

Appendix 1

Consolidated financial statements as at 31 March 2023 and group management report (translation)

1.1 Consolidated balance sheet

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1.5 Notes to the consolidated financial statements

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HIL International GmbH, Düsseldorf

Consolidated balance sheet as at 31 March 2023

Assets

	31 Mar. 2023		31 Mar. 2022	
	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	5,123		6,340	
2. Goodwill	8,611	13,734	10,201	16,540
II. Property, plant and equipment				
1. Land, leasehold rights and buildings, including buildings on third-party land	23,154		23,640	
2. Technical equipment and machinery	11,293		13,168	
3. Other equipment, operating and office equipment	1,288		1,560	
4. Advance payments and construction in progress	242	35,977	560	38,928
III. Financial assets				
1. Shares in affiliated companies	100		100	
2. Other loans	3,000	3,100	0	100
		52,811		55,568
B. Current assets				
I. Inventories				
1. Raw materials and supplies	16,904		22,781	
2. Work in progress	5,214		5,021	
3. Finished goods and merchandise	12,697	34,815	15,680	43,481
II. Receivables and other assets				
1. Trade receivables	1,627		1,392	
2. Receivables from other long-term investees and investors	408		1,114	
3. Other assets	9,858	11,893	5,644	8,150
III. Cash and cash equivalents		5,861		5,678
		52,569		57,309
C. Prepaid expenses		462		144
		105,842		113,020

HIL International GmbH, Düsseldorf

Consolidated income statement for the period
from 1 April 2022 to 31 March 2023

Equity and liabilities

	31 Mar. 2023	31 Mar. 2022
	KEUR	KEUR
A. Equity		
I. Subscribed capital	34,025	34,025
II. Profit carried forward	6,894	6,123
III. Group net loss (profit) for the year	-5,748	770
	35,171	40,919
B. Provisions		
1. Provisions for pensions and similar obligations after offsetting against plan assets	2,876	2,827
2. Tax provisions	481	787
3. Other provisions	8,450	9,051
	11,807	12,666
C. Liabilities		
1. Liabilities to banks	24,900	26,490
2. Trade payables	7,070	13,758
3. Liabilities to affiliated companies	10,830	10,071
4. Other liabilities	10,364	2,377
	53,164	52,696
D. Deferred tax liabilities	5,700	6,740
	105,842	113,020

HIL International GmbH, Düsseldorf

Consolidated income statement for the period from 1 April 2022 to 31 March 2023

	1 Apr. 2022 - 31 Mar. 2023		1 Apr. 2021 - 31 Mar. 2022	
	KEUR	KEUR	KEUR	KEUR
1. Revenue		156,955		177,703
2. Increase (decrease) in finished goods and work in process		-3,402		4,810
3. Other own work capitalised		5		26
4. Other operating income		1,090		1,915
5. Cost of materials				
a) Cost of raw materials, supplies purchased goods		96,989		112,767
6. Personnel expenses				
a) Wages and salaries	24,014		25,515	
b) Social security, pension and other benefits	5,984	29,998	5,909	31,424
7. Amortisation of intangible assets and depreciation of property, plant and equipment		7,408		8,343
8. Other operating expenses		25,348		27,422
9. Income from investments		0		172
10. Other interest and similar income		18		3
11. Interest and similar expenses		2,411		1,762
12. Income taxes		-1,787		1,613
13. Consolidated result after taxes		-5,701		1,299
14. Other taxes		46		529
15. Consolidated net loss (profit) for the year		-5,748		770

HIL International GmbH, Düsseldorf

Consolidated statement of cash flows for the financial year from 1 April 2022 to 31 March 2023

