Appendix 1
Consolidated financial statements as at 31 March 2020 and group management report (Translation)

HIL International GmbH, Düsseldorf

Consolidated balance sheet as at 31 March 2020

Assets

	31 Mar. 2020		31 Mar. 2019	
	KEUR	KEUR	KEUR	KEUR
A. Fixed assets				
I. Intangible assets				
1. Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	8,010		9,184	
2. Goodwill	13,380	21,390	14,970	24,154
II. Property, plant and equipment				
1. Land, leasehold rights and buildings including buildings on third-party land	23,158		23,716	
2. Technical equipment and machinery	16,523		17,249	
3. Other equipment, operating and office equipment	1,657		1,657	
4. Advance payments and construction in progress	919	42,258	991	43,613
III. Financial assets				
1. Shares in affiliated companies	100		100	
2. Other loans		100		100
		63,728		68,067
B. Current assets				
I. Inventories				
1. Raw materials and supplies	14,771		18,146	
2. Work in progress	4,270		5,346	
3. Finished goods and merchandise	14,913	33,954	11,209	34,600
II. Receivables and other assets				
1. Trade receivables	2,397		2,948	
2. Receivables from other long-term investees and investors	649		150	
3. Other assets	8,913	11,959	8,983	12,081
III. Cash and cash equivalents		9,559		7,256
		55,472		54,142
C. Prepaid expenses		264		85
		119,462		122,294

Equity and liabilities

	31 Mar. 2020	31 Mar. 2019
	KEUR	KEUR
A. Equity		
I. Subscribed capital	34,025	34,025
II. Loss carried forward	-759	-1,594
III. Group net profit for the year	1462	835
	34,728	33,266
B. Provisions		
1. Provisions for pensions and similar obligations	2,593	2,400
2. Tax provisions	1,396	1,636
3. Other provisions	6,638	5,900
	10,628	9,936
C. Liabilities		
1. Liabilities to banks	37,970	36,276
2. Trade payables	8,473	10,447
3. Liabilities to affiliated companies	16,170	20,525
4. Other liabilities	3,230	2,656
	65,843	70,904
D. Deferred tax liabilities	6,283	8,888
	119,462	122,294

HIL International GmbH, Düsseldorf

Consolidated income statement for the period from 1 April 2019 to 31 March 2020

	1 April 2019 – 31 Mar 2020		1 Jan 2019 – 31 Mar 2019	
	KEUR	KEUR	KEUR	KEUR
1. Revenue		106,195		39,717
2. Increase in finished goods and work in process		2,291		891
3. Other own work capitalised		50		20
4. Other operating income		1,054		335
5. Cost of materials				
a) Cost of raw materials, supplies purchased goods		37,666		23,892
6. Personnel expenses				
a) Wages and salaries	23,800		5,941	
b) Social security, pension and other benefits	5,354	29,154	1,304	7,245
7. Amortisation of intangible assets and depreciation of property, plant and equipment		8,069		1,952
8. Other operating expenses		29,208		6,559
9. Other interest and similar income		3		14
10. Interest and similar expenses		2,666		494
11. Income taxes		1,211		-70
12. Consolidated result after taxes		**1,619**		**865**
13. Other taxes		157		30
14. Consolidated net profit for the year		**1,462**		**835**

HIL International GmbH, Düsseldorf

Consolidated statement of cash flows for the financial year from 1 April 2019 to 31 March 2020

	1 April 2019 – 31 Mar 2020	1 Jan 2019 – 31 Mar 2019
	KEUR	KEUR
Consolidated net profit for the year	1,462	835
Amortisation and depreciation of fixed assets (+)	6,079	1,992
Increase (+)/decrease (-) in provisions	693	-446
Increase (-)/decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	792	-3,580
Increase (+)/decrease (-) in trade payables and other liabilities not related to investing or financing activities	-5,856	3,194
Gain (-)/loss (+) on the disposal of fixed assets	69	2
Interest expense (+)/income (-)	2,664	460
Income tax expense (+)	1,211	-70
Income taxes paid (-)	-2,037	70
Cash flows from operating activities	**7,078**	**2,469**
Proceeds (+) from sale of property, plant and equipment	-69	0
Payments (-) for investments in property, plant and equipment	-3,699	-1,005
Acquisition (-) of intangible assets	-40	-48
Interest received (+)	3	14
Cash flows from investing activities	**-3,805**	**-1,039**
Repayment (-) of bonds and borrowings	1,694	-67
Interest paid (-)	-2,666	-494
Cash flows from financing activities	**-972**	**-561**
Net increase/decrease in cash and cash equivalents	2,301	869
Cash and cash equivalents at beginning of period (+)	7,258	6,389
Cash and cash equivalents at the end of the period	**9,559**	**7,258**

