

# Annual Report 2015



**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 According to the Company's Articles of Association**

- Manufacture, installation and repair of electrical machinery and tools
  - Construction of mechanically-powered machinery
  - Metalworking
  - Manufacture of tools
  - Smithery
  - Locksmithery
  - Galvanisation of metals
  - Metal sharpening and polishing, except for the sharpening of knives, scissors and simple tools
  - Trading activities including foreign trade, except for particular activities listed by the Trades Licensing Act
  - Technical and management services in engineering
  - Production and repair of electrical sewing machines and electrical appliances for households
  - Road cargo transport – cargo transport with vehicles below 3.5 t maximum permissible weight if designed for the transport of livestock or movable things; passenger transport with vehicles with up to 9 seats including the driver
  - Catering activities (without accommodation) except for the sale of alcoholic beverages, bottled beer and supplementary sale of food on public premises
  - Research and development in natural and technical science or social science
- 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 2015 Presented by the Board of Directors

Dear shareholders and business partners,  
The year 2015 has ended and the company's Board of Directors  
hereby presents the annual report for the period.

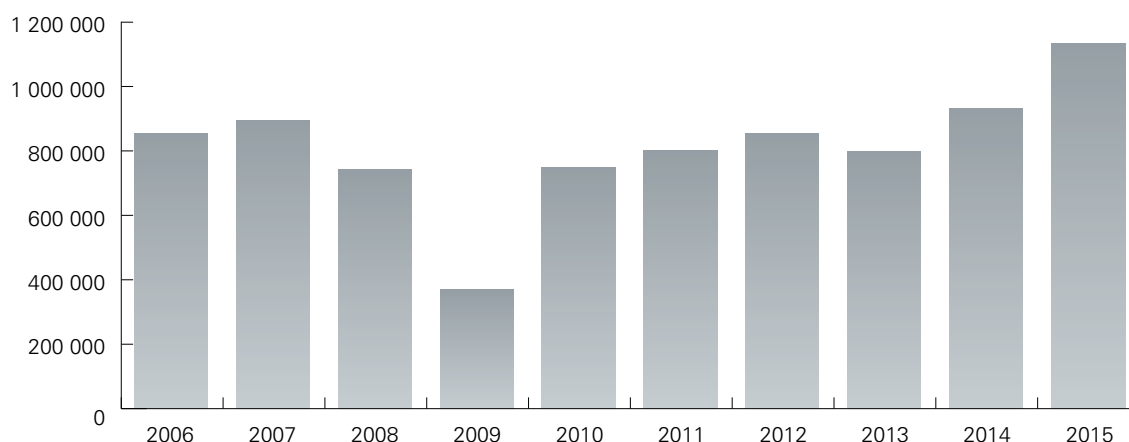
## **Financial Position of the Company in 2015**

Minerva Boskovice has seen a major increase in demand for its products in the last two years, which led to a boost in production and sales in 2015 and the continuous extension of production capacities. Every month there was growth in production and cooperation; the head count increased and the company placed emphasis on quick installation and consistent use of new investments.

Turnovers totalled 1 131 th. CZK, the highest since 2001. The planned turnovers for 2015 were exceeded by 33% and those of 2014 by 23%. The company was profitable during the entire year, with the resulting profits for 2015 being 73 478 th. CZK after tax (as per the national accounting).

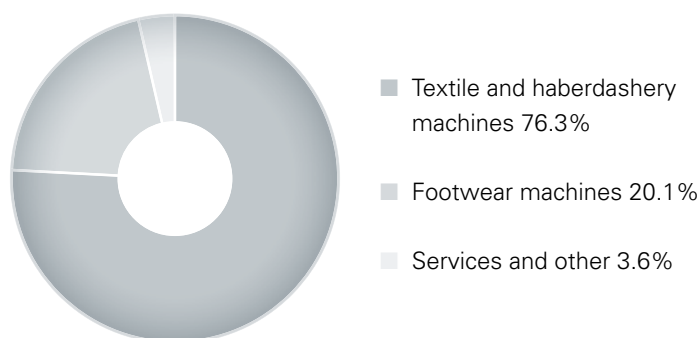
The company kept inventory at the levels and structure necessary to keep the production process flowing continuously, and the total value of inventory at the end of the year was 220 mil. CZK. The company succeeded in keeping the inventory-to-turnovers ratio below the determined limit of 20%. This all helped effective financial management, which enabled Minerva to make 78.8 mil. CZK worth of investments, with subsidies as part of the project entitled "Implementation of serial production of H-type heavy-duty industrial sewing machines with high unification and automation". The majority of these investments went into machinery and tools, which have helped to increase productivity and increased the production capacity as needed.

## **Summary of turnovers in 2006–2015 (in CZK thousand)**



## Sales

### Breakdown of revenues from own products and services in 2015



A total of 20 594 machines were sold in 2015, of which 16 984 DA machines for the haberdashery, automotive and textile industry went to the parent company, and the remaining 3 610 machines went into the footwear segment, which is fully in the competence of Minerva's sales department. Turnovers in this segment totalled 250.8 mil. CZK, 26% higher than the previous year. The company continued to focus on the sale of machines to end customers and placed emphasis on installation, training and commissioning by Minerva's technicians. Important deliveries were made in the traditional territories, such as Italy, India, Germany and Slovakia; on the other hand, there was a major decline in sales in Russia, the Ukraine and Belarus. This decline was to a certain extent offset by the acquisition of new customers in America and Africa. Work was launched on the sales concept of footwear machines together with Pfaff, aiming to jointly extend the portfolio of machines offered and unify marketing activities. As in the preceding year, the sale of footwear machines was mostly carried out through a network of dealers. The biggest dealer, Global, had a share of 18%, and India remains the most important territory, with 14%. Sales in the domestic markets were minimal, as usual, remaining under 2%. Footwear machines sold under the Dürkopp Adler brand are generally seen as the global leader in all respects and Minerva meets the customers' specific requirements. This individual solution makes the firm's sales strategy quite different from the serial production sold by its Asian competitors, and the innovative features of its machinery increases added value for the customer. This strategy proved to be effective in 2015 and will continue in the coming years.

### **Research and Development**

In recent years the company's innovation processes have been focused on medium-type and heavy-duty machinery, and 2015 was no exception. The development of the new heavy-duty H-Type line machines was completed and they are available as flat-bed and arm types with a barrel looper. Work on the innovation of the M-Type line machines continued both for footwear and for the automotive industry. The company caught up with the trends of the automation and minimisation in service and setting activities by developing a Premium line of machines. The first flat-bed machines of the 867 line and column-type 868 line machines were developed and produced in the Premium line, where all the parameters for the sewing operation can be set by a program using stepping motors. The Premium machines use intelligent monitoring features thanks to a new M2M system, which connects the machines via a modem and a telephone network with online data transfer and enables the monitoring of the sewing process, the quick and easy changeover of programs, error reporting and centrally-set sewing operation parameters. The design reviews continued in every line of serial production machines, aiming to reduce production costs. Design work was also provided for the production of special versions and custom-made machine equipment based on particular customers' requirements. The company launched the development of rotary sewing heads for KSL.

### **Core Production**

As usual, the production programme of MINERVA BOSKOVICE, a.s. was focused on industrial sewing machines for the automotive, footwear, textile and haberdashery industries, which make up 96% of its revenues. A major increase was seen in all these segments in 2015.

In order to fulfil delivery terms, production had to use all the available possibilities to extend the capacities, from round-the-clock operation through an increase in overtime work to improving the efficiency and optimisation of production processes for key components.