	1 Apr. 2022 - 31 Mar. 2023	1 Apr. 2021 - 31 Mar. 2022
	KEUR	KEUR
Consolidated net loss (profit) for the year	-5,748	770
Amortisation and depreciation of fixed assets (+)	7,408	8,343
Decrease (-) in provisions	-859	-1,208
Decrease (+)/ increase (-) in inventories, trade receivables and other assets not attributable to investing or financing activities	4,605	-8,120
Decrease (-)/ increase (+) in trade payables and other liabilities not related to investing or financing activities	-5,594	1,739
Interest expense (+) / interest income (-)	2,393	1,759
Income tax gain (-) / Income tax expense (+)	-1,787	1,613
Income taxes refund (+) / Income taxes paid (-)	746	-2,025
Cash flows from operating activities	1,164	2,871
Payments (-) for investments in property, plant and equipment	-1,547	-3,843
Payments (-) for investments in financial assets	-3,000	0
Acquisition (-) of intangible assets	-104	-347
Interest received (+)	18	3
Cash flows from investing activities	-4,633	-4,187
Proceeds (+) from borrowings	7,653	0
Repayment (-) of borrowings	-1,590	-4,690
Interest paid (-)	-2,411	-1,762
Cash flows from financing activities	3,652	-6,452
Net increase/decrease in cash and cash equivalents	183	-7,768
Cash and cash equivalents at beginning of period	5,678	13,446
Cash and cash equivalents at the end of the period	5,861	5,678

HIL International GmbH, Düsseldorf

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
Balance at 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
Balance at 31 March 2022	34,025	0	6,893	40,919

Consolidated statement of changes in equity for the financial year from 1 April 2022 to 31 March 2023

	Subscribed capital	Capital reserve	Consolidated retained earnings/ accumulated deficit	Consolidated equity
	KEUR	KEUR	KEUR	KEUR
Balance at 1 April 2022	34,025	0	6,893	40,919
Consolidated net loss for the year	0	0	-5,748	-5,748
Capital increase/decrease	0	0	0	0
Balance at 31 March 2023	34,025	0	1,145	35,171

HIL International GmbH, Düsseldorf

Notes to the consolidated financial statements for the financial year from 1 April 2022 to 31 March 2023

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 2023 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 %
Parador UK Ltd.	Birmingham, Great Britain	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 24.0 % 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 2023 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 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.

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 1.79 % p.a. as at 31 March 2023 (PY: 1.81 %). 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 1.56 % (PY: 1.65 %) (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 3.56 % (PY: 3.10 %) 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 EUR 0 thousand (previous year: EUR 14 thousand) and result from deliveries and services.

Receivables from companies in which investments are held amount to KEUR 408 (previous year: KEUR 1,114) and result from trade receivables.

Real and disclosed factoring of customer accounts receivable is carried out for the purpose of working capital financing. As of balance sheet date KEUR 16,910 (PY: KEUR 22,919) were sold to a factoring company that are financed in the amount of KEUR 9,048. 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 346 are offset against the corresponding pension obligations (KEUR 2,164). 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 40, PY: KEUR 45). The difference pursuant to Section 253 (6) sentence 1 HGB amounted to KEUR 74 (PY: KEUR 116) as at the balance sheet date.

Provisions

Other provisions as at 31 March 2023 amounts KEUR 8,451 (PY: KEUR 9,051) included in particular provisions for warranty claims of KEUR 1,100 (PY: KEUR 1,100), provisions for bonuses and target-achievement awards of KEUR 465 (PY: KEUR 933), provisions to suppliers and customers of KEUR 3,790 (PY: KEUR 4,417) as well as provisions for other employee benefits of KEUR 2,544 (PY: KEUR 1,939).

Liabilities

Liabilities in the balance sheet as at 31 March 2023 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	10,990	13,910	0	24,900
From trade payables	7,070	0	0	7,070
To shareholders	1,330	9,500	0	10,830
Other liabilities	2,712	7,653	0	10,364
– thereof for taxes	1,220	0	0	1,220
- thereof for social security	163	0	0	163
Total	22,102	31,063	0	53,164

Liabilities in the balance sheet as at 31 March 2022 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	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 shareholders:	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
Total	24,995	27,700	0	52,695

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 2023

	KEUR
Germany	74,896
International	82,059
Total	156,955

Other operating income

Other operating income in the reporting year did not include any income relating to prior periods. This item includes KEUR 468 (PY: KEUR 329) 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 697 (PY: KEUR 422). Interest and similar expenses amount to KEUR 2,411 (PY: KEUR 1,762), thereof KEUR 786 (PY: KEUR 760) to affiliated companies/shareholders.

Deferred taxes

Deferred tax liabilities as of 31 March 2023 were offset against deferred tax assets and equal KEUR 5,700 (PY: KEUR 6,740).

	As of 01.04.2022 KEUR	Changes KEUR	As of 31.03.2023 KEUR
Deferred tax assets	638	583	1,221
- thereof for pension provisions	401	10	411
Deferred tax liabilities	-7,378	457	-6,921
- thereof for the difference in the book values of the fixed assets of the individual companies and the market values of the group	-7,378	457	-6,921

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 24.0 % 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 5,861 (PY: KEUR 5,678).

