

# Annual Report 2020



**MINERVA®**  
Member of DÜRKOPP ADLER Group

# Basic Information about the Company

## **Business Name and Headquarters**

MINERVA BOSKOVICE, a.s.  
Sokolská 1318/60, Boskovice, 680 01, Czech Republic  
IČO (Reg.no.): 00010944

## **Incorporation of the Company**

The company was incorporated in a single transaction through a Memorandum of Foundation by the Ministry of Engineering and Electrotechnics of the Czech Republic as a joint stock following Ministerial Decision No. 112/1990 of 17/12/1990 as per Act 104/1990 Coll. – the Joint Stocks Act.

It was entered in the Commercial Register on 01/01/1991 as MINERVA BOSKOVICE, a.s. for an unlimited period of time, and is now registered in the Commercial Register at the Regional Court of Brno, Section B File 210, with the identification number 00010944.

## **Business Activities as Given in the Commercial Register**

- Smithery
- Metalworking
- Catering activities
- Galvanisation of metals and enamel coating
- Manufacture, installation and repair of electrical machinery and tools, electronic and telecommunication facilities
- Production, trade and services other than those listed in Annexes 1 to 3 to the Trades Licensing Act
- Locksmithery and manufacture of tools
- Road cargo transport
  - inland cargo transport with vehicles below 3.5 t maximum permissible weight;
  - international cargo transport with vehicles below 3.5 t maximum permissible weight;
  - occasional inland passenger transport;
  - occasional international passenger transport.

The company's core activity is the production and sale of industrial sewing machines for footwear, leather, textile and haberdashery sewing.

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# Overview of the Company's Activities in 2020 Presented by the Board of Directors

Dear shareholders and business partners,  
The year 2020 has ended and the company's Board of Directors  
hereby presents the annual report for the period.

## **Financial Position of the Company in 2020**

The year 2020 was exceptional in many respects. The whole year was influenced by the global pandemic, which has also affected the Czech Republic. Extraordinary government measures slowed down and restricted the activities of companies and people as a result of the declaration of a state of emergency and the implementation of further measures in two waves, commencing in March and then in September. Despite all these difficulties, Minerva consistently fulfilled intragroup production requirements as well as the customer's requirements in the footwear segment in the first half of the year.

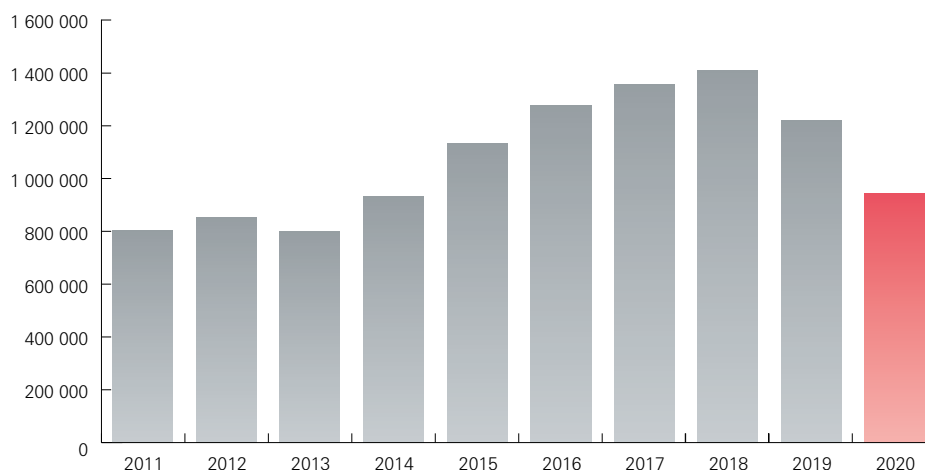
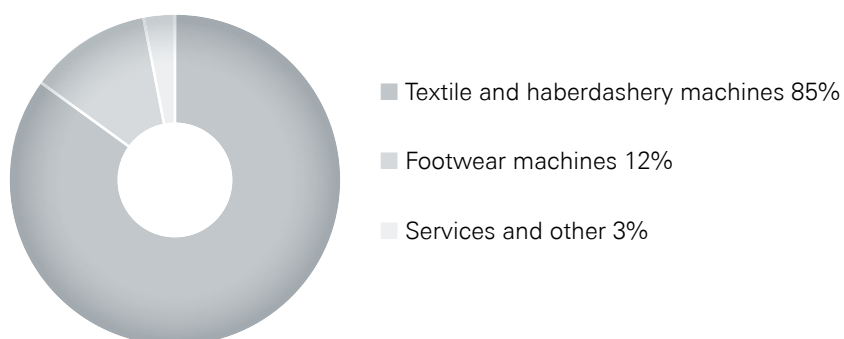
The virus had a considerable impact on our business partners as well, and that led to a decrease in orders from July, resulting in a decline in production volumes. Legal hindrances on the part of employers led the company to reduce shift operation and the five-weekdays' scheme in July, August and September, when staff stayed at home and received reduced wages. To compensate for this, Minerva drew 60% compensation on these wages from Antivirus B, a government subsidy programme. This meant that there was no need to reduce primary staff numbers. New orders began to increase at the end of September and continued until the end of 2020.

A total of 14 546 industrial sewing machines were sold in 2020, of which 13 029 were DA machines and 1 517 footwear machines, giving turnovers of 933.5 mil. CZK. Compared to 2019 with 18 764 machines, there was a 23% decrease, of which 20% in DA machines and 37% in footwear machines.

Full employment was successfully maintained throughout the year with 615 staff members and 10 agency workers. The biggest impact on productivity and efficiency resulted from the increased sickness rate, totalling 12% instead of the usual 5% during the virus waves, which affected production uptime and the administration of all the necessary activities.

Investments worth 11.5 mil. CZK were mostly limited to tools, forms, moulds and fixtures, unlike in previous years. The total of inventory, amounting to 215.3 mil. CZK, decreased by approx. 72 mil. CZK compared to the previous year, which is 2.75 mil. EUR to improve cash flow.

The implementation of savings and cost-cutting measures and the drawing of the government subsidy helped to achieve profits of 39.5 mil. CZK after tax and maintain the company's financial stability.

**Summary of turnovers in 2011–2020 (in CZK thousand)****Sales****Breakdown of revenues from own products and services in 2020**

The markets were considerably paralysed in 2020 and the economic crisis resulting from the pandemic also affected the sale of machinery and spare parts.

After the successful start to the year there was a slowdown due to the first pandemic wave in March. Customers began to change the deadlines for their orders for the first half-year or completely cancel them, including some automotive customers. A similar scenario was seen with footwear manufacturers. Footwear companies had excess stock as shops were closed and the demand from footwear sellers was lower.

Dürkopp Adler GmbH of Bielefeld, the parent company, is also our most important customer, purchasing 88% of our production of sewing machines. The remaining 12% of machinery production with spare parts was sold in the footwear segment through the dealer network of Dürkopp Adler, or by direct sale to end customers. The sales carried out in 2020 totalled 933.5 mil. CZK, with a drop of 272.5 mil. CZK

against 2019. A total of 14 546 industrial sewing machines were sold, i.e. 4 218 less than in 2019. A year-to-year decline was also seen in the sale of spare parts, which was 31.1 mil. CZK lower than in 2019. Europe was the geographical segment with the greatest volume of sales.

The company was unable to fulfil the plan both in footwear machines and in turnovers. These results follow the global sales trends in the footwear machinery segment. The reasons for the decline include the saturation of the market with excess products, a change in customer preferences, changes in consumer behaviour (the young generation wears sports shoes and there is a divergence from high-quality leather), the intentions of footwear companies (change of strategies), the global decline in footwear production, new technical textiles for footwear production and the change in technological sewing processes.

The domestic markets increased and the interest from local manufacturers led to increased demand. These were special footwear manufacturers of military boots, sports shoes, working shoes, orthopaedic shoes, firefighters' boots, i.e. with medium-weight sewing. The only increase was therefore in sales to domestic markets.

The total turnover in footwear was 120.9 mil. CZK (184.1 mil. CZK in 2019) and the units sold dropped by 37% (945 pcs) compared to 2019.

### **Research and Development**

In 2020 high priority was still given to the work on the M-Type Delta project. New types of machines could therefore be implemented during the year and completed for serial production, namely of the D868 (post bed type), D669 and D869 (free arm types). At the same time we worked on technical improvements to the D867 flatbed machines based on feedback from our customers. Research work was also launched on the D867 with a 750 mm long arm, and subsequently on the extended version with a 1000 mm long arm. The development of Delta types will have to continue in the subsequent years so as to fully replace the current M-Type I Premium production programme. Following the decision of the parent company, the line will no longer be offered to customers. This means that the designers will have to prepare the remaining versions in the Delta line as quickly as possible.

We also worked on improving and optimising other machines in serial production, and most importantly we responded to the quality audit results. Some of the other projects we have successfully introduced in serial production include the H-Type Pure project. First, this was the 969 Pure free arm machine, and then the 967 Pure flatbed machine. The design work has also been prepared for the 1727 class, which is a variant of the 1767 machines without walking feet. The machines are now in serial production. Prototypes of the 860 class were made and the first units were put into pilot production. At the request of Minerva's sales department, we prepared and put into serial production the lockstitch machines with extended lower thread capacity, first the 525i ELB line and then the 527i ELB line.



Along with this project, we prepared a study for the facelift of the 52Xi machines, aiming to update the appearance of these machines. This project is scheduled for 2021. Following a requirement from the parent company, we worked on releasing design and production documents for special machines into serial production, mainly the 869 class machines with an integrated puller. The conversion of special production into serial production is aimed primarily at reducing production costs and shortening the delivery time for customers.

We also successfully carried out an important project for KSL, an affiliate. This comprised the design work on a new automatic machine with a high degree of automation and monitoring features. Despite the complexity of the project as a whole, we are already producing them, and plan deliveries at the beginning of 2021. The prototype workshop pro-actively participated in most of these projects.

### **Core Production**

No major changes to Minerva's production strategy occurred in 2020. The main production programme is traditionally focused on industrial sewing machines for the automotive, footwear, textile and haberdashery industries. DA of Bielefeld, Germany, the parent company, continues to be the main purchaser of the company's machines, and the footwear segment remains within Minerva's competence. The production portfolio saw the launch of new subclasses of Delta free arm machines in 2020, and we began producing the H-Type Pure machines. In the footwear segment, production was launched of a new subclass of machines with a modified looper, namely with extended lower thread capacity. The core products and sales in 2020 were traditionally medium-type machines, especially flatbed subclasses, extended arm versions and H-Type heavy duty machines.

Unfortunately the deteriorating financial situation in the latter half of 2019 and the outbreak of the pandemic brought an end to investments into production facilities in 2020.

A total of 1 424 footwear machines and 13 005 haberdashery, automotive and textile machines were produced and assembled in 2020. Besides complete sewing machines, Minerva also produced spare parts, components and subsets for assembly in Bielefeld. The assembly of lockstitch machines was transferred from the German plant to Minerva in 2020. Turnovers with the affiliate PFAFF Industriesysteme und Maschinen GmbH totalled 15.6 mil. CZK (20.1 mil. CZK in 2019).

A total of 147 sub-classes covering various versions of DA machines and 51 versions of footwear machines were in production in 2020. Most of them are based on the M-Type platform, yet the production and installation are diverse and will require organisational changes and changes to the product lifetime cycle strategy in the future.

An increase in the production of the Delta line is worth mentioning, as the line should fully replace the Premium line in the future, and its share reached 10 %. These are the most cutting-edge programmable machines with greater demand on materials which affect the company's economic indicators, too.