A total of 3 610 footwear machines and 16 984 haberdashery, automotive and textile machines were produced and assembled in 2015. Besides complete sewing machines, Minerva also produced spare parts, components and subsets for assembly in Bielefeld. This segment, with revenues of 110 mil. CZK (103 mil. CZK in 2014), also grew, although not as much as complete machines. Given the increase in the variability of machine types produced and in the assortment by a further 15 sub-classes, making a total of 165 items, the Minerva staff had to handle this highly demanding production in terms of logistics and management work. After the acquisition of PFAFF and KSL by Shang Gong (Europe) Holding in 2013, Minerva gradually began manufacturing components and subsets for these companies, too. Turnovers with these companies reached 13 mil. CZK, which, although not a high figure, is still a 30% increase against 2014, and we expect to see a further increase in the following years.



## **Quality Management**

To maintain high quality is a necessity in order for the company to be competitive. Also the year 2015 was completed with a repeated audit by Bureau Veritas Czech Republic as per the EN ISO 9001:2008 standard which the company has maintained.

The quality policy adopted is detailed each year in quality targets focusing on the product, process and quality system. These quality targets are evaluated on a regular basis by the Quality Board and their fulfilment and adherence to the ISO standards enable continuous improvement in the quality of input deliveries, production and output deliveries, thus of all aspects of production delivered by Minerva. The quality policy aims at assuring high-quality products and services and customer satisfaction.

An investment was made into measuring equipment to improve and increase the efficiency of the control process and the overall quality of products. The most important items included a Mitutoyo PV-5110 digital profile projector which is located in Unit B17 – Pressing shop. This instrument is used on a daily basis to control the pressed components. Another device which the company acquired is the FORMTRACER SV – C3200/4500, which is located in Units B10 and B13 – Rotary machining shops. This is a precise semi-automatic device for measuring surface roughness and contour.

During the year, internal, product and supplier audits were carried out by our own qualified auditors for the purpose of verifying the quality system applied and implemented in our company. A total of 23 internal audits and 10 product audits were carried out in 2015.

The costs of non-compliant products comprised only 0.413% of total turnovers in 2015. Customer claims are administered by the Sales Department, and are recorded and resolved on a continuous basis within the prescribed time. In footwear equipment, claims totalled 1.6%. The claims in machinery for Dürkopp Adler AG were 0.7%.

## **Personnel**

The staff in 2015 swiftly followed the ever-increasing requirements of production. At the beginning of 2015 the company had 614 primary staff members and 54 labour agency workers. At the end it was 649 primary staff members and 115 labour agency workers. This was a 14% increase in staff during one year. All the staff and labour agency workers continue in 2016.

The company supports the development of staff qualifications and expertise by enabling them to learn foreign languages and participate in professional seminars and classes. A total of 842 th. CZK was spent on the development of staff qualifications and expertise.

**The average number of employees, excluding those on long-term sick leave, in 2014–2015 was as follows:**

(Following the methodology of Dürkopp Adler Bielefeld)

Employees	2014	2015
Core production workers	353	376
Other workers	108	111
Administrative staff	140	139
<b>Employees, total</b>	<b>601</b>	<b>626</b>

**Costs of Investments**

Minerva Boskovice, a.s. made investments in 2015 totalling 78 837 th. CZK. The most important additions to tangible and intangible fixed assets in 2015 included purchases of equipment as part of the Innovation subsidy programme totalling 12 438 th. CZK, of which the subsidy was 4 974 th. CZK.

**Summary of investments acquired in 2015 as part of the subsidy projects:**

(in CZK thousand)

Description	Acquisition cost, total	Of which, subsidy	Subsidy programme
HAAS VF 2SS machining centre	1 896	758	Innovation
CNC HAAS ST 20Y lathe	2 673	1 068	Innovation
H - 500 machining centre	6 300	2 520	Innovation
Surface measurement tools	1 122	449	Innovation
Digital profile projector	447	179	Innovation
<b>Total</b>	<b>12 438</b>	<b>4 974</b>	

Besides subsidy projects, Minerva purchased, as part of its machinery investments, two H630 horizontal machining centres worth 16 201 th. CZK, two EC 400 horizontal milling centres worth 9 233 th. CZK, three HAAS VF 2SS vertical machining centres worth 5 386 th. CZK, a PERO R1 cleaning device worth 3 771 th. CZK, a palette loader for castings worth 318 th. CZK and two BZ CRANES lifting tools worth 303 th. CZK.

In environmental investments, the company built a new wastewater treatment plant for the varnishing shop, a cooling box for cementation for the CODERE line and a grinding box for castings, totalling 4 572 th. CZK.

A total of 16 653 th. CZK comprised investments in the purchase of patterns, moulds, preparations and special operating equipment for CNC machinery. The company also made considerable investments in the modernisation and extension of software and hardware, totalling 7 869 th. CZK in 2015.

### Summary of major investments in 2014–2015

(at acquisition cost, in th. CZK)

Investment	2014	2015
Machining equipment	40 234	45 463
Modernisation of structures	0	792
Tools and moulds, preparations	9 203	16 653
Environment	1 876	4 572
IT and office equipment, SW	2 082	7 869
Measuring equipment	1 962	2 196
Other	2 119	1 266
<b>Total</b>	<b>57 485</b>	<b>78 811</b>

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

### Overview of the Year 2015

The year 2015 can be seen as an extraordinarily successful year both in terms of turnovers and in profits and staff development. Minerva succeeded in systematically boosting production and fulfilling its customers' requirements as regards both time and quality. The company modernised its plants with investments totalling 78.8 mil. CZK and effectively used its potential to secure long-term growth. The results of the operations of Minerva Boskovice, a.s. were a key factor in the positive assessment of the Dürkopp Adler, AG group as a whole and confirmed the major and irreplaceable role played by the company within the group.



Ing. František Hrda  
Chairman  
of the Board of Directors



Frank Michael Kuhnt  
Deputy Chairman  
of the Board of Directors



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

# Statutory and Supervisory Bodies of the Company

(as of the date of the financial statements – 31/12/2015)

## **Board of Directors**

Chairman:	Ing. František Hrda Josefa Čejky 398, 679 32 Svitávka, Czech Republic
Deputy Chairman:	Frank Michael Kuhnt Noldestrasse 11, 33613 Bielefeld, Germany
Member:	Ing. Romana Špačková, MBA Kamnářská 1986/1, 678 01 Blansko, Czech Republic

## **Board of Supervisors**

Chairman:	Dietrich Eickhoff Schuckenbaumer Strasse 12, 33609 Bielefeld Germany
Deputy Chairman:	Ying Zheng Lübrasser Weg 24, 33719 Bielefeld Germany
Member:	Jiří Bartoš Čtvrtničky 332, 569 44 Jaroměřice u Jevíčka, 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.**

The office of Mr. Jiří Bartoš, a member of the board of supervisors, terminated as 30/05/2015 following the death of Mr. Bartoš. This change was entered in the Commercial Register.

## **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:	4 378 th. CZK
■ In-kind benefits:	47 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:	48
■ 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 31/12/2015 and has been paid in full. The majority shareholder is Dürkopp Adler AG, Potsdamer Straße 190, D-33719 Bielefeld, Germany. This company had a share of 91.04% in the company's registered capital as of the date of the financial statements (31/12/2015) with the voting right and is the legal entity controlling Minerva Boskovic, a.s.

