

# Appendix 1

## Consolidated financial statements as at 31 March 2022 and group management report (translation)

### **1.1 Consolidated balance sheet**

### **1.2 Consolidated income statement**

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# HIL International GmbH, Düsseldorf

## Consolidated balance sheet as at 31 March 2022

### Assets

	31 Mar. 2022		31 Mar. 2021	
	KEUR	KEUR	KEUR	KEUR
<b>A. Fixed assets</b>				
<b>I. Intangible assets</b>				
1. Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	6,340		7,183	
2. Goodwill	10,201	16,540	11,790	18,973
<b>II. Property, plant and equipment</b>				
1. Land, leasehold rights and buildings, including buildings on third-party land	23,640		24,007	
2. Technical equipment and machinery	13,168		13,962	
3. Other equipment, operating and office equipment	1,560		1,443	
4. Advance payments and construction in progress	560	38,928	1,235	40,647
<b>III. Financial assets</b>				
Shares in affiliated companies		100		100
		<b>55,568</b>		<b>59,720</b>
<b>B. Current assets</b>				
<b>I. Inventories</b>				
1. Raw materials and supplies	22,781		14,511	
2. Work in progress	5,021		3,875	
3. Finished goods and merchandise	15,680	43,481	12,944	31,330
<b>II. Receivables and other assets</b>				
1. Trade receivables	1,392		1,838	
2. Receivables from other long-term investees and investors	1,114		230	
3. Other assets	5,644	8,150	10,164	12,232
<b>III. Cash and cash equivalents</b>		5,678		13,446
		<b>57,309</b>		<b>57,008</b>
<b>C. Prepaid expenses</b>		144		93
		<b>113,020</b>		<b>116,821</b>

## Equity and liabilities

	31 Mar. 2022	31 Mar. 2021
	KEUR	KEUR
<b>A. Equity</b>		
<b>I. Subscribed capital</b>	34,025	34,025
<b>II. Profit carried forward</b>	6,123	704
<b>III. Consolidated net profit for the year</b>	770	5,420
	<b>40,919</b>	<b>40,149</b>
<b>B. Provisions</b>		
1. Provisions for pensions and similar obligations after offsetting against plan assets	2,827	2,680
2. Tax provisions	787	1,973
3. Other provisions	9,051	9,221
	<b>12,666</b>	<b>13,874</b>
<b>C. Liabilities</b>		
1. Liabilities to banks	26,490	31,180
2. Trade payables	13,758	11,554
3. Liabilities to affiliated companies	10,071	9,710
4. Other liabilities	2,377	3,202
	<b>52,695</b>	<b>55,646</b>
<b>D. Deferred tax liabilities</b>	6,740	7,152
	<b>113,020</b>	<b>116,821</b>

# HIL International GmbH, Düsseldorf

## Consolidated income statement for the period from 1 April 2021 to 31 March 2022

	1 Apr. 2021 - 31 Mar. 2022		1 Apr. 2020 - 31 Mar. 2021	
	KEUR	KEUR	KEUR	KEUR
1. Revenue		177,703		169,219
2. Increase (Decrease) in finished goods and work in process		4,810		-2,186
3. Other own work capitalised		26		26
4. Other operating income		1,915		1,377
5. Cost of materials				
Cost of raw materials, supplies purchased goods		112,767		88,469
6. Personnel expenses				
a) Wages and salaries	25,515		24,957	
b) Social security, pension and other benefits	5,909	31,424	5,444	30,401
7. Amortisation of intangible assets and depreciation of property, plant and equipment		8,343		8,427
8. Other operating expenses		27,422		30,427
9. Income from investments		172		0
10. Other interest and similar income		3		3
11. Interest and similar expenses		1,762		2,063
12. Income taxes		1,613		2,966
<b>13. Consolidated result after taxes</b>		<b>1,299</b>		<b>5,686</b>
14. Other taxes		529		266
<b>15. Consolidated net profit for the year</b>		<b>770</b>		<b>5,420</b>

