M
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# Reports 2017
Financial Report

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# Group Balance Sheet

| Assets | Details | 31.12.2017 CHF 1000 | % | 31.12.2016 CHF 1000 | % |
|---|---|---|---|---|---|
| Cash and cash equivalents | 2 | 115 887 | – | 230 805 | – |
| Accounts receivable for deliveries and services | 3 | 81 038 | – | 73 363 | – |
| Other receivables | | 5 796 | – | 12 238 | – |
| Inventories and work in progress | 4 | 13 797 | – | 4 994 | – |
| Prepayments and accrued income | 6 | 43 387 | – | 35 520 | – |
| Total current assets | | 259 905 | 37.8 | 356 920 | 39.0 |
| | | | | | |
| Land, buildings, fixed installations | 8 | 388 663 | – | 512 097 | – |
| Assets under construction | 8 | 927 | – | 862 | – |
| Other fixed assets | 8 | 32 862 | – | 42 212 | – |
| Loans granted | 7 | 229 | – | 164 | – |
| Employer contribution reserve | 11 | 780 | – | 780 | – |
| Investments | 9 | 1 946 | – | 2 321 | – |
| Intangible assets | 8 | 2 893 | – | 684 | – |
| Total non-current assets | | 428 300 | 62.2 | 559 120 | 61.0 |
| | | | | | |
| Total assets | | 688 205 | 100.0 | 916 040 | 100.0 |

| Liabilities | Details | 31.12.2017<br>CHF 1000 | % | 31.12.2016<br>CHF 1000 | % |
|---|---|---|---|---|---|
| Liabilities from deliveries and services | 5 | 25 375 | – | 16 660 | – |
| Other liabilities | | 11 444 | – | 12 009 | – |
| Accrued expenses and deferred income | 6 | 138 440 | – | 136 855 | – |
| Short-term provisions | 10 | 7 505 | – | 2 171 | – |
| Short-term loans taken up from third parties | 19 | 562 | – | 211 | – |
| Short-term loans taken up from related parties (shareholders) | 19 | 2 567 | – | 52 500 | – |
| Total short-term liabilities | | 185 893 | 27.0 | 220 406 | 24.1 |
| | | | | | |
| Long-term provisions | 10 | 25 192 | – | 9 499 | – |
| Long-term loans taken up from third parties | 19 | 46 052 | – | 47 160 | – |
| Long-term loans taken up from related parties (shareholders) | 19 | 197 367 | – | 200 000 | – |
| Total long-term liabilities | | 268 611 | 39.0 | 256 659 | 28.0 |
| | | | | | |
| Total liabilities | | 454 504 | 66.0 | 477 065 | 52.1 |
| | | | | | |
| Share capital | | 60 066 | – | 60 066 | – |
| Capital reserves | | 74 310 | – | 74 310 | – |
| Retained earnings | | 97 943 | – | 304 143 | – |
| Minority interests | | 1 382 | – | 456 | – |
| Total shareholders’ equity | | 233 701 | 34.0 | 438 975 | 47.9 |
| | | | | | |
| Total equity and liabilities | | 688 205 | 100.0 | 916 040 | 100.0 |

# Group Income Statement

| Income | Details | 2017<br>CHF 1000 | 2016<br>CHF 1000 |
|---|---|---|---|
| Services, stand construction | | 259 854 | 168 504 |
| Surface areas | | 140 915 | 167 720 |
| Admissions | | 12 782 | 12 213 |
| Media, sponsoring | | 43 758 | 49 575 |
| Utility connections | | 6 617 | 8 467 |
| Furniture, other fittings | | 11 172 | 12 637 |
| Conferences | | 9 480 | 11 670 |
| Parking | | 4 162 | 5 068 |
| Changes in work in progress | | 773 | 1 162 |
| Other operating income | | 6 477 | 7 652 |
| Revenue reductions (without acquired cash and cash equivalents) | | –2 654 | –4 348 |
| Total operating income | 12 | 493 336 | 440 320 |
| | | | |
| Expenses | Details | CHF 1000 | CHF 1000 |
| Employees | 13 | –120 478 | –88 689 |
| Administration | | –19 814 | –16 218 |
| Maintenance, repairs | | –13 639 | –12 708 |
| Insurance, ground rent, rents | | –20 198 | –16 660 |
| Energy | | –9 009 | –7 573 |
| Furnishing expenses, stand construction | | –144 589 | –93 807 |
| Exhibition and conference operations | | –89 331 | –82 595 |
| Advertising, press, public relations | | –32 458 | –33 069 |
| Depreciation | 8 | –147 770 | –47 359 |
| Total operating expenses | | –597 286 | –398 678 |

| | Details | 2017<br>CHF 1000 | 2016<br>CHF 1000 |
|---|---|---|---|
| Operating result | | –103 950 | 41 642 |
| Financial result, net | 14 | –3 843 | –4 975 |
| Result from ordinary activities | | –107 793 | 36 667 |
| Result of associated organisations | 9 | –390 | –70 |
| Earnings before taxes | | –108 183 | 36 597 |
| Taxes | 15 | –2 161 | –2 261 |
| Group profit / Group loss | | –110 344 | 34 336 |
| Of which, minority shareholders | | 346 | –9 |
| Of which, shareholders of MCH Group | | –109 998 | 34 327 |
| Result per share in CHF (diluted / undiluted) | | -18.30<br>per share | 5.71<br>per share |