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 31/12/2015, 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. 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 paid or delivered to the receiver will be deposited in a special bank account and the entitled persons may collect them within 4 years of the due date at the company's headquarters provided that they present the relevant documents. The right to the dividend, if not exerted by the shareholder, is assigned to his legal representative 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 2015 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; Distribution 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
2014	47 561	412 899	115.19
2015	73 478	412 899	177.96

## Distribution of profit or loss for the last two accounting periods

(in CZK thousand)

Distribution of profit	2014	2015
Profit or loss	47 561	73 478
Additions to statutory reserve	2 378	3 674
Payment of dividend	-	-
Payment of bonuses	-	-
Additions to social fund	-	-
Compensation for accumulated losses	45 183	36 706
Retained earnings from previous years	-	33 098

Note: The proposal for the compensation for losses will be submitted to the general meeting for approval.





# Report on Related Parties – DÜRKOPP ADLER AG and MINERVA BOSKOVICE, a.s.

This report on the relationship between Dürkopp Adler AG 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 AG, has been prepared pursuant to Sect. 82 of Act 90/2012 – the Business Corporations Act as subsequently amended.

## **I. Relationship between Dürkopp Adler AG and Minerva Boskovice, a.s. in 2015**

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 Supervisors of the controlled entity. Members of the Board of Supervisors of Minerva Boskovice, a.s. are elected and withdrawn by the general meeting where the controlling entity has a qualified and decisive share of votes. 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 2015.

### **2. Consultancy Contract – Sales and Marketing Activities in the Sale of Footwear Machines**

Date of contract: 05 January 2000

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

Support of sales and marketing activities in respect of footwear machines, the performance of sales activities worldwide and the organisational support of sales by Minerva Boskovice, a.s.

**Fulfilment of the contract:**

Based on the decision of the controlling entity, no support was granted under this contract in 2015. No financial supplies thereto were therefore made.

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

Date of contract: 20 February 2006

An amendment treating prices 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 AG 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 2015 support was granted by the controlling entity. The total expenses amounted to 4 880 th. CZK.

**4. Contracts for the Development, Production and Deliveries of Industrial Sewing Machines****4.1. General Contract for Development and Design of 23 November 2011**

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

**Fulfilment of the contract:**

The work carried out by MINERVA BOSKOVICE, a.s. under this contract in 2015 was invoiced to Dürkopp Adler AG regularly on a monthly basis. The total of invoiced amounts was 15 622 th. CZK in 2015.

**4.2. 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 AG'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 AG for granting licences in 2015 with royalties amounting to 7 504 th. CZK for direct sales of footwear machinery in Minerva's own sales network.

#### **4.3. 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 AG in 2015 with royalties amounting to 386 th. CZK.

#### **5. Contract of the Loan of Tools**

Date of contract: 25 August 2003

**Subject of contract:**

Tools which are necessary for the production of machinery on the grounds of orders from Dürkopp Adler AG, or for the production of orders of equipment to be used for the production of medium-weight modular line machinery, can be borrowed.

**Fulfilment of the contract:**

In 2015 no tools were borrowed from the controlling company under this contract for the production of medium-weight M-Type machinery. No financial obligation occurred based on this contract in relation to the controlling entity.

#### **6. 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 AG 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 2015.

#### **7. General Contract**

Date of contract: 19 May 2009

**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:**

No financial obligation towards the controlling entity arose in connection with the above mentioned activities in 2015.

**8. Contract for Contractual Interest**

Date of contract: 11 May 2006

**Subject of contract:**

Minerva as the manufacturer of industrial sewing machines sells products to the buying company at the quantity and in terms determined by orders submitted by Dürkopp Adler AG as the buyer. Should the buyer be in delay with the take-over of the sold goods against the terms stipulated in the orders, the contract parties agreed on a contractual penalty of 6.8% of the price of a single delivery not taken over by the buyer in the due term.

**Fulfilment of the contract:**

In connection with the aforementioned activities, no duty arose on the part of the controlling entity to pay the controlled entity in 2015.

**9. 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 must 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 AG 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 AG per year. The interest rate is computed on the assumption of a 30-day month and 360-day year. Dürkopp Adler AG 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 2015 and the interest invoiced by the controlling entity totalled 4 342 th. CZK for 2015. The loan amounted to 22 099 th. CZK as of 31/12/2015.

**10. Contracts for the Use of the Dürkopp Adler Trademark**

Date of contract: 17 December 2003

**Subject of contract:**

Dürkopp Adler AG 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 2015.

Besides the aforementioned contractual relationships between the controlled and the controlling entity, other legal acts were carried out in 2015 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 AG, i.e. among the related parties in 2015**

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

DAP America, Inc.	DAP Sewing Technology Singapore Pte Ltd, China
DAP Italia S.r.l.	DAP Sewing Technology, Hong Kong CO., Ltd., China
DAP France S.A.S.	S. C. Dürkopp Adler S.R.L., Romania
DAP Polska Sp.z o.o.	DAP Shanghai Co., Ltd. China

Ordinary business dealings were carried out by Minerva Boskovice, a.s. with these related parties. Revenues realised from these business relationships totalled 986 141 th. CZK in 2015. 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 AG in 2015**

Shang Gong (Europe) Holding, Corporation GmbH, Bielefeld, Germany is the majority shareholder in Dürkopp Adler AG as the controlling company. No legal actions were carried out in the fiscal period of 2015 between Minerva Boskovice, a.s. as the controlled company and the aforementioned companies having a share in Dürkopp Adler AG as the controlling company which would involve property matters.

# Anticipated Financial Position in 2016

The 2016 budget anticipates turnovers of 1 011 mil. CZK and the production of almost 20 thousand industrial sewing machines. It is basically the same production volume as in 2015. Due to staffing stabilisation and training, we assume productivity to increase and production flow to be consistent, with shorter delivery terms. We can assume that the global economic situation will not be as favourable as in 2015, and it will require increased coordination from all Minerva's staff as well as all the staff of Dürkopp Adler AG, especially as regards their sales organisations. We also expect that other German companies, namely Pfaff Industriesysteme und Maschinen AG and KSL Keilmann Sondermaschinenbau GmbH, both part of the Shang Gong Europe Group, and Dürkopp Adler AG, our parent company, will play a greater part in our cooperation.

Minerva has always relied on innovation, both as regards the production programme and the production itself. The introduction of the new Premium line machinery into serial production is seen as one of the first activities to lead toward the implementation of the fourth industrial revolution (Industry 4.0) within the next ten years. This means the gradual digitisation of industrial production, aiming to create a 'smart' factory in which all levels of the production process will be digitally linked.

This strategy involves both an adequate product and the implementation of the integrated 3D Product Lifecycle Management, as well as the acquisition of modern CNC-controlled and network-based machining equipment. Minerva began to implement an integrated 3D PLM system, which is based on the ENOVIA V6 integrated PLM system, in 2015, and expects its routine operation to be launched in 2016. This system, which treats and supports all the requirements of the quality standards, is operated on the 3DEXPERIENCE platform and is connected to the upgrade of the existing Catia V5 CAD system to Catia V6. These are software applications which help to improve processes during the realisation of a product throughout its entire life cycle, from draft through design to the technical preparations for production. This strategy also involves the investments acquisition strategy until 2020, which relates especially to the acquisition of CNC machining equipment, and this long-term strategy also lays the groundwork for the planned investments in 2016, which are to total 52 mil. CZK. We do not therefore expect our staff numbers to increase in 2016, but seek to continue improving production efficiency while using new investments.

We will continue to strengthen the role of development, the sale of footwear machinery and support the increasing expertise of Minerva's staff.