## **Quality Management**

Several setbacks affected the otherwise high quality of production in 2020. A major decline in orders occurred back in 2019 both from the parent company and in the footwear segment, and there was a major shortfall in staff as a result of the pandemic at the beginning of 2020. Following all that, a concern project entitled First Quality was launched and administered in the Confluence IS. The system works on an internet interface and is used for comprehensive quality management across the entire concern. By implementing this new project, we increased the number of internal audits, have assessed the most frequent claims, carry out random checks upon components and also conduct staff training.

As in every year, the high quality standard was confirmed by repeated certification as per the ISO 9001:2015 standard, which the company successfully passed in 2020. This guarantees our customers that all processes in our plant are systematic and controllable. We define the quality targets at the beginning of each year; these are assessed on a continuous basis and were also fulfilled for the most part in 2020.

Our current as well as new customers and their satisfaction are our priority. Projects were launched in 2020 to implement new or innovated subclasses of our machines and we continue to evaluate claims from customers which made up 2.24% of the total of units sold in 2020.

Our future depends on the satisfaction of our customers.

## **Personnel**

The staff in 2020 swiftly followed the requirements of production and the epidemiological situation. At the beginning of 2020 the company had 617 primary staff members and 10 labour agency workers. At the end of the year, there were 608 primary staff members and 9 labour agency workers. There was an increase in orders in the 1st half of 2020 followed by a decrease in the 2nd half of 2020, which had to be responded to by partially reducing numbers of agency workers. In the latter half of the year, the ANTIVIRUS B programme was drawn from in relation to a decrease in orders.

The company supports the development of staff qualifications and expertise by enabling them to learn foreign languages and participate in professional seminars and classes. Following the COVID-19 epidemic, language classes were cancelled and professional seminars were reduced. A total of 635 th. CZK was spent on the development of staff qualifications and expertise.

The employer's obligations stipulated by the collective bargain between the employer and the trade unions organisation were fulfilled, including wages.

**The average number of employees, excluding those on long-term sick leave, in 2019–2020 was as follows:**

(Following the methodology of Dürkopp Adler GmbH, Bielefeld)

Employees	2019	2020
Core production workers	414	342
Other workers	115	101
Administrative staff	148	143
<b>Employees, total</b>	<b>677</b>	<b>586</b>

### **Costs of Investments**

Minerva Boskovice, a.s. made investments in 2020 totalling 11 518 th. CZK. Investments into equipment, totalling 615 th. CZK, helped to complete the purchase and installation of an automatic hardening system and semiconductor frequency generator; an older HAAS VF-2SS machining system was purchased for 518 th. CZK, together with two older paternosters. Another investment went into the assembly line for the M-Type Delta free arm machines, worth 224 th. CZK.

The company also invested 9 307 th. CZK in models, moulds, fixtures and tools. An amount of 459 th. CZK was spent on the modernisation and extension of software and hardware. In the area of environment, an investment of 67 th. CZK was spent on sludge containers.

### **Summary of major investments in 2019–2020**

(at acquisition cost, in th. CZK)

Investment	2019	2020
Machining equipment	29 221	1 357
Modernisation of structures	253	0
Tools and moulds, fixtures	13 799	9 307
Environment	150	67
IT and office equipment, SW	553	459
Measuring equipment	367	39
Other	367	289
<b>Total</b>	<b>45 022</b>	<b>11 518</b>

Besides investments, a further 8 517 th. CZK was spent on the repair of buildings and equipment. The company carried out a major overhaul of the Nordson paint shop stands, repaired the cooling water sump in the hardening shop, fitted a new floor in the area with the new Maho 40 eVo machining centre, and renovated plasters in the workshops B 27 – Machining shop and B 37 – Prototype workshop. Lighting equipment was gradually replaced in all tool inventory rooms. The former healthcare office was repaired, and the new company doctor's office was opened.

The investments are located in the company's headquarters and were financed from the company's own resources.

## Overview of the Year 2020

The Board of Directors has stated that the company responded quickly enough to the outbreak of the first wave of the pandemic in March by implementing safety and organisational measures which helped to fulfil the customer's orders in the first half-year without having to restrict production.

There was a recession from July to September, the effects of which on production were also seen in the automotive industry via Dürkopp Adler GmbH – the parent company, as well as in footwear manufacturers, as a decline in orders.

Orders increased in the last quarter of 2020. All cost-saving measures and also the possibility to draw from the Antivirus B government subsidy programme helped the company to remain profitable.

In total, the sale of machines was 22% less when compared to 2019. The footwear segment saw a decline of 37% against the previous year. There was a significant decrease in inventory and work in progress by 72 mil. CZK, which helped the company's financial stability. Staff was retained and no mass job cuts were made. As of 31/12/2020, there were 617 primary staff.

Development was focused on joint innovative projects within the concern. Some development tasks were stopped; others will continue in the next year. Investments were reduced solely to the purchase of the most necessary tools, moulds and the production of special fixtures for Delta projects.

Minerva Boskovice, a.s. was seen by the parent company Dürkopp Adler GmbH as the key production plant and confirmed the major and irreplaceable role played by the company within the group.



Ing. Romana Špačková, MBA  
Chairwoman  
of the Board of Directors



Frank Michael Kuhnt  
Deputy Chairman  
of the Board of Directors



Bc. Karel Šmíd  
Member  
of the Board of Directors

# Statutory and Supervisory Bodies of the Company

(as of the date of the financial statements – 31/12/2020)

## **Board of Directors**

- Chairwoman: Ing. Romana Špačková, MBA  
Kamnářská 1986/1, 678 01 Blansko  
Czech Republic
- Deputy Chairman: Frank Michael Kuhnt  
Noldestrasse 11, 33613 Bielefeld  
Germany
- Member: Bc. Karel Šmíd  
Podhradí 2347/26, 680 01 Boskovice  
Czech Republic

## **Board of Supervisors**

- Chairman: Haixiang Fang  
Lübrasser Weg 24, 33719 Bielefeld  
Germany
- Deputy Chairman: Dietrich Eickhoff  
Wittekindstr. 2, 33615 Bielefeld  
Germany
- Member: Karel Kleveta, DiS  
680 01 Újezd u Boskovic 83, Czech Republic  
Elected representative of employees  
Chairman of the ZV OS KOVO MINERVA BOSKOVICE, a.s.  
(a trade union)

## **Changes in the Bodies of MINERVA BOSKOVICE, a.s.**

On 19 December 2019, the Board of Supervisors acknowledged the written resignation of Michael Kilian as a member and the chairman of the Board of Supervisors of MINERVA BOSKOVICE, a.s. and approved his request to withdraw as of 19 December 2019. At the same time it co-opted a new member and the deputy chairman of the Board of Supervisors, Dietrich Eickhoff, effective as of 01 January 2020 until the next General Meeting is held.

The General Meeting held on 12 May 2020 elected Dietrich Eickhoff as a member and the deputy chairman of the Board of Supervisors of MINERVA BOSKOVICE, a.s..

# Monetary and in Kind Benefits of Board Members

## **Monetary and in Kind Benefits of Board Members**

Members of the Board of Directors perform the offices of expert directors.

### **Monetary and in Kind Benefits of Members of the Board of Directors**

(exclusive of social and health insurance)

■ Monetary benefits:	3 694 th. CZK
■ In-kind benefits:	37 th. CZK
■ Bonuses	Not paid
Board members:	3

### **Monetary and in Kind Benefits of Members of the Board of Supervisors**

■ Monetary benefits:	110 th. CZK
■ In-kind benefits:	Not paid
■ Bonuses:	Not paid
Board members:	3

### **Shares Held by:**

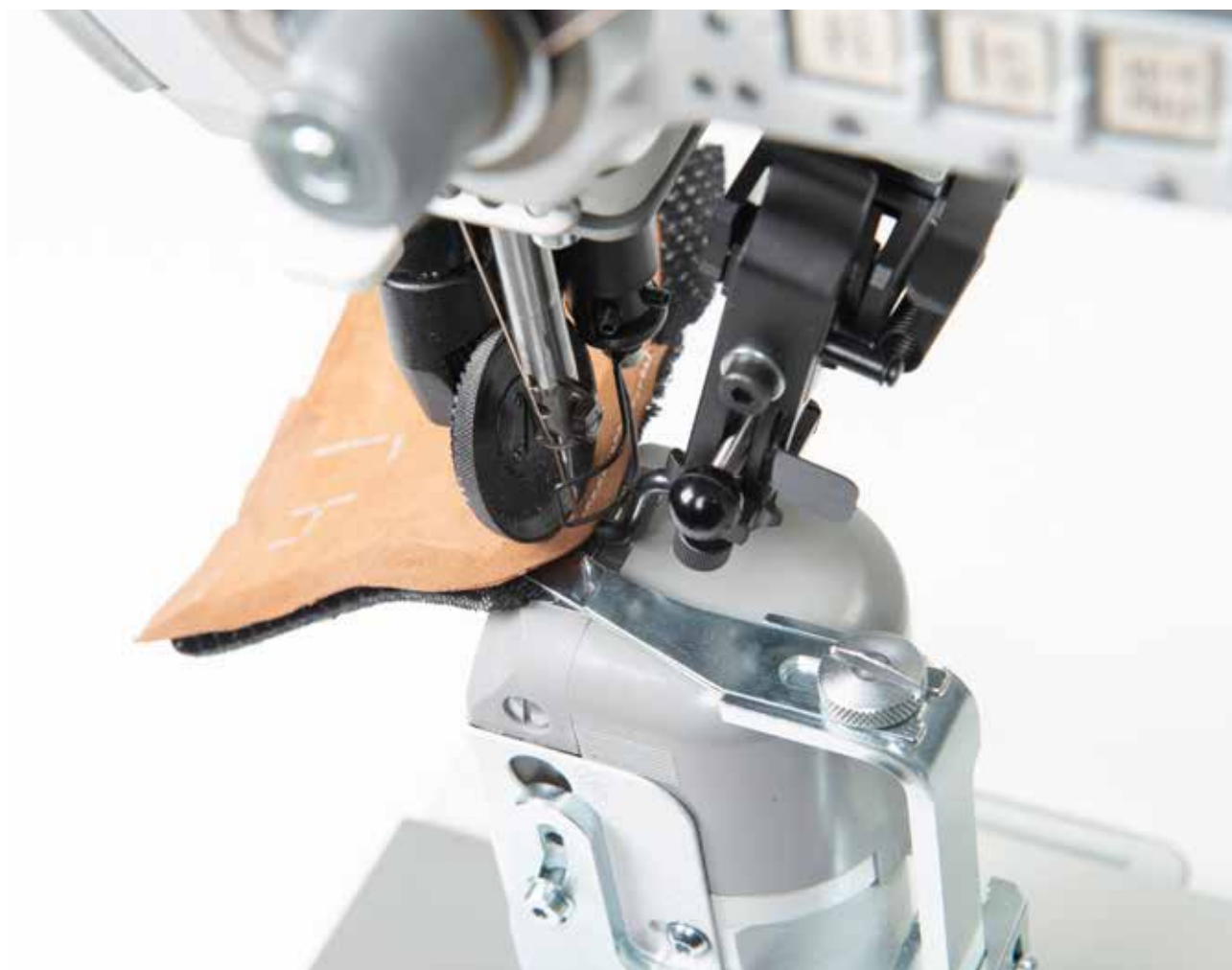
■ Members of board of directors:	0
■ Members of board of supervisors:	0
■ Managers (trade union leaders):	0

The company granted no loans or credits and did not accept any guarantees or security for loans in respect of the board members.