# Group Cash Flow Statement

| Cash flow from operating activities | Details | 2017<br>CHF 1000 | 2016<br>CHF 1000 |
|---|---|---|---|
| Group profit/loss attributable to MCH Group shareholders | | –109 998 | 34 327 |
| Result of minorities | | –346 | 9 |
| Book profit from the sale of fixed assets | | –161 | –200 |
| Reduction of non repayable loan not affecting the fund | 19 | –2 500 | –2 500 |
| Depreciation | 8 | 45 294 | 44 494 |
| Losses through value impairments | 8 | 102 476 | 2 865 |
| Increase in bad debt provision | 3 | 325 | 370 |
| Reduction/increase in value adjustments for long-term customer orders | 4 | –727 | 736 |
| Increase in value adjustments for inventories | 4 | 995 | - |
| Attributable loss of associated organisations | | 390 | 70 |
| Reduction/increase in accounts receivable for deliveries and services | 3 | 11 727 | –9 768 |
| Reduction/increase in other receivables | | 8 883 | –6 966 |
| Increase in inventories and work in progress | 4 | –4 195 | –1 499 |
| Reduction in prepayments and accrued income | 6 | 4 456 | 3 393 |
| Increase/reduction in liabilities from deliveries and services | 5 | 1 414 | –7 437 |
| Reduction/increase in other liabilities | | –5 922 | 4 984 |
| Reduction in accrued expenses and deferred income | 6 | –5 277 | –25 082 |
| Increase in provisions | 10 | 21 027 | 107 |
| Net cash flow from operating activities | | 67 861 | 37 903 |

| Cash flow from investment activities | Details | 2017<br>CHF 1000 | 2016<br>CHF 1000 |
|---|---|---|---|
| Cash outflow for investments in land, buildings and fixed installations, assets under construction | 8 | –3 666 | –1 682 |
| Cash outflow for investments in other tangible fixed assets | 8 | –5 476 | –8 758 |
| Cash outflow for investments in software and intangible assets | 8 | –4 136 | –3 867 |
| Cash inflow from the divestment of fixed assets | 8 | 310 | 368 |
| Repayment of loans granted to others | 7 | 30 | 48 |
| Loans granted to others | 7 | –95 | –1 |
| Cash flow from acquisition activities (without acquired cash and cash equivalents) | 9 | –114 986 | –1 000 |
| Net cash flow from investment activities | | –128 019 | –14 892 |

| Cash flow from financing operations | Details | CHF 1000 | CHF 1000 |
|---|---|---|---|
| Dividend to shareholders | | –3 003 | –3 003 |
| Dividend to minorities | | - | - |
| Loans taken up | 19 | 281 | - |
| Repayment of loans taken up | 19 | –51 296 | –604 |
| Net cash flow from financing operations | | –54 018 | –3 607 |

| | | | |
|---|---|---|---|
| Currency translation differences | | –742 | 342 |
| Net cash flow | | –114 918 | 19 746 |
| Cash and cash equivalents at the beginning of the financial year | 2 | 230 805 | 211 059 |
| Cash and cash equivalents at the end of the financial year | 2 | 115 887 | 230 805 |

The cash flow statement covers the cash flows of the consolidated companies

# Development of Consolidated Shareholders' Equity

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

| CHF 1000 | Share capital | Own shares | Capital reserves | Retained earnings | | | | Minority interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Accumulated currency translation differences | Hedging reserve | Retained profits | Total retained earnings | | |
| As per 01.01.2016 | 60 066 | – | 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 |
| | – | – | – | – | – | – | – | 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 |
| | | | | | | | | | |
| Currency translation differences | – | – | – | –770 | – | – | –770 | 23 | –747 |
| Changes from cash flow hedges | – | – | – | – | 190 | – | 190 | – | 190 |
| Goodwill | – | – | – | – | – | –94 133 | –94 133 | | –94 133 |
| Minority interests in the capital of acquired companies and buyout of minority holdings | – | – | – | – | – | | | 1 249 | 1 249 |
| Transaction with shareholders | – | – | – | – | – | 1 514 | 1 514 | | 1 514 |
| Dividend 2016 paid in 2017 | – | – | – | – | – | –3 003 | –3 003 | - | –3 003 |
| Group loss 2017 | – | – | – | – | – | –109 998 | –109 998 | –346 | –110 344 |
| As per 31.12.2017 | 60 066 | 0 | 74 310 | –332 | 256 | 98 019 | 97 943 | 1 382 | 233 701 |

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, Note 16 shows the shareholders' equity with theoretical capitalisation of the goodwill at its net book value of CHF 85.0 million (previous year CHF 4.1 million).

# 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 10.00 per share. The upper 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 2017 is CHF 66.30 (previous year CHF 69.10).

# 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 2017 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.

### 1.2. Consolidation principles

The group accounts include the annual accounts of MCH Group Ltd. as well as all the group companies, in accordance with the following principles:

- 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 from the date on which control is transferred to MCH Group Ltd.. The book values of the holdings are eliminated by offsetting them with the equity 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 intragroup companies are eliminated, as are profits from intragroup transactions. Changes in a parent company's ownership share in a subsidiary, which do not lead to the parent company losing control of the subsidiary, are treated as an equity transaction (i.e. as transactions with owners in their capacity as owners). When selling shares to minority shareholders, the difference between the selling price and the sold pro-rata book value of the net assets is entered via the retained earnings.

## 1.3. Foreign currency conversion

Annual accounts for consolidated companies in foreign currencies 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 check 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

### Income

The MCH Group achieves its income with exhibitions, events and stand construction projects. The income 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 in 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 and 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%

## 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 higher 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 with an impact on net income. 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.

## 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.

### Prepayments, accruals and deferrals

Prepayments, accruals and deferrals are valued according to the principles that apply for receivables and liabilities. The prepayments and accrued income 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 take in 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

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.

## 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 MCH 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 (Occupational Pensions Act) 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.

The pension scheme for $MC^2$ insures all employees with permanent contracts who do not belong to a trade union organisation. The employees in the scheme can pay in part of their taxable income as a contribution once they have worked for the company for at least a year.

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 theoretical capitalisation and theoretical amortisation on the equity 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 as a negative item under shareholders' equity.

