KPMG

Consolidated financial statements as at 31 December 2018 and group management report

TRANSLATION - AUDITOR'S REPORT

HIL International GmbH
Düsseldorf

KPMG AG Wirtschaftsprüfungsgesellschaft

HIL International GmbH
Düsseldorf

Consolidated balance sheet as at 31 December 2018

Assets

	31.12.2018	
	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	9,437	
2. Goodwill	15,367	24,804
II. Property, plant and equipment		
1. Land, leasehold rights and buildings, including buildings on third-party land	23,830	
2. Technical equipment and machinery	17,834	
3. Other equipment, operating and office equipment	1,938	
4. Advance payments and construction in progress	489	44,091
III. Financial assets		
1. Shares in affiliated companies	100	
2. Other loans	13	113
		69,008
B. Current assets		
I. Inventories		
1. Raw materials and supplies	20,691	
2. Work in process	4,012	
3. Finished goods and merchandise	11,754	36,457
II. Receivables and other assets		
1. Trade receivables	711	
2. Receivables from other long-term investees and investors	84	
3. Other assets	6,129	6,924
III. Cash and cash equivalents		6,389
		49,770
C. Prepaid expenses		**1**
		118,779

Equity and liabilities

	31.12.2018 KEUR	KEUR
A. Equity		
I. Subscribed capital		25
II. Capital Reserve		34,000
III. Accumulated deficit		-1,594
		32,431
B. Provisions		
1. Provisions for pensions and similar obligations	2,339	
2. Tax provisions	1,572	
3. Other provisions	6,472	**10,383**
C. Liabilities		
1. Liabilities to banks	36,343	
2. Trade payables	8,051	
3. Liabilities to affiliated companies	20,378	
4. Other liabilities	1,922	**66,694**
D. Deferred tax liabilities		**9,271**
		118,779

HIL International GmbH, Düsseldorf

Consolidated income statement for the period from 27 August to 31 December 2018

	2018	
	KEUR	KEUR
1. Revenue		48,434
2. Decrease in finished goods and work in process		-1,471
3. Other own work capitalised		56
4. Other operating income		285
5. Cost of materials		
a) Cost of raw materials, supplies purchased goods	25,962	
b) Cost of purchased services	0	25,962
6. Personnel expenses		
a) Wages and salaries	7,151	
b) Social security, pension and other benefits	1,584	8,735
7. Amortisation of intangible assets and depreciation of property, plant and equipment		2,555
8. Other operating expenses		9,027
9. Interest and similar expenses		1,281
10. Income taxes		486
11. Result after taxes		**-742**
12. Other taxes		852
13. Net loss for the year		**-1,594**

HIL International GmbH, Düsseldorf

Consolidated statement of cash flows for the short financial year from 27 August to 31 December 2018

	2018
	TEUR
Consolidated net income for the year	-1,594
Amortisation and depreciation of fixed assets (+)	2,555
Increase (+) /decrease (-) in provisions	-1,947
Other non-cash expense of the short financial year	1,955
Increase (-) / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	3,918
Decrease (-) in trade payables and other liabilities not related to investing or financing activities	-2,678
Gain (-) /loss (+) on the disposal of fixed assets	9
Interest expense (+) /income (-)	1,281
Income tax expense (+)	486
Income taxes paid (-)	-486
Cash flows from operating activities	**3,499**
Proceeds (+) from sale of property, plant and equipment	69
Payments (-) for investments in property, plant and equipment	-1,165
Acquisition (-) of intangible assets	-44
Cash flows from investing activities	**-1,140**
Repayment (-) of bonds and borrowings	-1,169
Interest paid (-)	-1,281
Cash flows from financing activities	**-2,450**
Net increase/decrease in cash and cash equivalents	-91
Cash and cash equivalents at beginning of period (+)	6,480
Cash and cash equivalents at the end of the period	**6,389**

HIL International GmbH, Düsseldorf

Consolidated statement of changes in equity for the short financial year from 27 August to 31 December 2018

	Subscribed capital	Capital reserve	Accumulated profit/ accumulated deficit	Consolidated equity
	KEUR	KEUR	KEUR	KEUR
Balance on 27 August 2018	25	34,000	0	34,025
Consolidated net loss for the year	0	0	-1,594	-1,594
Balance at 31 December 2018	**25**	**34,000**	**-1,594**	**32,431**

HIL International GmbH, Düsseldorf

Notes to the consolidated financial statements for the short financial year from 27 August to 31 December 2018

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. of the German Commercial Code [HGB].