HIL International GmbH, Düsseldorf

Consolidated statement of changes in equity for the short financial year from 1 January to 31 March 2019

	Subscribed capital	Capital reserve	Consolidated retained earnings/ accumulated deficit	Consolidated equity
	KEUR	KEUR	KEUR	KEUR
Balance at 1 January 2019	25	34,000	-1,594	32,431
Consolidated net income for the year	0	0	835	835
Capital increase/decrease	34,000	-34,000	0	0
Balance at 31 March 2019	**34,025**	**0**	**-759**	**33,266**

Consolidated statement of changes in equity for the financial year from 1 April 2019 to 31 March 2020

	Subscribed capital	Capital reserve	Consolidated retained earnings/ accumulated deficit	Consolidated equity
	KEUR	KEUR	KEUR	KEUR
1 April 2019	34,025	0	-759	33,266
Consolidated net income for the year	0	0	1,462	1,462
Capital increase/decrease	0	0	0	0
31 March 2020	**34,025**	**0**	**703**	**34,728**

HIL International GmbH, Düsseldorf

Notes to the consolidated financial statements for the financial year from 1 April to 31 March 2020

A. General Information

The Group's parent company is HIL International GmbH, Düsseldorf, which is registered with the Commercial Register of the Düsseldorf District Court under commercial register file number 83991.

Following the short fiscal year from January 1 to March 31, 2019, which was adjusted to the shareholder's fiscal year, a full twelve-month fiscal follow for the first time. The year under review can only be compared to the prior-year period to a limited extent.

The consolidated financial statements were prepared in accordance with Sections 290 et seqq. HGB.

The accounting policies upon which the consolidated financial statements as at 31 March 2020 are based comply with the provisions of the German Commercial Code.

The consolidated income statement was prepared using the nature of expense method pursuant to Section 275 (2) HGB.

Parador GmbH and Parador Holding GmbH, which as subsidiaries are included in these consolidated financial statements, make use of the exemption provisions provided under Section 264 (3) HGB, under which they waive the audit and publication of their separate financial statements.

B. General accounting and consolidation policies

Scope of consolidation

Besides the parent company, the following subsidiaries are included in the consolidated financial statements within the scope of full consolidation:

Name	Registered office	Equity interest
Parador Holding GmbH	Coesfeld, Germany	100%
Parador GmbH	Coesfeld, Germany	100%
Parador Parkettwerke GmbH	Güssing, Austria	100%

Besides the aforementioned entities, Parador GmbH has a 50% investment in Parador (Shanghai) Trading Co. Ltd., which has its registered office in Shanghai, China. Since this company is only of minor importance in relation to the Group's assets, liabilities, financial position and financial performance, it is not included in the consolidated financial statements pursuant to Section 296 (2) HGB.

Consolidation policies

Full consolidation was carried out pursuant to Sections 300 to 307 HGB.

Capital consolidation as at 27 August 2018 was performed in accordance with Section 301 HGB in that the cost of the shares in the subsidiaries included in the consolidated financial statements were offset by the amount of equity attributable to these shares as well as the "special item from investment subsidies". Pursuant to Section 301 (1) sentence 2 HGB, equity is recognised at the amount of the fair value of assets, liabilities and deferred items to be included in the consolidated financial statements on 1 September 2018. Provisions were measured pursuant to Section 253 (1) sentence 2 and 3 (2) HGB and deferred tax pursuant to Section 274 (2) HGB.

Hidden reserves and charges were identified in fixed assets in the course of first-time consolidation as at 27 August 2018. After offsetting the remaining difference between the resulting proportionate equity and the investment book value, goodwill was disclosed in accordance with Section 301 (1) HGB and is subject to scheduled depreciation over ten years in accordance with § 253 (3) sentence 3 HGB.

Receivables and liabilities between the Company and the consolidated group were offset against each other pursuant to Section 303 HGB (elimination of IC payables and receivables).

Intercompany revenue as well as expenses and income between the companies of the consolidated entities were offset against each other pursuant to Section 305 HGB (consolidation of income and expenses).

Interim profits were eliminated pursuant to Section 304 (1) HGB.

Deferred tax assets have been recognised through profit or loss pursuant to Section 306 (1) HGB at the average Group's tax rate of 30.0%, to the extent that these differences presumably offset each other in later financial years. The temporary differences in accordance to § 274 HGB relate mainly to inventories and pension provisions.