### Taxes

In stating current and deferred income tax consequences, a distinction is made between the establishment 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 tax 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. In the 2012 business year, MCH Swiss Exhibition (Basel) Ltd. received a non-repayable loan, secured by a mortgage, of CHF 50.0 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

| | 31.12.2017<br>CHF 1000 | 31.12.2016<br>CHF 1000 |
|---|---|---|
| Cash, Post Office | 21 049 | 18 790 |
| Bank | 81 519 | 80 211 |
| Fixed deposits | 13 319 | 131 804 |
| Total cash and cash equivalents | 115 887 | 230 805 |

# 3. Accounts receivable for deliveries and services

| | 31.12.2017 CHF 1000 | 31.12.2016 CHF 1000 |
|---|---|---|
| Accounts receivable for deliveries and services | 85 345 | 78 509 |
| Bad debt provision | –4 307 | –5 146 |
| Total accounts receivable for deliveries and services | 81 038 | 73 363 |

| Aging | 31.12.2017 CHF 1000 | 31.12.2016 CHF 1000 |
|---|---|---|
| Not due | 33 668 | 38 526 |
| Due within 60 days | 31 171 | 8 754 |
| Due after 60 days | 20 506 | 31 229 |
| Total accounts receivable for deliveries and services | 85 345 | 78 509 |

# 4. Inventories and work in progress

| | 31.12.2017 CHF 1000 | 31.12.2016 CHF 1000 |
|---|---|---|
| Inventories | 2 750 | 335 |
| Value adjustments for inventories | –995 | - |
| Work in progress | 12 784 | 6 854 |
| Value adjustments for work in progress | –80 | –807 |
| Advance payments received for work in progress | –662 | –1 388 |
| Total inventories and work in progress | 13 797 | 4 994 |

# 5. Liabilities from deliveries and services

| | 31.12.2017 CHF 1000 | 31.12.2016 CHF 1000 |
|---|---|---|
| Liabilities from deliveries and services | 25 375 | 16 660 |
| Total liabilities from deliveries and services | 25 375 | 16 660 |

# 6. Prepayments, accruals and deferrals

| Composition of prepayments and accrued income | 31.12.2017<br>CHF 1000 | 31.12.2016<br>CHF 1000 |
|---|---|---|
| Exhibitions and events | 27 601 | 27 785 |
| Stand construction sales not yet invoiced | 10 498 | 279 |
| Prepaid rents | 2 184 | 848 |
| Other | 3 104 | 6 608 |
| Total of prepayments and accrued income | 43 387 | 35 520 |

| Composition of accrued expenses and deferred income | 31.12.2017<br>CHF 1000 | 31.12.2016<br>CHF 1000 |
|---|---|---|
| Services invoiced in advance for exhibitions, events and stand construction | 103 160 | 115 992 |
| Long-term contracts received from customers | - | –1 517 |
| Advance payments for work in progress | 15 397 | 3 060 |
| Human resources | 10 342 | 12 933 |
| Accrual for current tax | 1 359 | 460 |
| Other | 8 182 | 5 927 |
| Total of accrued expenses and deferred income | 138 440 | 136 855 |

The level of prepayments, accruals and deferrals is influenced primarily by the frequency of the individual exhibitions. As per 31 December 2017, this essentially relates to the following exhibitions in 2018: Swissbau, Baselworld, muba, Giardina and SWISS-MOTO. Own work for exhibitions and events totalling CHF 12.1 million (previous year CHF 9.2 million) is included under prepayments and accrued income.

# 7. Loans granted

| | 31.12.2017<br>CHF 1000 | 31.12.2016<br>CHF 1000 |
|---|---|---|
| Other loans | 229 | 164 |
| Total loans | 229 | 164 |

# 8. Tangible and intangible fixed assets

| Composition of tangible fixed assets CHF 1000 | 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 1.1.2016 | 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 |
| | | | | | | |
| Purchase costs as per 1.1.2017 | 10 650 | 906 291 | 862 | 146 920 | 12 356 | 1 077 079 |
| Depreciated values [1)] | – | 0 | 0 | –2 544 | –397 | –2 941 |
| + Additions | – | 3 601 | 65 | 5 476 | 4 136 | 13 278 |
| Reclassifications | – | – | – | –244 | 244 | 0 |
| Currency translation differences | – | 29 | – | –137 | 24 | –84 |
| Change in consolidated companies | – | 7 681 | – | 13 198 | 3 869 | 24 748 |
| – Disposals | – | – | – | –147 | –2 | –149 |
| Purchase values as per 31.12.2017 | 10 650 | 917 602 | 927 | 162 522 | 20 230 | 1 111 931 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Accumulated depreciation as per 1.1.2017 | – | –404 844 | – | –104 708 | –11 672 | –521 224 |
| + Reductions in value adjustments 1) | – | 0 | – | 2 544 | 397 | 2 941 |
| – Depreciations charged in 2017 | – | –31 669 | – | –12 236 | –1 389 | –45 294 |
| – Value impairments 2017 | – | –96 634 | – | –5 007 | –835 | –102 476 |
| Reclassifications | – | – | – | 215 | –215 | 0 |
| Currency translation differences | | –10 | | 51 | –2 | 39 |
| – Change in consolidated companies | – | –6 432 | – | –10 519 | –3 621 | –20 572 |
| Total accumulated depreciation as per 31.12.2017 | – | –539 589 | – | –129 660 | –17 337 | –686 586 |
| Net book value as per 31.12.2017 | 10 650 | 378 013 | 927 | 32 862 | 2 893 | 425 345 |

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

| Depreciation | 2017<br>CHF 1000 | 2016<br>CHF 1000 |
|---|---|---|
| Scheduled depreciation of buildings | 31 669 | 31 418 |
| Scheduled depreciation of other fixed assets | 12 236 | 10 632 |
| Unscheduled depreciation of other fixed assets | 5 007 | – |
| Unscheduled depreciation of buildings | 96 634 | 325 |
| Total depreciation of fixed assets | 145 546 | 42 375 |
| Scheduled depreciation of intangible assets | 1 389 | 2 444 |
| Unscheduled depreciation of intangible assets | 835 | 2 540 |
| Total depreciation of intangible assets | 2 224 | 4 984 |
| Total depreciation | 147 770 | 47 359 |

| Fire insurance values | 31.12.2017<br>CHF 1000 | 31.12.2016<br>CHF 1000 |
|---|---|---|
| Buildings, fixed installations | 1 158 570 | 1 175 175 |
| Other fixed assets | 216 609 | 270 660 |

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 37.5 million (previous year CHF 40.0 million). The corresponding book values of the mortgaged buildings are CHF 46.0 million (previous year CHF 48.5 million) in Zurich and CHF 14.0 million (previous year CHF 20.9 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 50.0 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.

