



MCH Group
Global Live Marketing

Financial Report 2016

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Group Balance Sheet

Assets	Details	31.12.2016		31.12.2015		Liabilities	Details	31.12.2016		31.12.2015	
		CHF 1 000	%	CHF 1 000	%			CHF 1 000	%	CHF 1 000	%
Cash and cash equivalents	2	230 805	–	211 059	–	Liabilities from deliveries and services	5	16 660	–	24 025	–
Accounts receivable for deliveries and services	3	73 363	–	63 965	–	Other liabilities		12 009	–	6 864	–
Other receivables		12 238	–	4 809	–	Accrued expenses and deferred income	6	136 855	–	161 193	–
Inventories and work in progress	4	4 994	–	4 231	–	Short-term provisions	10	2 171	–	2 695	–
Prepayments and accrued income	6	35 520	–	37 968	–	Short-term loans taken up from third parties	19	211	–	210	–
Total current assets		356 920	39.0	322 032	35.2	Short-term loans taken up from related parties (shareholders)	19	52 500	–	2 500	–
Land, buildings, fixed installations	8	512 097	–	542 247	–	Total short-term liabilities		220 406	24.1	197 487	21.6
Assets under construction	8	862	–	773	–	Long-term provisions	10	9 499	–	8 756	–
Other fixed assets	8	42 212	–	43 673	–	Long-term loans taken up from third parties	19	47 160	–	47 715	–
Loans granted	7	164	–	191	–	Long-term loans taken up from related parties (shareholders)	19	200 000	–	252 500	–
Employer contribution reserve	11	780	–	780	–	Total long-term liabilities		256 659	28.0	308 971	33.8
Investments	9	2 321	–	2 391	–	Total liabilities		477 065	52.1	506 458	55.4
Intangible assets	8	684	–	2 257	–	Share capital		60 066	–	60 066	–
Total non-current assets		559 120	61.0	592 312	64.8	Capital reserves		74 310	–	74 310	–
						Retained earnings		304 143	–	273 304	–
						Minority interests		456	–	206	–
						Total shareholders' equity		438 975	47.9	407 886	44.6
Total assets		916 040	100.0	914 344	100.0	Total equity and liabilities		916 040	100.0	914 344	100.0

Group Income Statement

		2016	2015
		CHF 1 000	CHF 1 000
Income	Details		
Services, stand construction		168 504	173 232
Surface areas		167 720	145 241
Admissions		12 213	11 992
Media, sponsoring		49 575	44 833
Utility connections		8 467	7 591
Furniture, other fittings		12 637	11 414
Conferences		11 670	13 566
Parking		5 068	5 489
Changes in work in progress		1 162	694
Other operational income		7 652	9 196
Revenue reductions		-4 348	-4 388
Total operating income	12	440 320	418 860
Expenses	Details	CHF 1 000	CHF 1 000
Employees	13	-88 689	-87 490
Administration		-16 218	-14 467
Maintenance, repairs		-12 708	-10 998
Insurance, ground rent, rents		-16 660	-16 623
Energy		-7 573	-8 182
Furnishing expenses, stand construction		-93 807	-93 251
Exhibition and conference operations		-82 595	-74 145
Advertising, press, public relations		-33 069	-28 436
Depreciation	8	-47 359	-45 195
Total operating expenses		-398 678	-378 787

		2016	2015
		CHF 1 000	CHF 1 000
Operating result		41 642	40 073
Financial result, net	14	-4 975	-6 352
Result from ordinary activities		36 667	33 721
Result of associated organisations	9	-70	300
Earnings before taxes		36 597	34 021
Taxes	15	-2 261	-3 123
Group profit		34 336	30 898
Of which, minority shareholders		-9	87
Of which, shareholders of MCH Group		34 327	30 985
Result per share in CHF (diluted/undiluted)		5.71 per share	5.16 per share

Group Cash Flow Statement

		2016	2015
		CHF 1 000	CHF 1 000
Cash flow from operating activities	Details		
Group profit		34 327	30 985
Result of minority interests		9	-87
Book profit from the sale of fixed assets		-200	-287
Depreciation	8	44 494	44 600
Losses through value impairments	8	2 865	595
Reduction of non-repayable loan secured by a mortgage that does not affect the fund	19	-2 500	-2 500
Increase in bad debt provision	3	370	2 266
Increase/reduction in value adjustments for long-term customer orders	4	736	-1 629
Attributable loss/profit of associated organisations		70	-300
Increase/reduction in accounts receivable for deliveries and services	3	-9 768	1 865
Increase in other receivables		-6 966	-2 404
Increase/reduction in inventories and work in progress	4	-1 499	977
Reduction/increase in prepayments and accrued income	6	3 393	-7 385
Reduction/increase in liabilities from deliveries and services	5	-7 437	2 891
Increase in other liabilities		4 984	2 439
Reduction/increase in accrued expenses and deferred income	6	-25 082	8 535
Increase in provisions	10	107	1 402
Net cash flow from operating activities		37 903	81 963

		2016	2015
		CHF 1 000	CHF 1 000
Cash flow from investment activities	Details		
Cash outflow for investments in land, buildings and fixed installations, assets under construction	8	-1 682	-2 864
Cash outflow for investments in other tangible fixed assets	8	-8 758	-10 921
Cash outflow for investments in software and intangible assets	8	-3 867	-3 362
Cash inflow from the divestment of fixed assets	8	368	758
Repayment of loans granted to others	7	48	28
Loans granted to others	7	-1	-20
Cash flow from acquisition activities	9	-1 000	-1 093
Net cash flow from investment activities		-14 892	-17 474
Cash flow from financing operations	Details		
Dividend to shareholders		-3 003	-3 003
Dividend to minorities		-	-
Repayment of loans taken up	19	-604	-3 546
Net cash flow from financing operations		-3 607	-6 549
Currency translation differences		342	-193
Net cash flow		19 746	57 747
Cash and cash equivalents at the beginning of the financial year	2	211 059	153 312
Cash and cash equivalents at the end of the financial year	2	230 805	211 059

Development of Consolidated Shareholders' Equity

The change in the consolidated shareholders' equity is as follows:

CHF 1 000	Share capital	Own shares	Capital reserves	Retained earnings			Minority interest	Total	
				Accumulated currency translation differences	Hedging reserve	Retained profits			
As per 01.01.2015	60 066	–	74 310	114	0	246 549	246 663	292	381 331
Currency translation differences	–	–	–	138	–	–	138	–	138
Changes from cash flow hedges	–	–	–	–	-106	–	-106	–	-106
Goodwill	–	–	–	–	–	-1 373	-1 373	–	-1 373
Dividend 2014 paid in 2015	–	–	–	–	–	-3 003	-3 003	–	-3 003
Group profit 2015	–	–	–	–	–	30 985	30 985	-86	30 899
As per 31.12.2015	60 066	0	74 310	252	-106	273 158	273 304	206	407 886
Currency translation differences	–	–	–	186	–	–	186	–	186
Changes from cash flow hedges	–	–	–	–	172	–	172	–	172
Goodwill	–	–	–	–	–	-843	-843	–	-843
Minority interests in the capital of acquired companies and buyout of minority holdings	–	–	–	–	–	–	–	241	241
Dividend 2015 paid in 2016	–	–	–	–	–	-3 003	-3 003	–	-3 003
Group profit 2016	–	–	–	–	–	34 327	34 327	9	34 336
As per 31.12.2016	60 066	0	74 310	438	66	303 639	304 143	456	438 975

Further information on shareholders' equity may be found in the statutory accounts as of page 34.

The revenue reserve includes CHF 39.5 million (previous year 39.5 million) general statutory reserves (including the capital contribution reserves) held by MCH Group Ltd. and its subsidiaries, which may not be distributed at present. In the notes to the Group Accounts, the shareholders' equity with theoretical capitalisation of the goodwill at its net book value of CHF 4.1 million (previous year CHF 5.8 million) is shown under Note 16.

Share capital

The share capital is divided into 6,006,575 registered shares (previous year 6 006 575 registered shares) with a nominal value of CHF 10.– per share. The limit on entries into the share register is 5 % per shareholder. This registration limit does not apply to the Cantons of Basel-Stadt, Basel-Landschaft and Zurich or to the City of Zurich.

The taxable value per share as per 31 December 2016 is CHF 69.10 (previous year CHF 62.50).

