

To the General Meeting of
Steiner AG, Zurich

Zurich, 26 April 2019

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Steiner AG, which comprise the balance sheet, profit and loss account, cash flow statement and notes, for the year ended 31 March 2019.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 March 2019 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Licensed audit expert
(Auditor in charge)

Licensed audit expert

Enclosures

- ▶ Financial statements (balance sheet, profit and loss account, cash flow statement and notes)
- ▶ Proposed appropriation of available earnings

STEINER AG ZURICH
BALANCE SHEET AS AT 31 MARCH, 2019

	Ref.	31.03.2019		31.03.2018	
		CHF	INR Lacs	CHF	INR Lacs
ASSETS					
Current assets					
Cash and cash equivalents	3.1	87,175,912	59,811	106,092,093	71,633
Accounts receivables third	3.2	4,814,879	3,304	7,779,023	5,253
Other accounts receivables					
- Shareholdings		38,278,488	26,263	41,714,516	28,166
- Third parties		8,224,858	5,643	8,074,478	5,452
Receivables from projects, net	3.3	183,835,922	126,130	190,437,281	128,583
Real estate projects, net	3.4	18,535,395	12,717	17,916,628	12,097
Prepayments of subcontractor project costs	3.5	54,156,618	37,157	60,156,452	40,618
Prepaid expenses		2,451,998	1,682	1,836,520	1,240
Total current assets		397,474,070	272,707	434,006,991	293,042
Non-current assets					
Non-current marketable securities		531,420	365	882,860	596
Participations	3.6	16,637,910	11,415	18,938,940	12,788
Loans to					
- Shareholdings		8,182,636	5,614	7,247,660	4,894
Other financial assets third		5,115,065	3,509	1,988,972	1,343
Property, plant and equipment		6,307,040	4,327	6,893,575	4,655
Intangible assets		7,967,901	5,467	4,847,752	3,273
Total non-current assets		44,741,972	30,697	40,799,759	27,549
TOTAL ASSETS		442,216,042	303,404	474,806,750	320,591
EQUITY AND LIABILITIES					
Liabilities					
Trade payables					
- Third		120,436,816	82,632	108,266,612	73,102
Prepayments from projects, net	3.3	52,973,176	36,345	104,064,283	70,264
Current interest-bearing liabilities					
- Shareholdings		1,024,881	703	1,028,183	694
- Current borrowings third		4,780,000	3,280	4,960,000	3,349
Current non-interest-bearing liabilities					
- Third parties		1,476,055	1,013	1,459,128	985
Accruals of subcontractor project costs	3.5	128,176,427	87,942	111,718,475	75,433
Other accruals		10,396,832	7,133	8,103,597	5,472
Total current liabilities		319,264,187	219,048	339,600,278	229,299

Non-current interest-bearing borrowings					
- Shareholdings		15,293,883	10,493	15,170,289	10,243
- Participants (subordinated)	3.7	10,000,000	6,861	10,000,000	6,752
- Bodies (subordinated)	3.7	20,000,000	13,722	20,000,000	13,504
Provisions	3.8	18,844,672	12,929	23,777,726	16,055
Total non-current liabilities		64,138,555	44,005	68,948,015	46,554
Total liabilities		383,402,742	263,053	408,548,293	275,853
Equity					
Share capital		40,000,000	27,444	40,000,000	27,008
Statutory capital reserves		8,600,000	5,900	8,600,000	5,807
Cumulative losses					
Loss carried forward from previous year		17,658,457	12,115	6,360,354	4,295
Profit / (Loss) for the period		-7,445,157	-5,108	11,298,103	7,628
Cumulative gains/losses		10,213,300	7,007	17,658,457	11,923
Total equity		58,813,300	40,351	66,258,457	44,738
TOTAL EQUITY AND LIABILITIES		442,216,042	303,404	474,806,750	320,591