The value impairment on buildings and fixed installations and also on the remaining fixed assets and intangible assets is due to the audit conducted of the valuation of the facilities in Basel. An audit conducted of the valuation of the exhibition halls in Basel for purposes of the 2017 annual accounts showed that a value adjustment is required due to the downscaling of Baselworld 2018. The value reduction is attributable to the expected course of business at the Basel location in future years.

# 9. Investments

| Investments in subsidiaries | Location | Activity | | Share capital as per 31.12.2017 in 1000 | Holding as per 31.12.2017 in % | Share capital as per 31.12.2016 in 1000 | Holding as per 31.12.2016 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 Livecom 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 AG 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 300 | 60.3 |
| Expomobilia MCH Global Shanghai Ltd. | Shanghai | Stand construction | D | RMB 1 360 | 100.0 | RMB 1 360 | 100.0 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| MCH US Corp. | Delaware | Live Marketing Solutions | A | USD 30 000 | 100.0 | USD - | - |
| Creative Management Services, Inc. | Missouri | Live Marketing Solutions | H | USD 0 | 98.0 | USD - | - |
| Creative Management Services, LLC | Delaware | Live Marketing Solutions | I | USD 45 | 98.0 | USD - | - |
| Creative Management Services II, LLC | Missouri | Live Marketing Solutions | K | USD 0 | 98.0 | USD - | - |
| Creative Management Holding GmbH | Hilden | Live Marketing Solutions | K | EUR 25 | 98.0 | EUR - | - |
| MC2 Europe GmbH 3) | Hilden | Live Marketing Solutions | L | EUR 200 | 49.0 | EUR - | - |
| Masterpiece London Ltd. | London | Exhibitions | B | GPB 19 | 67.5 | GBP - | - |

| Investments in associated companies | Location | Activity | | Share capital as per 31.12.2017 in 1000 | Holding as per 31.12.2017 in % | Share capital as per 31.12.2016 in 1000 | Holding as per 31.12.2016 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 |
| art.fair International GmbH | Cologne | Exhibitions | B | EUR 25 | 25.1 | EUR - | - |

| Minority investments | Location | Activity | | Share capital as per 31.12.2016 in 1000 | Holding as per 31.12.2016 in % | Share capital as per 31.12.2015 in 1000 | Holding as per 31.12.2015 in % |
|---|---|---|---|---|---|---|---|
| Design Miami II LLC | Miami | Exhibitions | B | USD 430 | 10.0 | USD 430 | 10.0 |

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.
3) The company MC2Europe GmbH is controlled by Creative Management Holding GmbH on the basis of a contractual agreement.
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.
H Company held by MCH US Corp.
J Company held by Creative Management Services, Inc.
K Company held by Creative Management Services, LLC.
L Company held by Creative Management Holding GmbH. The companies under letters H to L belong to the MC2 subgroup.

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

| Composition | 31.12.2017<br>CHF 1000 | 31.12.2016<br>CHF 1000 |
|---|---|---|
| Parkhaus Messe Zürich AG | 1 711 | 1 708 |
| metron Vilshofen GmbH | 166 | 613 |
| art.fair International GmbH | 69 | - |
| Total | 1 946 | 2 321 |

## Change in scope of consolidation

On 1 August 2016, MCH Swiss Exhibition (Basel) Ltd. acquired a majority holding of 60.3% in Seventh Plane Networks Pvt. Ltd., New Delhi, India, and took over control of the company at the same time. This was therefore the date taken for initial consolidation. 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 as per 1 August 2016. MCH Swiss Exhibition (Basel) Ltd. is entitled to acquire further shares in Seventh Plane Networks Pvt. Ltd.

On 1 January 2017, MCH Swiss Exhibition (Basel) Ltd. acquired a 25.1% share in the capital of art.fair International GmbH, Cologne (Germany). art.fair International GmbH stages the annual ART DÜSSELDORF art fair. MCH Swiss Exhibition (Basel) Ltd. is entitled to successively increase its minority holding.

On 30 April 2017, MCH US Corp. acquired 100% of the shares in $MC^2$, New York (USA) and, at the same time, took over control of the company. In a further step, 2% of the shares were sold to the local management. As per the date of acquisition, $MC^2$ had cash and cash equivalents of CHF 1.3 million, other current receivables of CHF 38.4 million, fixed assets of CHF 4.0 million and liabilities of CHF 23.2 million. The net assets acquired, valued at their market value, are thus CHF 20.5 million as per 30 April 2017. MCH Group Ltd. has a repurchasing right permitting it, as of 30 April 2020, to buy back, indirectly via the intermediate company, the shares in Creative Management Services LLC that are held by the management. MCH Group Ltd. can similarly be obliged by anyone on the management to buy back their share in Creative Management Services LLC indirectly via the intermediate company.

MCH Swiss Exhibition (Basel) Ltd. acquired 67.5% of the shares in Masterpiece London Ltd. on 30 November 2017 and, at the same time, took over control of the company. As per the date of acquisition, Masterpiece London had cash and cash equivalents of CHF 0.5 million, other current receivables of CHF 0.8 million, fixed assets of CHF 0.0 million and liabilities of CHF 0.7 million. The net assets acquired, valued at the market value, are thus CHF 0.6 million as per 30 November 2017. MCH Swiss Exhibition (Basel) Ltd. is entitled to acquire the remaining shares following the registration of the 2023 audited annual accounts for Masterpiece London Ltd.