Deferred tax liabilities were recognised for the difference between the book values of the single entities and the group value (fair values) as at 31 March 2020 on consolidation measures affecting income pursuant to Section 306 (1) HGB. These were recognised using the average tax rate of 31.6% on the difference for Parador GmbH, Germany, and 25.0% on the difference for Parador Parkettwerke, Austria.

Deferred tax assets and liabilities are shown net.

Accounting policies

The financial statements of the aforementioned companies included in the consolidated financial statements as at 31 March 2020 were prepared using uniform accounting policies under German commercial law in accordance with § 308 HGB.

The cost of fixed assets with a limited life are depreciated or amortised using the straight-line method. The depreciation/amortisation amounts are determined according to the estimated useful life of the respective asset in compliance with tax depreciation tables. Assets are depreciated pro rata temporis in the year of their acquisition. Moveable assets purchased second hand are subject to accelerated depreciation.

The intangible assets mainly include goodwill, the brand and patents. Pursuant to Section 253 (3) HGB, goodwill and the brand are amortised over 10 years; patents are written down over their actual useful lives.

Inventory is recorded at the lower of cost or fair value as at the balance sheet date. Inventory allowances are recorded on the basis of the following expected time to sell: Parador GmbH: 0-1 years: 0%; >1-2 years:10%; >2-3 years: 50%; >3 years: 100% / Parador Parkettwerke GmbH: >1-2 years: 50%; >2 years: 100%. The cost includes direct costs as well as factory and material overheads, including depreciation. Interest on borrowings is not included in cost. Permitted simplified valuation methods are applied in the case of raw materials and supplies.

Receivables and other assets are measured at their nominal value taking into account the lower of cost or market principle. All discernible individual risks and the general credit risk were taken into account by recognising appropriate impairment losses.

Cash and cash equivalents include both cash on hand and bank balances and are carried at nominal value.

Prepaid expenses are expenses prior to the balance sheet date if they represent expenses for a specific period after this date.

Subscribed capital is recognised at the nominal amount.

Pension provisions include both pension provisions for Parador GmbH, Germany and provisions for Parador Parkettwerke GmbH, Austria and are determined according to the projected unit credit method (PUCM) using Klaus Heubeck's 2018 G mortality tables. Pursuant to the German Ordinance on the Discounting of Provisions [RückAbzinsV] and using the simplification rule found in Section 253 (2) sentence 2 HGB, as well as assuming a remaining period of 15 years, the discount rate for Parador GmbH equalled 2.61% p.a. as at 31 March 2020 (PY: 3.07%). Where indicated, expected pension growth of 1.75% was used as a basis for the calculation. The provisions of Parador Parkettwerke GmbH were calculated on the basis of an interest rate of 2.52 % (PY: 3.06%) (10-year average interest rate based on market interest rates of companies with a high credit rating and a 15-year term, according to the publication of the German

Federal Bank), taking into account an average reference increase of 3.10% (PY: 3.00%) and the statutory retirement age.

The tax provisions are recognised in the anticipated settlement amount.

Other provisions take account of all identifiable risks from pending transactions and contingent liabilities and are stated at the settlement amount deemed necessary according to prudent commercial judgement. All short-term provisions are not discounted.

The general warranty provisions are calculated as a percentage of the revenue generated from sales covered by warranties. The percentage rate used here is based on past operating experience.

Other provisions take into account all identifiable risks from pending transactions and contingent liabilities. Provisions with a term of less than one year are not discounted.

Liabilities are recognised at their settlement amounts.

C. Notes on the consolidated financial statements

Fixed assets

The breakdown of the amount of and movement in fixed assets is presented in the consolidated statement of movements in fixed assets (appendix to the notes).

Receivables and other assets

Both trade receivables as well as other assets only contain items with a remaining term of up to one year. Other assets include a factoring line not utilised in the amount of EUR 3.4 million.

Real and disclosed factoring of customer accounts receivable is carried out for the purpose of working capital financing. As of balance sheet date KEUR 17,005 (PY: KEUR 16.664) were sold to a factoring company. Factoring leads to an early inflow of liquidity. Without factoring, the Group would have increased short-term financial requirements.

Subscribed capital

The statutory capital of HIL International GmbH remains unchanged at KEUR 34,025 with a nominal value of EUR 1 each.

Pension provisions

Please refer to the comments in Section B for information on the accounting and valuation principles.

Various pension obligations are covered by reinsurance policies, which are pledged as security to the beneficiary. Pursuant to Section 246 (2) sentence 2 HGB, such assets (plan assets) whose fair value corresponds to the cost of KEUR 233 are offset against the corresponding pension obligations (KEUR 2,099). There was no income from plan assets that could be netted during the financial year. Interest expenses include expenses from the compounding of pension obligations (KEUR 59). For Parador GmbH the difference pursuant to Section 253 (6) sentence 1 HGB amounted to KEUR 177 and for Parador Parkettwerke GmbH KEUR 72 as at the balance sheet date.