Notes to the Group Account

1. Consolidation and valuation principles

Introduction

The present group accounts are based on the individual financial statements for the group companies, drawn up according to uniform guidelines as per 31 December 2016 and stated in Swiss francs (CHF). The consolidated annual accounts are based on the following principles:

1.1. Accounting and valuation principles

The consolidated annual accounts of MCH Group Ltd. comply with the specialist recommendations for accounting (Swiss GAAP FER) and thus fulfil the requirements of the SIX Swiss Exchange Directives for the “Swiss Reporting Standard” segment. They present a true and fair view of the group’s assets, financial assets and earnings and have been drawn up on the assumption that the corporate activity will be continued. The group accounts are based on the principle of individual valuation for assets and liabilities, and historical acquisition costs, with the exception of the financial instruments that are available for sale, which are assessed at their current values.

Deviations from consistency

In the 2012 financial year, as part of the financing concept for the “Messe Basel New Buildings” project, MCH Swiss Exhibition (Basel) Ltd. received a non-repayable loan, secured by a mortgage, of CHF 50 million from the Canton of Basel-Stadt, as a financing contribution à fonds perdu for the Congress Center Basel. As set out below, the loan is to run for 20 years and incurs the obligation to continue operating the Congress Center Basel over this period.

From 2013 up to the 2015 reporting period, the amount of the loan and the book value of the corresponding tangible fixed asset were reduced by CHF 2.5 million per year. To enhance the information value of the group accounts, the MCH Group has taken the decision to set out this situation, which is not governed by the SWISS GAAP FER, as follows from now on: the reduction in the loan is posted as other operating income and the reduction in the book value of the tangible fixed asset as depreciation. This change in the accounting method does not affect the operating result.

The impact on the figures for the 2015 business year is as follows: The item “Other operating income” of CHF 9.2 million now also includes the CHF 2.5 million reduction in the loan (2015 business year restated: CHF 6.7 million) and the item “Depreciation and impairments” of CHF 45.2 million contains the CHF 2.5 million depreciation of the corresponding tangible fixed asset (2015 business year restated: CHF 42.7 million). The group cash flow statement has been restructured accordingly and the impact stated on a separate line “Reduction of non-repayable loan secured by a mortgage that does not affect the fund”. The operating result for the 2015 reporting period remains unchanged at CHF 40.1 million.

In the past, once the estimated depreciation period had expired, the value of the purchase or production cost was offset against the accumulated depreciation insofar as the fixed asset had not already been eliminated prematurely. To enhance the information value of the fixed asset schedule, existing fixed assets that have been fully written-off but are still in use and are operational, are taken into account in the purchase costs and the accumulated depreciation. As per 01.01.2015, still existing, fully written-off fixed assets for a sum of CHF 46.0 million were reposted to the purchase costs and the accumulated depreciation.

1.2. Consolidation principles

The group accounts include the annual accounts of MCH Group Ltd. as well as all the group companies, observing the following criteria:

- Companies in which MCH Group Ltd. holds, either directly or indirectly, more than half of the voting rights or which are controlled by MCH Group Ltd. are fully consolidated. It is possible for MCH Group Ltd. to exercise control over a company even without holding half of the voting rights. In this case, 100 % of the assets, liabilities, income and expenses are included. Any shares of minority shareholders in the equity and profits of the consolidated companies are stated separately in the group balance sheet and the group income statement.
- Companies in which MCH Group Ltd. holds, either directly or indirectly, between 20 % and 49.9 % of the voting rights and which are not controlled by MCH Group Ltd. are included on the basis of the equity method. The share of equity held is stated under “Investments” in the group accounts. The pro-rata result for the year is stated under “Result of associated organisations” in the group income statement.
- Companies in which the MCH Group Ltd. holds less than 20 % of the voting rights are included on the consolidated balance sheet at acquisition price minus any value adjustment necessary for business reasons.

Initial consolidation is performed at the time at which MCH Group Ltd. acquires control over the company. The book values of the holdings are eliminated by offsetting them against the equity of the holdings at the time of acquisition, as stipulated by the Swiss GAAP FER. Transaction costs are recorded as expenditure at the time they are incurred. The assets and liabilities of the company acquired are valued at their current value at this point in time, applying uniform group principles. Any difference remaining between the purchase price and the equity of the company acquired following this re-evaluation is directly charged against or credited to the retained earnings as goodwill.

In performing full consolidation, 100 % of the assets, liabilities, income and expenditure are included. Any shares of minority shareholders in the equity and profits of the consolidated companies are stated separately in the group balance sheet and the group income statement. Intragroup assets and liabilities, and also expenditure and income from intragroup transactions and relations between companies within the group are eliminated, as are profits from intragroup transactions.

1.3. Currency translation

Annual accounts for consolidated companies in foreign currencies (Asian Art Fairs Limited, Hong Kong; Art Basel U.S. Corp., U.S.A., Seventh Plane Networks Pvt. Ltd., India, and Expomobilia MCH Global Shanghai Ltd., China) are converted as follows: current assets, non-current assets and liabilities at end-of-year rates (reporting date rate); shareholders' equity at historical rates. The income statement and cash flow statement are converted at the average rate for the year. The resultant currency translation differences are recognised in equity without affecting the operating result.

Items kept in foreign currencies are converted applying the reporting date exchange rate method. All assets and liabilities are converted at the exchange rate prevailing on the balance sheet date. The effects of foreign currency adjustments are included in the income statement. Unrealised exchange gains are similarly recognised with an effect on net income.

Transactions in foreign currencies (where VAT can be charged or for intercompany sales) are converted at the Swiss Federal Tax Administration's official average rate for the month in which the transaction took place. Other transactions in foreign currencies can also be converted at the current rate.

1.4. General posting concepts

The annual accounts are drawn up on the basis of correct period accrual. The impact of business transactions and other occurrences is thus reported at the time they take place and not at the time cash and cash equivalents are received or paid. This means inter alia that expenses and income are assigned to and recognised in the relevant periods. A test is carried out on all assets at the end of the year to establish whether there are any signs that the book value of the asset is in excess of the realisable value (value impairment). If an impairment can be demonstrated, the book value is reduced to the realisable value, with the impairment being charged to the result for the period in question.

1.5. Valuation and accounting principles

Sales

The MCH Group generates sales from exhibitions, events and stand construction projects. The sales and associated expenditure for exhibitions and events are recognised, affecting net income, at the time at which the event is held. Profit from stand construction projects is realised at the time of the event, or when the benefits and risks of the delivery and/or service pass to the purchaser. Deposits received from customers or paid to suppliers for projects in future business years are entered as prepayments and deferred income on the balance sheet.

Cash and cash equivalents

Cash and cash equivalents include cash holdings and cash at banks and the Post Office, as well as short-term fixed deposits (remaining term less than 90 days). They are stated at their nominal value.

Accounts receivable for deliveries and services

Receivables are stated at their net value, i.e. after deduction of any appropriate impairment (bad debt provision). Specific provisions are created as required. Furthermore, a general provision is created, based on historic experience, without allowance for the country of origin, as follows:

Due date of invoice	Value adjustment as a % of sum invoiced
> 360 days	100 %
181 – 360 days	50 %
91 – 180 days	30 %
61 – 90 days	15 %
31 – 60 days	5 %
00 – 30 days	2 %
Not due	2 %

Other receivables and loans granted to others

Other receivables (including fixed deposits with a remaining term in excess of 90 days) and loans granted to others are stated at their nominal value minus any impairment.

If it is ascertained that the useful life of a fixed asset is changing, especially as a result of technical progress, the state of the asset or the market, the residual book value of the asset will be depreciated over its new envisaged remaining useful life.

Services provided by our own employees in creating tangible fixed assets are not included as assets on account of the type of activity involved (general planning). Interest expenditure during the construction phase of a tangible fixed asset is included on the balance sheet as acquisition or production costs.

Intangible assets

Intangible assets are non-monetary assets without physical substance. At the MCH Group, only acquired immaterial assets are capitalised, employing the following categories (including the estimated useful life):

- Acquired exhibitions and events: 3 – 5 years
- Software: 3 – 5 years

Intangible assets developed by the group itself (exhibitions, events, software and other intangible assets) are not included as assets.

Liabilities and loans taken up

Liabilities and loans taken up are stated at their nominal value. A liability or loan taken up is deemed to be short-term if it:

- is to be fulfilled within 12 months of the balance sheet date or
- an outflow of funds is to be expected in the operating activities on account of it.

All other liabilities are long-term.