# 10. Provisions

| CHF 1000 | As per 01.01.2016 | Recognised | Used | Released | Change in consolidated companies and reclassification | As per 31.12.2016 | short-term provisions |
|---|---|---|---|---|---|---|---|
| Repairs to exhibition parking spaces | 800 | – | – | – | – | 800 | 0 |
| Renovation fund Theater 11 | 2 043 | 201 | –402 | – | – | 1 842 | 0 |
| Restructuring | 2 245 | – | –178 | –160 | – | 1 907 | 1 907 |
| Other provisions | 3 950 | 1 823 | –170 | –1 238 | – | 4 365 | 264 |
| Deferred tax provision (cf. 15) | 2 413 | 347 | –3 | – | –1 | 2 756 | 0 |
| Total provisions | 11 451 | 2 371 | –753 | –1 398 | –1 | 11 670 | 2 171 |

| CHF 1000 | As per 01.01.2017 | Recognised | Used | Released | Change in consolidated companies and reclassification | As per 31.12.2017 | short-term provisions |
|---|---|---|---|---|---|---|---|
| Repairs to exhibition parking spaces | 800 | – | – | – | – | 800 | 0 |
| Renovation fund Theater 11 | 1 842 | 202 | – | – | – | 2 044 | 0 |
| Restructuring | 1 907 | 17 723 | –411 | - | – | 19 219 | 6 971 |
| Other provisions | 4 365 | 3 926 | – | –3 531 | 3 181 | 7 941 | 534 |
| Deferred tax provision (cf. 15) | 2 756 | 27 | –90 | – | – | 2 693 | 0 |
| Total provisions | 11 670 | 21 878 | –501 | –3 531 | 3 181 | 32 697 | 7 505 |

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 division, which were set aside in the 2014 financial year and used up in part during the 2015 to 2017 financial years already, include the expected costs of the redundancy plan. As part of the structural and organisational optimisation in the national exhibition and event business, a provision of CHF 17.7 million has additionally been created. The provisions have been discounted with a risk-weighted interest rate of 6.1%.

The other provisions include contract penalties in the event of stand constructions not being able to be brought into operation on time of CHF 0.3 million (previous year CHF 1.3 million).

In the 2016 financial year, a provision of CHF 0.9 million had to be created on account of the late handing over of an event structure; it was possible to reverse this provision in the course of the financial year. The provision for claims made (previous year CHF 0.8 million) was similarly reversed.

The other provisions result from funding shortfalls for pension funds (CHF 0.6 million), general provisions for potential reimbursement claims (CHF 4.0 million) and miscellaneous provisions totalling CHF 3.3 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 1000 | 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 1000 | | 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 |

| 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 1000 | 31.12.2017 | 31.12.2017 | 31.12.2017 | 2017 | 2017 | 2017 | 2017 | 31.12.2016 | 2017 | 2016 |
| 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 1000 | | 31.12.2017 | 31.12.2017 | 31.12.2016 | | | 2017 | 2017 | 2017 | 2016 |
| Benefit plans with excess coverage | | 38 000 | – | – | | | – | 6 042 | 6 042 | 5 878 |
| Benefit plans with under coverage | | –322 | – | – | | | – | 476 | 476 | 553 |
| Total | | 37 678 | – | – | | | – | 6 518 | 6 518 | 6 431 |

The employee pension funds of the MCH Group (named as pension fund) is independent of the group. The pension 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 Livecom AG, Oceansalt LLC and MCH Global AG. 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 of 150% of the contributions paid by the members. Expenditure in the 2017 financial year totalled CHF 5.9 million (previous year CHF 5.7 million). An actuarial balance sheet is drawn up by an expert at least once every three years, which is currently based on the 2015 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 119.0% as per 31 December 2017 (previous year 116.9%). The total employer contribution reserve as per 31 December 2017 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 contribution 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 150% (previous year 200%) of the contributions paid by the members.

Expenditure in the 2017 financial year totalled CHF 0.5 million (CHF 0.3 million as per the regulations, CHF 0.2 million as a recapitalisation contribution (previous year CHF 0.6 million). The 2015 Occupational Pensions Act (2.0%) is taken as the technical basis for the annual calculation of the funded status, which is 98.8% as per 31 December 2017 (previous year 95.0%). 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. On the basis of a decision taken by the Foundation’s Board of Trustees on 31 January 2018, the employer paid a recapitalisation contribution of CHF 160 000 for the 2017 reporting year.

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%.

MC2 contributes to multi-employer pension plans under collective bargaining agreements which provide retirement benefits for its various union employees.

The plans contributions were less than 5% of each such plan's in FY 2017. The Company has a kCHF 0.5 salary savings plan for substantially all nonunion full-time employees. The most recent Pension Protection Act zone status available is for the plan's year-end at December 31, 2017. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending or Implemented" column indicates plans for which a financial improvement plan (“FIP”) or a rehabilitation plan (“RP”) is either pending or has been implemented. Information for significant multi-employer pension plans in which the Company participates is included in the table below.

| Pension Fund | EIN-Pension Number | Pension Zone status 2017 | Pension Zone status prior year | FIP/RP status pending or implemented | Contributions 2017 in 1000 CHF | Effective date of current Agreement |
|---|---|---|---|---|---|---|
| Western Conference of Teamsters | 91-6145047 | Green | Green | No | 207 | 5/31/2021 |
| Chicago Carpenters Trust Fund | 36-6130207 | Green | Green | No | 265 | 5/31/2020 |
| Other plans | | | | | 500 | |
| Total | | | | | 972 | |

The risks of participating in multi-employer plans are different from single employer plans as assets contributed are available to provide benefits to employees of other employers and unfunded obligations from an employer that discontinues contributions are the responsibility of all remaining employers. In addition, in the event of a plan's termination or the Company's withdrawal from a plan, the Company may be liable for a portion of the plan's unfunded vested benefits. The Company has withdrawn from the Central States Southeast and Southwest Areas Pension fund for which a demand of 0.5 m CHF has been served. The Company is requesting that the Fund provide the basis used to determine the amount of the demanded liability of 0.5 m CHF and has recorded a reserve of 0.2 m CHF pending an actuary review. The Company does not anticipate withdrawal from any other plans, nor is the Company aware of any expected plan terminations.

At December 31, 2017, approximately 16% of the Company's payroll is for a union workforce which is represented under 12 collective bargaining agreements which are active 2018 through 2021. Upon such dates the agreements renew or are renegotiated.

As per 31 December 2017, liabilities of CHF 0.0 million (previous year CHF 0.8 million) exist to the pension funds.

