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Group Balance Sheet

Assets	Details	31.12.2018 CHF 1000	%	31.12.2017 CHF 1000	%
Cash and cash equivalents	2	129 496	–	115 887	–
Trade accounts receivable	3	66 527	–	81 038	–
Other receivables		5 205	–	5 796	–
Inventories and work in progress	4	11 184	–	13 797	–
Prepayments and accrued income	6	37 611	–	43 387	–
Assets held for sale	7	1	–	-	–
Total current assets		250 024	50.2	259 905	37.8
Tangible fixed assets	8	243 137	–	422 452	–
Financial assets	7	2 163	–	2 175	–
Employer contribution reserve	11	730	–	780	–
Intangible fixed assets	9	2 176	–	2 893	–
Total non-current assets		248 206	49.8	428 300	62.2
Total assets		498 230	100.0	688 205	100.0

Liabilities and shareholders' equity	Details	31.12.2018 CHF 1000	%	31.12.2017 CHF 1000	%
Short-term loans taken up from third parties	19	638	–	562	–
Short-term loans taken up from related parties (shareholders)	19	2 567	–	2 567	–
Trade accounts payable	5	23 493	–	25 375	–
Other payables		19 070	–	11 444	–
Short-term provisions	10	9 095	–	7 505	–
Accrued expenses and deferred income	6	98 030	–	138 440	–
Total current liabilities		152 893	30.7	185 893	27.0
Long-term loans taken up from third parties	19	45 213	–	46 052	–
Long-term loans taken up from related parties (shareholders)	19	129 800	–	197 367	–
Bond	19	100 000	–	–	–
Long-term provisions	10	13 443	–	25 192	–
Total non-current liabilities		288 456	57.9	268 611	39.0
Total liabilities		441 349	88.6	454 504	66.0
Share capital		60 066	–	60 066	–
Capital reserves		74 310	–	74 310	–
Retained earnings		–78 838	–	97 943	–
Non-controlling interests		1 343	–	1 382	–
Total shareholders’ equity		56 881	11.4	233 701	34.0
Total liabilities and shareholders' equity		498 230	100.0	688 205	100.0

Group Income Statement

	Details	2018 CHF 1 000	2017 CHF 1 000
Services, stand construction		289 837	259 854
Surface areas		145 207	140 915
Admissions		12 894	12 782
Media, sponsoring		35 282	43 758
Utility connections		5 435	6 617
Furniture, other fittings		13 742	11 172
Conferences		11 192	9 480
Parking		4 461	4 162
Revenue reductions		–1 848	–2 654
Net sales from deliveries and services		516 202	486 086
Other operating ncome		6 312	6 477
Changes in work in progress		263	773
Total operating income	12	522 777	493 336

	Details	CHF 1 000	CHF 1 000
Personnel expenses		–145 222	–120 478
Administration		–27 510	–19 814
Maintenance, repairs		–12 716	–13 639
Insurance, ground rent, rents		–22 785	–20 198
Energy		–7 372	–9 009
Furnishing expenses, stand construction		–166 808	–144 589
Exhibition and conference operations [1)]		–83 200	–74 677
Advertising, press, public relations		–32 742	–32 458
Other operating expenses [1)]		–2 545	–14 654
Loss on sale of investments	7	–17 836	–
Depreciation		–186 131	–147 770
Total operating expenses		–704 867	–597 286

1) Reclassification of TCHF 14 654 to Other operating expenses in previous year's figures

	Details	2018 CHF 1000	2017 CHF 1000
Operating result		–182 090	–103 950
Result of associated organisations		150	–390
Financial result net	14	–7 149	–3 843
Result before taxes		–189 089	–108 183
Income tax	15	–1 344	–2 161
Loss for the year		–190 433	–110 344
of which attributable to non-controlling interests		10	–346
of which attributable to the shareholders of the parent company		–190 443	–109 998
Result per share in CHF (diluted / undiluted)		–31.70 per share	–18.30 per share