Inventories and work in progress

– Inventories

Inventories are valued at the lower of acquisition or production cost and their net realisable value. Production costs include all the directly attributable material and manufacturing costs as well as overheads that have been incurred in conveying the inventories to their current location and converting them into their current state. If the acquisition and production costs are greater than the net market value, a value adjustment (expenditure) must be made for the amount of this difference. This value is determined on the basis of the current market price on the sales market. Discounts granted are deducted from the cost of goods as a reduction in the purchase price. Advance payments to suppliers are stated under inventories (as a reduction in the inventories held) and disclosed in the explanations given in the notes to the balance sheet. Measurement subsequent to initial recognition is performed using the average method.

– Work in progress

Work in progress relates to long-term projects for stand construction, which is recognised and valued using the completed contract method, since the conditions for the percentage of completion method are not cumulatively fulfilled. The project expenses incurred during stand production are capitalised as work in progress. The long-term project is only recognised, affecting net income, when the delivery and performance risk has been transferred. Any losses are recognised immediately. Advance payments received are recognised without affecting net income. These are offset against the corresponding long-term projects for which the advance payment has been made.

Prepayments, accruals and deferrals

Prepayments, accruals and deferrals are valued according to the principles that apply for receivables and liabilities. The prepaid expenses include both third-party and own work entered into the books for exhibitions and events taking place in the following year (with the exception of work in progress on stand construction) and any sales for the reporting year that have not yet been invoiced. The accrued expenses and deferred income include already-invoiced income from exhibitions, events and stand construction for the following year, as well as supplier invoices that have not yet arrived for goods and services already received. The accruals for current income tax are also stated under accrued expenses and deferred income.

Tangible fixed assets

Tangible fixed assets are included in the balance sheet at acquisition or production cost and measured with allowance for the scheduled straight-line depreciation and any impairment. Depreciation of tangible fixed assets commences as of the first day of their use. Assets under construction are thus not depreciated.

The depreciation period corresponds to the estimated useful life and is as follows:

- Land: no depreciation
- Buildings: 40 years
- Various investments in extensions to buildings and systems: 10 – 20 years
- Furniture and fittings: 3 – 10 years
- Vehicles: 5 – 8 years
- Sound and lighting equipment: 5 – 10 years
- Hardware: 3 – 5 years

Derivative financial instruments

A derivative is included on the balance sheet if it meets the definition of an asset or a liability. The group employs currency futures and swaps for hedging currency risks. Use is made of cash flow hedges, in particular, for foreign currency hedging in order to reduce foreign currency risks for highly probable future cash flows from sales in foreign currencies. All open positions from cash flow hedges on the balance sheet date are disclosed in the notes and are recognised in equity via the hedging reserve.

Pension benefit obligations

All Swiss companies in the group belong to the group's own pension fund (MCH Group Pension Fund), have their own, legally independent pension fund or have opted for a BVG full insurance solution. Any economic benefit is not capitalised in the MCH Group balance sheet. If freely available employer contribution reserves exist, these are included as assets. Both those currently in employment and former employees can receive benefits from the pension fund and an old-age pension. In respect of the application of Swiss GAAP FER 16 "Pension benefit obligations", we refer readers to Note 11.

Current and former employees receive different benefits and old-age pensions from the pension fund, which are established in accordance with the statutory provisions.

Provisions

Provisions are established to cover all the identifiable risks of loss and obligations existing at the time the balance sheet is drawn up. Provisions are stated on the balance sheet if a probable obligation exists towards third parties which is attributable to an event that took place in the past (prior to the balance sheet date) and if the level of the obligation can be estimated. The extent of the provision is based on the expected outflow of funds to settle the obligation, which is re-evaluated each year. The level of the provision is determined through an analysis of the event in question which took place in the past, as well as on the basis of events that have occurred subsequent to the balance sheet date, insofar as these contribute towards clarifying the situation. Obligating events after the balance sheet date have an impact on provisions if it becomes clear that they are caused by circumstances originating prior to the balance sheet date.

Goodwill

In the case of an acquisition, the net assets acquired are valued at current values. The goodwill results from purchasing costs that are higher than the corresponding equity of the acquired company. Goodwill is offset directly against the equity at the time of acquisition. This is permissible under Swiss GAAP FER insofar as the impact of the theoretical capitalisation and amortisation of the goodwill on the equity is stated, and the goodwill is set out separately in the equity statement and in the notes. The goodwill is amortised on a theoretical basis over a period of 5 years. In the event of any impairment of the goodwill, this will be stated in the notes.

Own shares

Own shares are valued at acquisition cost. They are included on the balance sheet as a negative item under shareholders' equity.

Taxes

In stating current and future income tax consequences, a distinction is made between the determination of current and deferred income tax. Current income tax is calculated in accordance with the tax regulations for the calculation of profits and is stated as expenditure. Current income tax is included under accrued expenses. Deferred taxes result from valuation differences between the group's values and the decisive values for tax purposes and are included as deferred items accordingly. The recognition of deferred income tax is based on a balance-sheet approach and fundamentally takes into account all future income tax consequences. The deferred tax liability is calculated on the basis of the actual future tax rates to be expected and is shown under the long-term provisions. Deferred tax assets from losses carried forward can be recognised if it is considered likely that sufficient taxable profits will be achieved in future against which the tax losses carried forward can be offset.

Subsidies

In the context of the "Messe Basel New Buildings" project, various subsidies were granted from the public purse (Cantons of Basel-Stadt, Basel-Landschaft and Zurich and also the City of Zurich); these included investments à fonds perdu. MCH Swiss Exhibition (Basel) Ltd. received a non-repayable loan, secured by a mortgage, of CHF 50 million from the Canton of Basel-Stadt, as a financing contribution à fonds perdu. This is to run for 20 years and incurs the obligation to continue operating the Congress Center Basel (CCB) for 20 years. This loan is written off by a sum of CHF 2.5 million every year (for the first time in the 2013 financial year) as the equivalent of the annual subsidy of CHF 2.5 million.

2. Cash and cash equivalents

	31.12.2016 CHF 1 000	31.12.2015 CHF 1 000
Cash, Post Office	18 790	21 040
Bank	80 211	121 980
Fixed deposits	131 804	68 039
Total cash and cash equivalents	230 805	211 059

3. Accounts receivable for deliveries and services

	31.12.2016 CHF 1 000	31.12.2015 CHF 1 000
Accounts receivable for deliveries and services	78 509	68 741
Bad debt provision	-5 146	-4 776
Total accounts receivable for deliveries and services	73 363	63 965

Aging	31.12.2016 CHF 1 000	31.12.2015 CHF 1 000
Not due	38 526	26 431
Due within 60 days	8 754	25 821
Due after 60 days	31 229	16 489
Total accounts receivable for deliveries and services	78 509	68 741

4. Inventories and work in progress

	31.12.2016 CHF 1 000	31.12.2015 CHF 1 000
Inventories	335	368
Value adjustments for inventories	-	-
Work in progress	6 854	5 692
Value adjustments for work in progress	-807	-71
Advance payments received for work in progress	-1 388	-1 758
Total inventories and work in progress	4 994	4 231

5. Liabilities from deliveries and services

	31.12.2016 CHF 1 000	31.12.2015 CHF 1 000
Liabilities from deliveries and services	16 660	24 025
Total liabilities from deliveries and services	16 660	24 025

The level of prepayments, accruals and deferrals is influenced primarily by the frequency of the individual exhibitions. As per 31 December 2016, this essentially relates to the following exhibitions in 2017: Baselworld, muba, Giardina and SWISS-MOTO. Own work for exhibitions and events totalling CHF 9.2 million (previous year CHF 11.8 million) is included under prepayments and accrued income.