F. Other disclosures

Other financial obligations

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

Commitments	Up to 1 year	> 1 to 5 years	More than 5 years	Total
	KEUR	KEUR	KEUR	KEUR
Rent and Leasing	1,033	913	10	1,956

Managing Directors

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

- Akshat Seth (from 1 February 2023, Chemical Engineer)
- Dr Stephan Degmair (Lawyer)
- Dr Bettina Wawretschek (Lawyer)
- Dr Arvind Sahay (University Lecturer)
- Dhirup Roy Choudhary (until 31 Januar 2023, Electrical & Electronics Ingenieur)

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 511 (PY: 526), of which 218 were salaried staff (PY: 226) and 293 wage earners (PY: 300).

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

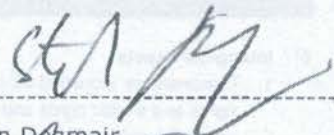
The auditor's fee pursuant to Section 314 (1) No. 9 HGB for the financial year 2023 amounts to KEUR 197 and relates to auditing services (KEUR 141) and other services (KEUR 56).

Others

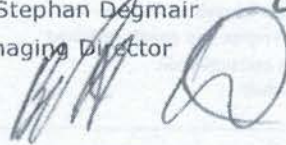
The net result of the parent company for the fiscal year 2022/23 will be carried forward at the proposal of the shareholder.

HIL International GmbH

Akshat Seth
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 2022 to 31 March 2023

	Acquisition costs			Reclassi- fications	31 Mar. 2023
	1 Apr. 2022	Additions	Disposals		
	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	10,841	104	0	28	10,973
2. Goodwill	15,897	0	0	0	15,897
	26,740	104	0	28	26,870
II. Property, plant and equipment					
1. Land, leasehold rights and buildings, including buildings on third-party land	26,473	306	0	35	26,814
2. Technical equipment and machinery	24,538	373	294	259	24,876
3. Other equipment, operating and office equipment	5,257	791	752	77	5,373
4. Advance payments and construction in progress	560	81	0	-399	242
	56,828	1,551	1,046	-28	57,305
III. Financial assets					
1. Shares in affiliated companies	100	0	0	0	100
2. Other loans	0	3,000	0	0	3,000
	100	3,000	0	0	3,100
	83,666	4,655	1,046	0	87,275

Accumulated depreciation			Net book values		
1 Apr. 2022	Additions	Disposals	31 Mar. 2023	31 Mar. 2023	31 Mar. 2022
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
4,501	1,349	0	5,850	5,123	6,340
5,697	1,589	0	7,286	8,611	10,200
<u>10,198</u>	<u>2,938</u>	<u>0</u>	<u>13,136</u>	<u>13,734</u>	<u>16,540</u>
2,833	827	0	3,660	23,154	23,640
11,370	2,503	290	13,583	11,293	13,168
3,697	1,140	752	4,085	1,288	1,560
0	0	0	0	242	560
<u>17,900</u>	<u>4,470</u>	<u>1,042</u>	<u>21,328</u>	<u>35,977</u>	<u>38,928</u>
0	0	0	0	100	100
0	0	0	0	3,000	0
0	0	0	0	3,100	100
<u>28,098</u>	<u>7,408</u>	<u>1,042</u>	<u>34,464</u>	<u>52,811</u>	<u>55,568</u>

HIL International GmbH, Düsseldorf

Group Management Report for the Financial Year from 1 April 2022 to 31 March 2023

I. Principles of the Group

HIL International GmbH is a large German corporation that forms a group of companies (hereinafter also referred to as "Parador") with its subsidiaries and consists of five companies (Parador GmbH, Parador Parkettwerke GmbH, Parador Holding GmbH, Parador UK Ltd. newly founded in 2022 and Parador (Shanghai) Trading Co. Ltd.). HIL International GmbH is a wholly owned subsidiary of HIL Ltd. based in Hyderabad/India.

