Republic	indirect	until November 30, 2023	CSG AEROSPACE a.s.
EXCALIBUR ARMY HELLAS LTD	HE422321	Artemidos 5, 6020 Larnaca	Cyprus	indirect		EXCALIBUR ARMY spol. s r.o.
EXCALIBUR ARMY spol. s r.o.	64573877 file No. C 41695 (Metropolitan Court in Prague)	Kodaňská 521/57, Vršovice, 101 00 Prague 10	Czech Republic	indirect		CSG Land Systems CZ a.s.
EXCALIBUR DEFENCE SYSTEMS PRIVATE LIMITED	422321	Artemidos 5, 6020 Larnaca	Cyprus	indirect		EXCALIBUR ARMY spol. s r.o. (49%) and Nikhil Bajaj (51%)
EXCALIBUR INTERNATIONAL a.s.	29289688 file No. B 20148 (Metropolitan Court in Prague)	Sokolovská 675/9, Karlín, 186 00 Prague 8	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
EXCALIBUR INTERNATIONAL HU Kft.	327774	1011 Budapest, Fő utca 14-18.	Hungary	indirect	until June 30, 2023	EXCALIBUR INTERNATIONAL a.s.

Business name	Identification number, registered in	Registered office	Country of incorporation	Control	Note	Direct controlling entity
EXCALIBUR USA a.s.	04407571 file No. B 20938 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
FABRICA DE MUNICIONES DE GRANADA S.L.	B88295209	CTRA De Murcia S/N, 181 82 El Fargue, Granada	Spain	indirect		MSM GROUP s.r.o.
Fiocchi Munizioni S.p.A	00810220137	Via Santa Barbara 4, 23900 Lecco	Italy	indirect	merger with C3F S.p.A. and FCC S.p.A.	LAIRAN SPV a.s. (70%), Giulio Fiocchi S.p.A. (25%), Fiocchibi S.p.A. (5%)
Fiocchi of America Inc.	00250555	6930 North Freemont Road, 65721 Ozark, Missouri	United States of America	indirect		Fiocchi Munizioni S.p.A
Fiocchi UK Limited	06221537	Raddle Farm, Raddle Lane, Edingale, WS13 8XA Staffordshire	United Kingdom	indirect		Fiocchi Munizioni S.p.A
GACEL Holding s.r.o.	17076544 file No. C 366227 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect	deleted on October 1, 2023	CSG DEFENCE a.s.
GAMA OCEL, spol. s r.o.	26295849 file No. C 42332 (Regional Court in Brno)	Bratislavská 406/4, 69501 Hodonín	Czech Republic	indirect	until December 21, 2023	GACEL Holding s.r.o.
GAUSSIN S.A.	676250038	11 rue du 47ième RA, Héricourt, 70400	France	indirect		TABLON SPV a.s.
GERLENAIR a.s.	9326791 file No. B 25496 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
HARVO Reality s.r.o.	14154013 file No. C 88122 (Regional Court in Ostrava)	Olomoucká 1841/175, 785 01 Šternberk	Czech Republic	indirect	On January 12, 2023 the entity changed its business name – formerly HARVO SPV s.r.o.	EXCALIBUR ARMY spol. s r.o. (50%), STV INVEST a.s. (50%)
HELI COMPANY s.r.o.	36492124 file No. Sro 14788/P (District Court in Prešov)	Vranovská 72, 080 01 Prešov	Slovak Republic	indirect	until November 30, 2023	Slovak Training Academy, s.r.o.
HTH land a.s.	06143946 file No. B 22493 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
INTEGRA CAPITAL a.s.	27528103 file No. B 21504 (Metropolitan Court in Prague)	Pernerova 691/42, Karlín, 186 00 Prague 8	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
JOB AIR Technic a.s.	27768872 file No. B 3029 (Regional Court in Ostrava)	Gen. Fajtla 370, 742 51 Mošnov	Czech Republic	indirect		CSG AEROSPACE a.s.