The accounting policies upon which the consolidated financial statements as at 31 December 2018 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.

HIL International GmbH was incorporates as of 11 July 2018 by registration in the trade registry. Consolidated financial statements were prepared for the first time for the short financial year from 27 August to 31 December 2018, as control was obtained over Parador Holding GmbH and subsidiaries. In the period between 11 July and 26 August 2018, expenses in the amount of KEUR 1,955 occurred.

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 27 August 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. 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 amortised over the estimated useful life of ten years of the acquired assets.

Receivables and liabilities between the consolidated companies 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 consolidated companies were offset against each other pursuant to Section 305 HGB (consolidation of income and expenses).

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

Deferred tax assets have been recognised through profit or loss pursuant to Section 306 (1) HGB at the average Group's tax rate of 30%, to the extent that these differences presumably offset each other in later financial years. The temporary differences relate mainly to inventories.

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 December 2018 on consolidation measures affecting income pursuant to Section 306 (1) HGB. This was recognised using the average tax rate of 31.6% on the difference for Parador GmbH, Germany and 25% 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 December 2018 were prepared using uniform accounting policies under German commercial law.

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

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

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

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

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

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

Subscribed capital is recognised at the nominal amount.

Pension provisions are determined according to the projected unit credit method (PUCM) using Prof. 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 equalled 3.21% p.a. as at 31 December 2018. Where indicated, expected pension growth of 1.75% was used as a basis for the calculation.

The tax provisions are recognised in the anticipated settlement amount.

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

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

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

Liabilities are recognised at their settlement amounts.

C. Notes on the consolidated financial statements

Fixed assets

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

Receivables and other assets

Both trade receivables as well as other assets only contain items with a remaining term of up to one year.

Equity

The statutory capital of HIL International GmbH in the amount of KEUR 25 is increased by shareholder resolution dated 23 August 2018 by KEUR 34.000 by issuing 34.000 shares with nominal value of EUR 1 each. The registration in the trade registry was made on 29 January 2019.

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 206 are offset against the corresponding pension obligations (KEUR 1,944).
Interest expenses include expenses from the compounding of pension obligations (KEUR 67).

The difference pursuant to Section 253 (6) Section 1 HGB amounted to KEUR 209 as at the balance sheet date.

Provisions

Other provisions as at 31 December 2018 included in particular provisions for warranty claims of KEUR 1,061, provisions for bonuses and target-achievement awards of KEUR 3,826 as well as provisions for other employee benefits of KEUR 722.

Liabilities

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

Liabilities	**Up to 1 year KEUR**	**> 1 to 5 years KEUR**	**More than 5 years KEUR**	**Total KEUR**
To banks	7,290	13,160	15,893	36,343
From trade payables	8,051	0	0	8,051
To affiliated companies (solely to shareholder)	378	0	20,000	20,378
Other liabilities	1,922	0	0	1,922
– thereof for taxes:	548	0	0	548
- thereof for social security:	98	0	0	98
Total	17,641	13,160	35,893	66,694

Liabilities to banks are collateralised by land charges in Coesfeld, Germany and Güssing, Austria, as well as by pledging moveable assets, all current assets, patents and trademarks.

D. Explanatory notes on the income statement

Revenue

Revenue solely consists if the sale of floor products and is broken down as follows for the short financial year 2018:

	KEUR
Germany	23,684
International	24,750
Total	48,434

Other operating income

Other operating income in the reporting year did not include any significant income relating to prior periods. This item includes KEUR 56 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 67. Interest and similar expenses amount to KEUR 1,281, thereof KEUR 364 to affiliated companies/shareholders.

Deferred taxes

Deferred tax liabilities as of 31 December 2018 were offset against deferred tax assets and equal KEUR 9,271.