# HIL International GmbH, Düsseldorf

## Consolidated statement of cash flows for the financial year from 1 April 2021 to 31 March 2022

	1 April 2021 - 31 Mar. 2022	1 April 2020 - 31 Mar. 2021
	KEUR	KEUR
Consolidated net profit for the year	770	5,420
Amortisation and depreciation of fixed assets (+)	8,343	8,427
Increase (+)/decrease (-) in provisions	-1,208	3,246
Increase (-)/decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	-8,120	2,523
Increase (+)/decrease (-) in trade payables and other liabilities not related to investing or financing activities	1,739	-3,407
Interest expense (+)/income (-)	1,759	2,060
Income tax expense (+)	1,613	2,966
Income taxes paid (-)	-2,025	-4,077
<b>Cash flows from operating activities</b>	<b>2,871</b>	<b>17,158</b>
Payments (-) for investments in property, plant and equipment	-3,843	-4,268
Acquisition (-) of intangible assets	-347	-153
Interest received (+)	3	3
<b>Cash flows from investing activities</b>	<b>-4,187</b>	<b>-4,418</b>
Repayment (-) of bonds and borrowings	-4,690	-6,790
Interest paid (-)	-1,762	-2,063
<b>Cash flows from financing activities</b>	<b>-6,452</b>	<b>-8,853</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-7,768</b>	<b>3,887</b>
Cash and cash equivalents at beginning of period (+)	13,446	9,559
<b>Cash and cash equivalents at the end of the period</b>	<b>5,678</b>	<b>13,446</b>

# HIL International GmbH, Düsseldorf

## Consolidated statement of changes in equity for the financial year from 1 April 2020 to 31 March 2021

	Subscribed capital	Capital reserve	Consolidated retained earnings/ accumulated deficit	Consolidated equity
	KEUR	KEUR	KEUR	KEUR
Balance at 1 April 2020	34,025	0	704	34,729
Consolidated net profit for the year	0	0	5,420	5,420
Capital increase/decrease	0	0	0	0
Balance at 31 March 2021	34,025	0	6,123	40,149

## Consolidated statement of changes in equity for the financial year from 1 April 2021 to 31 March 2022

	Subscribed capital	Capital reserve	Consolidated retained earnings/ accumulated deficit	Consolidated equity
	KEUR	KEUR	KEUR	KEUR
1 April 2021	34,025	0	6,123	40,149
Consolidated net profit for the year	0	0	770	770
Capital increase/decrease	0	0	0	0
31 March 2022	34,025	0	6,893	40,919

## **HIL International GmbH, Düsseldorf**

### **Notes to the consolidated financial statements for the financial year from 1 April 2021 to 31 March 2022**

#### **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.

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 2022 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 31.6 %, 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 2022 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 2022 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 orientation to the tax depreciation tables and are within the following ranges:

Buildings	10 – 25 years
Technical equipment and machinery	3 – 15 years
Other equipment, operating and office equipment	3 – 10 years

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 include goodwill, the brand, patents, concessions, industrial property rights and licences. Pursuant to Section 253 (3) HGB, goodwill and the brand are amortised over 10 years; other intangible assets are written down over their actual useful lives.

Inventories are stated at the lower of cost or fair value at the balance sheet date. The fair value is determined on the basis of a range analysis. In addition to directly attributable costs, production costs also include production and material overheads, including depreciation. Interest on borrowed capital is not included in the cost of conversion. Permissible simplified valuation methods are used for 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 1.81 % p.a. as at 31 March 2022 (PY: 2.19 %). Where indicated, expected pension growth of 1.75 % was used as a basis for the calculation (PY: 1.75 %). The provisions of Parador Parkettwerke GmbH were calculated on the basis of an interest rate of 1.65 % (PY: 2.04 %) (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: 2.40 %) 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 and other assets only include items with a remaining term of up to one year.

Receivables from the shareholder amount to KEUR 14 (PY: KEUR 47) and result from deliveries and services.

Receivables from other long term-term investees and investors amount to KEUR 1.114 (PY: KEUR 230) and result from deliveries and services.