# 12. Income by divisions and geographical markets

| Income by divisions 2016 CHF 1000 | 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 income by divisions | 379 224 | 53 106 | 7 990 | 440 320 |

| Income by divisions 2017 CHF 1000 | In Switzerland | Abroad, 1) MCH exhibitions 2) Swiss customers | Abroad, foreign customers | Total |
|---|---|---|---|---|
| Exhibition Division | 238 331 | 56 555 1) | – | 294 886 |
| Venues Division | 36 892 | – | – | 36 892 |
| Live Marketing Solutions Division | 55 103 | 5 889 2) | 100 566 | 161 558 |
| Total income by divisions | 330 326 | 62 444 | 100 566 | 493 336 |

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.

# 13. Human resources

| | 2017 | 2016 |
|---|---|---|
| Full-time jobs | 834 | 588 |

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

The full-time jobs are calculated proportionally, $MC^2$ eight months and Masterpiece London one month.

# 14. Financial result

| Financial income | 2017<br>CHF 1000 | 2016<br>CHF 1000 |
|---|---|---|
| Interest income | 80 | 33 |
| Exchange gains | 1 441 | 808 |
| Total financial income | 1 521 | 841 |

| Financial expenses | 2017<br>CHF 1000 | 2016<br>CHF 1000 |
|---|---|---|
| Interest on capital | 3 745 | 3 971 |
| Exchange losses | 298 | 1 016 |
| Bank and credit card charges | 1 321 | 829 |
| Total financial expenses | 5 364 | 5 816 |
| Net financial result | –3 843 | –4 975 |

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

# 15. Taxes

| | 2017<br>CHF 1000 | 2016<br>CHF 1000 |
|---|---|---|
| Current income tax | 2 329 | 1 917 |
| Deferred income tax | –168 | 344 |
| Total income tax | 2 161 | 2 261 |

| | 2017<br>CHF 1000 | 2016<br>CHF 1000 |
|---|---|---|
| Total tax loss carry forward as of 01.01. | 10 743 | 12 102 |
| Change in loss carry forward in the tax balance | 3 100 | –1 359 |
| Total tax loss carry forward as of 31.12. | 13 843 | 10 743 |

| Impact of changes in loss carry forwards on income tax | 2017<br>CHF 1000 | 2016<br>CHF 1000 |
|---|---|---|
| Income tax prior to allowance for loss carry forwards | 1 394 | 2 500 |
| Impact of non-capitalisation of loss carry forwards | 778 | 126 |
| Impact of the use of non-capitalised loss carry forwards | –11 | –365 |
| Income tax with allowance for loss carry forwards | 2 161 | 2 261 |

The average tax rate applied in respect of the result from ordinary activities is -2.0% (previous year 6.2%).

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 to MCH Swiss Exhibition (Basel) Ltd. 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 2017 financial year, the tax loss carry forward decreased by CHF 3.1 million to CHF 13.8 million.

As per 31 December 2017 and 2016, no deferred tax credits were capitalised from loss carry forwards.

# 16. Goodwill

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, Seventh Plane Networks Pvt. Ltd., Creative Management Services, Inc. ($MC^2$ subgroup), art.fair International, Düsseldorf and Masterpiece London Ltd.

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

| Additional disclosure with goodwill charged against equity | 2017<br>CHF 1000 | 2016<br>CHF 1000 |
|---|---|---|
| Result after taxes | –110 344 | 34 336 |
| Theoretical amortisation of goodwill | –13 289 | –2 495 |
| Result after taxes with capitalisation of the goodwill | –123 633 | 31 841 |
| | | |
| Acquisition value of the goodwill | | |
| As per 01.01. | 13 874 | 13 031 |
| Entries | 94 133 | 843 |
| Amortised values | – | – |
| As per 31.12. | 108 007 | 13 874 |
| | | |
| Accumulated amortisation of the goodwill | | |
| As per 01.01. | 9 757 | 7 262 |
| Scheduled amortisation | 13 289 | 2 495 |
| Disposals from accumulated amortisation | – | – |
| As per 31.12. | 23 046 | 9 757 |
| | | |
| Shareholders' equity as per 31.12. | 233 701 | 438 975 |
| Theoretical net book value of goodwill | 84 961 | 4 117 |
| Shareholders' equity with inclusion of the goodwill as per 31.12. | 318 662 | 443 092 |

# 17. Off-balance-sheet transactions

| CHF 1000 | Due in 1 year or less | Due in 2–5 years | Due in 5 years or more | Total |
|---|---|---|---|---|
| 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 |
| Rental contracts for business premises | 10 873 | 30 360 | 1 480 | 42 713 |
| Rental and maintenance contracts for ICT | 220 | 278 | – | 498 |
| Lease commitments for vehicles | 429 | 256 | – | 685 |
| Ground rent | 2 099 | 8 220 | 65 138 | 75 457 |
| As per 31.12.2017 | 13 621 | 39 114 | 66 618 | 119 353 |

# 18. Derivative financial instruments

| 1000 CHF | Contract value 2017 | Contract value 2016 | Replacement value 2017 | Replacement value 2016 | Reason held |
|---|---|---|---|---|---|
| Forward transactions foreign exchange | 18 893 | 23 125 | 257 | 66 | Hedging |
| Total derivative financial instruments | 18 893 | 23 125 | 257 | 66 | |

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

# 19. Loans taken up

| As per 31.12.2016 | Balance sheet | Interest on capital | Interest rate | Including secured by mortages | 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 and fixed-rate loans from shareholders (Canton of Basel-Landschaft) | 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 | |

| As per 31.12.2017 | Balance sheet | Interest on capital | Interest rate | Including secured by mortages | Due date |
|---|---|---|---|---|---|
| | CHF 1 000 | CHF 1 000 | | CHF 1 000 | |
| Short-term and fixed-rate loans from third parties and banks | 562 | 196 | 1.25% | | |
| Short-term and fixed-rate loans from shareholders (Canton of Basel-Landschaft) | 67 | 1 | 2.00% | | 30.06.2018 |
| Non-repayable loan (à fonds perdu) secured with a mortgage | 2 500 | | | 2 500 | 08.07.2018 |
| Total short-term loans (less than 1 year) | 3 129 | 197 | | 2 500 | |
| Long-term and fixed-rate loans from third parties and banks | 46 052 | 1 031 | 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) | 15 867 | 319 | 2% | 15 867 | 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) | 35 000 | | | 35 000 | last amortisation instalment 06.07.2032 |
| Total long-term loans (more than 1 year) | 243 419 | 3 548 | | 67 367 | |
| Total loans taken up as per 31.12.2017 | 246 548 | 3 745 | | 69 867 | |

1) Interest as a subsidy

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

The net debt (short and long-term loans taken up minus cash and cash equivalents) increased to CHF 130.7 million (previous year CHF 69.1 million).