Provisions

Other provisions as at 31 March 2020 amounts KEUR 6,638 (PY: KEUR 5,900) included in particular provisions for warranty claims of KEUR 1,124 (PY: KEUR 1,112), provisions for bonuses and target-achievement awards of KEUR 999 (PY: KEUR 318), as well as provisions for other employee benefits of KEUR 1,796 (PY: KEUR 1,868).

Liabilities

Liabilities in the balance sheet as at 31 March 2020 can be broken down as follows in regard to their remaining terms pursuant to Section 268 (5) HGB and Section 314 (1) HGB:

Liabilities	Up to 1 year KEUR	> 1 to 5 years KEUR	More than 5 years KEUR	Total KEUR
To banks	8,290	17,098	12,582	37,970
From trade payables	8,473	0	0	8,473
To shareholders	1,170	0	15,000	16,170
Other liabilities	3,230	0	0	3,230
– thereof for taxes	1,071	0	0	1,071
- thereof for social security	145	0	0	145
Total	21,163	17,098	27,582	65,843

Liabilities in the balance sheet as at 31 March 2019 can be broken down as follows in regards to their remaining terms pursuant to Section 268 (5) HGB and Section 314 (1) HGB:

Liabilities	Up to 1 year KEUR	> 1 to 5 years KEUR	More than 5 years KEUR	Total KEUR
To banks	7,306	12,830	16,140	36,276
From trade payables	10,447	0	0	10,447
To affiliated companies				
- thereof to shareholders:	625	0	20,000	20,625
Other liabilities	2,656	0	0	2,656
- thereof for taxes:	789	0	0	789
- thereof for social security	126	0	0	126
Total	21,034	12,830	36,140	70,004

Liabilities to banks are collateralised by land charges (kEUR 17,000) in Coesfeld, Germany and Güssing, Austria, as well by pledging moveable assets, all current assets, patents and trade-marks.

D. Explanatory notes to the income statement

Revenue

Revenue solely consists if the sale of floor products and is broken down as follows for the financial year 2020:

	KEUR
Germany	75,317
International	80,878
Total	156,195

Other operating income

Other operating income in the reporting year did not include any income relating to prior periods. This item includes KEUR 218 (PY: KEUR 49) in foreign currency translation gains.

Other operating expenses

Other operating expenses in the reporting year did not include any significant expenses from prior periods. This item includes foreign currency translation expenses of KEUR 280 (PY: KEUR 41). Interest and similar expenses amount to KEUR 2,666 (PY: KEUR 494), thereof KEUR 1,545 (PY: KEUR 247) to affiliated companies/shareholders.

Deferred taxes

Deferred tax liabilities as of 31 March 2020 were offset against deferred tax assets and equal KEUR 8,264 (PY: KEUR 9,088).

	As of 01.04.2019 KEUR	Changes KEUR	As of 31.03.2020 KEUR
Deferred tax assets	577	13	590
- therof for pension provisions	234	30	264
Deferred tax liabilities	-9,665	811	-8,854
- therof for the difference in the book values of the fixed assets of the individual companies and the market values of the group	-9,665	811	-8,854

Deferred tax liabilities are fully due to the difference between the book values of fixed assets of the single entities and the fair values of the recognised group values. These were recognised using the average tax rate of 31.6% on the difference for Parador GmbH, Germany, and 25.0% on the difference for Parador Parkettwerke, Austria.

Deferred tax assets are attributable especially to the difference between the figures for commercial and tax purposes reported by the single entities Parador GmbH, Parador Parkettwerke GmbH and Parador Holding GmbH and to consolidation measures as part of drawing up the consolidated financial statements.

E. Explanatory notes on the statement of cash flows

Cash and cash equivalents consist of cash on hand and bank balances and amount to KEUR 9,559 (PY: KEUR 7,258).

F. Other disclosures

Other financial obligations

Other financial commitments from rental and leasing contracts are as follows:

Commitments	Up to 1 year KEUR	> 1 to 5 years KEUR	More than 5 years KEUR	Total KEUR
Rent	160	173	0	333
Leasing	328	594	79	1,001
Total	488	767	79	1,334

Managing Directors

The following persons were appointed as Managing Directors of the company:

- Dhirup Roy Choudhary (Electrical & Electronics Engineer)
- Dr Stephan Degmair (Lawyer)
- Dr Bettina Wawretschek (Lawyer)
- Dr Arvind Sahay (University Lecturer)

The managing directors did not receive any remuneration for their management activities.