Business name	Identification number, registered in	Registered office	Country of incorporation	Control	Note	Direct controlling entity
JWL DAKO-CZ (INDIA) LIMITED RN	U35990WB2017PLC 220921	11, Satyen Dutta Road, Kolkata, 700029	India	from 3 May 3, 2023		DAKO-CZ, a.s. (50%) and JUPITER WAGONS LIMITED (50%)
KARBOX Holding s.r.o.	27601374 file No. C 23915 (Regional Court in Hradec Králové)	Tovární 1553, 535 01 Přelouč	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
KARBOX s.r.o.	26002370 file No. C 19384 (Regional Court in Hradec Králové)	Tovární 1553, 535 01 Přelouč	Czech Republic	indirect		KARBOX Holding s.r.o.
KARMONIKA AERO a.s.	09588817 file No. B 25734 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
KONVERTIAL SPV a.s.	09269649 file No. B 25371 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
Kopřivnice Energy s.r.o.	05431905 file No. C 263563 (Metropolitan Court in Prague)	Sokolovská 675/9, Karlín, 186 00 Prague 8	Czech Republic	indirect		TATRA TRUCKS a.s. (50%) and UNICAPITAL ENERGY s.r.o. (50%)
LAIRAN SPV a.s.	14141663 file No. B 26983 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG Ammo+ a.s.
LBP 80 S.r.l.	13235020966	Corso Italia 22, 20122 Milano	Italy	direct	from November 20, 2023	CZECHOSLOVAK GROUP a.s.
LIAZ TRUCKS a.s.	06710697 file No. B 23100 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
LOSTR a.s.	05197104 file No. B 21657 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
Lyalvale Express Limited	03485334	Express Estate, Fisherwick Nr. Whittington, Lichfield, WS13 8XA Staffordshire	United Kingdom	indirect		Fiocchi Munizioni S.p.A
MADE CS a.s.	05057779 file No. B 21533 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
MANDURIA TRADE a.s.	19781229 file No. B 28407 (Metropolitan Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	direct	from October 3, 2023	CZECHOSLOVAK GROUP a.s.
MATIS z.a.o.	1024601215253	307170, Kursk Region, Zheleznogorsk, ul. Gagarina, d. 24	Russian Federation	indirect		TATRA TRUCKS a.s.

Business name	Identification number, registered in	Registered office	Country of incorporation	Control	Note	Direct controlling entity
MEDHA DAKO-CZ PRIVATE LIMITED	U35999TG2022PTC 162270		India	indirect	from July 17, 2023	DAKO-CZ, a.s.
MEFITIS TRADE a.s.	18008089 file No. B 27936 (Metropolitan Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	direct	from February 2, 2023	CZECHOSLOVAK GROUP a.s.
MERIT SPV a.s.	06977545 file No. B 23278 (Metropolitan Court in Prague)	Pernerova 691/42, Karlín, 186 00 Prague 8	Czech Republic	indirect		TRADITION CS a.s.
MSM - OPTICAL s.r.o.	52070972 file No. Sro 37466/R (District Court in Trenčín)	Štúrova 925/27, 18410 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.
MSM EXPORT, s.r.o.	48006122 file No. Sro 34344/R (District Court in Trenčín)	Štúrova 925/27, 1841 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.
MSM GROUP KAZAKHSTAN LLP	221140030101	Astana, Dostyk 16	Kazakhstan	indirect		MSM GROUP s.r.o. (50%) and Gambarov Yasaf (50%)
MSM GROUP s.r.o.	46553509 file No. Sro 31197/R (District Court in Trenčín)	Štúrova 925/27, 1841 Dubnica nad Váhom	Slovak Republic	indirect		CSG DEFENCE a.s.
MSM LAND SYSTEMS s.r.o.	36396711 file No. Sro 34630/R (District Court in Trenčín)	Kasárenská 8, 911 05 Trenčín	Slovak Republic	indirect		CSG Land Systems CZ a.s.
MSM Martin, s.r.o.	36422991 file No. Sro 30764/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.
MSM Services, s.r.o.	50926748 file No. Sro 34828/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		CSG DEFENCE a.s.
NIKA Development a.s.	27528910 file No. B 23310 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
Perazzi USA, Inc.	1610674	1010 W. Tenth st., Azusa, California, 91702	United States of America	indirect	from December 14, 2023	Armi Perazzi S.p.A.
POCKET VIRTUALITY a.s.	06202365 file No. B 22619 (Metropolitan Court in Prague)	Purkyňova 2121/3, Nové Město, 110 00 Prague 1	Czech Republic	indirect	from June 25, 2023	CSG AEROSPACE a.s.
PPS VEHICLES, s.r.o.	36032646 file No. Sro 43004/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.