# 20. Further details

## 20.1. Transactions with related parties

As an organiser of exhibitions and various other events, the MCH Group maintains a wide 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 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 for 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 2017 financial year by CHF 0.6 million taking a reference interest rate of 0.92% (previous year CHF 0.7 million with an interest rate of 1.15%). 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 50.0 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 0.4 million (previous year CHF 0.5 million).

$MC^2$ has a future outflow of funds to related parties equivalent to CHF 1.7 million for rental contracts.

## 20.2. Contingent liabilities

On 31 December 2017, 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.
To ensure the obligations taken on by Expomobilia AG in the context of a work contract, MCH Group Ltd. provided guarantees totalling CHF 3.0 million on 31.12.2017 (previous year CHF 3.0 million).

## 20.3. Exchange rates

| Exchange rates | Annual average rates | | Reporting date rates | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| USD | 0.98 | 0.99 | 0.97 | 1.02 |
| EUR | 1.11 | 1.09 | 1.17 | 1.07 |
| HKD (100) | 12.64 | 12.69 | 12.47 | 13.11 |
| INR (100) | 1.51 | 1.47 | 1.53 | 1.5 |
| GBP | 1.27 | 1.33 | 1.32 | 1.26 |
| CNY (100) | 14.59 | 14.84 | 14.96 | 14.62 |

## 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 30 November 2017. 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 16 March 2018.

# 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 2017 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 give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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**

**Valuation of property, plant and equipment (exhibition halls)**

**Accounting of the acquisition of the MC2 group**

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.

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## 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 (Goodwill) to the consolidated financial statements.
Management examines on a yearly basis if there are indicators of goodwill impairment. If such indicators 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:

- 1.5. Valuation and accounting principles, paragraph Goodwill
- 16. Goodwill

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## Valuation of property, plant and equipment (exhibition halls)

### Key Audit Matter

As at 31 December 2017, MCH Group Ltd. has land, buildings and fixed installations in the amount of CHF 388.6 million, of which CHF 299.7 million correspond to exhibition halls situated in Basel.

The recognition of impairments on the exhibition halls situated in Basel during the year under review amount to CHF 102.3 million. The impairment loss was charged proportionally to the carrying amounts of the exhibition halls situated in Basel and recognized accordingly.

Management examines on a yearly basis if there are indicators of impairments of the exhibition halls.

If such indicators 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 evaluate the forecast cash flows. We involved our valuation specialists in order to support our audit procedures.

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 assets and examining the recording of any value adjustments.

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

For further information on the valuation of property, plant and equipment refer to the following:

— 1.4. General posting concepts

— 1.5. Valuation and accounting principles, paragraph tangible fixed assets

— 8. Tangible and intangible assets

## Accounting of the acquisition of the MC2 group

**Key Audit Matter**

During the financial year 2017, MCH Group acquired the MC2 group at the purchase price of USD 108 million.

In order to recognize an acquisition, the acquiring company must evaluate the acquired net assets at actual values. The surplus of the acquisition costs over the newly valuated net assets is to be designated as goodwill.

The MCH Group offsets the goodwill with equity at the acquisition date. The effects of a theoretical capitalization as well as of any impairment are disclosed in the notes to the consolidated financial statements.

The valuation of the acquired assets and liabilities at the acquisition date requires management to make estimates and assumptions that are subject to uncertainty.

**Our response**

We examined amongst others the purchase contract in order to understand the main terms of the transaction and its effects on accounting. We reconciled the payments made with the contract.

For the valuation of the acquired net assets, we performed amongst others the following audit procedures:

— challenging and evaluating the mathematical accuracy of the valuation documentation used by management;

— examining the last audited financial statements of the acquired companies;

— assessing the appropriateness of the chosen valuation method.

We also assessed the proper recording of the acquisition in the consolidated financial statements as well as the appropriateness of disclosures in the consolidated financial statements.

For further information on the accounting of the acquisition of the MC2 group refer to the following:

- 1.2. Consolidation principles
- 1.5. Valuation and accounting principles, paragraph Goodwill
- 9. Investments

## 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 | Christoph Vonder Mühll |
| *Licensed Audit Expert* | *Licensed Audit Expert* |
| *Auditor in Charge* | |

Basel, 16 March 2018

# MCH Group Ltd. Balance sheet

## Statutory accounts of the holding company

| | | 31.12.2017 | | 31.12.2016 | |
|---|---|---|---|---|---|
| Assets | Details | CHF 1000 | % | CHF 1000 | % |
| Cash and cash equivalents | | 11 079 | – | 8 756 | – |
| Accounts receivable for deliveries and services from third parties | | 0 | – | 1 | – |
| Accounts receivable for deliveries and services from holdings | | 3 011 | – | 3 513 | – |
| Other current receivables from third parties | | 615 | – | 7 240 | – |
| Other curent receivables from holdings | 2.1 | 4 304 | – | 0 | – |
| Prepayments and accrued income | | 569 | – | 171 | – |
| Prepayments and accrued income from holdings | | 0 | – | 1 313 | – |
| Total current assets | | 19 578 | 7.0 | 20 994 | 11.4 |
| | | | | | |
| Long-term loans to group companies | | 100 734 | – | 20 821 | – |
| Investments | 2.1 | 160 919 | – | 142 094 | – |
| Total non-current assets | | 261 653 | 93.0 | 162 915 | 88.6 |
| | | | | | |
| Total assets | | 281 231 | 100.0 | 183 909 | 100.0 |