Real and disclosed factoring of customer accounts receivable is carried out for the purpose of working capital financing. As of balance sheet date, KEUR 22,919 (PY: KEUR 17,056) 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 263 are offset against the corresponding pension obligations (KEUR 2,172). 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 45, PY: KEUR 53). The difference pursuant to Section 253 (6) sentence 1 HGB amounted to KEUR 116 (PY: KEUR 239) as at the balance sheet date.

### **Provisions**

Other provisions as at 31 March 2022 amounts KEUR 9,051 (PY: KEUR 9,222) included in particular provisions for warranty claims of KEUR 1,100 (PY: KEUR 1,450), provisions for bonuses and target-achievement awards of KEUR 933 (PY: KEUR 991), provisions to suppliers and customers of KEUR 4,417 (PY: KEUR 3,992) as well as provisions for other employee benefits of KEUR 1,939 (PY: KEUR 1,909).

## Liabilities

Liabilities in the balance sheet as at 31 March 2022 can be broken down as follows in regard to their remaining terms pursuant to Section 268 (5) HGB and Section 314 (1) HGB:

<b>Liabilities</b>	<b>Up to 1 year KEUR</b>	<b>&gt; 1 to 5 years KEUR</b>	<b>More than 5 years KEUR</b>	<b>Total KEUR</b>
To banks	8,290	18,200	0	26,490
From trade payables	13,758	0	0	13,758
To affiliated companies	571	9,500	0	10,071
- thereof to shareholder	571	9,500	0	10,071
Other liabilities	2,377	0	0	2,377
- thereof for taxes	377	0	0	377
- thereof for social security	184	0	0	184
<b>Total</b>	<b>24,995</b>	<b>27,700</b>	<b>0</b>	<b>52,695</b>

Liabilities in the balance sheet as at 31 March 2021 can be broken down as follows in regards to their remaining terms pursuant to Section 268 (5) HGB and Section 314 (1) HGB:

<b>Liabilities</b>	<b>Up to 1 year KEUR</b>	<b>&gt; 1 to 5 years KEUR</b>	<b>More than 5 years KEUR</b>	<b>Total KEUR</b>
To banks	8.845	22.335	0	31.180
From trade payables	11.555	0	0	11.555
To affiliated companies	210	0	9.500	9.710
- thereof to shareholder	210	0	9.500	9.710
Other liabilities	3.202	0	0	3.202
- thereof for taxes:	1.121	0	0	1.121
- thereof for social security	175	0	0	175
<b>Total</b>	<b>23.812</b>	<b>22.335</b>	<b>9.500</b>	<b>55.647</b>

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 trademarks.

## D. Explanatory notes to the income statement

### Revenue

Revenue solely consists of the sale of floor products and is broken down as follows for the financial year 2022

	KEUR
Germany	84,812
International	92,891
Total	177,703

### Other operating income

Other operating income in the reporting year did not include any income relating to prior periods. This item includes KEUR 329 (PY: KEUR 419) 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 422 (PY: KEUR 414). Interest and similar expenses amount to KEUR 1,762 (PY: KEUR 2,063), thereof KEUR 760 (PY: KEUR 980) to affiliated companies/shareholder.

### Deferred taxes

Deferred tax liabilities as of 31 March 2022 were offset against deferred tax assets and equal KEUR 6,740 (PY: KEUR 7,152).

	As of 01.04.2021 KEUR	Changes KEUR	As of 31.03.2022 KEUR
Deferred tax assets	678	-40	638
- thereof for pension provisions	371	30	401
Deferred tax liabilities	-7.830	452	-7.378
- thereof for the difference in the book values of the fixed assets of the individual companies and the market values of the group	-7.830	452	-7.378

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 5,678 (PY: KEUR 13,446).