STEINER AG ZURICH
PROFIT AND LOSS ACCOUNT 2018-2019

	Ref	01.04.2018 - 31.03.2019		01.04.2017 - 31.03.2018	
		CHF	INR Lacs	CHF	INR Lacs
REVENUE					
Gross sales general contracting and real estate development		814,694,066	558,962	785,358,501	530,274
Revenue deductions		-	-	-119,296	-81
Net sales		814,694,066	558,962	785,239,205	530,193
Other operating income		2,790,654	1,915	2,559,495	1,728
Operating income		817,484,720	560,877	787,798,700	531,921
EXPENSES					
Material costs		706,517,411	484,742	669,090,992	451,770
Personnel expenses		85,446,930	58,625	81,632,830	55,118
Distribution expenses		763,104	524	573,697	387
Administration expenses		6,517,779	4,472	5,030,910	3,397
Other operating expenses	3.9	16,011,977	10,986	16,088,197	10,863
Depreciation		1,779,901	1,221	1,875,302	1,266
		817,037,101	560,570	774,291,929	522,801
Profit before interest and taxes (EBIT)		447,619	307	13,506,771	9,120
Financial Expenses		-11,084,138	-7,605	-5,495,265	-3,710
Financial Income		3,191,363	2,190	3,881,234	2,621
Impairment losses from valuation of participations		-	-	-	-
Gains from valuation of participations		-	-	-	-
Ordinary profit/(loss) before taxes		-7,445,157	-5,108	11,892,740	8,031
Extraordinary expenses		-	-	-	-
Profit/(loss) before taxes		-7,445,157	-5,108	11,892,740	8,031
Current income taxes		-	-	-594,637	-403
PROFIT/(LOSS) FOR THE PERIOD		-7,445,157	-5,108	11,298,103	7,628

STEINER AG ZURICH
CASH FLOW STATEMENT 2018-2019

	01.04.2018 - 31.03.2019		01.04.2017 - 31.03.2018	
	CHF	INR Lacs	CHF	INR Lacs
Profit before interest and taxes (EBIT)	447,618	307	13,506,771	9,120
Extraordinary expenses	-	-	-	-
Profit before interest and taxes (EBIT) after extraord. expenses	447,618	307	13,506,771	9,120
Depreciation	1,779,901	1,221	1,875,302	1,266
Increase (+) / Release (-) of allowance for doubtful accounts	-	-	-	-
Increase (+) / Release (-) of provisions	-10,778,248	-7,395	-1,651,364	-1,115
Profit (-) / Loss (+) on disposal of fixed assets	-	-	-	-
Cash flow from operating activities before change in net working capital	-8,550,729	-5,867	13,730,709	9,271
Decrease (+) / Increase (-) of accounts receivables	2,964,144	2,034	3,865,845	2,610
Decrease (+) / Increase (-) of other accounts receivables	673,220	462	659,556	445
Decrease (+) / Increase (-) of receivables / prepayments from projects, net	-44,489,748	-30,524	30,410,460	20,533
Decrease (+) / Increase (-) of real estate projects, net	3,347,407	2,297	20,363,848	13,750
Decrease (+) / Increase (-) of prepaid expenses and subcontractor project costs	5,384,356	3,694	-23,783,277	-16,058
Increase (+) / Decrease (-) of trade payables	12,170,204	8,350	33,612,862	22,695
Increase (+) / Decrease (-) of other current liabilities and accruals	15,567,694	10,681	-62,843,093	-42,432
Financial expenses paid	-3,026,000	-2,076	-3,319,000	-2,241
Taxes paid	-	-	-	-
Financial income received	180,000	123	21,000	14
Cash flow from operating activities	-15,779,452	-10,826	12,718,910	8,587
Dividends received	1,752,000	1,202	2,602,000	1,757
Investment in property, plant and equipment and intangible assets	-4,313,515	-2,960	-2,515,117	-1,698
Proceeds from sale of property, plant and equipment and intangible assets	-	-	-	-
Investment in participations	-	-	-	-
Proceeds from sale of securities	-	-	-	-
Investment in loans and other financial assets	-992,981	-681	-55,442	-37
Repayment of loans and other financial assets	-	-	-	-
Cash flow from investing activities	-3,554,496	-2,439	31,441	22
Proceeds from current and non-current borrowings	417,767	286	-213,704	-145
Repayment of current and non-current borrowings	-	-	-	-
Cash flow from financing activities	417,767	286	-213,704	-145
INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS	-18,916,181	-12,979	12,536,647	8,464
Cash and cash equivalents as at 01.04.	106,092,093	72,790	93,555,446	63,169
Cash and cash equivalents as at 31.03.	87,175,912	59,811	106,092,093	71,633

STEINER AG ZURICH
NOTES TO FINANCIAL ACCOUNTS AS AT 31ST MARCH 2019

1. Applicable accounting law

These financial statements have been prepared in accordance with the provisions on commercial accounting laid down in articles 957 – 963b Swiss Code of Obligations.

2. Significant Accounting Policies (not regulated in the Swiss Code of Obligations)

Revenue from General Contracting and Receivables/prepayments from projects, net

Long-term contracts for the construction of third-party real estate are accounted for using the percentage of completion (PoC) method, whereby external and internal costs and estimated profits are taken into account. The degree of completion is determined on the basis of the work performed on the construction site. The different executed activities of the project are measured based on available units (e.g. m, m², m³, kg) in comparison to the estimated total quantities needed for the completion (surveys of the work performed-method). With the application of the surveys of the work performed-method, the difference between contract costs incurred and contract costs recognised (billed) is accrued in prepayments of subcontractor project cost respectively accruals of subcontractor project cost. Anticipated losses from construction contracts are covered in full by valuation allowances.