6. Prepayments, accruals and deferrals

	31.12.2016 CHF 1 000	31.12.2015 CHF 1 000
Composition of prepayments and accrued income		
Exhibitions and events	27 785	32 543
Stand construction sales not yet invoiced	279	119
Prepaid rents	848	1 013
Other	6 608	4 293
Total of prepayments and accrued income	35 520	37 968
Composition of accrued expenses and deferred income		
Services invoiced in advance for exhibitions, events and stand construction	115 992	142 088
Long-term contracts received from customers	-1 517	–
Advance payments for work in progress	3 060	1 353
Human resources	12 933	12 923
Accrual for current tax	460	168
Other	5 927	4 661
Total of accrued expenses and deferred income	136 855	161 193

7. Loans granted

	31.12.2016 CHF 1 000	31.12.2015 CHF 1 000
Other loans	164	191
Total loans	164	191

8. Tangible and intangible fixed assets

Composition of tangible fixed assets CHF 1 000	Land	Buildings and fixed installations	Assets under construction	Furniture, vehicles, hardware, sound and lighting equipment	Software and other intangible assets	Total
Purchase costs as per 1.1.2015	10 650	866 097	698	125 634	6 581	1 009 660
+ Reclassification of fully written-off fixed assets ³⁾	–	41 338	–	4 636	–	45 974
Purchase values as per 1.1.2015 incl. fully written-off fixed assets	10 650	907 435	698	130 270	6 581	1 065 634
Depreciated values ¹⁾	–	-2 784	–	-2 927	-998	-6 709
+ Additions	–	2 789	75	10 921	3 362	17 147
– Disposals	–	–	–	-473	–	-473
Purchase values as per 31.12.2015	10 650	907 440	773	137 791	8 945	1 065 599
Accumulated depreciation as per 1.1.2015	–	-305 558	–	-80 704	-5 927	-392 189
– Accumulated depreciation of fully written-off fixed assets ³⁾	–	-41 338	–	-4 636	–	-45 974
Accumulated depreciation as per 1.1.2015 incl. fully written-off fixed assets	0	-346 896	0	-85 340	-5 927	-438 163
+ Reductions in value adjustments ¹⁾	–	2 784	–	2 927	998	6 709
– Depreciations charged in 2015 ²⁾	–	-31 731	–	-11 110	-1 759	-44 600
– Value impairments 2015	–	–	–	-595	–	-595
Total accumulated depreciation as per 31.12.2015	–	-375 843	–	-94 118	-6 688	-476 649
Net book value as per 31.12.2015	10 650	531 597	773	43 673	2 257	588 950
Purchase costs as per 1.1.2016	10 650	907 440	773	137 791	8 945	1 065 599
Depreciated values ¹⁾	–	-2 742	–	-42	–	-2 784
+ Additions	–	1 593	89	8 758	3 867	14 307
Reclassifications	–	–	–	456	-456	–
– Disposals	–	–	–	-43	–	-43
Purchase values as per 31.12.2016	10 650	906 291	862	146 920	12 356	1 077 079
Accumulated depreciation as per 1.1.2016	–	-375 843	–	-94 118	-6 688	-476 649
+ Reductions in value adjustments ¹⁾	–	2 742	–	42	–	2 784
– Depreciations charged in 2016	–	-31 418	–	-10 632	-2 444	-44 494
– Value impairments 2016	–	-325	–	–	-2 540	-2 865
Total accumulated depreciation as per 31.12.2016	–	-404 844	–	-104 708	-11 672	-521 224
Net book value as per 31.12.2016	10 650	501 447	862	42 212	684	555 855

1) After expiry of the depreciation period, the purchase or production cost value is offset against the accumulated depreciation.

2) cf. Comment on deviations from consistency under point 1.1, page 9.

3) Reposting of existing, fully-written off assets that are still in use and operational.

Notes to the Group Account

Depreciation	2016 CHF 1 000	2015 CHF 1 000
Scheduled depreciation of buildings	31 418	31 731
Scheduled depreciation of other fixed assets	10 632	11 110
Unscheduled depreciation of other fixed assets	–	595
Impairment of buildings and fixed installations	325	–
Total depreciation of fixed assets	42 375	43 436
Scheduled depreciation of intangible assets	2 444	1 759
Unscheduled depreciation of intangible assets	2 540	–
Total depreciation of intangible assets	4 984	1 759
Total depreciation	47 359	45 195
Fire insurance values	31.12.2016 CHF 1 000	31.12.2015 CHF 1 000
Buildings, fixed installations	1 175 175	1 202 535
Other fixed assets	270 660	271 501

The group's outstanding mortgages at the Zurich location are CHF 32.5 million (previous year CHF 32.5 million) and at the Basel location CHF 40.0 million (previous year CHF 42.5 million). The corresponding book values of the mortgaged buildings are CHF 48.5 million (previous year CHF 51.0 million) in Zurich and CHF 20.9 million (previous year CHF 23.0 million) in Basel.

In accordance with the decision of the Cantonal Parliament of 12 March 2008 relating to the financing concept for the new Messe Basel complex (formerly the Exhibition Center Basel 2012), security was provided for the non-repayable loan of CHF 50 million, secured by a mortgage, that MCH Swiss Exhibition (Basel) Ltd. received as a financing contribution (à fonds perdu) through the issue of a mortgage note for this same amount, charged to the two buildings of the Congress Center Basel and the Musical Theater Basel.

As per 01.01.2015, still existing, fully written-off fixed assets for a sum of CHF 46.0 million were reposted to the purchase costs and the accumulated depreciation.

The impairment on intangible assets relates to software depreciations due to changed market requirements and technical developments.

- A Company directly owned by MCH Group Ltd.
- B Company owned by MCH Swiss Exhibition (Basel) Ltd.
- C Company owned by MCH Swiss Exhibition (Zurich) Ltd.
- D Company owned by Expomobilia AG
- E Company owned by Rufener events Ltd.
- F Company owned by MCH Beaulieu Lausanne SA
- G UAI Holding AG, which is wholly-owned by MCH Swiss Exhibition (Basel) Ltd., has a 60% holding in Exhibit & More AG. The remaining 40% of the shares in Exhibit & More AG are held directly by MCH Swiss Exhibition (Basel) Ltd.

- 1) Former trademark company Igeho, Internationale Fachmesse AG, transferred to MCH Group Ltd. by MCH Swiss Exhibition (Basel) Ltd. in 2016
- 2) The Design Miami Basel AG company is controlled by MCH Swiss Exhibition (Basel) Ltd

9. Investments

Investments in subsidiaries	Location	Activity	Share capital as per 31.12.2016 in 1 000	Holding as per 31.12.2016 in %	Share capital as per 31.12.2015 in 1 000	Holding as per 31.12.2015 in %
MCH Swiss Exhibition (Basel) Ltd.	Basel	Exhibitions and congresses	A CHF 40 000	100.0	CHF 40 000	100.0
MCH Swiss Exhibition (Zurich) Ltd.	Zurich	Exhibitions and congresses	A CHF 13 720	100.0	CHF 13 720	100.0
MCH Beaulieu Lausanne SA	Lausanne	Exhibitions	A CHF 100	100.0	CHF 100	100.0
Winkler Multi Media Events AG	Wohlen	Event technology	A CHF 100	100.0	CHF 100	100.0
Expomobilia AG	Effretikon	Stand construction	A CHF 300	100.0	CHF 300	100.0
Techno Fot AG	Effretikon	Digital printing	D CHF 400	100.0	CHF 400	100.0
Rufener events Ltd.	Zurich	Event management	A CHF 100	100.0	CHF 100	100.0
Oceansalt LLC	Zurich	Design	E CHF 20	100.0	CHF 20	100.0
MCH Global Ltd. ¹⁾	Basel	Live Marketing Solutions	A CHF 100	100.0	CHF 50	100.0
Art, Kunstmesse AG, in Basel	Basel	Trademark company	B CHF 50	100.0	CHF 50	100.0
Swisstech Fachmesse AG	Basel	Trademark company	B CHF 50	100.0	CHF 50	100.0
Natura, Internationale Fachmesse und Kongresse AG	Basel	Trademark company	B CHF 50	100.0	CHF 50	100.0
Ineltec Fachmesse AG	Basel	Trademark company	B CHF 50	100.0	CHF 50	100.0
Swissdata, Fachmesse für Datenverarbeitung AG	Basel	Trademark company	B CHF 50	100.0	CHF 50	100.0
Orbit Fachmessen AG	Basel	Trademark company	B CHF 100	100.0	CHF 100	100.0
Esthetica SA	Lausanne	Trademark company	F CHF 100	100.0	CHF 100	100.0
Exhibit & More AG	Fällanden	Exhibitions	G CHF 50	100.0	CHF 50	100.0
UAI Holding AG	Fällanden	Subholding	B CHF 100	100.0	CHF 100	100.0
Design Miami Basel AG ²⁾	Basel	Exhibitions	B CHF 500	50.0	CHF 500	50.0
Art Basel U.S. Corp.	Miami	Exhibitions	B USD 100	100.0	USD 100	100.0
Asian Art Fairs Ltd.	Hong Kong	Exhibitions	B HKD 1	100.0	HKD 1	100.0
Reflection Marketing AG	Wallisellen	Strategic Marketing Consulting	D CHF 100	100.0	CHF 100	100.0
Seventh Plane Networks Pvt. Ltd.	New Delhi	Exhibitions	B INR 300	60.3	INR –	–
Expomobilia MCH Global Shanghai Ltd.	Shanghai	Stand construction	D RMB 1 360	100.0	RMB –	–
Investments in associated companies	Location	Activity	Share capital as per 31.12.2016 in 1 000	Holding as per 31.12.2016 in %	Share capital as per 31.12.2015 in 1 000	Holding as per 31.12.2015 in %
Parkhaus Messe Zürich AG	Zurich	Car parking services	C CHF 5 000	20.0	CHF 5 000	20.0
metron Vilshofen GmbH	Vilshofen	Stand construction	A EUR 140	20.0	EUR 140	20.0
Minority investments	Location	Activity	Share capital as per 31.12.2016 in 1 000	Holding as per 31.12.2016 in %	Share capital as per 31.12.2015 in 1 000	Holding as per 31.12.2015 in %
Design Miami II LLC	Miami	Exhibitions	B USD 430	10.0	USD 430	10.0