Parador is an internationally renowned design brand for floor and wall design products. The company produces and distributes high-quality floor, wall and ceiling products for interior design. It is produced at two locations. One location is in Germany (Coesfeld) and focuses in particular on laminate flooring, vinyl flooring and modular polypropylene-based flooring as well as skirting boards, wall and ceiling panels. The second location is in Austria (Güssing) with the plant for the production of engineered wood flooring. Parador (Shanghai) Trading Co. Ltd. is a parity-based sales joint venture founded in August 2018 for the strategic development of the Chinese market, based in Shanghai/China. Parador UK Ltd. was founded in 2022 to drive forward the strategic development of the market in the UK after Brexit and in particular to simplify logistical processes.

The sales intermediaries for Parador are specialist retailers, suitable large-scale suppliers (DIY stores) and specialist retail chains, online trade, increasingly two-tier specialist trade-oriented sales systems in Europe as well as importers overseas. Project business via partners or in direct processing with property developers/processors will be further expanded in the future. Since June 2020, the company has added its own Parador Online Brand Store in Germany, which enables end customers in Germany to buy directly online. An expansion of this sales channel has already taken place in Austria and is planned for other European countries.

The administration and the central Parador exhibition (Trend Centre) are located in Coesfeld. The current Parador brand collection is continuously presented here on an exhibition area of 3,000 m² of exhibition space. The Trend Centre extensively displays the new assortments, the modern point-of-sale concept for stationary trade and the additional e-commerce support offered to Parador trade partners. The product exhibition and the PoS concepts are continuously updated along the product and concept launches of the stores during the year.

II. Economic report

1. Macroeconomic environment and business performance

The financial years 2022 and 2023 are strongly influenced by the consequences of the global COVID pandemic and the war in Ukraine. The cost of essential and other products has increased significantly. As a direct consequence, people's consumption behaviour is declining. Europe-wide inflation and the associated price increases have reduced consumer demand for residential, industrial and commercial buildings. International interest rates hikes are also having a negative impact on the construction and real estate sector. The flooring industry is in a difficult environment due to strong inflation across Europe. Triggered by the impact of these events, the construction industry in Europe has not been able to continue its strong growth of previous years. Due to these external influences, Parador was not able to realise the slight increase in sales and EBITDA forecast in the previous year.

Parador was able to withstand the industry-wide high price pressure and keep its prices stable. At the same time, the company was able to consolidate its supply chains, especially the procurement of raw materials from Ukraine, so that the temporarily increased costs for the procurement of raw materials could be reduced again in the last quarter.

In Europe, a decline in turnover of -9.3 % was achieved in comparison to the previous year, whereby this decline was distributed very differently across the sales countries. Northern Europe, for example, generated a strong plus of +18.0 %, while turnover declined in the regions of Western, Southern and Eastern Europe as well as in the home market of Germany.

The overseas markets, which contribute 4.3 % to total turnover and are strongly characterised by project business, also developed negatively overall. In particular, a decline in turnover of -65.3 % in China should be mentioned here, which is mainly due to the lockdowns caused by the Corona pandemic.

Along with the generally weakened demand from customers and end consumers as well as the postponement of large construction projects in the commercial sector, a downward trend was observed in almost all product groups in 2022. As a strong product, especially in the project sector, parquet lost only slightly in total compared to the previous year, at -3.1 %. The successful, sustainable product group Modular ONE is also above average compared to other product groups, with a decline of -7.1 % compared to the previous year.

Parador aims for a policy that focuses on the premium segment through the clear market orientation in the customer portfolio. This is supported by the brand positioning of Parador as well as the product range orientation in the medium and high-quality segment, which is particularly established in Central Europe and ensures corresponding trust among customers. Long-standing customer relationships at home and abroad stabilise business activities in volatile times.

Parador's defined business model was continued in the financial year 2022/2023. Parador continued to be active in all existing markets and sales channels. The e-commerce segment, which is characterised by the online activities of our customers as well as our own activities on e-commerce platforms such as Amazon and Ebay and in our own online brand stores in Germany and Austria, experienced a decline of -49.6 %. The positive special effect from the previous year due to the partial closure of stationary retail as a result of Corona could not be continued in this financial year. The DIY/multiples segment, which includes DIY stores and larger retail chains, continued to develop positively despite the generally negative development of the market and led to an increase of +3.3 %. The project business also offers further potential, but stagnated at the previous year's level (-1.1 %) in view of the global slump in the construction industry. The sales channel of specialist dealers experienced a significant decline of -22.9 %, which is also due to the declining purchasing power of end consumers.

The key financial performance indicators by which we manage our group are revenue and earnings before interest, taxes, depreciation and amortisation (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.