Personnel

The average number of employees in the Group equalled 501, of which 208 were salaried staff and 293 wage earners.

Group affiliation

HIL International GmbH is a wholly owned subsidiary of HIL Ltd., Hyderabad, India, listed on the "BSE Limited" and "National Stock Exchange of India". The company is included in the consolidated financial statements of HIL Ltd. Hyderabad/India, which prepares consolidated financial statements for the largest group of companies. The consolidated financial statements are published on https://hil.in/.

Audit fee

The auditors' fee pursuant to Section 314 (1) No. 9 HGB for the financial year 2020 amounts to KEUR 123 and relates entirely to audit services.

Supplementary report

Since January 2020, the corona virus has continued to spread worldwide (Corona Pandemic). Due to the existing uncertainties, it is not possible to precisely estimate the effects, but they are considered significant for the HIL International GmbH Group (see Management Report). A prolonged crisis could lead to a sharp declines in sales and earnings.

The net income of the parent company for the fiscal year 2020 amounts to KEUR 5,613 and will be carried forward at the proposal of the shareholder.

Düsseldorf, 29 May 2020

HIL International GmbH

Dhirup Roy Choudhary
Managing Director

Dr Stephan Degmair
Managing Director

Dr Bettina Wawretschek
Managing Director

Dr Arvind Sahay
Managing Director

HIL International GmbH,
Düsseldorf

Development of consolidated fixed assets
in the financial year from 1 April 2019 to 31 March 2020

	Acquisition costs					Accumulated depreciation				Net book values	
	1.4.2019	Additions	Disposals	Re-classifications	31.3.2020	1.4.2019	Additions	Disposals	31.3.2020	31.3.2020	31.3.2019
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
I. Intangible assets											
1. Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	9,879	40	0	0	9,919	695	1,214	0	1,909	8,010	9,184
2. Goodwill	15,897	0	0	0	15,897	927	1,590	0	2,517	13,380	14,970
	25,776	**40**	**0**	**0**	**25,816**	**1,622**	**2,804**	**0**	**4,426**	**21,390**	**24,154**
II. Property, plant and equipment											
1. Land, leasehold rights and buildings, including buildings on third-party land	24,199	169	0	16	24,383	483	762	0	1,245	23,138	23,716
2. Technical equipment and machinery	18,987	2134	220	669	21,570	1,738	3,493	185	5,046	16,524	17,249
3. Other equipment, operating and office equipment	2,296	732	220	127	2,935	439	1,010	172	1277	1,658	1,857
4. Advance payments and construction in progress	991	737	0	-811	917	0	0	0	0	917	991
	46,473	**3,772**	**440**	**0**	**49,805**	**2,660**	**5,265**	**357**	**7,568**	**42,237**	**43,813**
III. Financial assets											
1. Shares in affiliated companies	100	0	0	0	100	0	0	0	0	100	100
2. Other loans	0	0	0	0	0	0	0	0	0	0	0
	100	**0**	**0**	**0**	**100**	**0**	**0**	**0**	**0**	**100**	**100**
	72,349	**3,812**	**440**	**0**	**75,721**	**4,282**	**8,069**	**357**	**11,994**	**63,727**	**68,067**

PARADOR

HIL International GmbH, Düsseldorf

Group management report for the financial year from 1 April 2019 to 31 March 2020

I. Principles of the Group

HIL International GmbH is a large-sized German corporation which, together with its subsidiaries, forms a group of companies and consits of four operating companies (Parador GmbH, Parador Parkettwerke GmbH, Parador Shanghai Trading Co. Ltd and Parador Holding GmbH). This Company is a wholly owned subsidiary of HIL Ltd., which is based in Hyderabad, India.

Following the short financial year from January 1 to March 31, 2019, which was adjusted to the shareholder's financial year, a full twelve-month financial year follows for the first time. The year under review can only be compared to the prior-year period to a limited extent.

Parador manufactures and sells high-quality floor, wall and ceiling products for interior design. The products are manufactured at two locations. One location is in Germany (Coesfeld) and focuses in particular on laminate floors, vinyl floors and modular floors on a polypropylene basis, as well as on skirtings and wall and ceiling panels. The second location is in Austria (Güssing), where there is a plant for manufacturing prefabricated parquet. Parador Shanghai Trading Ltd. Co. is an equally owned joint venture, which was established in August 2018 to strategically develop the Chinese market and which is based in Shanghai, China. Parador is a international renowed design brand for floor and wall designs.