The book value of the investments consolidated by the equity method is made up as follows:

Composition	31.12.2016 CHF 1 000	31.12.2015 CHF 1 000
Parkhaus Messe Zürich AG	1 708	1 660
metron Vilshofen GmbH	613	731
Total	2 321	2 391

Change in consolidated companies

On 1 August 2016, MCH Swiss Exhibition (Basel) Ltd. acquired a majority holding in Seventh Plane Networks Pvt. Ltd., New Delhi, India, and took over control of the company at the same time. This is therefore the date taken for initial consolidation. MCH Swiss Exhibition Basel is entitled to acquire further shares in Seventh Plane Networks Pvt. Ltd., New Delhi, India. Seventh Plane Networks Pvt. Ltd. organises the annual India Art Fair in New Delhi. As per the date of acquisition in the 2016 business year, Seventh Plane Networks Pvt. Ltd., New Delhi, India, had cash and cash equivalents of CHF 0.2 million, other current receivables of CHF 1.4 million, fixed assets of CHF 0.1 million and liabilities of CHF 1.1 million. The net assets acquired, valued at their market value, are thus CHF 0.6 million on 1 August 2016.

On 1 January 2015, MCH Group Ltd. acquired a 20 % share in the capital of metron Vilshofen GmbH, Vilshofen (Germany). This acquisition includes an option to acquire the remaining shares by the end of 2018.

Expomobilia AG acquired 100 % of the shares in Reflection Marketing AG, Wallisellen, on 1 January 2015 and, at the same time, took over control of the company. As per the date of acquisition, Reflection Marketing AG had cash and cash equivalents of CHF 0.4 million, other current receivables of CHF 0.3 million, fixed assets of CHF 0.1 million and liabilities of CHF 0.5 million. The net assets acquired, valued at the market value, are thus CHF 0.3 million as per 1 January 2015.

10. Provisions

CHF 1 000	As per 01.01.2015	Recognised	Used	Released	Change in consolidated companies and reclassification	As per 31.12.2015
Repairs to exhibition parking spaces	800	–	–	–	–	800
Renovation fund Theater 11	1 837	206	–	–	–	2 043
Restructuring	3 000	–	-755	–	–	2 245
Other provisions	2 447	1 693	–	-190	–	3 950
Deferred tax provision (cf. 15)	1 954	480	–	-32	11	2 413
Total provisions	10 038	2 379	-755	-222	11	11 451
including short-term provisions	3 040	243	-755	-40	207	2 695
including long-term provisions	6 998	2 136	–	-182	-196	8 756

CHF 1 000	As per 01.01.2016	Recognised	Used	Released	Change in consolidated companies and reclassification	As per 31.12.2016
Repairs to exhibition parking spaces	800	–	–	–	–	800
Renovation fund Theater 11	2 043	201	-402	–	–	1 842
Restructuring	2 245	–	-178	-160	–	1 907
Other provisions	3 950	1 823	-170	-1 238	–	4 365
Deferred tax provision (cf. 15)	2 413	347	-3	–	-1	2 756
Total provisions	11 451	2 371	-753	-1 398	-1	11 670
including short-term provisions	2 695	22	-348	-198	–	2 171
including long-term provisions	8 756	2 349	-405	-1 200	-1	9 499

CHF 0.8 million (previous year CHF 0.8 million) are provided for contractual obligations entered into in conjunction with the repairs to the parking spaces for exhibition use at the Zurich location. A sum of CHF 0.2 million plus indexed inflation is paid into the renovation fund for Theater 11 each year. This fund is used to finance maintenance work on the Theater 11. This obligation results from the agreements concluded with the person granting the building rights, which stipulate that the amount remaining in the renovation fund upon reversion of the building rights will go back to the person who has granted the building rights. The restructuring costs for a subsidiary of the Exhibitions/Venues divisions, which were set aside in the 2014 financial year and partly used up in the 2015 and 2016 financial years already, include the expected costs of the redundancy plan. The other provisions include costs for claims made (CHF 0.8 million) and also for contract penalties in the event of stand constructions not being able to be brought into operation on time of CHF 1.3 million (previous year CHF 1.4 million). In addition, a sum of CHF 1.0 million was set aside for a personal injury on the occasion of an event in the 2015 financial year. It was possible to release CHF 0.4 million of this provision during the business year, leaving a balance of CHF 0.6 million as per 31.12.2016. In the course of the 2016 business year, it was necessary to establish a provision for CHF 0.9 million to cover the late handing over of an event structure. The remaining other provisions result from contractual risks and miscellaneous provisions totalling CHF 0.8 million (previous year CHF 0.8 million).

11. Employee pension funds

Employer contribution reserve (ECR)	Nominal-Value	Application waiver	Balance sheet	Constituted	Used	Interest	Change in consolidated companies	Balance sheet	Result for ECR in personnel expenses	
CHF 1 000	31.12.2015	31.12.2015	31.12.2015	2015	2015	2015	2015	31.12.2014	2015	2014
Pension fund	780		780				51	729	–	–
Total	780	–	780	–	–	–	51	729	–	–
Economic benefit and pension fund expenditure		Excess/under coverage		Economic benefit for the MCH Group			Change compared with previous year	Contributions limited to reporting period	Expenditure in personnel expenses	
CHF 1 000		31.12.2015	31.12.2015	31.12.2014			2015	2015	2015	2014
Benefit plans with excess coverage		24 663	–	–			–	6 115	6 115	6 638
Benefit plans with under coverage		-260	–	–			–	564	564	–
Total		24 403	–	–			–	6 679	6 679	6 638

The employee pension fund of the MCH Group (hereinafter referred to as the pension fund) is independent of the group. The fund is financed by employee and employer contributions as a matter of principle. Membership of the pension fund is compulsory for all employees with permanent contracts at MCH Group Ltd., MCH Swiss Exhibition (Basel) Ltd., MCH Swiss Exhibition (Zurich) Ltd., Expomobilia AG, Techno Fot AG, Rufener events Ltd., Winkler Multi Media Events AG and Oceansalt. Members are entitled to benefits which include an old-age pension, disability pension and benefits in the event of death. Since 1 January 2012, the pension fund has operated as a defined contribution scheme.

The companies affiliated to the fund make an overall contribution amounting to 150 % of the contributions paid by the members. Expenditure in the 2016 financial year totalled CHF 5.7 million (previous year CHF 6.0 million). An actuarial balance sheet is drawn up by an expert at least once every three years, which is currently based on the 2010 Occupational Pensions Act (2.0 %). The last actuarial balance sheet was drawn up on 1 January 2015. The mathematical reserve is calculated on an annual basis. The funded status in respect of the net assets of the pension fund is 116.9 % as per 31 December 2016 (previous year 113.4 %). The total employer contribution reserve as per 31 December 2016 is CHF 0.8 million (previous year CHF 0.8 million).