	As of 01.09.2018 KEUR	Changes KEUR	As of 31.12.2018 KEUR
Deferred tax assets	507	25	532
Deffered tax liabilities	-9,968	165	-9,803

Deferred tax liabilities are fully due to the difference between the book values 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% 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 6,389.

F. Other disclosures

Other financial obligations

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

Obligations	Up to 1 year KEUR	> 1 to 5 years KEUR	More than 5 years KEUR	Total KEUR
Rent	205	344	0	549
Leasing	230	354	0	584
Total	435	698	0	1,133

Real and disclosed factoring of customer accounts receivables is carried out for the purpose of working capital financing. As of the balance sheet date KEUR 14,799 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.

Managing Directors

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

- Dhirup Roy Choudhary, (Electrical & Electronics Engineer)
- Dr Stephan Degmair, (Lawyer) (since 5 February 2019)
- Dr Bettina Wawretschek, (lawyer) (since 5 February 2019)
- Dr Arvind Sahay, (university lecturer) (since 11 April 2019)

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

Personnel

The average number of employees in the Group equalled 469, of which 198 were salaried staff and 271 wage earners.

Group affiliation

HIL International GmbH is a wholly owned subsidiary of HIL Ltd., Hyderabad, India, listed on the "BSE Limited" and "National Stock Exchange of India". The company is included in the consolidated financial statements of HIL Ltd. Hyderabad/India, which prepares consolidated financial statements for the largest and smallest 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 short financial year 2018 amounts to KEUR 54.5 and relates entirely to audit services.

Supplementary report

By shareholders' resolution dated 13 December 2018 it was decided to change the financial year to 31 March of a year, so that on 31 March 2019 a shortened short financial year follows. No other events of particular significance for the net assets, financial position and results of operations of our company occurred after the balance sheet date. The net loss for the short fiscal year 2018 amounts to KEUR 1,594 and will be carried forward at the proposal of the shareholder.

Düsseldorf

HIL International GmbH

Dhirup Roy Choudhary
Managing Director

Dr Stephan Degmair
Managing Director

Dr Bettina Wawretschek
Managing Director

Dr Arvind Sahay
Managing Director

This page intentionally left blank.

HIL International GmbH, Düsseldorf

Development of consolidated fixed assets in the short financial year from 27 August to 31 December 2018

	Gross book values				
	27/8/2019	Additions	Disposals	Re-classifications	31/12/2018
	KEUR	KEUR	KEUR	KEUR	KEUR
I. Intangible assets					
1. Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	9,787	44	0	0	9,831
2. Goodwill	15,897	0	0	0	15,897
	25,684	**44**	**0**	**0**	**25,728**
II. Property, plant and equipment					
1. Land, leasehold rights and buildings, including buildings on third-party land	24,060	0	0	64	24,124
2. Technical equipment and machinery	17,047	55	9	1,664	18,757
3. Other equipment, operating and office equipment	1,854	432	251	66	2,101
4. Advance payments and construction in progress	1,674	678	69	-1,794	489
	44,635	**1,165**	**329**	**0**	**45,471**
III. Financial assets					
1. Shares in affiliated companies	100	0	0	0	100
2. Other loans	13	0	0	0	13
	113	**0**	**0**	**0**	**113**
	70,432	**1,209**	**329**	**0**	**71,312**

Accumulated depreciation				Net book values
27/8/2019	Additions	Disposals	31/12/2018	31/12/2018
KEUR	KEUR	KEUR	KEUR	KEUR
0	394	0	394	9,437
0	530	0	530	15,367
0	**924**	**0**	**924**	**24,804**
0	294	0	294	23,830
0	923	0	923	17,834
0	414	251	163	1,938
0	0	0	0	489
0	**1,631**	**251**	**1,380**	**44,091**
0	0	0	0	100
0	0	0	0	13
0	**0**	**0**	**0**	**113**
0	**2,555**	**251**	**2,304**	**69,008**

HIL International GmbH, Düsseldorf

Group management report for the short financial year form 27 August to 31 December 2018