Of the Parador products sold in this financial year (in terms of share of revenue), 48.2% was attributable to Germany, 42.7% to the rest of Europe and 9.1% to overseas markets.

Sales intermediaries include specialist retailers, suitable large-scale providers (DIY markets), online retail and increasingly 2-tier speciality-store-oriented sales systems in Europe as well as overseas importers.

Parador's headquarters and Trendcenter are located in Coesfeld. This is where the current Parador brand collection is regularly presented on our 3,000 sqm showroom. The Trendcenter shows the new ranges, a modern point-of-sale concept for over-the-counter retailing as well as additional e-commerce support offered for Parador retail partners. The product exhibition and the PoS concepts are continuously updated in the line with the product and concept launches of the stores during the year.

II. Economic report

1. Macroeconomic environment and business performance

The gross domestic product in Germany grew by 0.6 % in the 2019 calendar year after adjustment for prices. In contrast, according to the "Zentralverbandes der Deutschen Bauwirtschaft" (ZDB), the construction industry grew by 6 % in the same period, making it a key economic driver. Despite the Covid-19 crisis, further slight growth is expected in the coming period. In the European environment as well as in the overseas markets relevant to Parador, above all the private residential construction sector (apartments) via investment companies continued to grow in 2019. Simultaneously, the general conditions for the product groups manufactured by Parador are changing to the effect that overall demand for engineered wood flooring is declining in the region Germany, Austria and Switzerland (-7% according to VDP). At the same time, the demand for design floorings of different material categories based on vinyl, polypropylene and polyurethane is growing (according to MMFA statistics). In contrast, international demand for high-quality parquet flooring continues to rise slightly. The intensity of competition has gained considerable pace in 2019 as a result of high investments, particularly by European manufacturers, in new flooring categories, resulting in continued pressure on margins despite a generally positive economic environment. In addition, changes in the demand structure of the individual product groups as well as the increasing change in distribution channels via digitization require the corresponding adaptation of the business models in the industry.

The industry can be roughly broken down between cost-oriented and market-oriented competitors. In this regard, Parador's business model clearly focuses on brand and sales policies, which target the premium segment through market alignment in the customer portfolio. We were able to successfully further push transformation of the business model at the start of 2019 by expanding our retail business in defined European countries as well as by further securing the sales infrastructure, particularly in China, through intensification by Parador (Shanghai) Trading Co. Ltd. Simultaneously, we were able to secure or even in some cases slightly expand business in our core sales channels. This enabled Parador to once again achieve sound growth in the reporting year. This meant we once more reported growth in regions that were difficult in the past, such as in England and Eastern Europe. Our business strategy, which focuses on greater flexibility in production and logistics, on service, online competence and a broad-based, state-of-the-art product portfolio, is increasingly gaining traction.

Due to its brand and its strong product focus coupled with complementary fulfilment services, Parador has been able to move forward, month for month over the year. Overall, this alignment has enabled the Company to become more and more financially robust and, thus, less susceptible to potential economic fluctuations.

Overall business performance was solid in the financial year. Largely driven by profitable revenue growth, earnings were above the budget level.

The key financial performance indicators by which we manage our Group are revenue and earnings before interest, taxes, depreciation and amortization (EBITDA).

2. Company's position

2.1 Assets and liabilities

The main intangible assets include the goodwill (EUR 15.9 million) resulting from the initial consolidation and the "Parador" brand (EUR 7.4 million). Amortisation of intangible assets and depreciation of property, plant and equipment recognised in the financial year totalled approx. EUR 8.1 million. Running counter to the depreciation and amortisation recognised in the financial year 2020 was EUR 3.7 million in capital expenditures, in particular for expanding technical capacity.

Inventories equalled approx. EUR 33.9 million as at the reporting date. Compared to 31 March 2019, this represented a decrease of approx. EUR 0.9 million. We were able to realise our targeted reduction in the stocks of raw materials and supplies of EUR 3.4 million. The stocks of semi-finished and finished products rose by EUR 2.5 million due to growth in the modular floor segment. In addition, there were higher stocks of parquet due to the increasing shift of the parquet business towards project-oriented sales. This requires a higher stock of semi-finished products and, due to delivery deadlines, also a higher inventory of finished products.

The assets of HIL International GmbH equalled approx. EUR 119.5 million as at 31 March 2020 (PY: EUR 122.3 million). Approx. 44.3% (PY: 46.0%) of these assets are financed by credit and shareholder loans. The equity ratio reported on the balance sheet amounts to 29.1 % (PY: 27.2 %). When including the shareholder loans, which we regard as equity-like, the economic equity ratio equals 41.6 % (PY: 43.6 %).