The semi-autonomous pension fund, Caisse de pension en faveur du personnel de Beaulieu Exploitation SA, is a defined benefit scheme and insures all employees with permanent contracts. Members are entitled to benefits which include an old-age pension, disability pension and benefits in the event of death. MCH Beaulieu Lausanne SA, as the sole company affiliated to the fund, makes an overall contribution amounting to 200 % of the contributions paid by the members

Employer contribution reserve (ECR)	Nominal-Value	Application waiver	Balance sheet	Constituted	Used	Interest	Change in consolidated companies	Balance sheet	Result for ECR in personnel expenses	
CHF 1 000	31.12.2016	31.12.2016	31.12.2016	2016	2016	2016	2016	31.12.2015	2016	2015
Pension fund	780		780				-	780	-	-
Total	780	-	780	-	-	-	-	780	-	-
Economic benefit and pension fund expenditure		Excess/under coverage		Economic benefit for the MCH Group			Change compared with previous year	Contributions limited to reporting period	Expenditure in personnel expenses	
CHF 1 000		31.12.2016	31.12.2016	31.12.2015			2016	2016	2016	2015
Benefit plans with excess coverage		31 000	-	-			-	5 878	5 878	6 115
Benefit plans with under coverage		-1 100	-	-			-	553	553	564
Total		29 900	-	-			-	6 431	6 431	6 679

Expenditure in the 2016 financial year totalled CHF 0.6 million (previous year CHF 0.6 million). The 2010 Occupational Pensions Act (3.25%) is taken as the technical basis for the annual calculation of the funded status, which is 95.0% as per 31 December 2016 (previous year 99.0%). On the basis of a decision taken by the Foundation's Board of Trustees, the pension fund was switched to a defined contribution scheme on 1 January 2016 and the technical interest rate reduced to 2.75% at the same time. Following a decision taken by the Foundation's Board of Trustees on 14 December 2016, recapitalisation contributions totalling 2% are being levied as of January 2017 (financed equally by the employer and the employees) on account of the financial situation.

The employees of Reflection Marketing AG, Wallisellen, have a full-insurance solution. The employees of Exhibit & More AG have a full-insurance solution with AXA-Winterthur. Both pension solutions have a funded status of 100%.

As per 31 December 2016, liabilities of CHF 0.8 million (previous year CHF 0.0 million) exist to the pension funds.

No relevant Swiss or international direct competitor currently discloses their segment results or is required to disclose the figures and segment results in a comparable manner. For this reason, the MCH Group is dispensing with the presentation of its segment results, since detailed reporting of the company's cost and earnings structure could produce competitive disadvantages compared with competitors.

For the provision of services, additional temporary staff are employed as cashiers, cloakroom attendants, guards, office employees etc.

The interest on capital relates to the financing costs for the operational loans and various other interest expenditure.

12. Sales by divisions and geographical markets

Sales by divisions 2015 CHF 1 000	In Switzerland	Abroad, 1) MCH exhibitions 2) Swiss customers	Abroad, foreign customers	Total
Exhibition Division	254 708	41 793 ¹⁾	–	296 501
Venues Division	43 905	–	–	43 905
Live Marketing Solutions Division	59 121	7 160 ²⁾	12 173	78 454
Total sales by divisions	357 734	48 953	12 173	418 860

Sales by divisions 2016 CHF 1 000	In Switzerland	Abroad, 1) MCH exhibitions 2) Swiss customers	Abroad, foreign customers	Total
Exhibition Division	284 097	48 806 ¹⁾	–	332 903
Venues Division	41 900	–	–	41 900
Live Marketing Solutions Division	53 227	4 300 ²⁾	7 990	65 517
Total sales by divisions	379 224	53 106	7 990	440 320

13. Employees

	31.12.2016	31.12.2015
Full-time jobs	588	578

14. Financial result

Financial income	2016 CHF 1 000	2015 CHF 1 000
Interest income	33	65
Exchange gains	808	862
Total financial income	841	927

Financial expenses	2016 CHF 1 000	2015 CHF 1 000
Interest on capital	3 971	4 179
Exchange losses	1 016	2 663
Bank and credit card charges	829	437
Total financial expenses	5 816	7 279

Net financial result	-4 975	-6 352
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15. Taxes

	2016 CHF 1 000	2015 CHF 1 000
Current income tax	1 917	2 664
Deferred income tax	344	459
Total income tax	2 261	3 123
	2016 CHF 1 000	2015 CHF 1 000
Total tax loss carry forward as of 01.01.	12 102	11 889
Change in loss carry forward in the tax balance	-1 359	213
Total tax loss carry forward as of 31.12.	10 743	12 102
	2016 CHF 1 000	2015 CHF 1 000
Impact of changes in loss carry forwards on income tax		
Income tax prior to allowance for loss carry forwards	2 500	3 162
Impact of non-capitalisation of loss carry forwards	126	128
Impact of the use of non-capitalised loss carry forwards	-365	-167
Income tax with allowance for loss carryforwards	2 261	3 123

The average tax rate applied in respect of the result from ordinary activities is 6.2 % (previous year 9.2 %).

Due to a tax agreement with the Canton of Basel-Stadt, the income tax payable by MCH Swiss Exhibition (Basel) Ltd. is negligible. No special tax arrangements exist for other companies in the group. As of 2021, the exhibition business in Basel that has been partially exempted from taxation will similarly be subject to tax. The time at which the tax regime is being changed has been coordinated with the repayment of the loans granted by the Canton of Basel-Stadt for the new Messe Basel hall complex built in the 2013 financial year.

In each of the companies (with the exception of MCH Messe Basel), deferred tax is calculated with the effectively applicable tax rate of 18 – 21 %. In the 2016 financial year, the tax loss carry forward decreased by CHF 1.4 million to CHF 10.7 million.

As per 31 December 2016 and 2015, no deferred tax credits were capitalised from loss carry forwards.

16. Goodwill		
Additional disclosure with goodwill charged against equity	2016 CHF 1 000	2015 CHF 1 000
Result after taxes	34 336	30 898
Theoretical amortisation of goodwill	-2 495	-3 636
Result after taxes with capitalisation of the goodwill	31 841	27 262
Acquisition value of the goodwill		
As per 01.01.	13 031	62 489
Entries	843	1 373
Amortised values	—	-50 831
As per 31.12.	13 874	13 031
Accumulated amortisation of the goodwill		
As per 01.01.	7 262	54 457
Scheduled amortisation	2 495	3 636
Disposals from accumulated amortisation	—	-50 831
As per 31.12.	9 757	7 262
Shareholders' equity as per 31.12.	438 975	407 886
Theoretical net book value of goodwill	4 117	5 769
Shareholders' equity with inclusion of the goodwill as per 31.12.	443 092	413 655

In accordance with the consolidation principles, MCH Group offsets the goodwill acquired directly against the equity at the time of initial consolidation or the time of acquisition.

The theoretical net book value of the goodwill originates from the acquired companies of Asian Art Fairs Limited, Reflection Marketing AG and Seventh Plane Networks Pvt. Ltd.

If the goodwill had been capitalised, assuming an amortisation period of 5 years, the following values would have been obtained:

17. Off-balance-sheet transactions

CHF 1 000	Due in 1 year or less	Due in 2–5 years	Due in 5 years or more	Total
Rental contracts for business premises	6 741	17 387	3 200	27 328
Rental and maintenance contracts for ICT	67	151	1	219
Lease commitments for vehicles	19	23	–	42
Ground rent	2 099	8 395	68 886	79 380
As per 31.12.2015	8 926	25 956	72 087	106 969
Rental contracts for business premises	7 132	14 378	–	21 510
Rental and maintenance contracts for ICT	89	102	–	191
Lease commitments for vehicles	15	8	–	23
Ground rent	2 099	8 395	66 788	77 282
As per 31.12.2016	9 335	22 883	66 788	99 006

18. Derivative financial instruments

1 000 CHF	Contract value 2016	Contract value 2015	Positive replacement value 2016	Negative replacement value 2015	Reason held
Forward transactions foreign exchange	23 125	11 395	66	-106	Hedging
Total derivative financial instruments	23 125	11 395	66	-106	

Forward transactions (currency instruments) were concluded in order to hedge future sales income in foreign currencies.

MCH Group Ltd. is entitled to acquire the remaining 80 % of the shares in metron Vilshofen GmbH by the end of 2018.

MCH Swiss Exhibition (Basel) Ltd. is entitled to acquire further shares in Seventh Plane Networks Pvt. Ltd.