I. Principles of the Group

HIL International GmbH is a large-sized German corporation which, together with its subsidiaries, forms a group of companies and consists of three operating companies (Parador GmbH, Parador Parkettwerke GmbH, Parador Shanghai Trading Ltd. Co. [established in August 2018]). As at 27 August 2018, the operating companies were majority owned by NORD Holding Unternehmensbeteiligungs GmbH, which is based in Hanover, and a minority interest was held by management. Effective 27 August 2018 and as part of a share deal, 100% of the shares were sold to HIL International GmbH, which is based in Düsseldorf. This Company is a wholly owned subsidiary of HIL Ltd., which is based in Hyderabad, India. For reasons of simplification, initial consolidation took place on 1 September 2018.
In order to reasonably present the situation, key figures are partially reported from the operational 12-month period of the Parador Group.

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 polyethylene and polyurethane 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 is a leading international brand for floor and wall designs. Parador Shanghai Trading Ltd. Co. is an equally owned joint venture, which was established in August 2018 to strategically develop the Chinese market and which is based in Shanghai, China.

Of the Parador products sold in the 2018 calendar year (in terms of share of revenue), 46.13% was attributable to Germany, 43.37% to other European countries and 10.5% to overseas markets. This means we were able to further significantly increase our sales performance in Europe. Due to the deliberate change in the sales channels in Germany, revenue declined here by nearly 3% year-on-year. Sales performance overseas decreased compared to the prior year especially as a result of China's economic slowdown. Overall, revenue was up by roughly EUR 4 million over the prior year.

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. In terms of sales volume, the total market was virtually stagnant in 2018. The overall market slowed down somewhat compared to 2017, but nevertheless remains – given the favourable market environment – a growth area within the context of Parador's business model. The overall walls/ceiling market has been steadily declining over the past few years. Laminate floors as well as parquet floors also reported a slight decrease in volume overall in 2018. However, there are considerable differences in the development of sales according to country and region. Vinyl and modular floor products continue to enjoy dynamic growth. However, the growth of LVT products (i.e. PVC-based products) has slowed significantly, whereas modular floors are taking off. Total margins declined slightly combined with a rise in revenue, which was caused by disproportionately high price increases for defined pre-products and a sharp rise in logistic costs.

Parador's headquarters and Trendcenter are located in Coesfeld. This is where the current Parador brand collection is regularly presented on our 3,000 sqm showroom. The Trendcenter was extensively upgraded in late 2017 with a view to the new assortments, new point-of-sale appearance as well as additional offered e-commerce support for retail in order to implement the concepts in 2018.

II. Economic report

1. Macroeconomic environment and business performance

Ongoing pressure on margins and changes in the demand structure for individual product groups, as well as the rising change in sales access through digitalisation, are necessitating a corresponding adjustment to the business models in the industry. The industry can be roughly broken down between cost-oriented and market-oriented competitors. In this regard, Parador's business model clearly focuses on brand and sales policies, which target the premium segment through market alignment in the customer portfolio. We were able to successfully further push transformation of the business model in 2018 by expanding our retail business in defined European countries as well as shoring up our distribution infrastructure, especially in China by establishing a local sales company there. Simultaneously, we were able to secure or even in some cases slightly expand business in our core sales channels. This enabled Parador to once again achieve growth in the reporting year. This meant we were able to once more report growth in regions that were difficult in the past, such as in England, Eastern Europe and Scandinavia. Our business strategy, which focuses on greater flexibility in production and logistics, on service, online competence and a broad-based, state-of-the-art product portfolio, is increasingly gaining traction.

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

Earnings were hit by disproportionately high price increases, especially in the case of HDF panels, as well as by rising logistics costs. Corresponding price increases in the case of finished goods were partially able to offset this trend as of mid-year.

The sale of the Company to the Indian HIL Group means the Parador Group has changed hands from a financial investor to a strategic investor. This change enables us to carry on with the long-term implementation of our business model, especially in terms of further internationalisation. The Company's equity was bolstered considerably by purchase.

Overall business performance was solid in 2018. Largely driven by profitable revenue growth, despite an increase in expenses, we were able to keep operating earnings at a stable level.