Group Cash Flow Statement

Fund of cash and cash equivalents

Cash flow from operating activities	Details	2018 CHF 1000	2017 CHF 1000
Loss of the year attributable to the shareholders of the parent company		–190 443	–109 998
Result attributable to non-controlling interests		10	–346
Book loss / profit from the sale of fixed assets		620	–161
Reduction of non repayable loan not affecting the fund	19	–2 500	–2 500
Depreciation		186 131	147 770
Loss on sale of investments	7	17 836	–
Attributable gain / loss of associated organisations		–150	390
Decrease trade accounts receivable		13 273	12 052
Increase / Decrease other receivables		–35	8 883
Decrease / Increase inventories and work in progress		2 205	–3 927
Decrease prepayments and accrued income		5 565	4 456
Decrease / Increase trade accounts payable		–1 797	1 414
Increase / Decrease other payables		7 961	–5 922
Decrease accrued expenses and deferred income		–39 296	–5 277
Decrease / Increase provisions		–9 324	21 027
Decrease employer contribution reserve	11	50	–
Net cash flow from operating activities		–9 894	67 861

Cash flow from investment activities	Details	2018 CHF 1000	2017 CHF 1000
Investments in land, buildings and fixed installations, assets under construction		–3 008	–3 666
Investments in other tangible fixed assets		–9 759	–5 476
Investments in software and intangible fixed assets		–2 432	–4 136
Divestment of tangible fixed assets		6 088	310
Repayment of loans granted to others		95	30
Loans granted to others		–	–95
Investments in consolidated companies (without acquired cash and cash equivalents)		–	–114 692
Investments in associated companies		–264	–294
Disposal of consolidated companies (less disposed cash and cash equivalents)		–1 532	–
Net cash flow from investment activities		–10 812	–128 019

Cash flow from financing operations	Details	CHF 1000	CHF 1000
Dividends to shareholders		–	–3 003
Buyout of non-controlling interests		–74	–
Short-term loans taken up		434	–
Long-term loans taken up		100 000	281
Repayment of short-term loans		–913	–
Repayment of long-term loans		–65 334	–51 296
Net cash flow from financing operations		34 113	–54 018
Currency translation differences		202	–742
Net cash flow		13 609	–114 918
Cash and cash equivalents at the beginning of the financial year	2	115 887	230 805
Cash and cash equivalents at the end of the financial year	2	129 496	115 887

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	Capital reserves	Retained earnings				Non-controlling interests	Total
			Accumulated currency translation differences	Hedging reserve	Retained profits	Total retained earnings		
As of 01.01.2017	60 066	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 from investment	–	–	–	–	–94 133	–94 133	–	–94 133
Non-controlling interests in the capital of acquired companies and buyout of non-controlling interests	–	–	–	–	–	–	1 249	1 249
Transaction with shareholders	–	–	–	–	1 514	1 514	–	1 514
Dividends 2016 paid in 2017	–	–	–	–	–3 003	–3 003	–	–3 003
Loss for the year 2017	–	–	–	–	–109 998	–109 998	–346	–110 344
As of 31.12.2017	60 066	74 310	–332	256	98 019	97 943	1 382	233 701
Currency translation differences	–	–	289	–	–	289	–35	254
Changes from cash flow hedges	–	–	–	18	–	18	–	18
Goodwill from divestment	–	–	–	–	13 846	13 846	–	13 846
Change in consolidation scope	–	–	–	–	–150	–150	–	–150
Goodwill from investment	–	–	–	–	–341	–341	–	–341
Non-controlling interests in the capital of acquired companies and buyout of non-controlling interests	–	–	–	–	–	–	–14	–14
Loss for the year 2018	–	–	–	–	–190 443	–190 443	10	–190 433
As of 31.12.2018	60 066	74 310	–43	274	–79 069	–78 838	1 343	56 881

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 64.2 million (previous year CHF 85.0 million).