Customer contracts in progress are shown as an asset in the balance sheet under "Receivables from projects, net", or as a liability under "Prepayments from projects, net". If the prepayments received from customers exceed the project receivables, these are shown under liabilities; otherwise, these are shown under assets. These positions comprise the total contract costs incurred (actual and accrued), including a share of the profit, less customer prepayments and allowances for expected losses.

Revenue from real estate development and Real estate projects, net

Revenue from the sale of real estate projects is realized on the transfer of title or the transfer of material risks and rewards to the purchaser. Real estate Investor Projects and Condominium Projects on third party land are accounted for as construction contracts based on percentage of completion (PoC). Accordingly the revenue and the gains of the development are recognized along the construction of the building. The separate sale of project development rights and plans is accounted for as sale and the revenue and gains are realized at the time of the transfer of risks and rewards.

Real estate projects, net are valued based on the lower of the construction cost and the sale price until the project is handed over to the purchaser by means of the transfer of title or the transfer of material risks and rewards. Undeveloped land, land rights and development rights (including development costs) are valued at the lower of construction costs or acquisition costs and expected net selling price.

3. Details to Balance Sheet and Profit an Loss account

3.1 Cash and cash equivalents

For payments of various projects bank accounts of CHF 70'655'399 (previous year CHF 68'793'965), which can only be used for payments for these projects, exist.

3.2 Details trade receivables

Part of the accounts receivables has been offset with receivables from projects, net and with prepayments from projects, net

The netting is as follows:

		<u>31.03.2019</u>	<u>31.03.2018</u>
Accounts receivables before netting	CHF	74,163,942	102,471,800
Netting with receivables/prepayments from projects, net	CHF	-68,959,767	-94,303,481
Allowance for doubtful accounts	CHF	-389,296	-389,296
Accounts receivables as shown in the balance sheet	CHF	<u>4,814,879</u>	<u>7,779,023</u>

3.3 Receivables / Prepayments from projects, net

Receivables from projects, net as well as prepayments from projects, net, as per 31 March 2019 contain claims of CHF 17.4 Mill. (previous year CHF 37.3 Mill.) and amendments / variations of CHF 12.6 Mill. (previous year CHF 16.0 Mill.), whose recoverability, however, from today's point of view, is estimated to be highly probable by the management. Depending on the outcome of negotiations and final settlements with clients and subcontractors the expected results from these projects can improve or deteriorate.

3.4 Real estate projects, net

		<u>31.03.2019</u>	<u>31.03.2018</u>
Projects in progress	CHF	9,913,322	10,870,974
Land reserves	CHF	9,558,073	7,981,654
Property held for sale	CHF	414,240	414,240
Valuation allowances	CHF	-1,350,240	-1,350,240
Real estate projects, net as shown in the balance sheet	CHF	<u>18,535,395</u>	<u>17,916,628</u>

3.5 Prepayments and accruals of subcontractor project costs

Prepayments of subcontractor project costs as well as accruals of subcontractor project costs as per 31 March 2019 contain claims from subcontractors of CHF 15.6 Mill. (previous year CHF 22.5 Mill.) are uncertain and were recognized from today's point of view, is estimated to be highly probable by the management. Depending on the outcome of negotiations and in favour of Steiner, whose recoverability, however, final settlements with clients and subcontractors the expected results from these projects can improve or deteriorate.

3.6 Ownership of participations

	Currency	Nominal capital	Share in Capital and Voting rights
As at 31.03.2019			
Steiner Promotions et Participations SA, Tolochenaz	CHF	3,000,000	100%
VM + ST AG, Zurich	CHF	1,000,000	100%
Steiner Deutschland GmbH, Paderborn (Germany)	EUR	10,227,000	100%
Steiner Léman SAS, Archamps (France)	EUR	225,000	100%
Steiner India Ltd, Mumbai (India)	INR	71,639,130	100%
Eurohotel SA, Geneva	CHF	100,000	95%
Evostate AG, Zurich	CHF	1,000,000	30%
MCR Corp. Real Estate AG, Tolochenaz	CHF	100,000	30%
Projektentwicklungsges. Parking Kunstmuseum Basel AG, Basel	CHF	2,200,000	39%
(Note: Projektentwicklungsges is in the process of liquidation and is expected to be completed by end 2019)			
As at 31.03.2018			
Steiner Promotions et Participations SA, Tolochenaz	CHF	3,000,000	100%
VM + ST AG, Zurich	CHF	1,000,000	100%
Steiner Deutschland GmbH, Paderborn (Germany)	EUR	10,227,000	100%
Steiner Léman SAS, Archamps (France)	EUR	150,000	100%
Steiner India Ltd, Mumbai (India)	INR	71,639,130	100%
Eurohotel SA, Geneva	CHF	100,000	95%
Evostate AG, Zurich	CHF	100,000	30%
MCR Corp. Real Estate AG, Tolochenaz	CHF	100,000	30%
Projektentwicklungsges. Parking Kunstmuseum Basel AG, Basel	CHF	2,200,000	39%