#### **F. Other disclosures**

##### **Other financial obligations**

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

<b>Commitments</b>	<b>Up to 1 year</b>	<b>&gt; 1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<b>KEUR</b>	<b>KEUR</b>	<b>KEUR</b>	
Rent and Leasing	1.080	1.100	47	2.227

##### **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 from the corporation.

##### **Personnel**

The average number of employees in the Group equalled 526 (PY: 512), of which 226 were salaried staff (PY: 211) and 300 wage earners (PY: 301).

## **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 2022 amounts to KEUR 168 and relates entirely to audit services.

## **Supplementary report**

The full impact on the global economy of the Russian invasion of Ukraine, that started on 24 February 2022, and the resulting further increase in geopolitical tensions cannot yet be predicted.

## **Others**


The net income of the parent company for the fiscal year 2021/22 amounts to KEUR 3,147 and will be carried forward at the proposal of the shareholder.

Düsseldorf, 11. July 2022

HIL International GmbH

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Dhirup Roy Choudhary  
Managing Director

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Dr Stephan Degmair  
Managing Director

  
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Dr Bettina Wawretschek  
Managing Director

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Dr Arvind Sahay  
Managing Director



# HIL International GmbH, Düsseldorf

## Development of consolidated fixed assets in the financial year from 1 April 2021 to 31 March 2022

	Acquisition costs				Reclassi- fications	31 Mar. 2022
	1 Apr. 2021	Additions	Disposals			
	KEUR	KEUR	KEUR		KEUR	KEUR
<b>I. Intangible assets</b>						
1. Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	10,383	347	0		111	10,841
2. Goodwill	15,897	0	0		0	15,897
	<b>26,280</b>	<b>347</b>	<b>0</b>		<b>111</b>	<b>26,738</b>
<b>II. Property, plant and equipment</b>						
1. Land, leasehold rights and buildings, including buildings on third-party land	26,029	118	0		326	26,473
2. Technical equipment and machinery	22,242	1,690	45		651	24,538
3. Other equipment, operating and office equipment	3,632	1,626	4		3	5,257
4. Advance payments and construction in progress	1,235	417	0		-1,091	560
	<b>53,138</b>	<b>3,851</b>	<b>49</b>		<b>-111</b>	<b>56,828</b>
<b>III. Financial assets</b>						
Shares in affiliated companies	100	0	0		0	100
	<b>100</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>100</b>
	<b>79,518</b>	<b>4,198</b>	<b>49</b>		<b>0</b>	<b>83,666</b>

Accumulated depreciation				Net book values	
1 Apr. 2021	Additions	Disposals	31 Mar. 2022	31 Mar. 2022	31 Mar. 2021
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
3,199	1,302	0	4,501	6,340	7,183
4,107	1,590	0	5,697	10,201	11,790
<b>7,306</b>	<b>2,892</b>	<b>0</b>	<b>10,198</b>	<b>16,540</b>	<b>18,973</b>
2,022	811	0	2,833	23,640	24,007
8,280	3,130	40	11,370	13,168	13,962
2,189	1,510	2	3,697	1,560	1,443
0	0	0	0	560	1,235
<b>12,491</b>	<b>5,451</b>	<b>42</b>	<b>17,900</b>	<b>38,928</b>	<b>40,647</b>
0	0	0	0	100	100
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>100</b>
<b>19,797</b>	<b>8,343</b>	<b>42</b>	<b>28,098</b>	<b>55,568</b>	<b>59,720</b>

# PARADOR

**HIL International GmbH, Düsseldorf**

**Group management report for the financial year from 1 April 2021 to 31 March 2022**

## **I. Principles of the Group**

HIL International GmbH is a large-sized German corporation which, together with its subsidiaries, forms a group of companies (Parador) and consists of four 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.

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 sales joint venture, which was established in August 2018 to strategically develop the Chinese market and which is based in Shanghai, China. Parador is an international renowned design brand for floor and wall designs.

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. The project business via partners or in direct processing with property developers/processors is developing. A new sales channel since June 2020 is PARADOR's own online brand store in Germany, which enables customers in Germany to buy directly online. An expansion of this sales channel is planned for other countries in the coming financial year and is currently in preparation.