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

2. Company's position

2.1 Assets and liabilities

The sale of Parador Holding GmbH to the Indian HIL Group involved remeasuring the assets according to a fair value assessment. The main intangible assets include the goodwill resulting from the initial consolidation and the "Parador" brand. Amortisation of intangible assets and depreciation of property, plant and equipment recognised in the short financial year totalled EUR 2.6 million in the Group. Running counter to the depreciation and amortisation in the 2018 short financial year was EUR 1.2 million in capital expenditures, in particular for expanding technical capacity.

Inventories equalled approx. EUR 36.5 million as at the reporting date. This value largely concerned the stocks of finished products and semi-finished products in the vinyl and modular floor segment. In addition, there were higher stocks of parquet due to the increasing shift of the parquet business towards project-oriented sales. This necessitated an increase in the stockpiling of semi-finished products and, due to delivery deadlines, also an increase in the stocks of finished products. The increase in floor inventories was more than offset in all other areas.

The assets of HIL International GmbH equalled approx. EUR 118.8 million as at 31 December 2018. Approx. 47% of these assets are financed by credit and shareholder loans. The equity ratio reported on the balance sheet amounts to 27.3%. When including the shareholder loans, which are equity-like, the economic equity ratio equals 44.1%. The pro forma leverage ratio adjusted to 12 months (adjusted leverage) equals 3.56.

The difference between the book values of the single entities and the fair values of the reported group values was recognised as deferred tax liabilities.

2.2 Financial position

Cash and cash equivalents were always at a comfortable level during the reporting year. Sales are financed through notification/real factoring. Additional overdraft facilities were not used.

The decrease in working capital from the opening balance until 31 December 2018 largely involved a factoring line used to a greater extent, a decline in liabilities due to a seasonal decrease in procurement as well as the deliberate scaling back of inventories.

The Group always repaid its liabilities in good time in order to realise discounts on payment.

2.3 Financial performance

The acquisition of Parador Holding GmbH by the Indian HIL Group meant the HIL International GmbH had to prepare for the first time financial statements for the short financial year from 27 August to 31 December 2018, which means that the figures from the income statement are not comparable to the 2017 consolidated financial statements of Parador Holding.

We were able to generate EBIT of EUR 1.0 million and EBITDA of EUR 3.6 million in the short financial year 2018, which encompassed the period from 27 August to 31 December 2018 (EUR 4.4 million adjusted for extraordinary expenses due to acquisition of the Parador Group). Adjusted EBITDA equalled EUR 8.6 million in the 12-month pro forma period. Net sales amounted to EUR 48.4 million.

3. Personnel

Compared to the same period in 2017, headcount rose by 23 in the reporting period (1 – 12/2018). An average of 469 people worked in the Group, of which 22% were women (PY: 17%) and a total of 6% worked part-time. The number of wage earners in the reporting period equalled 271 compared to 266 in 2017. In addition, 41 contract staff were used on a yearly average as full-time employees in the industrial segment. Furthermore, on a yearly average, there were 2 industrial trainees and 19 commercial trainees. As at the reporting date (31 December 2018), 6 employees were in an inactive work relationship due to long-term incapacity for work (expiration of sick pay) or parental leave. As at this date, the average age of the employees was 44 and, thus, 2.4 years less than in the comparative period of the prior year. In order to counter the effects of demographic change, measures were continued to ensure new recruits, such as raising the training ratio and offering partial retirement agreements.

III. Forecast, opportunity and risk report

1. Opportunity and risk report

The Group attempts to counter significant risks related to commodities sourcing and rising commodity prices. Products were relocated within the supplier portfolio in order to realise additional purchasing advantages. The inventories at the Coesfeld site were increased in the 2018 financial year in order to continue to ensure availability of finished products. Further profiling capacity for LVT and modular floors was installed in manufacturing to increase output and, thus, to cover the rising demand. In addition, a new laminating production line commenced operation at the Coesfeld location in mid-2018 with a total capacity of approx. 3.8 million sqm. This was done in order to accommodate the positive business performance of modular floors and shorten delivery cycles. Furthermore, this technology will be used in the future to manufacture additional new modular floor types.

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

Parquet floors are increasingly switching from block formats to wideplank formats. Parador was able to report an increase in wideplanks during the course of the year. Overall, it was possible to raise earnings in this product group by increasingly focusing on the high-value property development business. We will continue our strategy of focusing on wideplank formats in the coming years by stepping up the project business, especially overseas.