19. Loans taken up

As per 31.12.2015	Balance sheet	Interest on capital	Interest rate	Including secured by mortgages	Due date
	CHF 1 000	CHF 1 000		CHF 1 000	
Short-term and fixed-rate loans from third parties and banks	210	244	up to 1.99%		
Non-repayable loan (à fonds perdu) secured with a mortgage	2 500			2 500	08.07.2016
Total short-term loans (less than 1 year)	2 710	244		2 500	
Long-term and fixed-rate loans from third parties and banks	47 715	1 076	1.00–2.32%		01.09.2022 resp. 05.01.2037 annual amortisation obligation CHF 0.2 mn
Long-term loans from shareholders (Canton of Basel-Stadt)	85 000	1 159	0.68–2.34%		06.06.2017 resp. 01.07.2020
Long-term loans from shareholders (Canton of Basel-Landschaft)	35 000	1 050	3%		15.03.2021
Long-term loans from shareholders (Canton Zurich)	16 000	320	2%	16 000	28.06.2021 resp. 30.06.2031
Long-term loans from shareholders (City of Zurich)	16 500	330	2%	16 500	01.07.2021 resp. 30.06.2031
Interest-free loans from shareholders (Cantons BS, BL) ¹⁾	60 000	–	0.00%	–	as of 09.06.2020 resp. 08.09.2020 annual amortisation of CHF 3 mn
Non-repayable loan (à fonds perdu) secured with a mortgage ²⁾	40 000	–	0.00%	40 000	last amortisation instalment 06.07.2032
Total long-term loans (more than 1 year)	300 215	3 935		72 500	
Total loans taken up as per 31.12.2015	302 925	4 179		75 000	

1) Interest as a subsidy

2) Financing sum, annual amortisation of CHF 2.5 million from 2013 onwards as a subsidy

The net debt (short and long-term loans taken up minus cash and cash equivalents) was reduced to CHF 69.1 million (previous year CHF 91.9 million).

As per 31.12.2016	Balance sheet	Interest on capital	Interest rate	Including secured by mortgages	Due date
	CHF 1 000	CHF 1 000		CHF 1 000	
Short-term and fixed-rate loans from third parties and banks	211	389	1.25 %		
Short-term loans from shareholders (Canton of Basel-Stadt)	50 000	340	0.68 %		06.06.2017
Non-repayable loan (à fonds perdu) secured with a mortgage	2 500			2 500	08.07.2017
Total short-term loans (less than 1 year)	52 711	729		2 500	
Long-term and fixed-rate loans from third parties and banks	47 160	1 061	1.25 %–2.32 %		01.09.2022 resp. 05.01.2037 annual amortisation obligation CHF 0.2 mn
Long-term loans from shareholders (Canton of Basel-Stadt)	35 000	818	2.34 %		01.07.2020
Long-term loans from shareholders (Canton of Basel-Landschaft)	35 000	1 050	3 %		15.03.2021
Long-term loans from shareholders (Canton Zurich)	16 000	320	2 %	16 000	28.06.2021 resp. 30.06.2031
Long-term loans from shareholders (City of Zurich)	16 500	330	2 %	16 500	01.07.2021 resp. 30.06.2031
Interest-free loans from shareholders (Cantons BS, BL) ¹⁾	60 000				as of 09.06.2020 resp. 08.09.2020 annual amortisation of CHF 3 mn
Non-repayable loan (à fonds perdu) secured with a mortgage ²⁾	37 500			37 500	last amortisation instalment 06.07.2032
Total long-term loans (more than 1 year)	247 160	3 579		70 000	
Total loans taken up as per 31.12.2016	299 871	4 308		72 500	

1) Interest as a subsidy

2) Financing sum, annual amortisation of CHF 2.5m, as a subsidy from 2013 onwards

20 Further details

20.1. Transactions with related parties

As an organiser of exhibitions and various other events, the MCH Group maintains a range of business relationships with its most important shareholders, the Cantons of Basel-Stadt, Basel-Landschaft and Zurich and the City of Zurich, in the context of its ordinary business activity.

The Canton of Basel-Stadt has made most of the land required by MCH Swiss Exhibition (Basel) Ltd. available with a building lease. The Canton and City of Zurich have granted MCH Swiss Exhibition (Zurich) Ltd. loans of CHF 16.0 million and CHF 16.5 million respectively, both subject to 2 % interest. In addition, the City of Zurich has made the land required by MCH Swiss Exhibition (Zurich) Ltd. available with a building lease.

In the context of the financing concept for the “Messe Basel New Buildings” for CHF 350 million (including some CHF 40 million from the increase in share capital in 2011), the following transactions were made or have been prepared between MCH Swiss Exhibition (Basel) Ltd. and the public-sector entities. As the parent company, MCH Group Ltd. guarantees the fulfilment of the contracts (investment contributions and loans earmarked for a specific purpose) with the public-sector entities (the Cantons of Basel-Stadt, Basel-Landschaft and Zurich and also the City of Zurich) by means of an abstract payment guarantee. The financing concept additionally provides for a maximum dividend payment of 5 % over the full financing term.

The interest-free loan of CHF 60 million granted by the Cantons of Basel-Stadt and Basel-Landschaft (CHF 30 million each), has reduced the interest to be paid by MCH Swiss Exhibition (Basel) Ltd. in the 2016 financial year by CHF 0.7 million taking a reference interest rate of 1.15 % (previous year CHF 0.6 million with an interest rate of 0.98 %). As of 2020, these loans will be amortised with a total of CHF 6 million each year (CHF 3 million per loan and canton).

In the 2012 business year, MCH Messe Basel received a non-repayable loan, secured by a mortgage, of CHF 50 million from the Canton of Basel-Stadt, as a financing contribution à fonds perdu. This is to run for 20 years and incurs the obligation to continue operating the Congress Center Basel (CCB) for 20 years. This loan is reduced by a sum of CHF 2.5 million every year. The reduction in the corresponding interest to be paid is CHF 0.5 million (previous year CHF 0.5 million).

20.2. Contingent liabilities

On 31 December 2016, MCH Swiss Exhibition (Zurich) Ltd. has contingent liabilities of CHF 0.7 million (previous year CHF 0.7 million) in respect of Theater 11 and the renovation of exhibition restaurants.

By way of security for obligations taken on by Expomobilia AG in the context of a work contract, MCH Group Ltd. provided guarantees that totalled CHF 3.0 million on 31.12.2016 (previous year CHF 3.0 million).

20.3. Exchange rates

Annual average rates:	2016	2015
USD	0.99	0.96
EUR	1.09	1.07
HKD	12.69	12.42

Reporting date rates:	2016	2015
USD	1.02	1.00
EUR	1.07	1.09
HKD	13.11	12.92

20.4. Risk management

The MCH Group has implemented a risk management process. On the basis of a risk identification conducted by the Executive Board each year, the key risks for the group are rated according to the probability of their occurrence and their impact. These risks are avoided, reduced or passed on by means of appropriate measures decided on by the Board of Directors. The risks borne by the group itself are consistently monitored. The last risk assessment conducted by the Board of Directors was adopted on 24 November 2016. To allow the group to respond flexibly to changes in the risk environment, the Executive Board is entitled to commission in-depth risk clarifications on an ad-hoc basis.

20.5. Approval of the annual accounts

The Board of Directors of MCH Group Ltd. approved the consolidated annual accounts on 31 March 2017.



Statutory Auditor's Report

To the General Meeting of MCH Group Ltd., Basel

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of MCH Group Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 4 to 29) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Goodwill impairment

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Goodwill impairment

Key Audit Matter

The Group offsets the acquired goodwill directly with equity at the acquisition date.

The consequences of a theoretical capitalization (acquisition value, residual value, useful life, depreciation) as well as of any impairment are disclosed in note No. 16 to the consolidated financial statements.

Management examines on a yearly basis if there are signs of goodwill impairment. If such signs exist, the carrying amount of the corresponding net assets plus the goodwill is compared to the recoverable amount (value in use). The value in use is based on the estimated and discounted forecast cash flows, which are determined mainly by the estimated future revenues and expenses as well as the discount rate.

Our response

Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment tests, the appropriateness of the assumptions used, and the methodology used by management to prepare its cash flow forecasts.

For the acquired goodwill presented in the notes (theoretical capitalization), we performed amongst others the following audit procedures:

- comparing business plan data against the latest management approved forecasts and Board approved plans;
- challenging the robustness of the key assumptions used to determine the recoverable amount, including forecast cash flows, long-term growth rates and discount rates by comparing them with publicly available data as well as based on our understanding of the commercial prospects of the related assets;
- comparing the sum of discounted forecast cash flows to the carrying amount of the corresponding net assets plus the goodwill and examining the recording of any value adjustments.

We also considered the appropriateness of disclosures in the consolidated financial statements.

For further information on goodwill impairment refer to the following:

- Goodwill: note No. 16, pages 24



Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is 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, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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 to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 opinion. 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 control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' 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 our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. 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 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 represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee 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.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Stefan Inderbinen
Licensed Audit Expert
Auditor in Charge

Christoph Vonder Mühl
Licensed Audit Expert

Basel, 31 March 2017

Annual Accounts MCH Group Ltd.

MCH Group Ltd.