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 of 31 December 2018 is CHF 19.95 (previous year CHF 66.30).

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 of 31 December 2018 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 on 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, observing the following criteria:

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

Initial consolidation is performed at the time at which MCH Group Ltd. acquires control over the company. The assets and liabilities of the company acquired are valued at their current value at the time of acquisition, applying uniform group principles. Any difference remaining between the purchase price and the equity of the acquired company following this re-evaluation is directly charged against or credited to the retained earnings as goodwill. Upon disposal of an investment, the goodwill previously recognised in equity is taken into account at the original cost for purposes of determining the gain or loss on disposal of the investment recognised in profit or loss. This transaction is disclosed on a separate line in the equity statement. Transaction costs are recognised as expenses.

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 that do not result in the parent company losing control of the subsidiary are treated as equity transactions (i.e. transactions with owners in their capacity as owners). When shares are sold to minority shareholders, the difference between the selling price and the pro-rata book value of the net assets sold is recognised in 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 year-end 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 on the balance sheet date. The effects of foreign currency adjustments are included in the income statement. Unrealised exchange gains are similarly recognised in net income.

Transactions in foreign currencies are converted at the official monthly average rate of the Swiss Federal Tax Administration for the month in question (previous year for third-party sales without value added tax, on the basis of the currently weekly exchange rate). Other transactions in in foreign currencies can also be converted at the current exchange 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 sales with exhibitions, events and stand construction projects. The sales and associated expenditure for exhibitions and events are recognised, affecting net income, at the time the event is held. The last day of the exhibition or event is decisive for recognition in net income. Profit from stand construction projects is realised at the time of the event, or when the benefits and risks of the delivery and/or service pass to the purchaser. Deposits received from customers or paid to suppliers for projects in future business years are entered as prepayments and deferred income on the balance sheet.

Cash and cash equivalents

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

Accounts receivable for deliveries and services

Receivables are stated at their net value, i.e. after deduction of any appropriate impairment (bad debt provision). Receivables are first written down individually and then a lump-sum value adjustment performed on the remaining balance on the basis of experience acquired, without taking into account 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%

Assets held for sale

The valuation of assets held for sale does not differ from the fundamental valuation of assets as per Swiss GAAP FER. Since the value in use is no longer appropriate, a value adjustment is made on the basis of the net market value less the costs incurred in selling. If no current value is available, the assets held for sale are valued at most at acquisition cost less any impairment.

Inventories and work in progress

Inventories

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

Work in progress

Work in progress relates to long-term projects for stand construction, which is recognised and valued by 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. A 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 in the reporting year for exhibitions and events taking place 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 on 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

The pension obligations of the Group companies for old age, death and disability are based on the local regulations and practices in the countries concerned. The most important companies are located in Switzerland, where employee pensions are managed by a legally independent foundation. Only isolated pension plans are operated abroad. The actual economic impacts of all the group's pension plans are calculated as per the balance sheet date.

Any benefit arising from the employer contribution provisions is recognised as an asset. The capitalisation of any further economic benefit (resulting from an excess funded status of the pension fund) is neither intended nor are the conditions for this fulfilled. An economic obligation is recognised as a liability if the conditions for the formation of a provision are fulfilled or, where appropriate, is stated as an obligation.

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 to 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 their current value. The excess of the acquisition costs over the revalued net assets corresponds to goodwill. Goodwill is offset directly against 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 goodwill and the equity is set out separately in the equity statement and in the notes. The goodwill is amortised on a theoretical basis over a period of five years. In the event of any impairment of the goodwill, this will be stated in the notes.

Upon disposal of an investment, the goodwill previously recognised in equity is taken into account at the original cost for purposes of determining the gain or loss to be recognised in profit or loss.