# Registered Capital

The registered capital of MINERVA BOSKOVICE, a.s. amounted to 412 899 th. CZK as of 31/12/2020 and has been paid in full. The majority shareholder is Dürkopp Adler GmbH, Potsdamer Straße 190, D-33719 Bielefeld, Germany. This company had a share of 89.02% in the company's registered capital as of the date of the financial statements (31/12/2020) and is the parent company controlling Minerva Boskovic, a.s. Until December 2020, the majority shareholder's legal form was AG (Dürkopp Adler AG). In December 2020, it changed to GmbH (Dürkopp Adler GmbH).

The company's registered capital consists of 412 899 registered shares in book form, with a par value of 1 000 CZK each. The shares comprised one issue as of 31/12/2020, namely ISIN CS 0005005552. None of the shares in Minerva Boskovic, a.s. are negotiable on the public security markets.



# Legal Entities in which MINERVA BOSKOVICE, a.s. has a share

MINERVA BOSKOVICE, a.s. currently has no ownership interests in any legal entity.

## **Description of rights implied by the shares:**

- a) A shareholder is entitled to participate at the general meeting, vote, request and obtain explanations regarding the company if it is necessary for the assessment of the subject of discussion or to exercise the shareholder's rights at the general meeting, and apply proposals and counter-proposals on matters in the agenda of the general meeting and matters included in the agenda prior to the publication of the invitation letter for the general meeting and delivered to the company no later than 7 days prior to the publication of the invitation letter for the general meeting. One vote relates to each share with a par value of 1000 CZK. The company did not issue any priority shares with priority rights.
- b) A shareholder is entitled to the share in the company's profit (dividend) which the general meeting approved for distribution depending on the net profits. This share is determined as the ratio of the par value of the shareholder's shares to the par value of the shares of all shareholders.
- c) A shareholder is entitled to a share in the liquidation balance if the company is wound up with liquidation. The liquidation balance is divided among the shareholders depending on the ratio of the par values of their shares.
- d) The dividend is due within 3 months of the date when the general meeting approved the decision on the appropriation of profit. Dividends which cannot be transferred to the receivers by bank transfer for reasons on the part of the receiver will be deposited in a special bank account and the entitled persons may collect them within 3 years of the due date at the company's headquarters. The right to the dividend, if not exerted by the shareholder, is assigned to his legal successor as defined by Act 89/2012 Coll. – the Civic Code as subsequently amended. The general three-year lapse period under Sect. 629 of the Civic Code applies.
- e) Further shareholder's rights are implied by the Act 90/2012 Coll. – the Business Corporations Act as subsequently amended, Act 89/2012 Coll. – the Civic Code as subsequently amended and the company's Articles of Association. Facts important for the exertion of the shareholder's rights are published on the websites [www.minerva-boskovice.com](http://www.minerva-boskovice.com) and [www.zakonna-oznameni.cz](http://www.zakonna-oznameni.cz).

Neither in 2020 nor in the previous fiscal year was an offer submitted by third parties to acquire the company's shares, nor was a public offer made to acquire shares in other companies by Minerva Boskovice, a.s.

Minerva Boskovice, a.s. has never had a branch abroad.

No court action, administrative procedure or arbitration procedure commenced in the previous two fiscal periods which could affect the company's financial position.



# Net Profits; Appropriation of Profit and Loss

## Profit or Loss after Tax per Share and Two Last Accounting Periods

Year	Profit or loss of the current period, th. CZK	Number of shares	Profit per share, CZK
2019	70 403	412 899	170.51
2020	39 448	412 899	95.54

## Appropriation of Profit or Loss for the Last Two Accounting Periods

(in CZK thousand)

Appropriation of profit	2019	2020 (proposed)
Profit or loss	70 403	39 448
Additions to statutory reserve	3 520	1 972
Payment of dividend	–	–
Payment of bonuses	–	–
Additions to social fund	–	–
Compensation for accumulated losses	–	–
Retained earnings from previous years	66 883	37 476

Note: The proposal for the appropriation of profits will be submitted to the General Meeting for approval.



# Report on Related Parties – DÜRKOPP Adler GmbH and MINERVA BOSKOVICE, a.s.

This report on the relationship between Dürkopp Adler GmbH, Germany as the controlling entity and Minerva Boskovice, a.s. as the controlled entity, and between Minerva Boskovice, a.s. and the entities controlled by Dürkopp Adler GmbH, has been prepared pursuant to Sect. 82 of Act 90/2012 – the Business Corporations Act as subsequently amended.

## **I. Relationship between Dürkopp Adler GmbH and Minerva Boskovice, a.s. in 2020**

The controlling entity is a majority and qualified shareholder in Minerva Boskovice, a.s. as the controlled entity. Control involves the participation of representatives of the controlling entity in the Board of Directors and the Board of Supervisors of the controlled entity. Two-thirds of the members of the Board of Supervisors of Minerva Boskovice, a.s. are elected and withdrawn by the general meeting and one-third is elected and withdrawn by the company's employees. The Board of Supervisors appoints and withdraws members of the Board of Directors of the controlled entity.

There are benefits for the controlled entity based on this relationship as implied especially by the strong presence of the controlling entity in the global markets, its financial position and stability.

On the other hand, no risks are implied for the controlled entity from this relationship, nor do any property damages or other adverse effects occur.

The contracts given below have been concluded between the controlled and the controlling entity, based on which appropriate counter-supplies were rendered for the supplies rendered by the controlling entity. No damage was incurred on the part of the controlled entity in respect of these contracts.

### **1. Contract of Rendition of Management Services**

Date of contract: 05 January 2000

#### **Subject of contract:**

The provision and rendition of services by the controlling entity to the controlled entity in the field of human resources management, accounting, marketing, organisational and managerial advisory, administrative and supporting services as well as in company management and tax consultancy.

#### **Fulfilment of the contract:**

No financial obligation towards the controlling entity arose in connection with the above mentioned activities in 2020.

### **2. Consultancy Contract – Assistance in the Transfer of Information Services and Technical Services for Minerva Boskovice, a.s.**

Date of contract: 20 February 2006

A pricing amendment is concluded for each individual year.

**Subject of contract:**

As part of the implementation, operation and administration of the SAP R/3 information system in the Dürkopp Adler GmbH concern, the controlling entity will grant support in establishing the concept, adjustment and implementation of SAP R/3. Besides that, it will grant support after the implementation of the SAP R/3 information system in the planning, approval, administration of the ordinary system and the implementation of changes in the program version.

**Fulfilment of the contract:**

During 2020 support was granted by the controlling entity. The total expenses amounted to 3 755 th. CZK.

**3. Contracts for the Development, Production and Deliveries of Industrial Sewing Machines****3.1. General Contract for Development and Design of 23 November 2011**

The subject of this contract is development for Dürkopp Adler GmbH.

**Fulfilment of the contract:**

The work carried out by MINERVA BOSKOVICE, a.s. under this contract in 2020 was invoiced to Dürkopp Adler GmbH regularly on a monthly basis. The total of invoiced amounts was 13 087 th. CZK in 2020.

**3.2. General Contract for Development and Sale of 30 September 2013**

The subject of this contract is the specification of products and conditions for their sale including royalties for use of Minerva's know-how and Dürkopp Adler GmbH's know-how.

This general contract supersedes the General Contract dated 23 November 2011 effective as of 01 February 2013. It brings forth an update to the extent of know-how used by the parties.

**Fulfilment of the contract:**

Minerva Boskovice, a.s. was charged by Dürkopp Adler GmbH for granting licences in 2020 with royalties amounting to 2 886 th. CZK for direct sales of footwear machinery in Minerva's own sales network.

**3.3. Contract for Application of Research and Development Project Results of 30 September 2013**

The subject of this contract is the specification of the ownership and user rights to the results of a project, the type and manner of application of the project FR-TI3/320 entitled 'Highly Automated and Unified Powerful Heavy-duty Industrial Sewing Machines', implemented under the state subsidy through the Ministry of Industry and Trade.

**Fulfilment of the contract:**

Minerva Boskovice, a.s. charged Dürkopp Adler GmbH in 2020 with royalties amounting to 910 th. CZK.

#### **4. Contract for Procurement of Patents and Trademarks**

Date of contract: 15 July 1999, date of amendment: 19–23 January 2004

**Subject of contract:**

Establishment of a unified trademark policy in the Dürkopp Adler GmbH concern, processing, preparation and administration of issues related to industrial rights protection at the official level.

**Fulfilment of the contract:**

No financial obligation towards the controlling entity arose in connection with the above mentioned activities in 2020.

#### **5. General Contract**

Date of contract: 19 May 2009

Amendment to the General Contract effective as of 01/01/2019

**Subject of contract:**

Production and sale of industrial sewing machines, components and component groups, and complete sewing heads for industrial sewing machines supplied to the customer from the supplier. The contract includes delivery terms, terms for hand-over of the goods, payment conditions, guarantees, supplier's duties, customer's duties and subsequently penalties.

**Fulfilment of the contract:**

Financial obligation between the two entities arose in connection with the above mentioned activities in 2020. MINERVA invoiced a total of 61 803 th. CZK to Dürkopp Adler GmbH in 2020.

#### **6. Contracts for Loan**

Revised general contract for loan

The contract parties have concluded a Contract for Interest Rates of 27 June 2011 / 30 June 2011 (hereafter referred to as the General Contract for Loan). This contract had to be revised. The revised General Contract for Loan superseded the General Contract for Loan with retrospective application as of 27 June 2011 / 30 June 2011.

Date of contract: 09 February 2012

**Subject of contract:**

Dürkopp Adler GmbH has granted a concern loan to Minerva with the credit frame of up to 250 000 000 CZK, effective as of 30 June 2011. The applicable interest rate will be EURIBOR +4.5% margin paid to Dürkopp Adler GmbH per year. The interest rate is computed on the assumption of a 30-day month and 360-day year. Dürkopp Adler GmbH will invoice the interest on a monthly basis. The interest is due and to be paid immediately.

**Fulfilment of the contract:**

The contract was being fulfilled in 2020 and the interest invoiced by the controlling entity totalled 4 841 th. CZK for 2020. There was an overpayment of the loan of

211 813 th. CZK as of 31/12/2020, resulting from the offsetting of trade receivables from Dürkopp Adler GmbH against this loan, which is in the form of an overdraft. The overpayment was recognised as a concern receivable as of 31/12/2020.

## **7. Contract for the Use of the Dürkopp Adler Trademark**

Date of contract: 17 December 2003

### **Subject of contract:**

Dürkopp Adler GmbH is the holder of the “Dürkopp Adler” trademark and has the rights to the trademark. The subject of the contract is the granting of a licence to use the trademark and the conditions of use by Minerva Boskovice, a.s. in designating its products.

### **Fulfilment of the contract:**

No financial obligation between the controlling entity and the controlled entity arose in connection with the above mentioned contract in 2020.

Besides the aforementioned contractual relationships between the controlled and the controlling entity, other legal acts were carried out in 2020 as part of ordinary business activities. None of these ordinary dealings exceeded the value of 10% of the registered capital of Minerva Boskovice, a.s. as per the last financial statements and no losses were incurred by Minerva Boskovice, a.s. in respect of these dealings.