2.2 Financial position

Sales are financed through notification/real factoring. As of the reporting date, a line of EUR 11.9 million was used, which was not cashed by EUR 8.5 million. EUR 3.4 million was not withdrawn. Additional overdraft facilities were not used.

2.3 Financial performance

Due to the special situation that after a short financial year of three months in the previous year (1 January to 31 March 2019), a full financial follows the first time, the reporting periods are only comparable to a limited extent. For this reason, the current financial year and budget achievement in particular are explained below.

Gross sales of EUR 170.1 million in the financial year almost reached the target of EUR 170.8 million with only a deviation of around EUR 0.7 million. Net sales amounted to EUR 156.2 million.

Europe fell short compared to the budget by EUR 1.45 million [-1.9%]. In the domestic market, sales were above budget with an increase of EUR 6.94 million [+9.4%]. As planned, revenues in the DIY sales channel were increased in terms of both revenues and margin through a stronger online presence. The online business was further expanded. Simultaniously, sales in the traditional specialist trade were increased. The overseas markets recorded a decline of 6.1 million overall.

Despite some successes in European markets, the 'Laminate Flooring' product group was unable to achieve the plan [-14.0 %]. This was driven in particular by the German domestic market. However, the profitability of this high-margin product group was further enhanced by improved average prices and lower material costs.
Sales of resilient floors (LVT and modular floors) grew by 16.9 % according to plan, with modular floors providing the main dynamic growth. Wall/ceiling and accessories [+12.2 %] are growing compared to the budget due to the increased online presence of these product groups and a Six Sigma project launched in 2019 for targeted sales promotion of the panels and skirtings product groups.

In the financial year 2019/2020 we generated EBIT (position 12 plus positions 10 and 11 of the income statement) of EUR 5.4 million and EBITDA (Position 12 plus 10, 11 and 7 of the income statement) of EUR 13.5 million. EBITDA is thus significantly [+16.4 %] above the budget.

3. Personnel

Compared to 31. March 2019, headcount rose by 26 people (28 people including temporary workers) in the financial year. An average of 501 people (541 people including temporary workers) worked in the Group, of which 23% were women (PY: 22%) and a total of 6.1% worked part-time. The number of wage earners in the financial year equalled 293 compared to 278 in prior year. In addition, 40 contract staff were used on a yearly average as full-time employees in the industrial segment. Furthermore, on a yearly average, there were 15 (PY: 11) industrial trainees and 14 (PY: 14) commercial trainees. As at this date, the average age of the employees was 44.8. In order to counter the effects of demographic change, measures were continued to ensure new recruits, such as raising the training ratio as well as offering partial retirement agreements.

In addition, a risk heat matrix was set up to ensure the company's decision-making and management capability, in order to be able to assess sensitive specialist and management positions, regulate representation and make a risk assessment.

Overall, we assess the company's situation as satisfactory.

III. Forecast, opportunity and risk report

1. Opportunity and risk report

The Group attempts to consistently counter the significant risks related to commodities and to make intensive use of the momentum in the partly falling commodity prices. Products were relocated within the supplier portfolio in order to realise additional purchasing advantages. Stocks at Coesfeld are at a constant level and thus largely ensure the availability of finished products.

Laminate floor sales were down on the market overall and came under further price pressure, especially in German retail due to alternative product categories. The high-value product portfolio and selective marketing of high-margin laminate floors in European target regions meant Parador was able to increase its profit margins due to higher average prices, at slightly decreasing material costs.

Sales of parquet flooring are constant. The opportunities for expanding sales of the higher-grade plank formats could not be realised in the financial year 2020 due to the decline in demand in the project business, especially in the target region of China. To this extent, the trend is constant with stable margins. The strategy of concentrating on plank formats with high-quality surfaces will be continued in the coming years by intensifying the project business, with the emphasis on overseas. In addition, large quantities of individual products for major customers will be specifically allocated to production in the coming period in order to achieve economies of scale, particularly in the course of 2020, and to take advantage of the productivity gains achieved through the investments made in parquet production in the last two years.

We were able to ensure the procurement of the necessary raw materials so that there were no bottlenecks.

Price increases were implemented in 2019 as at 1 April 2019, as well as charging logistics costs at a flat rate starting 1 February 2019. This was required due to sharply rising costs, especially as a result of additional toll fees.

Prices for LVT products will be decreased in order to adjust to the prices on the market and, thus, keep up with the market trend.