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 rate 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 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 was to run for 20 years and incurred the obligation to continue operating the Congress Center Basel (CCB) for 20 years. Under buildings and fixed installations, an acquisition value for the same amount as the non-repayable loan secured by a mortgage was eliminated and depreciated annually (for the first time in the 2013 financial year) by an amount of CHF 2.5 million (as the equivalent of the annual subsidy of CHF 2.5 million for the non-repayable loan).

2. Cash and cash equivalents

	31.12.2018 CHF 1000	31.12.2017 CHF 1000
Cash, Post Office	19 139	21 049
Bank	97 376	81 519
Fixed deposits	12 981	13 319
Total cash and cash equivalents	129 496	115 887

3. Trade accounts receivable

	31.12.2018 CHF 1000	31.12.2017 CHF 1000
Trade accounts receivable	70 337	85 345
Bad debt provision	–3 810	–4 307
Total trade accounts receivable	66 527	81 038

Aging	31.12.2018 CHF 1000	31.12.2017 CHF 1000
Not due	31 393	33 668
Due within 60 days	31 869	31 171
Due after 60 days	7 075	20 506
Total trade accounts receivable	70 337	85 345

4. Inventories and work in progress

Composition of inventories	31.12.2018 CHF 1000	31.12.2017 CHF 1000
Raw materials	987	1 015
Consumables and supplies	235	62
Semi-finished products	1 158	1 644
Merchandise	134	29
Value allowance on inventories	–1 074	–995
Total inventories	1 440	1 755

Composition of work in progress	31.12.2018 CHF 1000	31.12.2017 CHF 1000
Long-term customer contracts	9 823	12 784
Value allowance on long-term customer contracts	–79	–80
Down payments received for long-term customer contracts	–	–662
Total work in progress	9 744	12 042

Total inventories and work in progress	11 184	13 797

5. Trade accounts payable

	31.12.2018 CHF 1000	31.12.2017 CHF 1000
Trade accounts payable	23 493	25 375
Total trade accounts payable	23 493	25 375

6. Prepayments, accruals and deferrals

Composition of prepayments and accrued income	31.12.2018 CHF 1000	31.12.2017 CHF 1000
Exhibitions and events	23 957	27 601
Stand construction sales not yet invoiced	9 307	10 498
Prepaid rents	490	2 184
Other	3 857	3 104
Total of prepayments and accrued income	37 611	43 387

Composition of accrued expenses and deferred income	31.12.2018 CHF 1000	31.12.2017 CHF 1000
Services invoiced in advance for exhibitions and events	61 023	103 160
Down payments for long-term customer contracts	9 271	15 397
Staff	11 782	10 342
Accrual for current tax	2 067	1 359
Other	13 887	8 182
Total of accrued expenses and deferred income	98 030	138 440

The level of prepayments, accruals and deferrals is influenced primarily by the frequency of the individual exhibitions. As of 31 December 2018, this essentially relates to the following exhibitions in 2019: Baselworld, muba, Giardina, SWISS-MOTO and Habitat-Jardin. Own work for exhibitions and events totalling CHF 9.2 million (previous year CHF 12.1 million) is included under prepayments and accrued income. Under other accrued expenses and deferred income, the expected loss for events in the following year that are likely to close with a loss has been deferred in the 2018 financial year already.

7. Financial assets

	31.12.2018 CHF 1000	31.12.2017 CHF 1000
Other loans	134	229
Total loans	134	229

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

Composition of equity investments	31.12.2018 CHF 1000	31.12.2017 CHF 1000
Parkhaus Messe Zürich AG	1 712	1 711
metron Vilshofen GmbH	317	166
art.fair International GmbH [1]	–	69
Total equity investments	2 029	1 946
Total financial assets	2 163	2 175
Value allowance on equity investments [1]	67	–
Assets held for sale in current assets [1]	1	–

1) The investment in art.fair International GmbH was reclassified to current assets (assets held for sale) and valuated at a net market value of TCHF 1