## **II. Relationships between Minerva Boskovice, a.s. and other entities controlled by Dürkopp Adler GmbH, i.e. among the related parties in 2020**

Dürkopp Adler GmbH as the controlling entity also controls these companies:

DAP America, Inc.	DAP Polska Sp.z o.o.
DAP Italia S.r.l.	S.C. Dürkopp Adler S.R.L., Rumänien
DAP France S.A.S.	PFAFF Industriesysteme und Maschinen GmbH

Ordinary business dealings were carried out by Minerva Boskovice, a.s. with these related parties. Revenues realised from these business relationships totalled 65 620 th. CZK in 2020. No losses were thereby incurred by the controlled entity. A breakdown of these revenues by company is given in Note 4.24 to the Financial Statements.

## **III. Relationships between Companies Controlling Dürkopp Adler GmbH in 2020**

Shang Gong Group Co. Ltd., Shanghai (“SGG”) is the majority shareholder in Dürkopp Adler GmbH as the controlling company. No legal actions were carried out in the fiscal period of 2020 between Minerva Boskovice, a.s. as the controlled company and the aforementioned companies having a share in Dürkopp Adler GmbH as the controlling company which would involve property matters.

# Anticipated Financial Position in 2021

The 2021 budget is based on a turnover of 980 mil. CZK and production of 16 409 industrial sewing machines. All organisational and technical measures are set for this target. The high sickness rate caused by the virus will continue to have a wave effect on productivity and adherence to deadlines with orders which the company is going to try to fulfil in cooperation with the concern's subsidiaries and meet the targets.

Minerva is aware of the high technical know-how of its staff and has supported the innovation both in expanding its production programme through the development of special machine accessories and in improving production efficiency. Strengthening the company's competitiveness is the objective of the corporate strategy of DA and will also be the priority in subsequent years. Development and seeking new design methods, new materials, improving the efficiency of processes and functionality of machines, together with the implementation of new technology in production, will assist this target.

We continue to develop our corporate culture and train our staff throughout the whole of the company. We continue developing the skills of our staff, for instance using the Age Management subsidy project, which helps to expand skills and knowledge in the area of soft skills. Production processes and controls are optimised on a continuous basis. Our technology uses new machines and seeks to reduce production costs through changes in technological processes.

Our steady objective is to remain a reliable and innovative supplier of high-quality industrial sewing machines and assist the development of our customers' business with our technical know-how as well as servicing experience.



# Information on Persons in Charge of the Annual Report and the Audit of the Financial Statements

## **A) Persons in Charge of the Annual Report**

Employee in charge of numerals and graphs:

Ing. Jaroslava Nejedlá, employee of Controlling

MINERVA BOSKOVICE, a.s., Sokolská 1318/60, 680 01 Boskovice, IČO: 00010944

Employee in charge of the disclosures in the financial statements:

Jiří Staněk, employee of Financial Accounting

MINERVA BOSKOVICE, a.s., Sokolská 1318/60, 680 01 Boskovice, IČO: 00010944

Affirmation:

I hereby affirm that the facts which I have stated in the Annual report are true and that no substantial circumstances which might impair the accurate and correct assessment of securities of Minerva Boskovice, a.s. were omitted.

I hereby further affirm that the last two financial statements were audited and that the auditor's opinion as given in the Annual Report is consistent.



Ing. Jaroslava Nejedlá



Jiří Staněk

## **B) Auditing Companies that Performed the Audit of the Financial Statements for the Last Two Periods**

### **2019**

BDO Audit s.r.o.  
Olbrachtova 1980/5  
140 00 Praha 4  
Licence No. 018  
Czech Republic

Auditor in charge:  
Ing. Lukáš Hendrych  
Licence No. 2169

### **2020**

BDO Audit s.r.o.  
V Parku 2316/12  
148 00 Praha – Chodov  
Licence No. 018  
Czech Republic

Auditor in charge:  
Ing. Lukáš Hendrych  
Licence No. 2169



# Tables Providing the Information Duty of the Issuers of Registered Securities

## **Basic information**

IČO (Reg. no.): 00010944  
Business name: MINERVA BOSKOVICE, a.s.

### **Headquarters:**

Street: Sokolská 1318/60  
Town: Boskovice, Czech Republic  
Postcode: 680 01  
Tel.: +420 516 494 295  
Fax: +420 516 452 855  
E-mail: hadackovak@minerva-boskovice.com  
Internet: www.minerva-boskovice.com  
Year of incorporation: 1991

### **The complete file contains:**

Balance Sheet, Profit and Loss Account in full extent	as of 31/12/2020
Cash Flow Statement	as of 31/12/2020
Review of Changes in Equity	as of 31/12/2020

## **Facts of the audit and auditor:**

The submitted statements were audited by the auditor:

Name of auditing company:	BDO Audit s.r.o.
Auditing company licence No.:	018
Auditor's name and surname:	Ing. Lukáš Hendrych
Licence No.:	2169
Auditor's report of:	5 February 2021

# Balance Sheet as at 31/12/2020

(in CZK thousand)

ASSETS		Current Year		Prior Year	
No.	Description	Gross	Adjust.	Net	Net
	<b>ASSETS</b>	<b>1 949 638</b>	<b>-1 026 967</b>	<b>922 671</b>	<b>870 601</b>
<b>B.</b>	<b>Fixed assets</b>	<b>1 332 288</b>	<b>-987 257</b>	<b>345 031</b>	<b>383 676</b>
<b>B.I.</b>	<b>Intangible assets</b>	<b>21 616</b>	<b>-20 920</b>	<b>696</b>	<b>997</b>
B.I.2.	Valuable rights	21 616	-20 920	696	997
B.I.2.1.	Software	20 283	-20 031	252	345
B.I.2.2.	Other valuable rights	1 333	-889	444	652
<b>B.II.</b>	<b>Tangible fixed assets</b>	<b>1 310 672</b>	<b>-966 337</b>	<b>344 335</b>	<b>382 679</b>
B.II.1.	Land, Buildings and structure	230 598	-137 159	93 439	97 736
B.II.1.1.	Land	7 184	0	7 184	7 184
B.II.1.2.	Buildings and structures	223 414	-137 159	86 255	90 552
B.II.2.	Machines, tools and equipment, transportation means, furniture and office equipment	1 079 040	-829 088	249 952	280 963
B.II.4.	Other tangibles	55	0	55	55
B.II.4.3.	Other tangible fixed assets	55	0	55	55
B.II.5.	Advance payments for tangible fixed assets and tangible assets under construction	979	-90	889	3 925
B.II.5.1.	Advance payments for tangible fixed assets	90	-90	0	3 058
B.II.5.2.	Tangible assets under construction	889	0	889	867
<b>C.</b>	<b>Current assets</b>	<b>617 194</b>	<b>-39 710</b>	<b>577 484</b>	<b>486 349</b>
<b>C.I.</b>	<b>Inventory</b>	<b>254 358</b>	<b>-39 042</b>	<b>215 316</b>	<b>287 110</b>
C.I.1.	Raw materials	107 840	-21 691	86 149	117 909
C.I.2.	Work in progress and semi-finished products	138 131	-14 874	123 257	160 002
C.I.3.	Finished goods and merchandise	8 212	-2 477	5 735	9 116
C.I.3.1.	Finished goods	8 212	-2 477	5 735	9 116
C.I.5.	Advance payments for inventory	175	0	175	83
<b>C.II.</b>	<b>Receivables</b>	<b>336 192</b>	<b>-668</b>	<b>335 524</b>	<b>172 048</b>
<b>C.II.2.</b>	<b>Short-term receivables</b>	<b>336 192</b>	<b>-668</b>	<b>335 524</b>	<b>172 048</b>
C.II.2.1.	Trade receivables	116 748	-668	116 080	146 920
C.II.2.2.	Receivables from controlled entities, controlling entities and from entities under common control	211 813	0	211 813	18 438
C.II.2.4.	Other receivables	7 631	0	7 631	6 690
C.II.2.4.3	Due from state – tax receivables	6 382	0	6 382	4 579
C.II.2.4.4	Short-term advance payments	1 247	0	1 247	2 111
C.II.2.4.6	Other receivables	2	0	2	0
<b>C.IV.</b>	<b>Cash in hand and bank accounts</b>	<b>26 644</b>	<b>0</b>	<b>26 644</b>	<b>27 191</b>
C.IV.1.	Cash in hand	553	0	553	452
C.IV.2.	Bank accounts	26 091	0	26 091	26 739
<b>D.</b>	<b>Accruals of assets</b>	<b>156</b>	<b>0</b>	<b>156</b>	<b>576</b>
D.1.	Deferred expenses	156	0	156	576

## Balance Sheet as at 31/12/2020

(in CZK thousand)

EQUITY AND LIABILITIES		Current Year	Prior Year
No.	Description	Net	Net
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>922 671</b>	<b>870 601</b>
<b>A.</b>	<b>Equity</b>	<b>810 110</b>	<b>770 662</b>
<b>A.I.</b>	<b>Registered capital</b>	<b>412 899</b>	<b>412 899</b>
A.I.1.	Registered capital	412 899	412 899
<b>A.II.</b>	<b>Share premium and capital contributions</b>	<b>48</b>	<b>48</b>
A.II.2.	Capital contributions	48	48
A.II.2.1.	Other capital contributions	48	48
<b>A.III.</b>	<b>Legal, statutory and other reserve funds</b>	<b>42 443</b>	<b>38 923</b>
A.III.1.	Other reserve funds	42 183	38 663
A.III.2.	Statutory and other reserves	260	260
<b>A.IV.</b>	<b>Profit/Loss – previous year (±)</b>	<b>315 272</b>	<b>248 389</b>
A.IV.1.	Retained profits from previous years	315 272	248 389
<b>A.V.</b>	<b>Profit/Loss – current year</b>	<b>39 448</b>	<b>70 403</b>
<b>B+C.</b>	<b>Liabilities</b>	<b>112 561</b>	<b>99 939</b>
<b>B.</b>	<b>Provisions</b>	<b>11 706</b>	<b>7 776</b>
B.2.	Income tax provision	3 322	3 716
B.4.	Other provisions	8 384	4 060
<b>C.</b>	<b>Liabilities</b>	<b>100 855</b>	<b>92 163</b>
<b>C.I.</b>	<b>Long-term liabilities</b>	<b>30 398</b>	<b>28 603</b>
C.I.8.	Deferred tax liability	30 398	28 603
<b>C.II.</b>	<b>Short-term liabilities</b>	<b>70 457</b>	<b>63 560</b>
C.II.3.	Advances received	41	756
C.II.4.	Trade payables	30 508	24 165
C.II.8.	Other liabilities	39 908	38 639
C.II.8.1.	Liabilities to owners	150	150
C.II.8.3.	Liabilities to employees	15 905	14 884
C.II.8.4.	Social security and health insurance liabilities	8 846	8 219
C.II.8.5.	Due to state - taxes and subsidies	2 355	2 109
C.II.8.6.	Estimated liabilities	12 652	13 277

Financial statements date: 29. 1. 2021



Signature of the statutory  
body or representative  
Ing. Romana Špačková, MBA



Signature of the person in charge of  
the accounting records and financial statements  
Jiří Staněk

# Profit and Loss Account

## for the period from 1. 1. 2020 to 31. 12. 2020

(in CZK thousand)