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

The price increase was implemented on the market starting 1 March 2018. Price increases will be implemented also in 2019 as at 1 April 2019, as well as charging logistics costs at a flat rate starting 1 February 2019. This is required due to sharply rising costs, especially as a result of additional toll fees. Prices for LVT products will be decreased in order to adjust to the prices in the market environment.

The regions we focus on have very different risks. The market situation in our core segment of Germany and Austria is favourable due to broad diversification in the sales channels. We will be able to report growth here again in 2019, which will be driven by a healthy construction sector and the measures we have taken in the customer environment. The sales concept implemented in Spain, France and Denmark means there is further solid growth potential in these markets. We are continuing to acquire new customers in Eastern Europe so that we expect additional sound growth here as well. Regardless of this, especially Russia and Ukraine remain volatile markets. Staff changes will be made in Norway in 2019 so that the market potential here can also be better exploited. The overseas sector offers Parador significant opportunities. Solid growth opportunities continue to be expected in the defined focus markets. Implementation of the joint venture in China in particular provide further profitable growth opportunities. The Parador brand will also be rolled out in India using the new shareholder's existing distribution infrastructure.

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

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

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

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

2. Forecast

The economic institutes expect especially Germany's economic development to slow down considerably in 2019.

Cost, earnings and market potential was determined at Parador in 2018 and translated into action plans. Parador is continuing to focus on revising its business model also in 2019, with the objective of being less dependent on potential economic fluctuations. In order to make solid progress here, the sales channels in Germany and Europe are fundamentally set up so that Parador is as close as possible to consumers through retail. Consequently, especially e-commerce formats are becoming more and more important, as the brand can unleash its full potential over the internet. In this regard, Germany is at the forefront due to high brand recognition. We are continuing to push expansion of the two-tier sales systems on the European markets. The focus in the overseas segment is on expanding project business, mainly with parquet products. Further efforts will be stepped up in China using the local distributor's dedicated business model. This model's uniqueness includes countrywide establishment of a loyal dealer network and better penetration of project business in the premium segment. Overall, project business is being expanded across the Group by strengthening the Commercial Business Unit in the organisation.

The Company's organisational structure will be adjusted step-by-step so that, on the one hand, growth objectives can be professionally tackled in the coming years and, on the other hand, convergence with the Indian shareholder can be achieved so that communication and coordination processes are faster and more efficient.

The financial year will be changed to be in line with that of the shareholder so that Q1 2019 represents a short financial year and the new financial year begins on 1 April 2019. In contrast to the past, the financial year in the future will be from 1 April to 31 March of the following year.

Q1 2019 reported strong growth momentum. We were able to exceed prior year's revenue by 7% and raise order intake even in the double-digit percentage range. Earnings also significantly exceeded those of the comparative period in the prior year. This positive drive continued in April.

The measures taken relating to costs, processes and markets means that it can be assumed that revenue and earnings can be further increased during the course of the year as compared to the prior year.

EBITDA of EUR 3.3 million and gross revenue of EUR 39.7 million were achieved for the 1-3/2019 financial year. EBITDA of EUR 11.6 million and revenue of EUR 157.7 million are projected for the financial year from April 2019 to March 2020.

The capital expenditure budget for the 2019 calendar year equals approx. EUR 6.1 million.
All agreed and adopted measures are designed to raise earnings and safeguard liquidity.

Düsseldorf, 14 June 2019

HIL International GmbH

Management

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

Independent Auditor's Report (Translation)

To HIL International GmbH, Düsseldorf

Opinions

We have audited the consolidated financial statements of HIL International GmbH, Düsseldorf, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in equity for the short financial year from 27 August to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of HIL International GmbH for the short financial year from 27 August to 31 December 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018 and of its financial performance for the short financial year from 27 August to 31 December 2018, in accordance with German Legally Required Accounting Principles, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Responsibilities of Management for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der

Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Düsseldorf, 14 June 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

Kis
Wirtschaftsprüfer
[German Public Auditor]

Krantz
Wirtschaftsprüfer
[German Public Auditor]