| | | 31.12.2017 | | 31.12.2016 | |
|---|---|---|---|---|---|
| Liabilities | Details | CHF 1000 | % | CHF 1000 | % |
| Accounts payable for deliveries and services | | 1 015 | – | 318 | – |
| Other short-term liabilities | | 375 | – | 50 | – |
| Other short-term liabilities towards holdings | | 1 436 | – | 1 543 | – |
| Accrued expenses and deferred income | | 1 485 | – | 4 059 | – |
| Accrued expenses and deferred income towards holdings | | 0 | – | 25 | – |
| Total short-term liabilities | | 4 311 | 1.5 | 5 995 | 3.3 |
| | | | | | |
| Long-term interest-bearing liabilities towards holdings | | 107 192 | – | 5 000 | – |
| Long-term non-interest-bearing liabilities towards holdings | | 10 000 | – | 10 500 | – |
| Total long-term liabilities | | 117 192 | 41.7 | 15 500 | 8.4 |
| | | | | | |
| Total liabilities | | 121 503 | 43.2 | 21 495 | 11.7 |
| | | | | | |
| Share capital | 2.2 | 60 066 | – | 60 066 | – |
| Statutory capital reserves | | | | | |
| - Reserves from capital contributions | | 27 990 | – | 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 | | 18 154 | – | 17 684 | – |
| Annual profit | | 318 | – | 3 473 | – |
| Total shareholders’ equity | | 159 728 | 56.8 | 162 414 | 88.3 |
| | | | | | |
| Total liabilities and shareholders’ equity | | 281 231 | 100.0 | 183 909 | 100.0 |

# MCH Group Ltd. Income statement

## Statutory accounts of the holding company

| | | 2017 | 2016 |
|---|---|---|---|
| Income | Details | CHF 1000 | CHF 1000 |
| Dividend income from subsidiaries | 2.1 | 18 186 | 26 186 |
| Other financial income from subsidiareies | | 4 638 | 236 |
| Other financial income | | 4 | 5 |
| Management fee from group companies | | 10 785 | 13 404 |
| Remaining operating income | | | |
| Services with third parties | | 69 | 65 |
| Other operating income | | 3 | 3 |
| Revenue reductions | | –3 | –14 |
| Total operating income | | 33 682 | 39 885 |

| Expenses | | CHF 1000 | CHF 1000 |
|---|---|---|---|
| Employees | | –6 496 | –8 669 |
| Financial expenses from subsidiareies | | –6 194 | –183 |
| Other fnancial expenses | | –92 | –93 |
| Remaining operating expenditure | | | |
| Administration | | –8 379 | –6 607 |
| Insurances | | –30 | –107 |
| Set-up expenses | | –57 | –719 |
| Operating expenses | | –64 | –1 228 |
| Advertising, press, public relations | | –1 050 | –1 247 |
| Value adjustments on investments | | –11 002 | –17 559 |
| Total operating expenses | | –33 364 | –36 412 |
| Total pre-tax profit | | 318 | 3 473 |
| Income tax | | 0 | 0 |
| Annual profit | | 318 | 3 473 |

# MCH Group Ltd. 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 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 and stated under “Accrued expenses and deferred income“.

### 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 Investments

The direct and principal indirect holdings are listed in the notes to the group accounts.
Financial Report / Notes to the Group Accounts / Investments
The capital share corresponds to the voting share.

At the extraordinary General Meetings of MCH Swiss Exhibition (Basel) Ltd. of 15 January 2018 and 07 March 2018, the payment of a dividend of CHF 4,000,000 and CHF 1,500,000 was decided on. These dividends are already entered as dividend income in the present annual accounts and stated under other current receivables from holdings.

### 2.2 Share capital

As at 31.12.2017, the share capital is divided into 6,006,575 registered shares with a nominal value of CHF 10.00 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

To ensure the 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 31.12.2017 (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 100.0 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.

### 3.5 Key shareholders

At the end of 2017, 2,936 (previous year 3,185) registered shareholders were entered in the share register.

Shareholding 31.12. 2017 (31.12.2016):

- Canton Basel-Stadt: 33.5% (33.5%)
- Canton Basel-Landschaft: 7.8% (7.8%)
- LB (Swiss) Investment AG: 9.6% (9.4%) [1)]
- Canton of Zurich: 4.0% (4.0%)
- City of Zurich: 3.7% (3.7%)

[1)] Entered in the “Shareholders with voting rights” share register with 300,328 shares (5%)

### 3.7 Disclosure of participation rights

The participation rights of members of the Board of Directors and the Executive Board are shown in the Annual Report.
Annual Report / Board of Directors
Annual Report / Executive Board

# 4. Proposal for profit distribution

| | 2017 | 2016 |
|---|---|---|
| | CHF 1000 | CHF 1000 |
| Profit brought forward from previous year | 18 154 | 17 684 |
| Annual profits | 318 | 3 473 |
| Total net profit for the year | 18 472 | 21 157 |
| | | |
| The board of Directors propose the Annual General | | |
| meeting the following appropriation: | | |
| | | |
| Dividend [1] | – | 3 003 |
| Allocation to statutory reserve | – | – |
| Balance carried forward | 18 472 | 18 154 |
| Total net profit for the year | 18 472 | 21 157 |

1) The Board of Directors proposes that the available distributable retained earnings be carried forward to new account (previous year dividend of CHF 0.50 per share with a nominal value of CHF 10 per share).

# 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 December 2017, 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 for the year ended 31 December 2017 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 2017, MCH Group Ltd. AG holds investments in the amount of CHF 160.1 million.

The value adjustments recorded on investments during the year 2017 amount to CHF 11.0 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 Mühll
*Licensed Audit Expert*

Basel, 16 March 2018

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MCH Group
Global Live Marketing

Reports 2017

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The Reports 2017 of MCH Group
are available in German, English
and French. The German version is
legally binding. 20 march 2018