No.	Description	Current Year	Prior Year
I.	Sales of own product and services	906 974	1 159 581
A.	Production consumption	479 924	708 060
A.2.	Raw materials and consumption	407 770	580 917
A.3.	Services	72 154	127 143
B.	Change in own production inventory (±)	38 230	-5 129
C.	Capitalisation (-)	-10 092	-25 765
D.	Personnel expenses	315 904	362 857
D.1.	Wages and salaries	230 888	266 715
D.2.	Social security expenses, health insurance and other expenses	85 016	96 142
D.2.1.	Social security expenses and health insurance	83 197	94 033
D.2.2.	Other expenses	1 819	2 109
E.	Valuation adjustments relating to operating activities	51 415	58 790
E.1.	Valuation adjustments of fixed assets	50 162	51 588
E.1.1.	Valuation adjustments of fixed assets – permanent	50 355	51 781
E.1.2.	Valuation adjustments of fixed assets – temporary	-193	-193
E.2.	Valuation adjustments of inventory	765	7 101
E.3.	Valuation adjustments of receivables	488	101
III.	Other operating income	38 427	51 782
III.1.	Income from fixed assets sold	179	602
III.2.	Income from materials sold	26 384	46 579
III.3.	Other operating income	11 864	4 601
F.	Other operating expenses	20 526	21 680
F.1.	Net book value of fixed assets sold	0	530
F.2.	Net book value of material sold	13 634	17 647
F.3.	Taxes and fees	465	442
F.4.	Provisions relating to operating activities and complex deferred expenses	4 324	572
F.5.	Other operating expenses	2 103	2 489
<b>*</b>	<b>Operating profit/loss (±)</b>	<b>49 494</b>	<b>90 870</b>

# Profit and Loss Account for the period from 1. 1. 2020 to 31. 12. 2020

(in CZK thousand)

No.	Description	Current Year	Prior Year
VI.	Interest income and similar income	4 841	0
VI.1.	Interest and similar income – subsidiaries	4 841	0
J.	Interest expenses and similar expenses	5	1 907
J.2.	Other interest and similar expenses	5	1 907
VII.	Other financial income	3 539	2 657
K.	Other financial expense	9 507	4 670
<b>*</b>	<b>Profit/loss from financial operations (transactions) (±)</b>	<b>-1 132</b>	<b>-3 920</b>
<b>**</b>	<b>Profit/loss before tax (±)</b>	<b>48 362</b>	<b>86 950</b>
L.	Income tax	8 914	16 547
L.1.	Income tax - due	7 119	12 988
L.2.	Income tax - deferred (±)	1 795	3 559
<b>**</b>	<b>Profit/loss after tax (±)</b>	<b>39 448</b>	<b>70 403</b>
<b>***</b>	<b>Profit/loss of current accounting period (±)</b>	<b>39 448</b>	<b>70 403</b>
	Net turnover = I. + II. + III. + IV. + V. + VI. + VII.	953 781	1 214 020

Financial statements date: 29. 1. 2021



Signature of the statutory  
body or representative  
Ing. Romana Špačková, MBA



Signature of the person in charge of  
the accounting records and financial statements  
Jiří Staněk

# Review of Changes in Equity as at 31/12/2020

(in CZK thousand)

	Share capital	Capital funds	Statutory funds	Other result from previous years	Accumulated profits/losses brought	Profit or loss for the current period	Total equity
	A.I.	A.II.	A.III.	A.IV.	A.IV.	A.V.	A.
<b>Balance at 1. 1. 2020</b>	<b>412 899</b>	<b>48</b>	<b>38 923</b>	<b>0</b>	<b>248 389</b>	<b>70 403</b>	<b>770 662</b>
Previous period result transfer			3 520		66 883	-70 403	0
Profit/Loss – current year						39 448	39 448
<b>Balance at 31. 12. 2020</b>	<b>412 899</b>	<b>48</b>	<b>42 443</b>	<b>0</b>	<b>315 272</b>	<b>39 448</b>	<b>810 110</b>

## as at 31. 12. 2019

	Share capital	Capital funds	Statutory funds	Other result from previous years	Accumulated profits/losses brought	Profit or loss for the current period	Total equity
	A.I.	A.II.	A.III.	A.IV.	A.IV.	A.V.	A.
<b>Balance at 1. 1. 2019</b>	<b>412 899</b>	<b>48</b>	<b>35 608</b>		<b>185 413</b>	<b>66 291</b>	<b>700 259</b>
Previous period result transfer			3 315		62 976	-66 291	0
Profit/Loss – current year						70 403	70 403
<b>Balance at 31. 12. 2019</b>	<b>412 899</b>	<b>48</b>	<b>38 923</b>	<b>0</b>	<b>248 389</b>	<b>70 403</b>	<b>770 662</b>

Financial statements date: 29. 1. 2021



Signature of the statutory  
body or representative  
Ing. Romana Špačková, MBA




Signature of the person in charge of  
the accounting records and financial statements  
Jiří Staněk


# Cash Flow Statement for the period from 1. 1. 2020 to 31. 12. 2020

(in CZK thousand)

No.	Description	Current Year	Prior Year
<b>P.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>27 191</b>	<b>40 639</b>
<b>CASH FLOW FROM ORDINARY ACTIVITIES</b>			
Z.	Profit or loss from ordinary activities before tax	48 362	86 950
A.1.	Adjustments for non-cash transactions	50 767	61 197
A.1.1.	Depreciation of fixed assets	50 355	51 781
A.1.2.	Change in provisions and reserves	5 383	7 581
A.1.3.	Profit (loss) on the sale of fixed assets	-135	-72
A.1.5.	Interest expense and interest income	-4 836	1 907
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>99 129</b>	<b>148 147</b>
A.2.	Change in working capital	-85 902	-106 215
A.2.1.	Change in operating receivables and other assets	-163 544	-65 146
A.2.2.	Change in operating payables and other liabilities (±)	6 613	-44 276
A.2.3.	Change in inventories (±)	71 029	3 207
<b>A.**</b>	<b>Net cash flow from operations before tax and extraordinary items</b>	<b>13 227</b>	<b>41 932</b>
A.3.	Interest paid (-)	-5	-1 907
A.4.	Interest received (+)	4 841	0
A.5.	Income tax paid from ordinary operations (-)	-7 512	-9 272
<b>A.***</b>	<b>Net operating cash flows</b>	<b>10 551</b>	<b>30 753</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
B.1.	Fixed assets expenditures	-11 233	-44 803
B.2.	Proceeds from fixed assets sold	135	602
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-11 098</b>	<b>-44 201</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
<b>C.***</b>	<b>Net financial cash flows</b>	<b>0</b>	<b>0</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>-547</b>	<b>-13 448</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>26 644</b>	<b>27 191</b>

Financial statements date: 29. 1. 2021

  
Signature of the statutory  
body or representative  
Ing. Romana Špačková, MBA

  
Signature of the person in charge of  
the accounting records and financial statements  
Jiří Staněk

# Notes to the Financial Statements for 2020

**Company name:** MINERVA BOSKOVICE, a.s.  
**Headquarters:** Boskovice, Sokolská 1318/60, Czech Republic  
**Legal form:** Joint stock  
**IČ (Reg. no.):** 00010944

**Signature of the statutory body:**

Position Chairwoman of the Board of Directors

Name Ing. Romana Špačková, MBA

Signature





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## 1. General Information

### 1.1. Incorporation and Characteristics of the Company

MINERVA BOSKOVICE, a.s. (hereafter referred to as “the company”) was established through a once-only Incorporation Plan of a State Joint Stock, issued by the Ministry of Industry and Electrotechnics of the Czech Republic, as a joint stock on 17/12/1990 and was established in legal terms by making an entry in the Commercial Register at the Regional Trade Court in Brno on 01/01/1991.

The company’s registered activity is the manufacture of industrial sewing machines which represents 97.3 % of the company’s revenues.

The company’s headquarters are Boskovice, Sokolská 1318/60, Czech Republic.

The company’s registered capital amounts to 412 899 th. CZK.

Number of shares: 412 899

The company’s shares are bearer shares in the book form, issued under ISIN CS 0005005552, at the aforementioned amount.

The company has been part of the Shang Gong Group Co. Ltd., Shanghai.

Physical and legal entities with a share exceeding 20 % of the company’s registered capital and their shares are given in the table below:

Shareholder / Partner	Share in the registered capital
Dürkopp Adler GmbH, Germany	89.02%
Others	10.98%
<b>Total</b>	<b>100%</b>

Until December 2020, the majority shareholder’s legal form was AG (Dürkopp Adler AG). In December 2020, it changed to GmbH (Dürkopp Adler GmbH).

The lowest-level consolidating entity is Dürkopp Adler GmbH, Germany.

The highest-level consolidating entity is Shang Gong Group Co. Ltd., Shanghai.

The consolidated financial statements are lodged at the headquarters of the consolidating entities.

### 1.2. Company’s Organisational Chart

The company’s organisational chart comprises three departments:

- Technology and Production
- Finance and Administration
- Projects

### 1.3. Board of Directors and Board of Supervisors

Changes which occurred in the company's bodies are given in the table below.

	Office	As of 31/12/2020	As of 31/12/2019
<b>Board of Directors</b>	Chairwoman	Ing. Romana Špačková, MBA	Ing. Romana Špačková, MBA
	Deputy chairman	Frank Michael Kuhnt	Frank Michael Kuhnt
	Member	Bc. Karel Šmíd	Bc. Karel Šmíd
<b>Board of Supervisors</b>	Chairman	Haixiang Fang	Michael Kilian
	Deputy chairman	Dietrich Eickhoff	Haixiang Fang
	Member	Karel Kleveta	Karel Kleveta

On 19 December 2019, the Board of Supervisors received the written resignation of Michael Kilian as a member and the chairman of the Board of Supervisors of MINERVA BOSKOVICE, a.s. and approved his request to withdraw as of 19 December 2019. At the same time it co-opted a new member and the deputy chairman of the Board of Supervisors, Dietrich Eickhoff, effective as of 01 January 2020 until the next General Meeting is held.

The General Meeting held on 12 May 2020 elected Dietrich Eickhoff as a member and the deputy chairman of the Board of Supervisors of MINERVA BOSKOVICE a.s..

## 2. Accounting Methods and General Accounting Policies

The company's accounting records have been kept, and the financial statements prepared, in compliance with Act 563/1991 Coll. – The Accounting Act as subsequently amended, Decree 500/2002 Coll. which implements some provision of the Accounting Act as subsequently amended for accounting entities which use double-entry bookkeeping, and as amended by Decree 472/2003 Coll., and with the Czech Accounting Standards for Businesses. The company's accounting system adopts the general accounting policies, especially the historical cost basis, accrual accounting, the principle of prudence and the going concern assumption.

The figures stated in these financial statements are given in thousand CZK.

## 3. Summary of the Major Accounting Rules and Procedures

### 3.1. Tangible Fixed Assets

Purchased tangible fixed assets are stated at acquisition cost less accumulated depreciation and recognised impairment losses.

The value of tangible fixed assets produced internally includes direct costs, indirect costs relating to the production of these internally produced assets (production overheads) and, if applicable, indirect administrative costs whenever the production of the asset exceeds one accounting period.

Tangible fixed assets are assets whose lifetime exceeds one year and whose value exceeds 10 th. CZK per single item.

Technical improvements increase the acquisition cost of the tangible asset if they exceed a total of 40 th. CZK per single item in one taxation period.

Acquisition cost of tangible fixed assets, except for land and investments in progress, is depreciated over the anticipated lifetime of the asset by applying the straight line method in the following manner:

Asset	Depreciation period
Buildings	50 years
Plant and equipment newly purchased	4–12 years
IT and office equipment	5 years
Vehicles	5 years
Low-value assets	4 years

The company reviews the carrying amounts of its tangible and intangible assets as of each balance sheet date to determine whether there is any indication of impairment losses. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment loss. If the recoverable amount cannot be estimated, the company will determine the recoverable amount for the cash-generating unit to which the relevant asset belongs.