In 2016, we also want to remain a reliable and innovative supplier of industrial sewing machines; we will look for new markets and increase the qualifications of our staff.

# 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**

### **2014**

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

Auditor in charge:  
Ing. Tomáš Valder  
Licence No. 2153

Ing. Vlastimil Hokr, CSc.  
Licence No. 0071

### **2015**

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

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

Ing. Petr Slaviček  
Licence No. 2076

# 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 31/12/2015  
Cash Flow Statement as of 31/12/2015  
Review of Changes in Equity as of 31/12/2015

## **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 name and surname:	Ing. Petr Slaviček
Licence No.:	2076
Auditor's report of:	28 January 2016



# Balance Sheet as at 31/12/2015

(in CZK thousand)

Ref. Assets	Gross	Current Year Adjust	Net	Prior Year Net
<b>ASSETS</b>	<b>1 503 783</b>	<b>-862 596</b>	<b>641 187</b>	<b>563 974</b>
<b>B. Fixed assets</b>	<b>1 139 749</b>	<b>-836 680</b>	<b>303 069</b>	<b>262 942</b>
<b>B.I. Intangible assets</b>	<b>22 932</b>	<b>-15 803</b>	<b>7 129</b>	<b>2 274</b>
3. Software	21 331	-15 295	6 036	811
4. Valuable rights	1 203	-508	695	279
7. Intangible assets under construction	398	0	398	1 184
<b>B.II. Tangible fixed assets</b>	<b>1 116 817</b>	<b>-820 877</b>	<b>295 940</b>	<b>260 668</b>
1. Land	7 184	0	7 184	7 184
2. Buildings and structures	214 993	-115 867	99 126	100 589
3. Machines, tools and equipment, transportation means, furniture and office equipment	886 459	-705 010	181 449	133 911
6. Other tangible fixed assets	34	0	34	34
7. Tangible assets under construction	8 147	0	8 147	18 846
8. Advance payments for tangible fixed assets	0	0	0	104
<b>C. Current assets</b>	<b>363 679</b>	<b>-25 916</b>	<b>337 763</b>	<b>300 344</b>
<b>C.I. Inventory</b>	<b>246 310</b>	<b>-25 916</b>	<b>220 394</b>	<b>168 983</b>
1. Raw materials	97 548	-13 233	84 315	60 600
2. Work in progress and semi-finished products	143 508	-11 597	131 911	103 248
3. Finished goods	3 740	-1 086	2 654	1 505
6. Advance payments for inventory	1 514	0	1 514	3 630
<b>C.III. Short-term receivables</b>	<b>94 609</b>	<b>0</b>	<b>94 609</b>	<b>102 946</b>
1. Trade receivables	79 837	0	79 837	78 407
6. Due from state – tax receivables	11 861	0	11 861	20 004
7. Short term advance payments	2 817	0	2 817	4 521
9. Other receivables	94	0	94	14
<b>C.IV. Short-term financial assets</b>	<b>22 760</b>	<b>0</b>	<b>22 760</b>	<b>28 415</b>
1. Cash in hand	456		456	489
2. Bank accounts	22 304		22 304	27 926
<b>D.I. Accruals</b>	<b>355</b>		<b>355</b>	<b>688</b>
1. Deferred expenses	355		355	688

# Balance Sheet as at 31/12/2015

(in CZK thousand)

Ref. Liabilities	Current Year	Prior Year
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>641 187</b>	<b>563 974</b>
<b>A. Equity</b>	<b>473 637</b>	<b>400 159</b>
<b>A.I. Registered capital</b>	<b>412 899</b>	<b>412 899</b>
1. Registered capital	412 899	412 899
<b>A.II. Capital contributions</b>	<b>48</b>	<b>48</b>
2. Other capital contributions	48	48
<b>A.III. Legal, statutory and other reserve funds</b>	<b>23 918</b>	<b>21 540</b>
1. Reserve fund	23 658	21 280
2. Statutory and other reserves	260	260
<b>A.IV. Profit/Loss – previous year</b>	<b>-36 706</b>	<b>-81 889</b>
2. Accumulated losses from previous years	-36 706	-81 889
<b>A.V.1 Profit/Loss – current year</b>	<b>73 478</b>	<b>47 561</b>
<b>B. Liabilities</b>	<b>167 550</b>	<b>163 815</b>
<b>B.I. Provisions</b>	<b>21 672</b>	<b>6 228</b>
3. Income tax provision	8 312	2 128
4. Other provisions	13 360	4 100
<b>B.II. Long term liabilities</b>	<b>21 262</b>	<b>25 612</b>
9. Other liabilities	10 264	16 543
10. Deferred tax liability	10 998	9 069
<b>B.III. Short term liabilities</b>	<b>124 616</b>	<b>131 975</b>
1. Trade payables	42 707	24 117
2. Liabilities to controlled entities, controlling entities and from entities under common control	22 099	48 719
4. Liabilities to owners	150	150
5. Liabilities to employees	18 082	17 575
6. Social security and health insurance liabilities	10 381	10 089
7. Due to state – taxes and subsidies	2 936	2 885
8. Advances received	77	238
10. Estimated liabilities	21 910	21 944
11. Other liabilities	6 274	6 258

Financial statements date: 28/1/2016



Signature of the  
statutory body's member  
Ing. Romana Špačková, MBA



Signature of the person  
responsible for accounting records:  
Jiří Staněk



Signature of the person responsible  
for financial statements  
Ing. Ladislava Bernardová


# Profit and Loss Account for the Year Ended 31/12/2015


(in CZK thousand)

Ref.	Period	
	Current	Prior
II. Revenue from sale of own products and services rendered, change in inventory of own production and capitalization	1 168 392	936 727
1. Sales of own product and services	1 130 799	918 348
2. Change in own production inventory	30 715	12 161
3. Capitalisation	6 878	6 218
B. Production consumption	759 183	587 656
1. Raw materials and consumption	575 108	455 127
2. Services	184 075	132 529
<b>+ Added value</b>	<b>409 209</b>	<b>349 071</b>
C. Personnel expenses	316 878	287 494
1. Wages and salaries	226 781	206 400
2. Remuneration of board members	4 488	3 134
3. Social security expenses and health insurance	83 554	76 035
4. Other social expenses	2 055	1 925
D. Taxes and fees	442	443
E. Depreciation and amortization of tangible and intangible fixed assets	33 903	32 294
III. Income from fixed assets and materials sold	55 593	37 704
1. Income from fixed assets sold	325	795
2. Income from materials sold	55 268	36 909
F. Net book value of fixed assets and material sold	15 962	9 895
1. Net book value of fixed assets sold	0	18
2. Net book value of material sold	15 962	9 877
G. Additions to/reversals of provisions and adjustments relating to operating activities and complex deferred expenses	10 030	-1 971
IV. Other operating income	7 840	4 779
H. Other operating expenses	4 778	3 514
<b>* Operating profit/loss</b>	<b>90 649</b>	<b>59 885</b>
N. Interest expense	5 075	4 892
XI. Other financial income	8 978	6 541
O. Other financial expense	7 285	6 763
<b>* Profit/loss from financial operations (transactions)</b>	<b>-3 382</b>	<b>-5 114</b>
Q. Income tax on ordinary activities	13 789	7 210
1. – due	11 860	3 462
2. – deferred	1 929	3 748
<b>** Profit/loss from ordinary activities</b>	<b>73 478</b>	<b>47 561</b>
<b>*** Profit/loss of current accounting period (±)</b>	<b>73 478</b>	<b>47 561</b>
<b>**** Profit/loss before tax (±)</b>	<b>87 267</b>	<b>54 771</b>