Balance Sheet

Statutory accounts of the holding company

		31.12.2016		31.12.2015				31.12.2016		31.12.2015	
Assets	Details	CHF 1 000	%	CHF 1 000	%	Liabilities	Details	CHF 1 000	%	CHF 1 000	%
Cash and cash equivalents		8 756	–	14 871	–	Accounts payable for deliveries and services towards third parties		318	–	477	–
Accounts receivable for deliveries and services from third parties		1	–	2	–	Other short-term liabilities towards third parties		50	–	58	–
Accounts receivable for deliveries and services from holdings		3 513		3 932	–	Other short-term liabilities towards holdings		1 543	–	1 676	–
Other current receivables from third parties		7 240	–	1 050	–	Accrued expenses and deferred income		4 059	–	3 142	–
Prepayments and accrued income		171	–	114	–	Accrued expenses and deferred income towards holdings		25	–	–	–
Prepayments and accrued income from holdings		1 313	–	–	–	Total short-term liabilities		5 995	3.3	5 353	2.6
Total current assets		20 994	11.4	19 969	9.9	Long-term interest-bearing liabilities towards holdings		5 000	–	28 221	–
Long-term loans to group companies		20 821	–	21 495	–	Long-term non-interest-bearing liabilities towards holdings		10 500	–	5 500	–
Investments	2.1	142 094	–	159 553	–	Total long-term liabilities		15 500	8.4	33 721	16.8
Total non-current assets		162 915	88.6	181 048	90.1	Total liabilities		21 495	11.7	39 074	19.4
						Share capital	2.2	60 066	–	60 066	–
						Statutory capital reserves					
						– Reserves from capital contributions		27 991	–	27 991	–
						Statutory retained earnings					
						– General statutory retained earnings		5 600	–	5 600	–
						Voluntary retained earnings					
						– Special reserves		47 600	–	47 600	–
						– Net profit					
						Profit carried forward		17 684	–	19 311	–
						Annual profit		3 473	–	1 375	–
						Total shareholders' equity		162 414	88.3	161 943	80.6
Total assets		183 909	100.0	201 017	100.0	Total liabilities and shareholders' equity		183 909	100.0	201 017	100.0

MCH Group Ltd.

Income statement

Statutory accounts of the holding company

		2016	2015
Income	Details	CHF 1 000	CHF 1 000
Dividend income from subsidiaries		26 186	14 886
Other financial income		241	250
Management fee from group companies		13 404	12 897
Remaining operating income			
– Services with third parties		65	76
– Other operating income		3	3
– Revenue reductions		-14	–
Total operating income		39 885	28 112
Expenses		CHF 1 000	CHF 1 000
Employees		-8 669	-8 854
Financial expenses		-276	-284
Remaining operating expenditure			
– Administration		-6 607	-4 655
– Insurances		-107	-72
– Set-up expenses		-719	-174
– Operating expenses		-1 228	-323
– Advertising, press, public relations		-1 247	-1 627
Value adjustments on investments		-17 559	-10 748
Total operating expenses		-36 412	-26 737
Total pre-tax profit		3 473	1 375
Income tax		0	0
Annual profit		3 473	1 375

Notes to the Annual Accounts

1. Principles

1.1 General information

The present annual accounts of MCH Group Ltd. with head office in Basel have been drawn up in accordance with the Swiss commercial accounting and financial reporting legislation (Title 32 of the Swiss Code of Obligations). The main accounting and valuation principles applied that are not prescribed by law are described below.

1.2 Accounting and valuation principles

Assets are valued at no more than acquisition cost. All assets and liabilities denoted in foreign currencies are translated at the exchange rates applicable on the balance sheet date. Income and expenses denominated in foreign currencies and all transactions in foreign currencies are translated at the exchange rates applicable on the individual transaction dates. The resulting exchange rate differences are included on the income statement. Any unrealised exchange gains are deferred.

1.3 Non-inclusion of a cash flow statement and further details in the notes

MCH Group Ltd. draws up group accounts on the basis of a recognised accounting standard (Swiss GAAP FER). In accordance with the statutory provisions, it has thus dispensed with the provision of details of interest-bearing liabilities and auditing fees and also with the presentation of a cash flow statement in the notes to the present annual accounts.

2. Disclosures on balance sheet and income statement positions

2.1 Holdings

The direct and principal indirect holdings are listed in the notes to the group accounts (page 17). The capital share corresponds to the voting share.

2.2 Share capital

As at 31.12.2016, the share capital is divided into 6 006 575 registered shares with a nominal value of CHF 10.– per share (unchanged compared with the previous year).

3. Further details

3.1 Full-time employees

The number of full-time employees averaged over the year was between 10 and 50 in the reporting year and the previous year.

3.2 Sureties provided for liabilities of third parties

By way of security for obligations taken on by Expomobilia AG in the context of a work contract, MCH Group Ltd. provided guarantees amounting to CHF 3.0 million on 31.12.2016 (previous year CHF 3.0 million).

3.3 Contingent liabilities

As the parent company, MCH Group Ltd. guarantees the fulfilment of the contracts (investment contributions and loans earmarked for a specific purpose) with the public-sector entities (the Cantons of Basel-Stadt, Basel-Landschaft and Zurich and also the City of Zurich) by means of an abstract payment guarantee.

MCH Group Ltd. is jointly and severally liable with MCH Swiss Exhibition (Basel) Ltd. for a credit facility of CHF 100 million, which was taken up for a sum of CHF 40 million (previous year CHF 40 million) by MCH Swiss Exhibition (Basel) Ltd. on the balance sheet date.

3.4 Maximum dividend payment

The financing concept with the public-sector entities (the Cantons of Basel-Stadt, Basel-Landschaft and Zurich and also the City of Zurich) provides for a maximum dividend payment of 5 % over the full financing term.

Profit distribution

	2016	2015
	CHF 1 000	CHF 1 000
Profit brought forward from previous year	17 684	19 312
Annual profits	3 473	1 375
Total net profit for the year	21 157	20 687
The Board of Directors propose to the Annual General Meeting the following appropriation:		
Dividend ¹⁾	3 003	3 003
Allocation to statutory reserve	–	–
Balance carried forward	18 154	17 684
Total net profit for the year	21 157	20 687

1) A dividend of 5.0% of the nominal share value is being distributed, i.e. in 2016 CHF 0.50 gross per share with a nominal value of CHF 10.– (previous year CHF 0.50 with a nominal value of CHF 10.–).

3.5 Key shareholders

	2016	2015
	%	%
Canton Basel-Stadt	33.5	33.5
Canton Basel-Landschaft	7.8	7.8
LB (Swiss) Investment AG ¹⁾	9.4	9.1
Canton Zürich	4.0	4.0
City of Zürich	3.7	3.7

1) Entered in the "Shareholders with voting rights" share register with 300 328 shares (5%)

At the end of 2016, 3 185 (previous year 3 257) registered shareholders were entered in the share register.

3.6 Disclosure of participation rights

The participation rights of members of the Board of Directors and the Executive Board are shown on page 60 of the Annual Report.



Statutory Auditor's Report

To the General Meeting of MCH Group Ltd., Basel

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MCH Group Ltd., which comprise the balance sheet as at 31 March 2016, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 34 to 37) for the year ended 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Investments impairment

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Investments impairment

Key Audit Matter

As at 31 December 2016, MCH Group Ltd. holds investments in the amount of CHF 142.1 million.

The value adjustments recorded on investments during the year 2016 amount to CHF 17.6 million.

MCH Group Ltd. holds direct and indirect investments in various industries. These are recorded on the balance sheet at most at acquisition cost less the necessary value adjustments. Management examines on a yearly basis if there are signs of investments impairment. If such signs exist, the carrying amount is compared to the recoverable amount (value in use). The value in use is based on the estimated and discounted forecast cash flows, which are determined mainly by the estimated future revenues and expenses as well as the discount rate.

Our response

Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment tests, the appropriateness of the assumptions used, and the methodology used by management to prepare its cash flow forecasts.

For the investments' carrying amounts, we performed amongst others the following audit procedures:

- comparing business plan data against the latest management approved forecasts and Board approved business plans;
- challenging the robustness of the key assumptions used to determine the recoverable amount, including forecast cash flows, long-term growth rates and discount rates by comparing them with publicly available data as well as based on our understanding of the commercial prospects of the respective companies;
- comparing the sum of discounted forecast cash flows to the investments' carrying amounts and examining the recording of any value adjustments.



Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. 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 financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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 control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee 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.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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.

KPMG AG

Stefan Inderbinen
Licensed Audit Expert
Auditor in Charge

Christoph Vonder Mühl
Licensed Audit Expert

Basel, 31 March 2017

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The Financial Report of the
MCH Group is published in German,
English and French. The German
version is binding.