- Occupational 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 of EUR 8.6 million resulting from the initial consolidation and the "Parador" brand of EUR 4.01 million. Depreciation and amortisation on intangible assets and property, plant and equipment totalled around EUR 7.4 million in the reporting period. The depreciation and amortisation was offset by investments

of EUR 1.65 million made in the 2023 financial year. In the 2023 business year, a loan of EUR 3.0 million was granted to a leasing company, which is reported under financial assets.

Inventories amounted to approximately EUR 34.8 million as of 31 March 2023. Compared to 31 March 2022, there was a reduction of approximately EUR 8.7 million. This is mainly due to the decline in procurement prices as well as measures to reduce inventories.

The assets of HIL International GmbH as at 31 March 2023 amount to approximately EUR 105.8 million (previous year: EUR 113.0 million). Approximately 32.5% (previous year: 31.8 %) of the assets are financed by bank loans and shareholder loans. The balance sheet equity ratio is 33.2% (previous year: 36.2 %). Including the subordinated shareholder loan of EUR 9.5 million (previous year: 9.5 million), which we consider to be equity-like, the economic equity ratio is 42.2 % (previous year: 44.6 %) ¹.

2.2 Financial position

Sales are financed mainly through open/genuine factoring. As of the reporting date, receivables of EUR 16.9 million were sold to the factor, which were financed in the amount of EUR 9.0 million. As of the reporting date, there was an uncalled factoring line of EUR 4.6 million.

Liabilities to banks amount to EUR 24.9 million (previous year: EUR 26.5 million). The current liabilities to banks of EUR 11.0 million include an annual revolving loan of EUR 6.7 million and scheduled repayments. In the 2022/2023 business year, the bank loans were regularly repaid in the amount of EUR 4.3 million. The existing covenant agreements with the financing banks were adjusted on 3 May 2023 due to the economic situation.

Furthermore, a warehousing agreement was concluded which allows the sale of up to EUR 10.0 million of finished goods to a subsidiary of DAL Leasing. Since the buyer is not granted control over the goods, these inventories remain on the balance sheet as inventory assets of the HIL International GmbH Group. As of the balance sheet date, finished goods were sold and financed in the amount of EUR 7.7 million.

Free cash flow amounts to EUR 0.18 million in the 2022/23 financial year.

¹ Calculation of economic equity: ((balance sheet equity EUR 35.171 million + shareholder loan EUR 9.5 million) / balance sheet total EUR 105.842 million) x 100 = 42.2%.

The gearing ratio is 11.8² (PY: 1.7) due to the low EBITDA.

Solvency was guaranteed at all times.

2.3 Financial performance

Gross turnover (turnover before rebates and discounts), which amounted to EUR 171.6 million in the business year, was EUR 21.5 million lower than in the previous year (EUR 193.1 million), which means a decline of 11.1 %. Revenues of EUR 157 million was 11.7 % lower than in the previous year (EUR 177.7 million).

The turnover of Parador products in the financial year took place with the following regional shares: 47.7% in Germany, 48.0% in the rest of Europe and 4.3% in overseas markets.

Europe recorded a decline of 9.3 % compared to the previous year. Nevertheless, growth markets such as Sweden (+111.2 %) and Norway (+11.2 %) achieved strong performances. Germany achieved a decline of -11.8 %. The overall poor situation of the flooring industry, triggered by the current Europe-wide inflation and the restrained consumer behaviour, are to be mentioned as the main reasons for this development. In the non-European environment, the picture is ambivalent: Asia, North and South America as well as Oceania are confronted with comparable influences and effects as Europe, and accordingly these regions report declining sales. Of particular note is a significant decline in turnover of -65.3 % in China, where Corona-related lockdowns had a significant negative impact on business, as well as the equally significant decline in turnover in the USA (-52.7 %) and Canada (-18.5%), where the cyclical decline in the project business had a noticeable effect.

On the other hand, the development of turnover on the African continent was positive, with an overall increase of +65.6 %. Here, North Africa in particular should be mentioned as a strong growth region. The Middle East also developed positively (+14.3 %).

The overall downward trend is evident in almost all sales channels, although the DIY/multiples sales channel (DIY stores and specialist retail chains) continued to develop positively at +3.3 %. The Parador factory outlet at the Coesfeld location also achieved a significant increase and grew by +55.8 %.