3.7 Non-current borrowings

Mr. Peter Steiner, HCC and Steiner AG signed subordination agreements for the non-current borrowings of CHF 20'000'000 and CHF 10,000,000 respectively.

3.8 Provisions

		<u>31.03.2019</u>	<u>31.03.2018</u>
Warranty provisions	CHF	10,221,062	13,416,728
Project risk provisions	CHF	6,170,125	7,613,692
Other provisions	CHF	2,453,485	2,747,306
Provisions as shown in the balance sheet	CHF	<u>18,844,672</u>	<u>23,777,726</u>

3.9 Other operating expenses

		<u>2018-2019</u>	<u>2017-2018</u>
Rent including operating lease	CHF	5,546,773	5,525,487
Insurance costs	CHF	729,658	772,652
Maintenance and repair	CHF	1,970,253	2,468,884
Other operating expenses	CHF	<u>7,765,293</u>	<u>7,321,174</u>
Total operating expenses	CHF	<u>16,011,977</u>	<u>16,088,197</u>

4. Others

Assets pledged to secure debts		<u>31.03.2019</u>	<u>31.03.2018</u>
Carrying amount of mortgaged cash and cash equivalents	CHF	3,639,751	1,799,642
Non-capitalized financial leasing commitments			
Total Leasing commitments	CHF	13,221,938	17,928,200

Contribution to Pensionskasse :

As of 31.03.2019 an amount of CHF NIL (previous year 1,017,323.90) is payable to Pensionskasse Steiner Gruppe.

Subsequent events

The Board of trustees for Pensionskasse agreed on a contribution holiday which can take place in next 1 to 2 years. Accordingly, it has been decided to capitalise 50% of the available surplus, amounting to CHF 4.2 Mill.

Number of full-time equivalents on annual average

In current year as well as in previous year, the number of full-time equivalents on annual average is more than 550.

Indemnities, guarantees and pledgings

Letter of comfort for			
- Shareholding	CHF	425,000	425,000

Letter of comfort for financial support to Steiner India Ltd

Steiner India Ltd is financially over-indebted. The equity of Steiner India Ltd amounts to CHF -3,448,960 (previous year CHF -2'817'805)

Steiner AG has signed an agreement to give financial support to Steiner India Ltd for at least 12 months.

The Loan given to Steiner India are in nature of compulsorily convertible debentures, therefore from economic point of view those can be classified as equity. Given the fact that the loans are compulsory convertible into equity and Steiner India Ltd's stand-alone financial statements show a negative equity, CHF 3.5Mill are considered as not recoverable and have been impaired.

Subordination agreement			
- Shareholding	CHF	1,552,639	1,423,359

The subordination amount was increased to CHF 1,552,639 as per 19 March 2019.

Consortium Agreement

As per the current agreement dated 06 July, 2018 the company has a guarantee facility of CHF 200 Mill, (previous year CHF 190 Mill.) The commissions for guarantees drawn, amounted in the reporting year to 0.75% (previous year 0.75%). The following financial covenants are in place:

- Consolidated equity
- EBIT margin
- Cash

The present agreement will expire on 31 August 2020.

As per balance sheet date, Steiner AG was not in breach of these financial covenants.

INR-figures

The conversion to the INR-figures (balance sheet, profit and loss account and cash flow statement) was performed with the following foreign exchange rate:

CHF/INR: 68.61 (prior year 67.52).

All INR-figures are for informational purpose only.

STEINER AG**APPROPRIATION OF CUMULATIVE PROFIT AS AT MARCH 31, 2019**

	<u>31.03.2019</u>		<u>31.03.2018</u>	
	CHF	INR lacs	CHF	INR lacs
Profit carried forward from previous year	17,658,457	12,115	6,360,354	4,295
Loss / Profit for the period	-7,445,157	-5,108	11,298,103	7,628
Cumulative profit	10,213,300	7,007	17,658,457	11,923
Dividend	-	-	-	-
Allocation to the general legal reserves	-	-	-	-
Profit carried forward to next year	10,213,300	7,007	17,658,457	11,923