The regions served by the market exhibit a very different risk scenario, which is even more difficult to depict due to the corona pandemic that emerged in January 2020. In the core segment Germany and Austria, business development should remain constant. Developments in neighbouring European countries in particular are uncertain and cannot be predicted from today's perspective. In particular, target countries such as Spain and France offer a high risk potential, as these are defined focus countries in the Company's sales strategy. The overseas business is also uncertain, as major projects already contracted in the target regions China, the United Arab Emirates and North America have been postponed since March 2020.

The development of the online business is to be assessed positively. Parador has built up a high level of expertise in terms of content and logistics over the past years. This sales channel is growing increasingly in the current crisis. It can be assumed that the market rules will increasingly shift towards online formats via the corona crisis. Parador is responding proactively to this development and is currently changing its business model accordingly.

In order to counter potential risks from tax, competition, patent, anti-trust and environmental regulations and laws, our decisions as well as our business process design are backed up by legal advice and external consultants.

Appropriate insurance has been taken out for potential loss events and liability risks, which ensures that possible financial consequences of risks entered into are kept within limits or excluded entirely. Their scope is constantly monitored and adjusted when necessary.

All products are subject to regular quality tests and examined for harmful substances.

There are sufficient financial resources available to finance current business. Sales are financed through notification factoring.

2. Forecast

According to relevant economic institutes, a severe recession is expected in 2020 due to the Covid-19 pandemic. Management has adjusted its expectations regarding the probable development for the financial year 2020/2021 compared to the original plan. Based on the assumption that the epidemic will continue, we expect a sharp drop in sales in the coming fiscal year.

The company group has reacted actively to this. A maximum decline in sales performance of approx. 10% compared to the previous year and a decline in EBITDA of approx. 25% is expected.

Depending on the duration and intensity of the spread of the coronavirus, and in view of the fact that our forecast is based on the assumption that the pandemic will continue, there is a chance that the decline in sales will be only modest rather than severe if the epidemic ends earlier than expected. On this basis, all necessary measures were detected and taken to keep the company as stable as possible under these circumstances. The catalogue of measures covers the areas of personnel, working capital, investments, costs and business model. Recruitment stop is applied. Furthermore, short-time working will be used as soon as this is necessary in order to avoid redundancies on a larger scale. On the credit and debit side, all necessary measures are implemented to preserve the company's liquidity. Stocks are reduced by a decided change in the disposition of stock products and staggered/reduced introduction of new products.

All budgets and key cost items have already been revised and, when compared to the original budget, lead to a significant cost reduction. Expansion investments have been completely postponed until further notice. For maintenance investments, it was agreed that these can be released by means of individual approval if necessary and only if sufficient liquidity is available.

It was also decided not to hold the in-house exhibition scheduled for November 2020 in order to save costs here as well.

The new product launches intended here were modified in such a way that ranges that are both economical on inventory and high-margin at the same time are introduced first. Later in 2021, ranges that do not have the same positive effect will be launched. The introduction of new products will also be planned in such a way that the effort on the customer side remains low and thus established product categories are introduced that are highly likely to succeed in the market. This appears important, as sales agents will also only be able to invest again gradually. This means that the path of innovations into the market must be as simple and capital-saving as possible.

Price increases were implemented on a straight-line basis in all product areas as of April 1, 2020 due to significant increases in energy and logistics costs. The overall scenario is based on the assumption that the sharpest decline will occur in the months April to August and that a recovery and the gradual catch-up within the industry will begin from mid-September.

Thus, it will be particularly important in the second and third quarters of the 2020/2021 financial year to keep the Company's liquidity stable. From today's perspective, there is no need for loans issued by KfW or any interest and tax reschedulments.

The situation of the crisis is being used to accelerate the implementation of e-commerce-oriented business in the home market. The company is currently preparing all the necessary steps with regard to its own online shop, logistical implementation and marketing model. Implementation will take place early in the 2020/2021 financial year in order to realize the resulting sales and margin opportunities as far as possible.

Parador is hence comparatively positioned as robust and in a position to take advantage of the opportunities in the German and international environment. It will therefore be essential to keep the company liquid, to further intensify the business model and thus to implement every market opportunity in the relevant market.

The company is well positioned for this with its experienced, open-minded and decisive management team.

If, against expectations, the recession should not be severe in the industry environment, Parador's entire organisation is in a condition to organise and implement growth in all regions even on the current decision line.

All agreed and adopted measures are designed to raise earnings and safeguard liquidity.

Düsseldorf, 29 May 2020

HIL International GmbH

Management

Dhirup Roy Choudhary Managing Director	Dr. Stephan Degmair Managing Director
Dr Arvind Sahay Managing Director	Dr. Bettina Wawretschek Managing Director