Business name	Identification number, registered in	Registered office	Country of incorporation	Control	Note	Direct controlling entity
Prague Fertility Centre s.r.o.	28956095 file No. C 155686 (Metropolitan Court in Prague)	Sokolovská 810/304, Vysočany, 190 00 Prague 9	Czech Republic	indirect		CSG HEALTH CARE a.s.
PROGRESS SPV a.s.	06710875 file No. B 23102 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
RADAS, s.r.o.	60732296 file No. C 207402 (Metropolitan Court in Prague)	Valdštejnská 150/4, Malá Strana, 118 00 Prague 1	Czech Republic	indirect	This company was dissolved on November 23, 2023	CS SOFT a.s.
RADIATIK a.s.	02751402 file No. B 19664 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
Real Info d.o.o. Kruševac	20877529	Jasički Put 2, 370 00 Kruševac	Serbia	indirect		14. OKTOBAR d.o.o. Kruševac
REAL TRADE PRAHA a.s.	25642740 file No. B 5185 (Metropolitan Court in Prague)	Náměstí 14. října 1307/2, Smíchov, 150 00 Prague 5	Czech Republic	indirect		CSG Land Systems CZ a.s.
REALID SPV a.s.	17119928 file No. B 27266 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
ReDat Recording, a.s.	05648114 file No. B 3523 (Regional Court in Hradec Králové)	Pražská 341, Zelené Předměstí, 530 02 Pardubice	Czech Republic	indirect		RETIA, a.s.
Regionální muzeum v Kopřivnici, o.p.s.	25394508 file No. O 30 (Regional Court in Ostrava)	Záhumenní 367/1, 742 21 Kopřivnice	Czech Republic	indirect		TATRA TRUCKS a.s. (50%) and UNICAPITAL ENERGY s.r.o. (50%)
RELAZA SPV a.s.	17118034 file No. B27262 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
RETIA, a.s.	25251929 file No. B 1440 (Regional Court in Hradec Králové)	Pražská 341, 530 02 Pardubice	Czech Republic	indirect		TECHNOLOGY CS a.s.
Rheinmetall Tatra Land Systems s.r.o.	09674802 file No. C 86849 (Regional Court in Ostrava)	Areál Tatry 1450/1, 742 21 Kopřivnice	Czech Republic	indirect		CSG Land Systems CZ a.s. (49%) and Rheinmetall Landsysteme GmbH (51%)
SBS ZVS, s.r.o.	36306070 file No. Sro 11273/R (District Court in Trenčín)	Štúrova 1, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		ZVS holding, a.s.