Investments in subsidiaries

Investments in subsidiaries	City	Activity		Share capital as of 31.12.2018 in 1000	Holding as of 31.12.2018 in %	Share capital as of 31.12.2017 in 1000	Holding as of 31.12.2017 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 [4)]	Wohlen	Event technology	A	CHF 0	0.0	CHF 100	100.0
MCH Live Marketing Solutions AG [1)]	Effretikon	Stand construction	A	CHF 300	100.0	CHF 300	100.0
Techno Fot AG [1)]	Effretikon	Digital printing	D	CHF 400	100.0	CHF 400	100.0
Rufener events Ltd. [1)]	Zurich	Event management	A	CHF 100	100.0	CHF 100	100.0
Oceansalt LLC [1)]	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 100	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	B	CHF 50	100.0	CHF 50	100.0
UAI Holding AG	Fällanden	Subholding	G	CHF 0	0.0	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
MCH Group Asia Ltd. [6)]	Hong Kong	Exhibitions	B	HKD 1	100.0	HKD 1	100.0
Reflection Marketing AG [1)]	Wallisellen	Strategic Marketing Consulting	D	CHF 100	100.0	CHF 100	100.0
Seventh Plane Networks Pvt. Ltd.	New Delhi	Exhibitions	B	INR 300	65.0	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 30 000	100.0
Creative Management Services, Inc.	Missouri	Live Marketing Solutions	H	USD 0	98.0	USD 0	98.0
Creative Management Services, LLC	Delaware	Live Marketing Solutions	I	USD 45	98.0	USD 45	98.0
Creative Management Services II, LLC	Missouri	Live Marketing Solutions	K	USD 0	98.0	USD 0	98.0
Creative Management Holding GmbH	Hilden	Live Marketing Solutions	K	EUR 25	98.0	EUR 25	98.0
MC2 Europe GmbH 3)	Hilden	Live Marketing Solutions	L	EUR 200	49.0	EUR 200	49.0
Masterpiece London Ltd.	London	Exhibitions	B	GPB 19	67.5	GBP 19	67.5
Expomobilia MCH Global Middle East (Dubai) LLC	Dubai	Live Marketing Solutions	D	UAE 300	100.0		

Investments in associated companies	City	Activity		Share capital as of 31.12.2018 in 1000	Holding as of 31.12.2018 in %	Share capital as of 31.12.2017 in 1000	Holding as of 31.12.2017 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 5)	Cologne	Exhibitions	B	EUR 25	25.1	EUR 25	25.1

Minority investments	City	Activity		Share capital as of 31.12.2018 in 1000	Holding as of 31.12.2018 in %	Share capital as of 31.12.2017 in 1000	Holding as of 31.12.2017 in %
Design Miami II LLC	Miami	Exhibitions	B	USD 430	10.0	USD 430	10.0

1) These companies will be merged into MCH Live Marketing Solutions AG on 01.01.2019
2) The company Design Miami Basel AG is controlled by MCH Swiss Exhibition (Basel) Ltd.
3) The company MC^2 Europe GmbH is controlled by Creative Management Holding GmbH on the basis of a contractual agreement.
4) The company Winkler Livecom AG was sold to the local management and a private investor on 31.12.2018
5) The investment in art.fair International GmbH was reclassified to current assets (assets held for sale) and valuated at a net market value of TCHF 1
6) Renamed in 2018, fromer Asian Art Fairs Ltd.
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 MCH Live Marketing Solutions AG (renamed in 2018; former Expomobilia AG)
E Company owned by MCH Live Marketing Solutions AG (2017 Rufener events Ltd.)
F Company owned by MCH Beaulieu Lausanne SA
G The UAI Holding AG has been merged into MCH Swiss Exhibition (Basel) Ltd. in 2018
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 MC^2 subgroup.

Change in consolidation scope

MCH Swiss Exhibition (Basel) Ltd. is entitled to acquire further shares in Seventh Plane Networks Pvt. Ltd. In the 2018 financial year, its majority holding increased from 60.5% to 65%.