The administration and the central PARADOR showroom (Trend Centre) are located in Coesfeld. Here, the current PARADOR brand collection is continuously presented on an exhibition area of 3,000 m<sup>2</sup>. The Trend Centre extensively shows the new product ranges, the modern point-of-sale concept for the stationary trade as well as the additionally offered e-commerce support for the PARADOR trade

partners. The product exhibition and the PoS concepts are continuously updated in line with the product and concept launches of the stores during the year, including to a large extent in the current 2021/2022 financial year.

## **II. Economic report**

### **1. Macroeconomic environment and business performance**

In this volatile year, the gross domestic product in Germany increased by 2.7 % in the calendar year 2021, adjusted for prices, with the first months of the year making a significant contribution to growth. In contrast, according to the Central Association of the German Construction Industry (ZDB), the construction industry grew by around +0.5 % in 2021 and is thus significantly below the level of the previous year. The positive Corona effect in the construction industry could not be carried through in the 2021/2022 financial year, even though the year started with very good months. The subsequent supply bottlenecks and price increases have clearly limited volume growth.

The 2021/2022 business year has therefore been massively shaped by external factors. The massive shortages in the raw materials market, which have affected almost all sectors, have also had a massive impact on the construction industry and the timber market. In spring/summer 2021, HDF and MDF availability collapsed, followed by significant restrictions in construction timber and thus in core layers for parquet, followed by chemicals (melamine/urea), decor papers as well as packaging material. A shortage also always drives up prices - in parallel, raw material prices have levelled off, in some cases by high double-digit percentages. Freight costs increased several times over. The price curve showed a continuous steep upward trend over the business year. In addition, the year continued to be influenced and marked by the pandemic. This has resulted in further lockdowns in various countries, temporary restrictions in POS frequency in the retail sector, as well as continued staff absences due to infections or security-related quarantine measures.

In February 2022, the conflict in Ukraine also escalated. The beginning of the war massively restricted the supply of raw materials in the timber sector. Ukraine covers about 35 % of the wood products needed in Europe, and is a major supplier of oak in particular. Trade embargoes against Russia and Belarus have further tightened the supply.

# PARADOR

For PARADOR, the top priority was to keep liquidity stable, as inventories had risen significantly due to the price increase and corresponding valuation, which also put a strain on working capital. To achieve this, it was necessary to maintain the value chain and pass on the raw material price increases to the market as quickly as possible.

In Europe, an overall increase in turnover of +4 % was achieved compared to the previous year, although this was distributed very differently across the sales countries. Southern Europe, here with Spain as the largest sales market, was able to generate the strongest growth with +30 %. Eastern Europe followed with +17 %, Northern Europe with +10 % and Western Europe with +7 %.

The overseas markets, which are very strongly characterised by project business, were able to recover somewhat after the pandemic year. The Americas grew by +69 % compared to the previous year, Asia by +15 % and Oceania by +9 %.

A continuing trend in Europe is elastic flooring (design flooring), such as vinyl flooring and polypropylene and polyurethane-based flooring. Authentic wood looks and structures score points with this product group. With high water resistance or even water resistance, design floors are now becoming an easy-to-install alternative to ceramics. Modular One, the most successful product group in sustainable design flooring at PARADOR, achieved good growth as a result (+5 %), despite significant availability restrictions in the summer months of 2021. The previous year's sales volume for vinyl flooring was also increased (+5 %). The laminate product group, on the other hand, unfortunately lost slightly (-2 %), here the availability restrictions in HDF are most clearly visible. The parquet product group was the most successful with an increase of +17 % compared to the previous year and was able to support the overall growth achieved. In addition to parquet-strong countries such as Switzerland, Denmark and Sweden, growth was also achieved through project sales in North America and China. Parquet flooring is very much in demand, especially in certain surface finishes; here we are essentially talking about natural oak with a corresponding oiled top layer.

PARADOR aims for a policy that focuses on the premium segment through the clear market orientation in the customer portfolio. This is supported by PARADOR's brand positioning and its product range orientation in the mid-range and high-quality segment, which is particularly well established in Central

Europe and ensures the corresponding trust of customers. Long-standing customer relationships at home and abroad stabilise business activities in volatile times.