Business name	Identification number, registered in	Registered office	Country of incorporation	Control	Note	Direct controlling entity
SHER Technologies a.s.	27528171 file No. B 2669 (Regional Court in Hradec Králové)	Čepí č.p. 101, 533 32 Čepí	Czech Republic	indirect		CSG DEFENCE a.s.
Slovak Aviation Factory, s.r.o.	50885201 file No. Sro 34705/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.
Slovak industry s.r.o.	51106957 file No. Sro 35302/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.
Slovak Training Academy, s.r.o.	47055952 file No. Sro 30298/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect	until November 30, 2023	EUROPEAN AIR SERVICES SLOVAKIA s. r. o.
Sondany s.r.o.	4548418 file No. C 249408 (Metropolitan Court in Prague)	Sokolovská 810/304, Vysočany, 190 00 Prague 9	Czech Republic	indirect		Prague Fertility Centre s.r.o.
Space T a.s.	08655600 file No. B 24808 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG AEROSPACE a.s.
STA TECHNOLOGY, s.r.o.	50479717 file No. Sro 33646/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o. (50%) and EURENCO Holding SA (50%)
STALUNA TRADE a.s.	19781326 file No. B 28408 (Metropolitan Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	direct	from October 3, 2023	CZECHOSLOVAK GROUP a.s.
TABLON SPV a.s.	08950504 file No. B 25128 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
Target Products 1978 Ltd.	9429040363806	Treneglos Street Washdyke 7910	New Zealand	indirect		Fiocchi Munizioni S.p.A
TATRA a.s.	17120209 B 27271 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
TATRA AVIATION a.s.	03999203 file No. B 20535 (Metropolitan Court in Prague)	Kodaňská 521/57, Vršovice, 101 00 Prague 10	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
TATRA CLASSIC s.r.o.	19210221 file No. C 92271 (Regional Court in Ostrava)	Areál Tatry 1450/1, 742 21 Kopřivnice	Czech Republic	indirect		TATRA TRUCKS a.s.

Business name	Identification number, registered in	Registered office	Country of incorporation	Control	Note	Direct controlling entity
TATRA DEFENCE PROJECTS s.r.o.	14316226 file No. C 363750 (Metropolitan Court in Prague)	Sokolovská 675/9, Karlín, 186 00 Prague 8	Czech Republic	indirect		TATRA DEFENCE VEHICLE a.s.
TATRA DEFENCE SLOVAKIA s.r.o.	50755749 file No. Sro 34330/R (District Court in Trenčín)	Kasárenská 8, 911 05 Trenčín	Slovak Republic	indirect		CSG Land Systems CZ a.s.
TATRA DEFENCE SYSTEMS s.r.o.	08993289 file No. C 328828 (Metropolitan Court in Prague)	Sokolovská 675/9, Karlín, 186 00 Prague 8	Czech Republic	indirect		TATRA DEFENCE VEHICLE a.s.
TATRA DEFENCE VEHICLE a.s.	24152269 file No. B 17463 (Metropolitan Court in Prague)	Kodaňská 521/57, Vršovice, 101 00 Prague 10	Czech Republic	indirect		CSG Land Systems CZ a.s.
TATRA EURASIA t.o.o.	140440015189	Prospekt Dostyk, 180, kv. 202, Almaty, Medeuskij rajon,	Kazakhstan	indirect		TATRA EXPORT s.r.o. (36%), Ing. Richard Harazim (34%), MDA Group (30%)
TATRA EXPORT s.r.o.	27388816 file No. C 29456 (Regional Court in Ostrava)	Areál Tatry 1450/1, 742 21 Kopřivnice	Czech Republic	indirect		TATRA TRUCKS a.s.
TATRA MACHINERY s.r.o.	14364255 file No. C 88795 (Regional Court in Ostrava)	Areál Tatry 1450/1, 742 21 Kopřivnice	Czech Republic	indirect	On March 21, 2023 this entity changed its business name – formerly TATRA ENERGY s.r.o.	TATRA TRUCKS a.s.
TATRA MANUFACTURE a.s.	05127394 file No. B 21580 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
TATRA METALURGIE a.s.	03667952 file No. B 10641 (Regional Court in Ostrava)	Areál Tatry 1450/1, 742 21 Kopřivnice	Czech Republic	indirect		TATRA TRUCKS a.s.
TATRA Slovensko spol. s r.o.	31364578 file No. Sro 13124/B (District Court in Bratislava I)	Vajnorská 171/A, 831 04 Bratislava	Slovak Republic	indirect		TATRA TRUCKS a.s.
TATRA TRUCKS a.s.	01482840 file No. B 10443 (Metropolitan Court in Prague)	Areál Tatry 1450/1, 742 21 Kopřivnice	Czech Republic	indirect		35% PROMET TOOLS a.s., 65% NIKA Development a.s.
TATRA TRUCKS GULF COMMERCIAL BROKERS L.L.C.	351853	Khalifa Bin Zayed The First Street, Abu Dhabi	United Arab Emirates	indirect		Hazza Mohammed Yahya Mohammed Aldhaheri (51%) and TATRA TRUCKS a.s. (49%)
TATRA TRUCKS INDIA PRIVATE LIMITED	U35900DL2016FTC 289353	B-6 Flat No 102, Kailash Colony, New Delhi, Delhi 110048	India	indirect		TATRA TRUCKS a.s.