Financial statements date: 28/1/2016

  
Signature of the  
statutory body's member  
Ing. Romana Špačková, MBA

  
Signature of the person  
responsible for accounting records:  
Jiří Staněk

  
Signature of the person responsible  
for financial statements  
Ing. Ladislava Bernardová

# Statement of Changes in Equity as of 31/12/2015

(in CZK thousand)

	Share capital	Capital funds	Statutory funds	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	Total Equity
<b>Balance at 31 December 2013</b>	<b>412 899</b>	<b>48</b>	<b>20 132</b>		<b>-108 647</b>	<b>28 166</b>	<b>352 598</b>
Distribution of profit or loss			1 408		26 758	-28 166	
Change in share capital							
Dividends paid							
Payments from capital funds							
Profit or loss for the current period						47 561	47 561
<b>Balance at 31 December 2014</b>	<b>412 899</b>	<b>48</b>	<b>21 540</b>		<b>-81 889</b>	<b>47 561</b>	<b>400 159</b>
Distribution of profit or loss			2 378		45 183	-47 561	
Change in share capital							
Dividends paid							
Payments from capital funds							
Profit or loss for the current period						73 478	73 478
<b>Balance at 31 December 2015</b>	<b>412 899</b>	<b>48</b>	<b>23 918</b>		<b>-36 706</b>	<b>73 478</b>	<b>473 637</b>

Financial statements date: 28/1/2016



Signature of the  
statutory body's member  
Ing. Romana Špačková, MBA



Signature of the person  
responsible for accounting records:  
Jiří Staněk




Signature of the person responsible  
for financial statements  
Ing. Ladislava Bernardová


# Cash Flow Statement for the Year Ended 31/12/2015


(in CZK thousand)

	Period to 31/12/2015	Period to 31/12/2014
<b>P. Opening balance of cash and cash equivalents</b>	<b>28 415</b>	<b>19 619</b>
<b>Cash flows from ordinary activities</b>		
Z. Profit or loss from ordinary activities before tax	87 267	54 771
A.1. Adjustments for non-cash transactions	54 866	35 965
A.1.1. Depreciation of fixed assets	33 903	33 505
A.1.2. Change in provisions and reserves	16 213	-1 655
A.1.3. Profit/(loss) on the sale of fixed assets	-325	-777
A.1.4. Revenues from dividends and profit shares		
A.1.5. Interest expense and interest income	5 075	4 892
A.1.6. Adjustments for other non-cash transactions		
<b>A.* Net operating cash flow before changes in working capital</b>	<b>142 133</b>	<b>90 736</b>
A.2. Change in working capital	-62 571	-41 019
A.2.1. Change in operating receivables and other assets	-5 119	-30 587
A.2.2. Change in operating payables and other liabilities	-5 079	4 819
A.2.3. Change in inventories	-52 373	-15 251
A.2.4. Change in current financial assets		
<b>A.** Net cash flow from operations before tax and extraordinary items</b>	<b>79 562</b>	<b>49 717</b>
A.3. Interest paid	-4 854	-4 591
A.4. Interest received		
A.5. Income tax paid from ordinary operations	-3 015	-1 272
A.6. Receipts and expenditures relating to extraordinary activities		
A.7. Received dividends and profit shares		
<b>A.*** Net operating cash flows</b>	<b>71 693</b>	<b>43 854</b>
<b>Cash flows from investing activities</b>		
B.1. Fixed assets expenditures	-73 323	-43 315
B.2. Proceeds from fixed assets sold	325	795
B.3. Loans provided to related parties		
<b>B.*** Net investment cash flows</b>	<b>-72 998</b>	<b>-42 520</b>
<b>Cash flow from financial activities</b>		
C.1. Change in payables from financing	-4 350	7 462
C.2. Impact of changes in equity		
C.2.1. Cash increase in share capital		
C.2.2. Capital payments to partners		
C.2.3. Other cash contributions made by partners		
C.2.4. Settlement of loss by partners		
C.2.5. Payments from capital funds		
C.2.6. Dividends paid		
<b>C.*** Net financial cash flows</b>	<b>-4 350</b>	<b>7 462</b>
<b>F. Net increase or decrease in cash and cash equivalents</b>	<b>-5 655</b>	<b>8 796</b>
<b>R. Closing balance of cash and cash equivalents</b>	<b>22 760</b>	<b>28 415</b>

Financial statements date: 28/1/2016

  
Signature of the  
statutory body's member  
Ing. Romana Špačková, MBA

  
Signature of the person  
responsible for accounting records:  
Jiří Staněk

  
Signature of the person responsible  
for financial statements  
Ing. Ladislava Bernardová

# Notes to the Financial Statements for 2015

**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 Chairman of the Board of Directors

Name Ing. František Hrda

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 97.5% 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 Europe Holding Corp. GmbH.

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 AG, Germany	91.04%
Others	8.96%
<b>Total</b>	<b>100 %</b>

### 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 31/12/2015	As of 31/12/2014
<b>Board of Directors</b>	Chairman	Ing. František Hrda	Ing. František Hrda
	Deputy chairman	Frank Michael Kuhnt	Frank Michael Kuhnt
	Member	Ing. Romana Špačková, MBA	Ing. Romana Špačková, MBA
<b>Board of Supervisors</b>	Chairman	Dietrich Eickhoff	Dietrich Eickhoff
	Deputy chairman	Ying Zheng	Ying Zheng
	Member	Jiří Bartoš	Jiří Bartoš

The office of Mr. Jiří Bartoš, a member of the board of supervisors, terminated as 30/05/2015 following the death of Mr. Bartoš. This change was entered in the Commercial Register.

## 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 book-keeping, 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 defined 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.

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 Financial Lease

Financial 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 financial 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:

(figures given in th. CZK)	31/12/2015	31/12/2014
Cash in desk and cash in transit	456	489
Bank accounts	22 304	27 926
<b>Cash and cash equivalents, total</b>	<b>22 760</b>	<b>28 415</b>

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

As of 31/12/2015, the company had a term deposit at HSBC Bank amounting to 3 042 th. CZK as a security for a bank guarantee.

**3.16 Changes in the Accounting Methods in 2015**

No change in the accounting methods occurred in 2015.

**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**

(figures given in th. CZK)	As of 31/12/2013	Additions	Disposals	As of 31/12/2014	Additions	Disposals	As of 31/12/2015
Software	13 743	567		14 310	7 021		21 331
Valuable rights	525	156		681	522		1 203
Intangible fixed assets under construction	568	1 339	-723	1 184	6 757	-7 543	398
<b>Total</b>	<b>14 836</b>	<b>2 062</b>	<b>-723</b>	<b>16 175</b>	<b>14 300</b>	<b>-7 543</b>	<b>22 932</b>

**Accumulated depreciation**

(figures given in th. CZK)	As of 31/12/2013	Additions	Disposals	As of 31/12/2014	Additions	Disposals	As of 31/12/2015
Software	12 922	577		13 499	1 796		15 295
Valuable rights	374	28		402	106		508
Intangible fixed assets under construction							
<b>Total</b>	<b>13 296</b>	<b>605</b>		<b>13 901</b>	<b>1 902</b>		<b>15 803</b>

**Carrying amount**

(figures given in th. CZK)	As of 31/12/2013	As of 31/12/2014	As of 31/12/2015
Software	821	811	6 036
Valuable rights	151	279	695
Intangible fixed assets under construction	568	1 184	398
<b>Total</b>	<b>1 540</b>	<b>2 274</b>	<b>7 129</b>