PARADOR's defined business model was successfully continued in the 2021/2022 financial year - existing markets and sales channels, especially in the retail business in Europe and China, were further expanded. The e-commerce segment, which was driven by the online activities of our customers as well as the development of our own online brand store in Germany and now Austria, experienced a decline compared to the high-turnover Corona year (-28 %). The DIY/multiples sector, which includes DIY stores and larger retail chains, continued to develop positively and led to a growth of 4 %. The project business also offers further potential, which was expanded by +29 % despite limited availability. The sales channel of the specialised dealers also contributed positively to the growth in turnover with +7 %. The turnover of the cooperated specialist dealers remained stable (+1 %).

The corporate strategy, which focuses on flexibility in production and logistics, service, online competence and a diversified, modern product portfolio, was an important basis for the business success achieved in the past financial year. In the last quarter of the financial year in particular, a high sales volume of over EUR 55 million was achieved, with March 2022 explicitly standing out with gross sales of over EUR 22 million.

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

We would like to point out that the following non-financial performance indicators are important to us, but they are not currently used for the direct management of our group:

- Work safety
- Sustainability (EMAS certification, FSC certified products)
- Process stability (ISO 9001, 14001)
- Brand awareness, supported and unsupported

## **2. Company's position**

### **2.1 Assets and liabilities**

The main intangible assets include the goodwill (EUR 10.2 million) resulting from the initial consolidation and the "Parador" brand (EUR 4.75 million). Depreciation and amortisation on intangible and tangible fixed assets totalled around EUR 8.3 million in the reporting period. Depreciation and amortisation were offset by investments of EUR 4.2 million made in the 2022 financial year, particularly to expand technical capacities.

Inventories amounted to approximately EUR 43.5 million as of the reporting date. Compared to 31 March 2021, there was an increase of approximately EUR 12.2 million. The inventory of raw materials and supplies increased by EUR 8.3 million, in particular due to the massive increase in raw material prices. The inventory of semi-finished and finished products increased by EUR 3.9 million, also due to higher raw material prices.

The assets of HIL International GmbH as at 31 March 2022 amount to approximately EUR 113.0 million (previous year: EUR 116.8 million). Approximately 31.8 % (previous year: 34.8 %) of the assets are financed by bank loans and shareholder loans. The balance sheet equity ratio is 36.2 % (previous year: 34.4 %). Including the subordinated shareholder loan of EUR 9.5 million (previous year: EUR 9.5 million), which we consider to be equity-like, the economic equity ratio is 44.6 % (previous year: 42.5 %).<sup>1</sup>

### **2.2 Financial position**

Sales financing is mainly carried out through open/genuine factoring. As of the reporting date, a line of EUR 17.6 million was utilised.

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<sup>1</sup> Calculation of economic equity: ((balance sheet equity EUR 40.9 million + shareholder loan EUR 9.5 million) / balance sheet total EUR 113.02 million) x 100 = 44.61 %.



Liabilities to banks amount to EUR 26.5 million (previous year: EUR 31.2 million). The short-term bank liabilities of EUR 8.3 million include an annual revolving loan of EUR 4.0 million and scheduled repayments. In addition to the regular repayments of EUR 4.3 million, further extraordinary repayments of EUR 0.6 million were made in the 2021/2022 business year. There is another current account line of EUR 3.0 million, which was not utilised as of the reporting date.

Free cash flow (net decrease in cash and cash equivalents) amounts to EUR -7.77 million in the 2021/22 business year.

The gearing ratio is 1.67<sup>2</sup> (previous year: 0.96).

Solvency was guaranteed at all times.

## **2.3 Financial performance**

Gross turnover (turnover before rebates and discounts), which amounted to EUR 191.6 million in the business year, thus exceeded the previous year, which closed at EUR 183.7 million, by EUR 7.9 million, which means a growth of 4.3 %. At EUR 177.7 million, net sales increased by 5 % compared to the previous year (EUR 169.2 million).