### 3.2. Intangible Fixed Assets

Purchased intangible fixed assets are stated at acquisition cost.

Intangible fixed assets are assets whose lifetime exceeds one year and whose value exceeds 20 th. CZK regarding incorporation expenses, or 60 th. CZK in all other cases, per single item.

Intangible fixed assets are, besides others, intangible development results with a lifetime exceeding one year, which are capitalised only if used for repeated sale. Intangible research and development results, software and valuable rights of own production and for own consumption are not capitalised, their value is stated at the lower of real costs or current replacement cost.

Expenses relating to research are recognised as costs in the year in which they occur.

Technical improvements increase the acquisition cost of fixed assets if they exceed a total of 40 th. CZK per single item and one taxation period.

Intangible fixed assets are depreciated by applying the straight line method, based on their anticipated lifetime, in the following manner:

Asset	Depreciation period
Trademark	10 years
Software	4 years

### 3.3. Inventory

Purchased inventory is stated at acquisition cost. The acquisition cost comprises the purchase price and other costs related to the acquisition, especially customs fees, transportation and storage expenses if transport is involved, commission and insurance.

Inventory produced internally is stated at production costs which comprise direct costs incurred in production or other activity and a portion of the indirect costs which relate to production. Indirect costs comprise especially the costs of tools, energy, protective equipment, non-conforming products, and also a portion of the costs of quality assurance, production process control, warehousing of semi-finished products etc.

Release of purchased inventory (material and goods) is recognised at the weighted average price, and the release of produced inventory (semi-finished own products and finished products) is stated at fixed warehouse prices and a variance of the purchase price which is expensed in relation to the consumption of the produced inventory.

Variance of the purchase price occurs upon entry of the item in the warehouse, as a difference between the value stated in the production order and the fixed price of that item. The variances are expensed in the accounts of change of inventory at the end of each month depending on the consumption of the inventory stated at fixed prices.

Fixed (standard) prices are determined based on the current production documents while applying the valid production standards and rates for personal costs and overhead costs (costs of machine time).

Two methods were applied in the computation of adjustment entries:

- a) Computation based on the saleability of inventory;
- b) Computation based on the net realisable value of the finished products.

The computation based on the saleability of the inventory is applied with the inventory of materials, semi-finished products and work in progress. Both computation methods are applied with inventory of finished products and merchandise. The higher of the two values is used as the adjustment entry, following the principle of prudence.

### 3.4. Receivables

Receivables are stated as they occur at their nominal amount less the relevant adjustments to contingent and bad debts. Receivables acquired for price or by contribution are stated at acquisition cost less adjustments to contingent and bad debts.

Adjustments to receivables are computed in the following manner:

- a) Tax adjustments to receivables are determined as per the Act 593/1992 Coll. – the Reserves for Determining the Income Tax Base Act.
- b) Accounting adjustments to contingent debts are defined by the company following its own analysis of the solvency of its customers.

c) Accounting adjustments are made as per IFRS 9 on the basis of the computation determined by Dürkopp Adler GmbH, the parent company.

No adjustment entries are made to intra-group receivables.

### **3.5. Trade Liabilities**

Trade liabilities are recognised at their nominal amount.

### **3.6 Bank Loans**

Bank loans are stated at their nominal amount. The portion of a long-term loan which is due within one year of the date of financial statements is deemed to be a short-term loan.

### **3.7 Provisions**

Provisions are made to cover foreseeable liabilities or expenses with a known purpose which are likely to occur but a reliable estimate of the amount or date cannot be made.

### **3.8 Conversion of Amounts Denominated in Foreign Currency to CZK**

With transactions realised throughout the year, the company applied a fixed annual exchange rate to convert foreign currencies, which was determined following the exchange rate published by the Czech National Bank and effective as of the first date following the publication. During the year, realised and non-realised foreign exchange gains and losses are recognised.

Financial assets and short-term assets and liabilities denominated in foreign currency are converted as of the date of the financial statements by applying the valid exchange rate published by the Czech National Bank as of that date, and the arising foreign exchange differences are recognised as financial revenues or financial expenses of the current period.

### **3.9 Finance Lease**

Finance lease is understood to be the acquisition of tangible fixed assets where the title is transferred from the owner to the user during or after the lease period, and the user pays in instalments for the acquisition as his expenses until the transfer of the title.

The first instalment (prepayment) of finance lease is accrued and expensed over the lease period, or the advance for future instalments is entered as an operating advance made.

### **3.10 Tax Due**

The tax due in the accounting period is based on the taxable profits. The taxable profits differ from the net profits stated in the profit and loss account, as they do not include revenue or cost items which are taxable or deductible in other periods, and they neither include items which are exempt from tax or non-deductible. The company's liability in respect of the tax due is computed by applying the tax rates effective as of the date of the financial statements.

### 3.11 Deferred Tax

The deferred tax is computed based on the liability method and the balance sheet approach.

The liability method is a procedure where income tax rates effective in the period in which the tax liability or receivable is to be applied are used in the computation.

The balance sheet approach means that the liability method is based on the temporary differences between the tax base of the assets or liabilities, and the amount of assets and liabilities stated in the balance sheet. The tax base of assets or liabilities is the value of the assets or liabilities applicable in the future for tax purposes.

The book value of a deferred tax receivable is reviewed as of each balance sheet date and decreased to an extent in which it is no more likely that a sufficient taxable profit will be available against which this receivable or its portion could be applied.

The deferred tax receivables and liabilities are offset and stated at their total net value in the balance sheet.

### 3.12 Revenue

Revenue is recognised as of the date of the release of goods for a customer or as of the date of rendition of services, and is stated net of discounts and exclusive of VAT.

### 3.13 Estimates

The preparation of the financial statements requires that the company's management use estimates and assumptions which affect the disclosed amounts of assets and liabilities as of the date of the financial statements and the disclosed amounts of the revenues and expenses of the period. The company's management believes that the estimates and assumptions made will not materially differ from the actual values in the subsequent accounting periods.

### 3.14 Extraordinary Expenses and Revenues

These items are revenues and expenses from transactions which are quite extraordinary given the accounting entity's ordinary activity, as well as revenues and expenses from random extraordinary events.

### 3.15 Cash Flow Statement

The cash flow statement was prepared by applying the non-direct method. The cash equivalents are assets with short-term liquidity which are easily and readily convertible into a known amount of cash. A summary of cash and cash equivalents is given in the table below:

(in CZK thousand)	31/12/2020	31/12/2019
Cash in desk and cash in transit	553	452
Bank accounts	26 091	26 739
<b>Cash and cash equivalents, total</b>	<b>26 644</b>	<b>27 191</b>



Cash flows from operations, investments or financial activities are stated unmatched in the cash flow statement.

As of 31/12/2020, the company had no bank guarantees.

### 3.16. Changes in the Accounting Methods in 2020

No change in the accounting methods occurred in 2020.

## 4. Supplementary Information to the Balance Sheet and the Profit and Loss Account

### 4.1. Fixed Assets

#### 4.1.1. Intangible Fixed Assets

##### Acquisition cost

(in CZK thousand)	As of 31/12/2018	Additions	Disposals	As of 31/12/2019	Additions	Disposals	As of 31/12/2020
Software	22 618	155	0	22 773	215	-2 705	20 283
Valuable rights	1 719	139	-525	1 333	0	0	1 333
Intangible fixed assets under construction	265	0	-265	0	0	0	0
<b>Total</b>	<b>24 602</b>	<b>294</b>	<b>-790</b>	<b>24 106</b>	<b>215</b>	<b>-2 705</b>	<b>21 616</b>

##### Accumulated depreciation

(in CZK thousand)	As of 31/12/2018	Additions	Disposals	As of 31/12/2019	Additions	Disposals	As of 31/12/2020
Software	21 752	676	0	22 428	308	-2 705	20 031
Valuable rights	980	226	-525	681	208	0	889
Intangible fixed assets under construction	0	0	0	0	0	0	0
<b>Total</b>	<b>22 732</b>	<b>902</b>	<b>-525</b>	<b>23 109</b>	<b>516</b>	<b>-2 705</b>	<b>20 920</b>

##### Carrying amount

(in CZK thousand)	As of 31/12/2018	As of 31/12/2019	As of 31/12/2020
Software	866	345	252
Valuable rights	739	652	444
Intangible fixed assets under construction	265	0	0
<b>Total</b>	<b>1 870</b>	<b>997</b>	<b>696</b>

#### 4.1.2. Tangible Fixed Assets

##### Acquisition cost

(in CZK thousand)	As of 31/12/2018	Additions	Disposals	As of 31/12/2019	Additions	Disposals	As of 31/12/2020
Land	7 184	0	0	7 184	0	0	7 184
Structures	219 807	3 607	0	223 414	0	0	223 414
Plant and equipment	1 040 061	74 748	-20 942	1 093 867	14 338	-29 165	1 079 040
– Machinery and equipment	1 031 630	73 348	-20 858	1 084 120	14 338	-29 165	1 069 293
– Means of transport	8 431	1 400	-84	9 747	0	0	9 747
Other tangible fixed assets	52	3	0	55	0	0	55
Tangible investments in progress	20 477	58 748	-78 358	867	14 360	-14 338	889
Advances for tangible fixed assets	16 907	21 853	-35 612	3 148		-3 058	90
<b>Total</b>	<b>1 304 488</b>	<b>158 959</b>	<b>-134 912</b>	<b>1 328 535</b>	<b>28 698</b>	<b>-46 561</b>	<b>1 310 672</b>

##### Accumulated depreciation

(in CZK thousand)	As of 31/12/2018	Additions	Disposals	Adjust- ment entry	As of 31/12/2019	Additions	Disposals	Adjust- ment entry	As of 31/12/2020
Land	0	0	0	0	0	0	0	0	0
Structures	128 451	4 604	0	-193	132 862	4 490	0	-193	137 159
Plant and equipment	787 041	46 275	-20 412	0	812 904	45 349	-29 165	0	829 088
– Machinery and equipment	780 446	45 605	-20 328	0	805 723	44 635	-29 165	0	821 193
– Means of transport	6 595	670	-84	0	7 181	714	0	0	7 895
Advances for tangible fixed assets	90	0	0	0	90	0	0	0	90
<b>Total</b>	<b>915 582</b>	<b>50 879</b>	<b>-20 412</b>	<b>-193</b>	<b>945 856</b>	<b>49 839</b>	<b>-29 165</b>	<b>-193</b>	<b>966 337</b>

##### Carrying amount

(in CZK thousand)	As of 31/12/2018	As of 31/12/2019	As of 31/12/2020
Land	7 184	7 184	7 184
Structures	91 356	90 552	86 255
Plant and equipment	253 020	280 963	249 952
– Machinery and equipment	251 184	278 397	248 100
– Means of transport	1 836	2 566	1 852
Other tangible fixed assets	52	55	55
Tangible investments in progress	20 477	867	889
Advances for tangible fixed assets	16 817	3 058	0
<b>Total</b>	<b>388 906</b>	<b>382 679</b>	<b>344 335</b>

The most important additions to tangible and intangible fixed assets in 2020 included the completion of a HRF 100 high-frequency hardening machine worth 3 655 th. CZK (advances totalling 3 041 th. CZK were paid in 2019). An older HAAS VF 2 machining system worth 518 th. CZK was also purchased.