² Calculation of gearing: (liabilities to banks EUR 24.90 million + bank guarantees given over 0.6 million + warehousing EUR 7.65 million / cash and cash equivalents EUR 5.86 million) / EBITDA EUR 2.31 million = 1.67

The most significant growth in the product groups was achieved in the Clickboard area with an increase of +8.4 % compared to the previous year. In the other product areas, declines were recorded compared to the previous year: Engineered wood (-3.1 %), Vinyl (-17.2 %), Laminate (-22.6 %) and Modular ONE (-7.1 %).

In the 2022/23 business year, EBIT (item 13 plus items 11 and 12 of the income statement) of EUR -5.1 million and EBITDA (item 13 plus items 11, 12 and 7 of the income statement, less items 9 and 10) of EUR 2.3 million were achieved.

The high order backlog of the previous business year, which was caused by a lack of material availability, was reduced to a normal level. The personnel cost ratio increased due to the decline in turnover compared to the previous year. The cost of materials ratio, on the other hand, rose only slightly because raw material prices fell in the last quarter.

3. Personnel

In the human resources area, the focus in the 2022/23 business year continued to be on the implementation of and compliance with Corona protection regulations and the establishment of corresponding protective measures. Due to a high inventory of finished goods as a negative consequence of the Ukraine war and corresponding uncertainties in energy prices and inflation expectations, appropriate personnel measures were initiated. One measure was to introduce short-time work at our Coesfeld site from August 2022. This was done in particular to be able to retain our well-trained skilled workers over a period of several months. Changes in the labour markets also led to increasing challenges in the area of recruitment and retention. 21 new employees joined the company in the 2022/2023 financial year. On average, 521 employees (including apprentices) were employed in the Group (previous year: 570 employees), 404 of whom worked at the Coesfeld site and 116 at the Güssing site. In order to counteract the effects of demographic change and to meet the future demand for skilled workers, career and training fairs were attended again after the pandemic subsided and cooperation with local and regional schools was initiated. Early engagement and the presentation of the world of careers and training are important building blocks in the competition for young talent. The company's growth targets will lead to a larger number of planned hires in the new financial year. Accompanying this, with the introduction of our Parador Academy, we are focusing on enabling and facilitating structured and self-organised learning both on the customer side and on the side of employees and managers and are supplementing this with a further improvement in our induction programme. To secure and retain skilled workers and to strengthen the health of all

employees, a digital survey was conducted in cooperation with Münster University of Applied Sciences, which will now lead to defined fields of action and to sustainable health-promoting measures and programmes in the coming months and years. To this end, we are entering into cooperation with professional service providers in health management, with regional sports offers and with the health insurance companies represented in our company.

4. Sustainability

For many years, the idea of sustainability has been shaping production and products at Parador in equal measure. We are committed to the responsible use of natural resources. Social and ecological commitment are fixed components of our corporate strategy. Parador is the producer of floor coverings in Germany to be EMAS-certified and is committed to the constant optimisation of environmental management. The sustainable corporate strategy also includes environmentally friendly processing technology and logistics systems, packaging made of recycled paper, a long product life and the reduction of non-sustainable raw materials.

In November 2022, Parador published a sustainability report for the first time. In the approximately 70-page report we present our sustainability measures and our strategic orientation transparently and openly: Divided into the three focus areas of ecology, economy and society, the Parador Sustainability Report provides a deep insight into the sustainability commitment of the Coesfeld floor manufacturer. With the help of texts, infographics and tables, we show how entrepreneurial action is represented along the entire value chain and what influence the measures in the area of sustainability have.

The report was prepared according to GRI standards and is additionally based on the criteria of the German Sustainability Code (DNK). Parador is thus committed to documenting its activities in accordance with global standards for sustainability reporting. The aim of these standards is to ensure comprehensive and targeted sustainability management and to communicate reliable data and content transparently and comprehensively.

Parador has its various sustainability measures checked by EcoVadis, a global provider of sustainability ratings, among others. This rated Parador in March 2023 with a score of more than 70 out of 100 and awarded it an EcoVadis Gold Medal for this performance. With this result, Parador is among the top five percent of the companies assessed by EcoVadis. The sustainability rating by EcoVadis evaluates 21 criteria from the subject areas of environment, labour and human rights, ethics and sustainable procurement. EcoVadis' sustainability scorecards provide detailed insights into ecological, social and ethical risks.