Sales of PARADOR products in the financial year were made with the following regional shares: 47.7 % in Germany, 45.3 % in the rest of Europe and 7 % in overseas markets.

Europe was able to maintain its position with a plus of 4.0 % (+ 6.5 million euros) compared to the previous year, with Spain, Switzerland and Austria as strong growth countries. Germany achieved a slight decline of - 3.0 %, which means a minus of 3.3 million euros. The supply bottlenecks in the summer months of 2021 are the main reason for this. Overseas, a plus of + 2.4 million euros was achieved, with America and Asia as growth markets.

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<sup>2</sup> Calculation of gearing: (liabilities to banks EUR 26.49 million + bank guarantees given of EUR 0.6 million ./ liquid funds EUR 5.68 million) / EBITDA EUR 12.84 million = 1.67

# PARADOR

The main contributors to growth were the sales channels Commercial (project business), DIY/Multiples (DIY stores and specialist retail chains) and specialist retailers including associations. The Performance Partner segment was newly established and built up in FY 2021/2022.

The most significant growth in the product groups was achieved in the parquet sector with a growth of +17 % compared to the previous year (+7.5 million euros). In the resilient flooring segment, Modular One achieved a plus of 5 % over the previous year (+ € 1.5 million) and Vinyl a plus of 5 % (€ 2.0 million). In the laminate product group, a decline of -2 % (0.8 million euros) was recorded, with the supply shortage of HDF boards having the greatest impact. This was also felt in Vinyl (design flooring), but thanks to SPC flooring, the product group was able to maintain a stable turnover level compared to the previous year.

In the 2021/2022 business year, EBIT (item 13 plus items 11 and 12 of the income statement) of EUR 4.7 million and EBITDA (item 13 plus items 11, 12 and 7 of the income statement, less items 9 and 10) of EUR 12.84 million were achieved.

### **3. Personnel**

In the human resources area, the focus in the 2021/22 business year continued to be on the implementation of and compliance with Corona laws and the establishment of corresponding protective measures. Measures beyond the legal regulations were permanently introduced (for example, procedural instructions and air purification devices). The introduction of further digital communication solutions and mobile applications has meant that Parador has remained operationally capable of acting throughout. 47 new employees joined the company in the 2021/2022 financial year. On average, 570 people (including temporary workers and trainees) were employed in the Group (previous year: 570 employees), of whom 436 worked at the Coesfeld site and 134 at the Güssing site. In order to counteract the effects of demographic change and to meet future demand for skilled workers, the range of apprenticeships on offer was expanded (process technician and e-commerce clerk) and the offer to conclude partial retirement contracts was continued.

Furthermore, health management was further developed and operational personnel processes in the areas of payroll and time recording were optimised and stabilised to safeguard the company.

## **4. Overall statement**

From the management's point of view, the company's net assets, financial position and results of operations are satisfactory. Net sales increased by 5.0 % from EUR 169.2 million in the previous year to EUR 177.7 million and were slightly above the planned value. EBITDA (EUR 12.8 million) fell sharply compared to the previous year (EUR 19.1 million) and is below budget. Due to the negative external influences, especially in the second and third quarters of the year, the result can be described as satisfactory.

## **III. Forecast, opportunity and risk report**

### **1. Opportunity and risk report**

The opportunities and risks are explained in decreasing order of importance.

#### **Opportunities**

PARADOR floors set standards as an expression of high quality and creativity. Committed to not only sensing trends, but setting them, we are constantly developing new floors that push the boundaries of design. PARADOR relies on an experienced and award-winning team of in-house designers as well as on cooperation with renowned designers and architects of our time. This is how floors are created time and again that are second to none. For this, PARADOR has already been crowned several times with international design awards such as the red dot Award, the German Design Award, the European Design Award, the Good Design Award, the Iconic Award or the iF Award.

PARADOR is using this potential of the strong and well-known brand to further expand and promote attractive sales channels such as performance partners, e-commerce or commercial. This creates additional opportunities in existing structures.