The most important additions to tangible and intangible fixed assets in 2019 included a DMC-80H linear machining system worth 13 641 th. CZK (1st instalment of 6 602 th. CZK paid in 2018, final instalment of 7 039 th. CZK paid in 2019), a DECKEL MAHO DMU 40 eVo machining system worth 6 587 th. CZK, an EMCOTURN E-65 MY three-axis CNC milling system worth 3 105 th. CZK, a MANURHIN KMX 413 automatic lathe worth 2 720 th. CZK, a HAAS VF 4SS machining system worth 2 189 th. CZK, and two HAAS VF 2SS machining systems worth a total of 2 946 th. CZK. In 2019 the purchase of a semi-conductor frequency inverter for a hardening device worth 3 590 th. CZK was approved and advances totalling 3 041 th. CZK were made in 2019. The investment was completed in 2020.

#### **4.1.3. Pledged Fixed Assets and Security**

The company had tangible fixed assets under a contract for pledge in 2020 to secure the receivables relating to loans from Komerční banka a.s., namely both current and future debts from an overdraft contract and from damages and contractual penalties as per the contract for pledge. The secured amount is floating according to the current amount of the principal, but with the following limits: A limit on the principal amounting to 15 000 000 CZK and 200 000 EUR applies to the contract for pledge. Debts from unjust enrichment are secured up to the principal of 21 000 000 CZK and damage compensation and contractual penalties are secured up to 2 100 000 CZK. In total, the maximum available security amounts to 20 249 000 CZK at 26.245 CZK/EUR.

The above pledge applies to lots 2799, 2804/1 and 2806/1 in the cadastral area 608327 Boskovice, entered on ownership certificate 202, including the buildings on the aforementioned lots.

#### **4.1.4. Assets under Finance and Operating Lease**

The company had no assets under finance or operating lease.

### **4.2. Inventory**

The inventory amounted to 215 316 th. CZK as of 31/12/2020, and saw a major decrease of 71 794 th. CZK, or 25%, against 2019. This decrease was mostly seen in the purchase of materials and semi-finished products, and related to the decrease in production volumes especially in the 2nd half of 2020. The inventory-to-turnovers ratio was 23.7% (24.8% in 2019).

Adjustments to inventory rose by 765 th. CZK in 2020 and decrease the value of inventory. The overall reduction of inventory indicates that Minerva strives for effective expenditure in this area and also keeps inventory levels and their structure as necessary to maintain an uninterrupted flow of production operations and fulfilment of orders throughout the entire year.

(in CZK thousand)		
Adjustments to inventory		
	2020	2019
Opening balance as of 01 January	38 277	31 176
Additions	765	7 101
Drawing	0	0
<b>Closing balance as of 31 December</b>	<b>39 042</b>	<b>38 277</b>

#### 4.3. Summary of Trade Receivables by Age

(in CZK thousand) Year	Class	Before due date	After due date				After due date, total	Total	
		0–90 days	91– 180 days	181–360 days	1–2 years	2–5 years			
2020	Short-term	113 541	2 313	194	184	435	81	3 207	116 748
	Adjustments	0	0	0	0	0	-80	-80	-80
	Adjustment as per IFRS 9	-37	-20	-48	-130	-352	-1	-551	-588
	Net	113 504	2 293	146	54	83	0	2 576	116 080
2019	Short-term	138 549	8 444	13	13	2	80	8 552	147 101
	Adjustments	0	0	0	0	0	-80	-80	-80
	Adjustment as per IFRS 9	-39	-51	-3	-8	0	0	-62	-101
	Net	138 510	8 393	10	5	2	0	8 410	146 920

#### 4.4. Intra-group Receivables

(in CZK thousand) Company name	As of 31/12/2020	As of 31/12/2019
<b>Short-term trade receivables</b>		
Dürkopp Adler GmbH, Bielefeld	104 188	127 333
S.C. Dürkopp Adler S.R.L., Romania	124	594
DAP America, Inc., USA	606	2 721
DAP France S.A.S.	9	94
PFAFF Industriesysteme	1 753	2 570
Shang Gong Group Co., Ltd.	2 994	1 592
PFAFF Industriesysteme und Maschinen GmbH (DE)	184	400
<b>Short-term intra-group receivables, total</b>	<b>109 858</b>	<b>135 304</b>
Receivables from companies outside the group	6 222	11 616
<b>Short-term receivables, total</b>	<b>116 080</b>	<b>146 920</b>

#### 4.5. Due from State – Entitlement to Subsidy

MINERVA BOSKOVICE a.s. stated no entitlement to a state subsidy in 2020.

#### 4.6. Other Receivables

MINERVA BOSKOVICE a.s. stated Other receivables amounting to 2 th. CZK in 2020. It stated no Other receivables in 2019.

#### 4.7. Equity

No material changes in equity occurred in 2020. The net profits for 2019, amounting to 70 403 th. CZK, were appropriated by adding 3 520 th. CZK to the statutory reserve, and the amount of 66 883 th. CZK was attributed to retained earnings from previous years.

#### 4.8. Intra-group Loans

(in CZK thousand)	As of 31/12/2020	As of 31/12/2019
Company name		
Dürkopp Adler GmbH, Bielefeld	<b>211 813</b>	18 438

The company's intragroup liabilities/receivables also include assistance for the parent company amounting to 211 813 th. CZK (18 438 th. CZK in 2019).

#### 4.9. Summary of Short-Term Trade Liabilities

(in CZK thousand) Year	Type	Before due date	After due date 0–90 days	After due date 91–180 days	After due date 181–360 days	After due date, total	Total
2020	Short-term	27 663	2 833	12	0	2 845	30 508
2019	Short-term	22 386	1 601	18	160	1 779	24 165

Liabilities past due related to invoices received at the end of the accounting period which were paid in January 2021.

#### 4.10. Intra-group Short-term Trade Liabilities

(in CZK thousand) Company name	As of 31/12/2020	As of 31/12/2019
Dürkopp Adler GmbH, Bielefeld	6 750	8 430
S.C. Dürkopp Adler S.R.L., Romania	1 834	2 659
Duerkopp Adler Manufacturing	0	0
SMPIC ELETRONICS CO., LTD.	64	249
PFAFF Industrial Sewing Machine China	754	100
PFAFF Industriesysteme und Maschinen GmbH (DE)	2	384
<b>Short-term intra-group liabilities, total</b>	<b>9 404</b>	<b>11 822</b>
Liabilities to companies outside the group	21 104	12 343
<b>Short-term liabilities, total</b>	<b>30 508</b>	<b>24 165</b>

#### 4.11. Estimated Accrued Expenses and Other Provisions

(in CZK thousand)	2020	2019
Uninvoiced material	166	292
Not yet taken holidays and overtime work	8 550	6 390
Uninvoiced services, energies etc.	3 936	6 595
<b>Total</b>	<b>12 652</b>	<b>13 277</b>

A provision for bonuses relating to 2020 was created in 2020, which should be paid in 2021 and amounts to 7 236 th. CZK (2 912 th. CZK in 2019). A provision for claims amounting to 1 148 th. CZK, created in 2019, has been kept.

#### 4.12. Liabilities to Employees

The company had a liability to its employees amounting to 15 905 th. CZK as of 31/12/2020 (14 884 th. CZK as of 31/12/2019).

#### 4.13. Bank Loans

##### 4.13.1. Long-term Bank Loans

No long-term bank loans were drawn in 2020 or 2019.

##### 4.13.2. Short-term Bank Loans and Assistance

No short-term bank loans and assistance were drawn in 2020 or 2019.

#### 4.14. Other Liabilities

The company stated no Other liabilities in 2020 or 2019.

#### 4.15. Deferred Tax

A deferred tax liability amounting to 30 398 th. CZK was recognised in 2020 (a deferred tax liability amounting to 28 603 th. CZK was recognised in 2019).

The applicable deferred tax related to the following differences:

(in CZK thousand)	As of 31/12/2020	As of 31/12/2019
Accumulated depreciation of fixed assets	-39 553	-36 698
Inventory	7 418	7 273
Receivables	144	51
Provisions	1 593	771
Applicable tax loss from previous years	0	0
<b>Total</b>	<b>-30 398</b>	<b>-28 603</b>

#### 4.16. Income Tax on Ordinary and Extraordinary Activity

The amount of tax for the year, compared with the profit as stated in the profit and loss account, was as follows:

(in CZK thousand)	As of 31/12/2020	As of 31/12/2019
Profit before tax	48 362	86 950
Tax effects of non-deductible costs	10 066	10 378
Tax effects of non-taxable revenues	211	1 041
Difference between the tax depreciation and accounting depreciation	-14 829	-26 818
Application of research and development costs	0	0
Deduction under Sect. 34 of the Income Taxes Act	0	0
Tax base	43 810	71 551
Tax rate	19%	19%
Income tax	8 324	13 595
Tax allowances	-600	-660
<b>Tax on income from ordinary and extraordinary activity, total</b>	<b>7 724</b>	<b>12 935</b>
<b>Tax prepayments</b>	<b>-4 402</b>	<b>-9 219</b>
<b>Outstanding tax</b>	<b>3 322</b>	<b>3 716</b>

The provision for tax was offset against the tax paid.

#### 4.17. Revenues from Ordinary Activity, by Core Activities

(in CZK thousand)	As of 31/12/2020			As of 31/12/2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Products of Dürkopp Adler	2 531	773 052	775 583	12 647	965 349	977 996
Products of Typos	5 888	100 866	106 754	5 306	145 828	151 134
Services and other (cooperation)	4 035	20 602	24 637	4 134	26 317	30 451
<b>Revenues from the sale of own products and services</b>	<b>12 454</b>	<b>894 520</b>	<b>906 974</b>	<b>22 087</b>	<b>1 137 494</b>	<b>1 159 581</b>

#### 4.18. Consumed Purchases

(in CZK thousand)	As of 31/12/2020	As of 31/12/2019
Material consumption	390 239	562 992
Energy consumption	17 531	17 925
<b>Consumed purchases, total</b>	<b>407 770</b>	<b>580 917</b>

#### 4.19. Services

(in CZK thousand)	As of 31/12/2020	As of 31/12/2019
Repairs and maintenance	8 517	19 213
Travel expenses	427	1 041
Entertainment expenses	123	324
Transportation costs	5 296	7 063
Cooperation	19 434	32 267
Advisory services, security and other services from DA	3 214	4 869
Use of SAP hardware and software	3 755	3 975
Commission	2 143	4 678
Contract labour (agencies)	7 516	29 632
Audit	490	470
Other services	21 239	23 611
<b>Total</b>	<b>72 154</b>	<b>127 143</b>

Other services relate to lease, hire, advisory and other services related to the maintenance and operation of the buildings.