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. The options are not facts that require posting.

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 of 30 April 2017. MCH Group Ltd. has a repurchasing right permitting it to buy back as of 30 April 2020, indirectly via the intermediate company, those 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 MCH US Corp. The options are not facts that require posting.

With the purchase and assignment agreement of 3 July 2015, MCH Group Ltd. acquired 20% of the share capital of metron Vilshofen GmbH, Vilshofen (Germany) as of 1 January 2015. With regard to the remaining 80% of the capital shares, the parties agreed in the purchase and assignment agreement that the sale, which similarly took place on 3 July 2015, would be completed with effect on 1 January 2019. The purchase and assignment agreement of July 3, 2015 gave both parties a right of withdrawal by the end of 31 December 2018, with this right to be exercised by 30 September 2018. With the amendment agreement of 8 August 2018, the parties amended the contents of the purchase and assignment agreement of 3 July 2015. MCH Group Ltd. was granted certain purchase rights with regard to the remaining 80% capital share and was subjected to certain joint sale obligations with regard to its capital share of 20%. The right of withdrawal was extended until the end of 31 December 2021, to be exercised by 30 September 2021, and its content modified. The options are not facts that require posting.

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 their market value, are thus CHF 0.6 million as of 30 November 2017. MCH Swiss Exhibition (Basel) Ltd. is entitled to acquire the remaining shares in Masterpiece London Ltd. following the registration of the 2023 audited annual accounts. The options are not facts that require posting.

MCH Group Ltd. sold the subsidiary Winkler Livecom AG in Wohlen to the management of the technical live communication service provider and a private investor. The sale was completed on 31.12.2018, which is why all the assets and liabilities were transferred to the new owners on this date and are thus no longer included in the group accounts. The annual result of Winkler Livecom AG, by contrast, which had annual operating sales of CHF 22.9 million, is included in the group accounts up to the transaction date. An overall loss of CHF 17.8 million resulted from the sale of Winkler Livecom AG. This is composed of CHF 13.8 million write-downs for goodwill (“recycling” via the income statement, since the goodwill was offset directly against equity at the time of acquisition), CHF 1.1 million from the sale of the shares and CHF 2.9 million from a value adjustment on a group loan associated with the sale.

8. Tangible fixed assets

Composition of tangible fixed assets CHF 1000	Land	Buildings and fixed installations	Assets under construction	Other tangible fixed assets	Total
Purchase costs as of 1.1.2017	10 650	906 291	862	146 920	1 064 723
Depreciated values 1)	–	–	–	–2 544	–2 544
+ Additions	–	3 601	65	5 476	9 142
Reclassifications	–	–	–	–244	–244
Currency translation differences	–	29	–	–137	–108
Change in consolidation scope	–	7 681	–	13 198	20 879
– Disposals	–	–	–	–147	–147
Purchase values as of 31.12.2017	10 650	917 602	927	162 522	1 091 701
Accumulated depreciation as of 1.1.2017	–	–404 844	–	–104 708	–509 552
+ Reductions in value adjustments 1)	–	–	–	2 544	2 544
– Depreciations charged in 2017	–	–31 669	–	–12 236	–43 905
– Value impairments 2017	–	–96 634	–	–5 007	–101 641
Reclassifications	–	–	–	215	215
Currency translation differences	–	–10	–	51	41
Change in consolidation scope	–	–6 432	–	–10 519	–16 951
Total accumulated depreciation as of 31.12.2017	–	–539 589	–	–129 660	–669 249
Net book value as of 31.12.2017	10 650	378 013	927	32 862	422 452
Purchase costs as of 1.1.2018	10 650	917 602	927	162 522	1 091 701
Depreciated values 1)	–	–6 807	–	–2 300	–9 107
+ Additions	–	3 307	–	9 872	13 179
Currency translation differences	–	–73	–	–75	–148
Change in consolidation scope	–	–136	–	–63 594	–63 730
– Disposals	–2 750	–3 845	–	–109	–6 704
Purchase values as of 31.12.2018	7 900	910 048	927	106 316	1 025 191
Accumulated depreciation as of 1.1.2018	–	–539 589	–	–129 660	–669 249
+ Reductions in value adjustments 1)	–	6 807	–	2 300	9 107
– Depreciations charged in 2018	–	–25 084	–	–12 019	–37 103
– Value impairments 2018	–	–132 319	–	–13 359	–145 678
Currency translation differences	–	87	–	105	192
Change in consolidation scope	–	136	–	60 541	60 677
Total accumulated depreciation as of 31.12.2018	–	–689 962	–	–92 092	–782 054
Net book value as of 31.12.2018	7 900	220 086	927	14 224	243 137