Business name	Identification number, registered in	Registered office	Country of incorporation	Control	Note	Direct controlling entity
TATRA VOSTOK, OOO	11111113	Armjanskij pereulok., d. 1/8, str. 3, Moscow, 101000	Russian Federation	indirect		TATRA TRUCKS a.s.
TATRABRAS LTDA	38045562000124	BR-376, KM 503, AVENIDA TATRA, PONTA GROSSA, PARANÁ, KM 503	Brazil	indirect		TATRA TRUCKS a.s.
TECHNOLOGY CS a.s.	05774888 file No. B 22200 (Metropolitan Court in Prague)	Na Poříčí 1017/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG AEROSPACE a.s.
TECHPARK Hradubická a.s.	27519546 file No. B 2620 (Regional Court in Hradec Králové)	Čepí č.p. 101, 533 32 Čepí	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
TRADITION CS a.s.	06079598 file No. B 22466 (Metropolitan Court in Prague)	Na Poříčí 1071/17, 110 00 Prague 1	Czech Republic	indirect		CSG AEROSPACE a.s.
TRIBLAN a.s.	09237321 file No. B 25379 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG MOBILITY a.s.
TRUCK SERVICE GROUP s.r.o.	60110759 file No. C 5438 (Regional Court in Hradec Králové)	Tovární 1553, 535 01 Přelouč	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
UpVision Defence s.r.o.	7723997 file No. C 306321 (Metropolitan Court in Prague)	Na příkopě 1096/19, 110 00 Prague 1	Czech Republic	indirect		UpVision s.r.o.
UpVision s.r.o.	28443748 file No. C 141923 (Metropolitan Court in Prague)	Klikatá 18, 158 00 Prague 5	Czech Republic	indirect		TRADITION CS a.s.
VENILIA TRADE a.s.	18007953 file No. B 27935 (Metropolitan Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
Virte, a.s.	35917491 file No. Sa 10739/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.
VMT Trade, s.r.o.	50927477 file No. Sro 40688/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o. (50%), Ukrainian Advance Systems SK, s.r.o. (50%)
VOP Nováky, a.s.	35820322 file No. Sa 10564/R (District Court in Trenčín)	Duklianska 60, 972 71 Nováky	Slovak Republic	indirect		MSM Martin, s.r.o.

Business name	Identification number, registered in	Registered office	Country of incorporation	Control	Note	Direct controlling entity
VORNEA SPV s.r.o.	06981119 file No. C 291189 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
VÝVOJ Martin, a.s.	36381829 file No. Sa 10119/L (District Court in Žilina)	Komenského 19, Martin 036 01	Slovak Republic	indirect		MSM GROUP s.r.o.
ZVS holding, a.s.	36305600 file No. Sa 10152/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o. (50%) and DMD GROUP, a.s. (50%)
ZVS IMPEX, akciová spoločnosť	36302848 file No. Sa 10104/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.
ZVS technology, s.r.o.	50754793	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		ZVS IMPEX, akciová Spoločnosť (34%), Miroslav Solava (46%) and METALIKA-AB Ltd (20%)

Companies in which Mr. Michal Strnad is the ultimate controlling person

Michal Strnad directly or indirectly controls the entities listed below:

Business name	Identification number	Registered office	Country of incorporation	Control	Note	Direct controlling entity
ABLESTAR a.s.	09237488 file No. B 25381 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	from June 10, 2020	Michal Strnad
ALTAVIA TRADE a.s.	19781466 file No. B 28410 (Metropolitan Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	direct	from October 18, 2023	Michal Strnad
ALTIOR RE a.s.	14004283 file No. B 26813 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	from May 24, 2022	Michal Strnad
ASALTA TRADE a.s.	19781415 file No. B 28409 (Metropolitan Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	direct	from October 18, 2023	Michal Strnad
ASSET SPV a.s.	06979505 file No. B 23337 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad
AURUM DEFENCE a.s.	17120349 file No. B 27272 (Metropolitan Court in Prague)	Opletalova 1015/55, Nové Město, 110 00 Prague 1	Czech Republic	direct	from May 06, 2022	Michal Strnad
Banoss s.r.o.	28848 373 file No. C 30778 (Regional Court in Hradec Králové)	Smilova 386, Zelené Předměstí, 530 02 Pardubice	Czech Republic	indirect	from February 20, 2021	CASERMANIX s.r.o.
BatteryCells a.s.	06861041 file No. B 23216 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	from February 14, 2018	Michal Strnad
CASERMANIX s.r.o.	01618377 file No. B 209337 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	from August 20, 2013	Michal Strnad
Cognus Solutions, s.r.o.	02845474 file No. C 224442 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect	from November 28, 2017	PROJECT SPV a.s.
CSG AUTOMOTIVE	07880316 file No. B 24189 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	from February 8, 2019	DEVELOP SPV a.s.
DEFENCE SPV a.s.	06861318 file No. B 23220 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	from February 14, 2018	Michal Strnad

Business name	Identification number	Registered office	Country of incorporation	Control	Note	Direct controlling entity
DEVELOP SPV a.s.	06594786 file No. B 22989 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	from November 13, 2017	Michal Strnad
HELA GROUP s.r.o.	24256382 file No. C 197399 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect	from March 11, 2013	Michal Strnad
INDUSTRY INNOVATION a.s.	01771892 file No. B 19432 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad
INDUSTRY SPV a.s.	06185878 file No. B 22602 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad
INDUSTRY SPV SK s.r.o.	54247829 file No. Sro 42910/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		INDUSTRY SPV a.s.
INDUSTRYIN a.s.	05595240 file No. B 21960 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad
INNOVATION CS a.s.	01852515 file No. B 22092 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad
Karlova Offices s.r.o.	17253187 file No. C 384383 (Metropolitan Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	direct	from March 8, 2023	TALASIUS a.s.
OF1, s.r.o.	09607862 file No. C 338882 (Metropolitan Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	indirect	until November 14, 2023	INDUSTRY SPV a.s.
PALATUA a.s.	17834422 file No. B 27813 (Metropolitan Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	direct	from December 14, 2022	Michal Strnad
PLATINUM DEFENCE a.s.	17120080 file No. B 27270 (Metropolitan Court in Prague)	Opletalova 1015/55, Nové Město, 110 00 Prague 1	Czech Republic	direct	from May 6, 2022	Michal Strnad
PROJECT SPV a.s.	06185771 file No. B 22601 (Metropolitan Court in Prague)	Na Poříčí 1071/17 Nové Město 110 00 Prague 1	Czech Republic	direct		Michal Strnad
SYNERGY CS a.s.	06072585 file No. B 22465 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad

Business name	Identification number	Registered office	Country of incorporation	Control	Note	Direct controlling entity
TALASIUS a.s.	17834643 file No. B 27814 (Metropolitan Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	direct	from December 14, 2022	Michal Strnad (50%) and Center for Academic Cooperation s.r.o. (50%)
TESLA CS a.s.	13982 656 file No. B 26799 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad
TESLA RADARS a.s.	06861083 file No. B 23217 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad
TITANIUM DEFENCE a.s.	17120021 file No. B 27269 (Metropolitan Court in Prague)	Opletalova 1015/55, Nové Město, 110 00 Prague 1	Czech Republic	direct	from May 6, 2022	Michal Strnad
VELOGRES SPV a.s.	10743 901 file No. B 26241 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		HELA GROUP s.r.o.
YTARA SPV a.s.	11858 087 file No. B 26640 (Metropolitan Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad

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