## 4.1.2 Tangible Fixed Assets

## Acquisition cost

(figures given in th. CZK)	As of 31/12/2013	Additions	Disposals	As of 31/12/2014	Additions	Disposals	As of 31/12/2015
Land	7 184			7 184			7 184
Structures	233 736	38	-21 391	212 383	2 610		214 993
Plant and equipment	840 527	29 070	-46 740	822 857	75 273	-11 671	886 459
– Machinery and equipment	835 171	27 146	-46 679	815 638	75 209	-11 671	879 176
– Means of transport	5 356	1 924	-61	7 219	64		7 283
Other tangible fixed assets	34			34			34
Tangible investments in progress	3 142	68 131	-52 427	18 846	67 184	77 883	8 147
Advances for tangible fixed assets	230	40 568	-40 694	104	14 024	-14 128	0
<b>Total</b>	<b>1 084 853</b>	<b>137 807</b>	<b>-161 252</b>	<b>1 061 408</b>	<b>159 091</b>	<b>-103 682</b>	<b>1 116 817</b>

## Accumulated depreciation

(figures given in th. CZK)	As of 31/12/2013	Additions	Disposals	Adjust- ment entry	As of 31/12/2014	Additions	Disposals	Adjust- ment entry	As of 31/12/2015
Land	0				0				0
Structures	129 126	4 026	-19 323	-2 035	111 794	4 266		-193	115 867
Plant and equipment	710 073	25 589	-46 716		688 946	27 735	-11 671		705 010
– Machinery and equipment	706 032	24 928	-46 655		684 305	27 037	-11 671		699 671
– Means of transport	4 041	661	-61		4 641	698			5 339
<b>Total</b>	<b>839 199</b>	<b>29 615</b>	<b>-66 039</b>	<b>- 2 035</b>	<b>800 740</b>	<b>32 001</b>	<b>-11 671</b>	<b>-193</b>	<b>820 877</b>

## Carrying amount

(figures given in th. CZK)	As of 31/12/2013	As of 31/12/2014	As of 31/12/2015
Land	7 184	7 184	7 184
Structures	104 610	100 589	99 126
Plant and equipment	130 454	133 911	181 449
– Machinery and equipment	129 139	131 333	179 505
– Means of transport	1 315	2 578	1 944
Other tangible fixed assets	34	34	34
Tangible investments in progress	3 142	18 846	8 147
Advances for tangible fixed assets	230	104	0
<b>Total</b>	<b>245 654</b>	<b>260 668</b>	<b>295 940</b>

Among the most important additions to tangible and intangible fixed assets in 2015 were assets acquired as part of the subsidy programme entitled Innovation, totalling 12 438 th. CZK, including a subsidy of 4 974 th. CZK, as follows:



(figures given in th. CZK)			
Description	Acquisition cost including subsidy	Subsidy	Subsidy programme
H 500 Horizontal machining system	6 300	2 520	Innovation
ST-20 CNC lathe	2 673	1 068	Innovation
HAAS VF 2SS Machining system	1 896	758	Innovation
Component measurement device	1 122	449	Innovation
Profile projector	447	179	Innovation
<b>Total</b>	<b>12 438</b>	<b>4 974</b>	

Other important additions to tangible fixed assets in 2015 included purchases of the following equipment: two H 630 machining systems worth 16 201 th. CZK, three HAAS VF 2SS machining systems worth 5 386 th. CZK, two HAAS EC 400 machining systems worth 9 233 th. CZK, a grinding box worth 512 th. CZK, water treatment plant worth 737 th. CZK, Catia V6 HW worth 564 th. CZK and Migrace Catia V6 SW worth 5 663 th. CZK.

Among the most important additions to tangible and intangible fixed assets in 2014 were assets acquired as part of the subsidy programmes entitled Potential and Innovation, totalling 26 328 th. CZK, including a subsidy of 10 159 th. CZK, as follows:

(figures given in th. CZK)			
Description	Acquisition cost including subsidy	Subsidy	Subsidy programme
MANURHIN KMX 320 Swiss-type lathe	4 862	1 600	Innovation
VF 2SS HAAS Machining system	1 896	759	Innovation
VF 2SS HAAS Machining system	1 896	759	Innovation
HAAS ST 20Y CNC Lathe	3 261	1 304	Innovation
H-800 Machining system	12 048	4 792	Innovation
FARO EDGE 7-axis Measurement arm	1 780	712	Innovation
CAX hardware	289	115	Potential
CAX software	296	118	Potential
<b>Total</b>	<b>26 328</b>	<b>10 159</b>	

Other important additions to tangible fixed assets in 2014 included purchases of the following equipment: an Octavia Combi passenger vehicle worth 787 th. CZK, a VW Sharan vehicle worth 1 082 th. CZK, two H630 horizontal milling systems worth 16 280 th. CZK, a spraying table booth worth 189 th. CZK and SKS 02-SA tumbling equipment worth 70 th. CZK.

#### 4.1.3 Pledged Fixed Assets and Security

The company had tangible fixed assets under a contract for pledge in 2015 to secure the current receivables relating to loans from Komerční banka a.s. and the future receivables from loans up to 25 mil. CZK. The pledge applies to the building in lot 2799 and land in lot 2799, the building in lot 2806/1 and land in lot 2806/1.

#### 4.1.4 Assets under Financial and Operating Lease

(figures given in th. CZK)	Duration, in months	Total leased value	Actually paid as of 31/10/2015	Due in 2016	Due in subsequent years
Group of items					
Passenger vehicles	60	1 486	1 432	54	
High lift trucks	60	2 992	2 992		

#### 4.2 Inventory

The inventory amounted to 220 394 th. CZK as of 31/12/2015 and saw an increase of 51 411 th. CZK against 2014. This increase related to both inventory of materials (21 599 th. CZK) and work in progress and finished products (29 812 th. CZK) and went in line with the goal of ensuring the uninterrupted flow of production and sales, beginning in January next year. One of the objectives in inventory management was to keep the inventory-to-turnovers ratio at 20%, while the actual ratio achieved was 19.2%. It was 18.4% in 2014. Adjustments to inventory rose by 964 th. CZK in 2015, which related especially to the increase in adjustments to work in progress where changes in the assortment frequently occur. The company strives to keep expenditure effective and keeps inventory levels and their structure as necessary to maintain an uninterrupted flow of production operations and fulfilment of orders throughout the entire year.

(figures given in th. CZK)	2015	2014
Adjustments to inventory		
Opening balance as of 01 January	24 952	26 178
Additions	964	
Drawing		1 226
<b>Closing balance as of 31 December</b>	<b>25 916</b>	<b>24 952</b>

#### 4.3 Summary of Trade Receivables by Age

(figures given in th. CZK) 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		
<b>2015</b>	Short-term	73 370	6 356		110	1		6 467	79 837
	Adjustments								
	Net	73 370	6 356		110	1		6 467	79 837
<b>2014</b>	Short-term	73 962	3 865	373	195	5	7	4 445	78 407
	Adjustments								
	Net	73 962	3 865	373	195	5	7	4 445	78 407

#### 4.4 Intra-group Receivables

(figures given in th. CZK) Company name	As of 31/12/2015	As of 31/12/2014
<b>Short-term trade receivables</b>		
Dürkopp Adler AG, Bielefeld	48 992	40 105
S.C. Dürkopp Adler S.R.L., Romania	842	188
DAP America, Inc., USA	5 882	5 007
DAP France S.A.S.	390	208
DAP Polska Sp.z.o.o.	2 048	1 684
PFAFF Industriesysteme und Maschinen AG, (DE)	1 174	1 032
DAP (Shanghai) Co., Ltd.	1 429	391
<b>Short-term intra-group receivables, total</b>	<b>60 757</b>	<b>48 615</b>
Receivables from companies outside the group	19 080	29 792
<b>Short-term receivables, total</b>	<b>79 837</b>	<b>78 407</b>

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

MINERVA BOSKOVICE a.s. stated no receivable due from state relating to an entitlement to a state subsidy as part of the Innovation and Potential subsidy programmes (a receivable amounting to 8 325 th. CZK was stated in 2014). MINERVA BOSKOVICE a.s. received an amount of 13 300 th. CZK as part of these programmes in 2015 (12 206 th. CZK in 2014).