5. Overall statement

Due to the negative external influences such as high inflation, combined with rising energy costs and interest rates, and the uncertainty triggered by the Ukraine war during the entire financial year, net sales fell by 11.9 % from EUR 177.7 million in the previous year to EUR 157 million. The EBITDA (EUR 2.3 million) also decreased significantly compared to the previous year (EUR 12.8 million). The earnings situation can thus be described as unsatisfactory.

Nevertheless, from the management's point of view, the company's net assets and financial position are satisfactory, as the cash flow in the 2022/23 financial year is slightly positive and additional financing lines have not been drawn.

III. Forecast, opportunity and risk report

1. Opportunities and risk report

The opportunities and risks are explained in decreasing importance.

Opportunities

Floors from Parador set standards as an expression of high quality and creativity. Committed to not only sensing trends but also 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. This is how floors are created time and again of high quality. 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 open up new attractive sales channels, such as the Commercial segment in particular, especially in Central Europe, or to expand and push them internationally. This creates additional opportunities in existing structures and should contribute to sales growth.

Furthermore, we are expanding our position in regions and countries with which we already have customer contacts. We will use this potential for additional marketing opportunities, especially in the focus countries of the United Kingdom, France, Spain and Scandinavia, and support this with suitable marketing measures and products.

The construction industry is currently hampered by price increases and rising interest rates. Nevertheless, the German government still has the goal of building 400 thousand dwellings per year. This potential can be exploited in the future.

Thanks to a broader supplier portfolio in the most important product groups, secured in part by long-term contracts, we achieve good availability and competitive advantages. In addition, the high raw material costs have been gradually reduced since summer 2022 and are improving our earnings situation. We also expect purchasing prices to continue to fall in the future.

Our products are regularly tested by independent institutes for their quality characteristics and environmental compatibility. In spring 2020, we introduced the internationally recognised quality management standard DIN EN ISO 9001, which was successfully recertified in spring 2023.

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 environment, driven by the consequences of the ongoing war in Ukraine, is leading to declining consumer behaviour, especially in the capital goods segment. The real estate sector is also suffering from rising construction interest rates, which is leading to lower demand for residential property. This is reflected in a loss of purchasing power in the renovation sector or in a shift to lower-priced product ranges. Accordingly, Parador has taken measures to expand its product portfolio in the entry-level price ranges in particular and to further ensure its competitiveness.

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, interest rate hedges have been concluded in some cases.

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

The 2023/24 business year will continue to be influenced by the consequences of the war in Ukraine. The flooring industry is in a difficult environment due to inflation across Europe. However, it can be seen that the measures taken by the governments of the European countries and also by the industry have been able to stimulate consumer behaviour again. In this respect, the negative development seems to have stopped. Currently, it can be seen that demand has stabilised and that customers' buying interest is returning. Forecasts assume that the bottom of the Europe-wide market recession has been passed. However, the situation remains volatile, so that the industry must react agilely.

Despite the challenges mentioned above, we expect a significant increase in turnover compared to the 2022/2023 financial year. Projected sales are slightly above the level of financial year 2021/2022. We also expect a significant increase in EBITDA compared to the previous year and EBITDA only slightly below the level of the 2021/2022 financial year. This assessment is supported by the positive development of raw material costs at the time of preparing the balance sheet and the measures initiated to expand market shares in European core markets.

With the introduction of new product categories and assortments as well as a product and sales focus on European core markets and the Commercial segment, which opens up strong growth potential especially in the international environment, Parador will send clear signals to the market in the 2024 financial year. Thanks to high brand awareness, attractive products and a broad portfolio, Parador is flexibly positioned and in a position to exploit opportunities in the German and international markets. The main initiatives to increase market share are the expansion of the sales team, focused marketing campaigns and a series of product launches.

There are currently projects in the eight-figure range in the sales pipeline, some of which are already close to being ordered by the customer. In addition, we expect the market environment to pick up after autumn 2023. With the construction of a new logistics centre at the Coesfeld site, which began in January 2023, Parador is also realigning its logistics processes and will be able to make significant cost savings in the medium term as well as a further contribution to sustainable business.

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

Düsseldorf, 28 June 2023

HIL International GmbH

Management

Akshat Seth

Managing Director

Dr. Stephan Degmair

Managing Director

Dr. Bettina Wawretschek

Managing Director

Dr. Arvind Sahay

Managing Director