#### 4.20. Other Operating Revenues

(in CZK thousand)	As of 31/12/2020	As of 31/12/2019
Discounts	1 867	2 859
Insurance claim	145	326
Subsidies – other (AGE Management educational programme)	725	316
Subsidies – ANTIVIRUS B programme	8 041	0
Other operating revenues	962	865
Excess inventory, compensation of shortages and damages in operating assets	124	235
<b>Other operating revenues, total</b>	<b>11 864</b>	<b>4 601</b>

#### 4.21. Other Operating Expenses

(in CZK thousand)	As of 31/12/2020	As of 31/12/2019
Gifts	912	1 165
Other operating expenses	768	781
Penalties	4	0
Discounts	270	411
Operating shortages and damages	149	132
<b>Other operating expenses, total</b>	<b>2 103</b>	<b>2 489</b>

#### 4.22. Change in Adjustments

##### Operating adjustments

(in CZK thousand)	As of 31/12/2020	As of 31/12/2019
Change in adjustments to inventory of materials and merchandise	-1 059	4 553
Change in adjustments to production inventory	1 824	2 548
Change in adjustments to receivables	488	101
Change in adjustments to assets	-193	-193
Change in other provisions	4 324	572
<b>Change in operating adjustments</b>	<b>5 384</b>	<b>7 581</b>

#### 4.23. Other Financial Revenues and Expenses

(in CZK thousand)	As of 31/12/2020	As of 31/12/2019
Foreign exchange gains	3 539	2 657
<b>Other financial revenues – total</b>	<b>3 539</b>	<b>2 657</b>
Foreign exchange losses	7 155	2 284
Other financial expenses	2 352	2 386
<b>Other financial expenses – total</b>	<b>9 507</b>	<b>4 670</b>

#### 4.24. Related Party Transactions

##### 4.24.1. Revenues Realised with Related Parties

###### 2020

(in CZK thousand) Entity	Relationship to the company	Products	Mer- chan- dise	Services	Material	Total
Dürkopp Adler GmbH, Bielefeld	Parent company	765 931		18 130	16 190	800 251
DAP America, Inc., USA	Affiliate	12 841		99	1 094	14 034
DAP France S.A.S.	Affiliate	1 910		70	71	2 051
DAP Italia S.r.l.	Affiliate	19 261		248	93	19 602
DAP Polska Sp.z.o.o.	Affiliate	2 689		12	39	2 740
S.C. Dürkopp Adler S.R.L., Romania	Affiliate	3 269		4	1 120	4 393
PFAFF Industriesysteme und Maschinen GmbH, (DE)	Affiliate	14 541		1 026	23	15 590
DAP VIETNAM COMPANY LIMITED	Intragroup company	0		0	0	0
Shang Gong Group Co., Ltd.	Intragroup company	6 906		64	7	6 977
DAP SEWING TECHNOLOGY H.K. CO., LTD.	Intragroup company	0		0	0	0
DAP Sewing Technology Singapore Pte Ltd	Intragroup company	227		6	0	233
<b>Total</b>		<b>827 575</b>		<b>19 659</b>	<b>18 637</b>	<b>865 871</b>

###### 2019

(in CZK thousand) Entity	Relationship to the company	Products	Mer- chan- dise	Services	Material	Total
Dürkopp Adler AG, Bielefeld	Parent company	945 779		23 853	33 819	1 003 451
DAP America, Inc., USA	Affiliate	11 730		129	1 031	12 890
DAP France S.A.S.	Affiliate	2 774		93	136	3 003
DAP Italia S.r.l.	Affiliate	31 094		355	85	31 534
DAP Polska Sp.z.o.o.	Affiliate	3 956		14	26	3 996
S.C. Dürkopp Adler S.R.L., Romania	Affiliate	8 050		3	1 479	9 532
PFAFF Industriesysteme und Maschinen GmbH, (DE)	Affiliate	19 259		782	38	20 079
DAP VIETNAM COMPANY LIMITED	Intragroup company	841		0	0	841
Shang Gong Group Co., Ltd.	Intragroup company	4 859		74	40	4 973
DAP SEWING TECHNOLOGY H.K. CO., LTD.	Intragroup company	0		0	0	0
DAP Sewing Technology Singapore Pte Ltd	Intragroup company	96		0	1	97
<b>Total</b>		<b>1 028 438</b>		<b>25 303</b>	<b>36 655</b>	<b>1 090 396</b>

The company has realised a considerable portion of its revenues with its parent company, Dürkopp Adler GmbH, and with other related parties.

#### 4.24.2. Purchases from Related Parties

The company has purchased material and semi-finished products, which are used for the production of machinery, from its parent company, Dürkopp Adler GmbH of Bielefeld. Further, services are rendered from the parent company as stated in the table below:

(in CZK thousand)	As of 31/12/2020	As of 31/12/2019
Advisory services, financial security and other services	327	300
Use of licence	2 887	4 569
SAP support	3 755	3 975
<b>Total</b>	<b>6 969</b>	<b>8 844</b>

### 5. Employees, Management and Statutory Bodies

#### 5.1. Personnel Expenses and Head Count

Employees	2020	2019
Employees	603	695
Management	7	7
<b>Total</b>	<b>610</b>	<b>702</b>

Personnel expenses (in CZK thousand)	Personnel expenses, 2020, total	Personnel expenses, 2019, total
Employees	306 839	354 107
Management	5 371	4 829
Remuneration to board members	3 694	3 921
<b>Total</b>	<b>315 904</b>	<b>362 857</b>

The number of employees is based on the average relative figure.

#### 5.2. Loans, Credits or Other Supplies Granted

Members of the board of directors were provided with passenger vehicles the use of which for private purposes is allowed. Remuneration to board members amounting to 3 694 th. CZK was paid in 2020.

The personnel history in 2020 closely followed the demands and needs of production. At the beginning of 2020 the company had 617 primary staff members and 10 contracted employees; at the end of 2020 there were 610 primary staff members and 9 contracted employees. There was an increase in orders in the 1st half of 2020 followed by a decrease in the 2nd half of 2020, which had to be responded to in staff numbers. In the latter half of the year, the ANTIVIRUS B programme was drawn from in relation to a decrease in orders.

Following the decrease in orders in the 2nd half of the year and the epidemics, measures had to be adopted to retain staff. As of 01/01/2021, the company had 615 pri-

mary staff members and 19 contracted employees. The company expects to use contracted staff in 2021 in line with the volume of orders while maintaining staff flexibility.

## **6. Contingent Liabilities**

As of 31/12/2020 the company did not participate in any litigation the resolution of which would have a material impact on the company's activities.

All off-balance liabilities, such as secured interests etc., are stated in the company's financial statements.

## **7. Material Events Subsequent to the Date of the Financial Statements**

No events occurred subsequent to the date of the financial statements that would have a material impact on the financial statements.

# Independent Auditor's Report to the Shareholders of MINERVA BOSKOVICE, a.s.

## **Opinion**

We have audited the accompanying financial statements of MINERVA BOSKOVICE, a.s., with its headquarters at Sokolská 1318/60, 680 01 Boskovice, Czech Republic, IC (Registration Number) 000 10 944, (hereafter the Company) prepared in accordance with Czech accounting regulations, which comprise the balance sheet as at 31. 12. 2020, the income statement, statement of changes in equity and cash flow statement for the period from 1. 1. 2020 to 31. 12. 2020 and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the assets and liabilities of MINERVA BOSKOVICE, a.s. as at 31. 12. 2020 and of the costs, revenues and its profit or loss and its cash flows for the period from 1. 1. 2020 to 31. 12. 2020, in accordance with Czech accounting regulations.

## **Basis for Opinion**

We conducted our audit in accordance with the Act on Auditors 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 clauses. Our responsibilities under these regulations 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 regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Other information included in the Annual Report**

In compliance with Section 2 (b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for this other information.

Our opinion on the 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 of the company obtained from 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 the applicable laws and regulations, in particular, whether the other information complies with the laws and regulations in terms of formal requirements and procedures 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 the applicable laws and regulations.

In addition, our responsibility is to report, based on our knowledge and understanding of the Company obtained from 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 Board of Directors and Supervisory Board for the Financial Statements**

Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting regulations, 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 the 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 is 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 the above regulations 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 regulations, we exercise professional judgment and maintain professional scepticism 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.

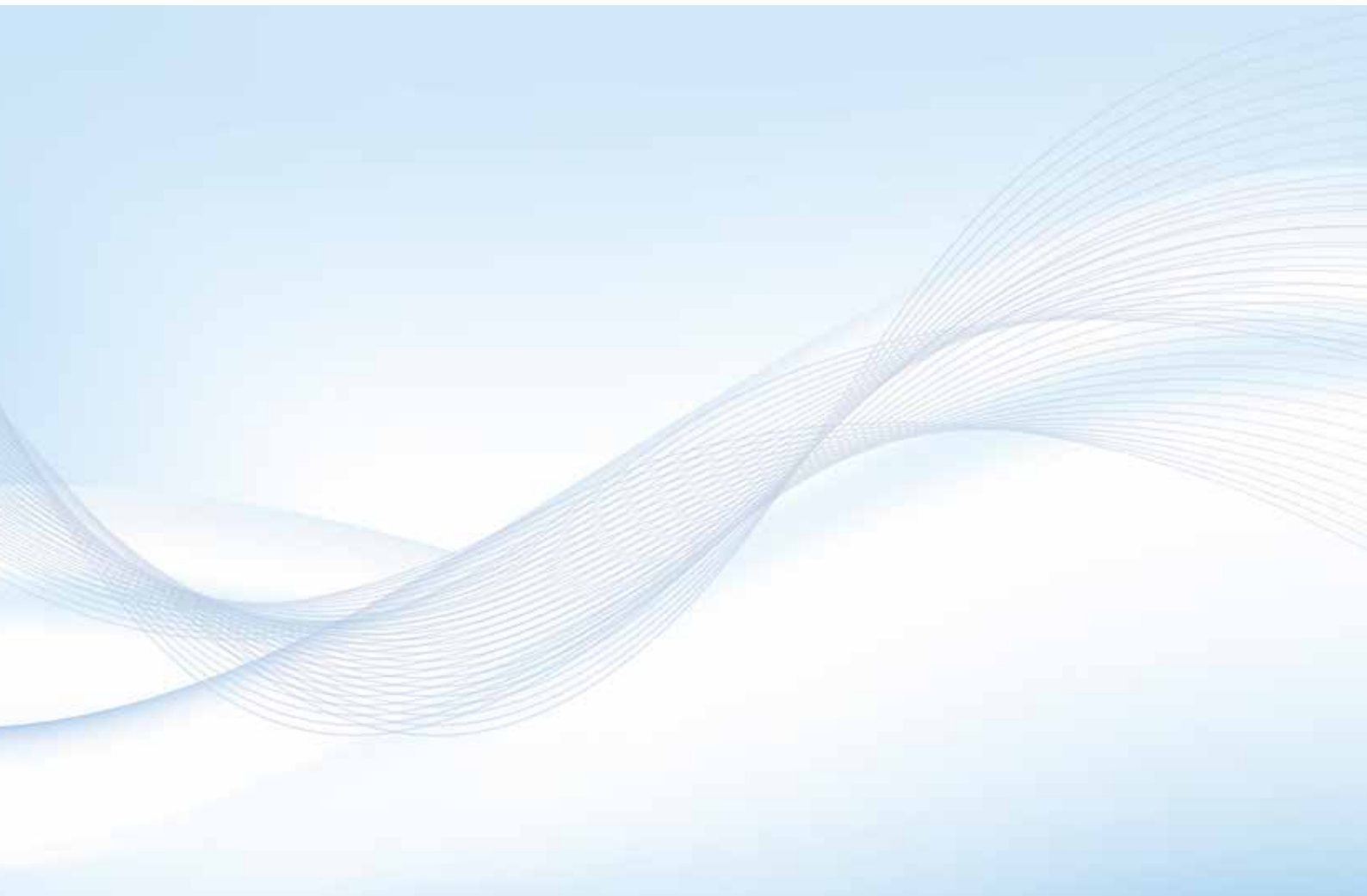
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence 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 and Supervisory Board 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.

In Prague, February 5, 2021

Audit firm:  
BDO Audit s. r. o.  
Certificate No. 018

Partner:  
  
Ing. Lukáš Hendrych  
Certificate No. 2169



**MINERVA<sup>®</sup>**  
*Member of DŮRKOPP ADLER Group*

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