Furthermore, we are expanding our position in regions and countries where initial customer contacts already exist. We will use this potential for additional marketing opportunities.

# PARADOR

The construction industry is currently characterised by price increases and rising financing interest rates, which may still drive potential developers and builders to conclude contracts quickly and early and could thus stimulate house building in the short term.

Through a broader supplier portfolio in the most important product groups, secured in part by long-term contracts, we achieve better availabilities and competitive advantages.

Our products are regularly tested by independent institutes for their quality characteristics and environmental compatibility. In spring 2020, the internationally recognised quality management standard DIN EN ISO 9001 was introduced.

ISO 9001 is a quality management standard designed to ensure that a company does everything it can to produce good products or provide a good service. The standard also shows that a company follows internationally recognised quality management principles and makes its actions measurable and comparable.

## **Risks**

The difficult political and economic conditions, most recently driven by the outbreak of war in Ukraine, are currently fuelling uncertainty in Europe and around the world. Sales and purchasing markets in Eastern Europe are becoming more difficult to access. Further price increases, especially due to the trade embargo and the increase in energy prices, cannot be ruled out.

If procurement prices continue to rise, this will require price adjustments to the market, which must be implemented very proactively and at short notice. Corresponding measures and routines have been set up here that make it possible to quickly and professionally implement the price adjustments for the customers.

Consumers' willingness to invest is decreasing due to high inflation in many European countries. This could lead to a loss of purchasing power and inhibit consumption, especially in the renovation sector, or lead to a shift to lower-priced product ranges.

# PARADOR

The Corona pandemic continues to interfere with economic and social events, and here too we will continue to adhere to our established measures and safety precautions. Restrictions in travel options are compensated for by alternative communication channels to customers, for example, a digital video studio was set up to present the products.

Appropriate insurance policies have been taken out to cover possible damage and liability risks, which ensure that the possible consequences of risks occurring are limited or completely excluded. The scope of these policies is reviewed on an ongoing basis and adjusted as necessary. In order to take into account the risk of rising interest rates, an interest rate hedge is taken out.

In order to counter possible risks arising from tax, competition, patent, antitrust and environmental regulations and laws, decisions as well as the design of business processes are based on legal advice and external consultants.

## **2. Forecast report**

According to relevant institutes, the economy is expected to pick up slightly in the 2022/2023 business year. PARADOR has drawn up a plan for the new financial year, but is facing major challenges in the context of the current raw material supply problems, especially in the area of wood-based materials and raw wood for parquet flooring.

As a consequence, the first price increases were successfully implemented, and others are regularly reviewed and adjusted as required. The outlook for raw material supply is equally difficult to assess, as the procurement market is currently highly volatile and short-term shifts in quantities are possible.

Despite the above-mentioned challenges, we expect a slight increase in turnover compared to the 2021/2022 financial year. We anticipate likewise a slight increase in EBITDA compared to the previous year. This assessment is supported by the very high order backlog at the time of preparing the balance sheet.

# PARADOR

In addition to the price increase of our products, the further catalogue of measures also includes the areas of personnel, accounts payable, working capital, investments and costs, as required. Depending on further developments, necessary measures will be implemented in the short term in order to preserve the company's liquidity.

Active trade fair participation on the part of PARADOR, nationally or internationally, will depend on the pandemic situation and is to be decided individually for each region/country and rather at short notice. The "digital customer studio" established in the last business year has achieved good success with product launches and continues to serve to cultivate customer contacts.

With its brand recognition, attractive products and broad portfolio, PARADOR is flexibly positioned and able to take advantage of opportunities in the German and international markets.

All measures taken and decided are geared towards securing earnings and liquidity.

Düsseldorf, 11 July 2022

HIL International GmbH

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Management

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Dhirup Roy Choudhary  
Managing Director

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Dr Arvind Sahay  
Managing Director

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Dr Stephan Degmair  
Managing Director

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Dr Bettina Wawretschek  
Managing Director