#### 4.6 Other Receivables

MINERVA BOSKOVICE a.s. stated other receivables amounting to 94 th. CZK (14 th. CZK in 2014).

#### 4.7 Equity

No material changes in equity occurred in 2015. The net profits for 2014, amounting to 47 561 th. CZK, were appropriated by adding 2 378 th. CZK to the statutory reserve and using 45 183 th. CZK to compensate for accumulated losses from previous years.

#### 4.8 Intra-group Loans

(figures given in th. CZK) Company name	As of 31/12/2014	As of 31/12/2015	Due in 2016	Due in 2017	Due in subsequent years
Dürkopp Adler AG, Bielefeld	48 719	22 099	22 099		

The company's intragroup liabilities also include assistance from the parent company totalling 22 099 th. CZK (48 719 th. CZK in 2014). The assistance is drawn from an overdraft.

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

(figures given in th. CZK) Year	Type	Before due date	After due date 0–90 days	91–180 days	181–360 days	After due date, total	Total
2015	Short-term	10 782	31 925			31 925	42 707
2014	Short-term	7 350	16 767			16 767	24 117

Liabilities past due related to invoices received at the end of the accounting period which were paid in January 2016.

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

(figures given in th. CZK) Company name	As of 31/12/2015	As of 31/12/2014
Dürkopp Adler AG, Bielefeld	2 542	3 182
DAP (Shanghai) Co., Ltd.	1 267	844
S.C. Dürkopp Adler S.R.L., Romania	1 675	1 768
DAP Italia S.r.l.		
Dürkopp Adler Manufacturing (Shanghai) Co., Ltd.	8 291	
PFAFF Industriesysteme und Maschinen AG (DE)	509	
<b>Short-term intra-group liabilities, total</b>	<b>14 284</b>	<b>5 794</b>
Liabilities to companies outside the group	28 423	18 323
<b>Short-term liabilities, total</b>	<b>42 707</b>	<b>24 117</b>

#### 4.11 Estimated Accrued Expenses and Other Provisions

(figures given in th. CZK)	2015	2014
Uninvoiced material	673	500
Unpaid bonuses		
Not yet taken holidays and overtime work	5 100	4 119
Uninvoiced services, energies etc.	16 137	17 325
<b>Total</b>	<b>21 910</b>	<b>21 944</b>

A provision for bonuses relating to 2015 was created in 2015, which should be paid in 2016 and amounts to 8 260 th. CZK (4 100 th. CZK in 2014). A provision for claims amounting to 5 100 th. CZK was also created in 2015.

#### 4.12 Liabilities to Employees

The company had a liability to its employees amounting to 18 082 th. CZK as of 31/12/2015 (17 575 th. CZK as of 31/12/2014).

#### 4.13 Bank Loans

##### 4.13.1 Long-term Bank Loans

No long-term bank loans were drawn in 2015 or 2014.

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

No short-term bank loans and assistance were drawn in 2015 or 2014.

#### 4.14 Other Liabilities

The company concluded a contract for loan in 2012 with IKB Leasing CR s.r.o. at an amount of 45 000 th. CZK for the purchase of tangible and intangible fixed assets for the period of 2012 to 2018. The drawn amount was 16 538 th. CZK as of 31/12/2015 (22 801 th. CZK as of 31/12/2014). In 2014 and 2015 a pledge in favour of IKB Leasing CR s.r.o. was established and has applied to the tangible and intangible fixed assets which are financed from this loan.

(figures given in th. CZK) Company name	As of 31/12/2014	As of 31/12/2015	Due in 2016	Due in subsequent years
IKB Leasing ČR s.r.o.	22 801	16 538	6 274	10 264

#### 4.15 Deferred Tax

A deferred tax liability amounting to 10 998 th. CZK was recognised in 2015 (a deferred tax liability amounting to 9 069 th. CZK was recognised in 2014).

The applicable deferred tax related to the following differences:

(figures given in th. CZK)	As of 31/12/2015	As of 31/12/2014
Accumulated depreciation of fixed assets	-18 460	-14 589
Inventory	4 924	4 741
Receivables		
Provisions	2 538	779
Applicable tax loss from previous years		
<b>Total</b>	<b>-10 998</b>	<b>-9 069</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:

(figures given in th. CZK)	As of 31/12/2015	As of 31/12/2014
Profit before tax	87 268	54 771
Tax effects of non-deductible costs	13 185	6 571
Tax effects of non-taxable revenues		-13 999
Difference between the tax depreciation and accounting depreciation	-20 371	-10 533
Application of research and development costs	-18 093	-16 341
Deduction under Sect. 34 of the Income Taxes Act		
Tax base	61 989	20 469
Tax rate	19%	19%
Income tax	11 778	3 899
Tax allowances	-450	-499
<b>Tax on income from ordinary and extraordinary activity, total</b>	<b>11 328</b>	<b>3 400</b>
<b>Tax prepayments</b>	<b>-3 016</b>	<b>-1 272</b>
<b>Outstanding tax</b>	<b>8 312</b>	<b>2 128</b>

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

(figures given in th. CZK)	As of 31/12/2015			As of 31/12/2014		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Products of Dürkopp Adler	1 688	861 634	853 322	1 411	696 955	698 366
Products of Typos	2 085	225 165	227 250	4 811	182 685	187 496
Services and other (cooperation)	4 062	36 165	40 277	5 249	27 237	32 486
<b>Revenues from the sale of own products and services</b>	<b>7 835</b>	<b>1 122 964</b>	<b>1 130 799</b>	<b>11 471</b>	<b>906 877</b>	<b>918 348</b>

#### 4.18 Consumed Purchases

(figures given in th. CZK)	As of 31/12/2015	As of 31/12/2014
Material consumption	552 406	432 421
Energy consumption	22 702	22 706
<b>Consumed purchases, total</b>	<b>575 108</b>	<b>455 127</b>

#### 4.19 Services

(figures given in th. CZK)	As of 31/12/2015	As of 31/12/2014
Repairs and maintenance	28 092	19 355
Travel expenses	1 462	1 140
Entertainment expenses	250	146
Transportation costs	6 998	6 282
Cooperation	56 361	34 791
Advisory services, security and other services from DA	7 701	5 809
Use of SAP hardware and software	4 880	4 571
Commission	21 216	20 474
Contract labour (agencies)	34 911	18 144
Other services	22 204	21 817
<b>Total</b>	<b>184 075</b>	<b>132 529</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

(figures given in th. CZK)	As of 31/12/2015	As of 31/12/2014
Contractual fines and penalties		
State subsidies	589	74
Discounts	4 306	3 337
Insurance claim	254	179
Other operating revenues	2 299	704
Excess inventory, compensation of shortages and damages in operating assets	392	485
<b>Other operating revenues, total</b>	<b>7 840</b>	<b>4 779</b>

**4.21 Other Operating Expenses**

(figures given in th. CZK)	As of 31/12/2015	As of 31/12/2014
Gifts	1 636	1 326
Fines, penalties and delay interests	0	30
Write-off of receivables and assignment of claims	0	1 211
Other operating expenses	2 027	313
Discounts	935	634
Operating shortages and damages	180	
<b>Other operating expenses, total</b>	<b>4 778</b>	<b>3 514</b>

**4.22 Change in Adjustments****Operating adjustments**

(figures given in th. CZK)	As of 31/12/2015	As of 31/12/2014
Change in adjustments to inventory of materials and merchandise	798	-449
Change in adjustments to production inventory	165	-776
Change in adjustments to receivables		-1 211
Change in adjustments to assets	-193	-2 035
Change in other provisions	9 260	2 500
<b>Change in operating adjustments</b>	<b>10 030</b>	<b>-1 971</b>

**4.23 Other Financial Revenues and Expenses**

(figures given in th. CZK)	As of 31/12/2015	As of 31/12/2014
Foreign exchange gains	8 978	6 541
<b>Other financial revenues – total</b>	<b>8 978</b>	<b>6 541</b>
Foreign exchange losses	4 552	4 169
Other financial expenses	2 733	2 594
<b>Other financial expenses – total</b>	<b>7 285</b>	<b>6 763</b>

#### 4.24 Related Party Transactions

##### 4.24.1 Revenues Realised with Related Parties

2015

(figures given in th. CZK) Entity	Relationship to the company	Products	Mer- chan- dise	Services	Material	Total
Dürkopp Adler AG, Bielefeld	Parent company	840 087		4 532	33 057	877 676
DAP America, Inc., USA	Affiliate	21 932		152	1 492	23 576
DAP France S.A.S.	Affiliate	2 770		77	46	2 893
DAP Italia S.r.l.	Affiliate	35 525		383	87	35 995
DAP Polska Sp.z.o.o.	Affiliate	6 799		10	45	6 854
DAP (Shanghai) Co., Ltd.	Intragroup company	5 492		161	326	5 979
DAP SEWING TECHNOLOGY H.K. CO., LTD.	Intragroup company	631		10	25	666
S.C. Dürkopp Adler S.R.L., Romania	Affiliate	14 236		5	2 568	16 809
PFAFF Industriesysteme und Maschinen AG, (DE)	Intragroup company	13 399		408	273	14 080
DAP Sewing Technology Singapore Pte Ltd	Intragroup company	1 613				1 613
<b>Total</b>		<b>942 484</b>		<b>5 738</b>	<b>37 919</b>	<b>986 141</b>

2014

(figures given in th. CZK) Entity	Relation- ship to the company	Products	Mer- chan- dise	Services	Material	Total
Dürkopp Adler AG, Bielefeld	Parent company	683 397		3 564	22 451	709 412
DAP America, Inc., USA	Affiliate	14 420		125	593	15 138
DAP France S.A.S.	Affiliate	2 232		62	33	2 327
DAP Italia S.r.l.	Affiliate	24 951		325	67	25 343
DAP Polska Sp.z.o.o.	Affiliate	9 156		11	119	9 286
DAP (Shanghai) Co., Ltd.	Intragroup company	1 760		55	150	1 965
Dürkopp Adler Far East Ltd	Intragroup company	2 368		69	17	2 454
S.C. Dürkopp Adler S.R.L., Romania	Affiliate	8 784		19	2 863	11 666
PFAFF Industriesysteme und Maschinen AG, (DE)	Intragroup company	9 470		379	35	9 894
KSL GmbH, (DE)	Intragroup company	250		13		263
<b>Total</b>		<b>756 798</b>		<b>4 622</b>	<b>26 328</b>	<b>787 748</b>

The company has realised a considerable portion of its revenues with its parent company, Dürkopp Adler AG of Bielefeld, 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 AG of Bielefeld. Further, services are rendered from the parent company as stated in the table below:

(figures given in th. CZK)	As of 31/12/2015	As of 31/12/2014
Advisory services, financial security and other services	197	208
Use of licence	7 504	5 602
SAP support	4 880	4 571
<b>Total</b>	<b>12 581</b>	<b>10 381</b>

### 5 Employees, Management and Statutory Bodies

#### 5.1 Personnel Expenses and Head Count

Employees	2015	2014
Employees	632	605
Management	7	7
<b>Total</b>	<b>639</b>	<b>612</b>

Personnel expenses (figures given in th. CZK)	Personnel expenses, 2015, total	Personnel expenses, 2014, total
Employees	307 747	278 313
Management	4 643	6 047
Remuneration to board members	4 488	3 134
<b>Total</b>	<b>316 878</b>	<b>287 494</b>

The number of employees is based on the average calculation.

#### 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 4 488 th. CZK was paid in 2015.

In the light of an increase in orders at the beginning of the year and in the course of the year, the company had to adopt measures to guarantee staff flexibility in 2015. The solutions applied also included the use of contracted staff. The personnel history in 2015 therefore closely followed the continuously changing demands of production.

At the beginning of 2015 the company had 614 primary staff members and 54 contracted employees; at the end of 2015 there were 649 primary staff members and 115 contracted employees, a 14% increase within one year. All primary staff members and contracted staff continue to work for the company in 2016.

As of 01/01/2016, the company had 650 primary staff members and 115 contracted employees. The company expects to use contracted staff in 2016 in line with the volume of orders while maintaining staff flexibility.

## **6 Contingent Liabilities**

As of 31/12/2015 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.

We have audited the accompanying financial statements of MINERVA BOSKOVICE, a.s., based in Sokolská 1318/60, Boskovice, identification number 000 10 944, in accordance with Czech accounting regulations, which comprise the balance sheet as of 31. 12. 2015, and the income statement for the period from 1. 1. 2015 to 31. 12. 2015, and a summary of significant accounting policies and other explanatory notes.

## **Statutory Body's Responsibility for the Financial Statements**

The Statutory Body of MINERVA BOSKOVICE, a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting regulations and for such internal control as statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those laws and regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of MINERVA BOSKOVICE, a.s. as of 31. 12. 2015, and of its financial performance for the period from 1. 1. 2015 to 31. 12. 2015 in accordance with Czech accounting regulations.

## **Report on Review of the Related Party Transactions Report**

We have reviewed the factual accuracy of the information included in the related party transactions report of MINERVA BOSKOVICE, a.s. for the period ended 31. 12. 2015. This related party transactions report and the selection of the specific law to be used as the basis for the preparation of the report is the responsibility of MINERVA BOSKOVICE, a.s.'s statutory body. Our responsibility is to express a conclusion on the related

party transactions report based on our review.

Following the criteria of Act No. 90/2012 Coll., on Commercial Companies and Co-operatives (Business Corporation Act), we conducted our review in accordance with the Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the related party transactions report is free of material misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the information contained in the related party transactions report of MINERVA BOSKOVICE, a.s. for the period ended 31. 12. 2015 contains material factual misstatements.

#### **Other information**

The other information comprises the annual report but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained from the audit and whether the annual report was prepared in accordance with the legal requirements, or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Based on the work we have performed, we have nothing to report with regard to the other information that we have obtained.

Prague

BDO Audit s. r. o., Certificate No. 018

Represented by partner:

Petr Slaviček  
Certificate No. 2076

Lukáš Hendrych  
Certificate No. 2169



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