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

Depreciation	2018 CHF 1000	2017 CHF 1000
Scheduled depreciation of buildings and fixed installations	25 084	31 669
Scheduled depreciation of other tangible fixed assets	12 019	12 236
Value impairment of buildings and fixed installations	132 319	96 634
Value impairment of other tangible fixed assets	13 359	5 007
Total depreciation of tangible fixed assets	182 781	145 546

Fire insurance values	31.12.2018 CHF 1000	31.12.2017 CHF 1000
Buildings, fixed installations	1 130 306	1 158 570
Other tangible fixed assets	195 987	216 609

The group’s outstanding mortgages at the Zurich location are CHF 2.4 million (previous year CHF 32.5 million) and at the Basel location CHF 35.0 million (previous year CHF 37.5 million). The corresponding book values of the mortgaged buildings are CHF 35.9 million (previous year CHF 46.0 million) in Zurich and CHF 6.7 million (previous year CHF 14.0 million) in Basel.

In accordance with the decision of the Cantonal Parliament of 12 March 2008 relating to the financing concept for the new Messe Basel complex (formerly the Exhibition Center Basel 2012), security was provided for the non-repayable loan of CHF 50.0 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 MCH Group performs an impairment review of its exhibition halls every year. Doing so, it compares the current book value of the exhibition halls with the attainable value (value in use). The value in use is calculated on the basis of the estimated future cash flows. The future cash flows, in turn, are based on the estimated future and discounted sales and expenditure. In the reporting year, the values in use of the exhibition halls in Basel and Zurich (previous year only Basel), were calculated on the basis of the attainable hall rental income (previous year attainable exhibition revenues). Due to the lower estimates for expected future income in the national exhibition business, the associated lower capacity utilisation of the exhibition halls and the application of a slightly higher discount rate of 6.4% (previous year 6.1%), a lower value in use resulted than for the previous year, necessitating a further value adjustment of CHF 132.3 million (previous year CHF 102.3 million).

The assets under construction are the accrued project costs for the “Rosentalturm” in Basel.

9. Intangible assets

Composition of intangible fixed assets CHF 1000	Intangible fixed assets
Purchase costs as of 1.1.2017	12 356
Depreciated values [1]	–397
+ Additions	4 136
Reclassifications	244
Currency translation differences	24
Change in consolidation scope	3 869
– Disposals	–2
Purchase values as of 31.12.2017	20 230
Accumulated depreciation as of 1.1.2017	–11 672
+ Reductions in value adjustments [1]	397
– Depreciations charged in 2017	–1 389
– Value impairments 2017	–835
Reclassifications	–215
Currency translation differences	–2
Change in consolidation scope	–3 621
Total accumulated depreciation as of 31.12.2017	–17 337
Net book value as of 31.12.2017	2 893
Purchase costs as of 1.1.2018	20 230
Depreciated values [1]	–302
+ Additions	2 583
Currency translation differences	–86
Change in consolidation scope	–1 056
– Disposals	–4
Purchase values as of 31.12.2018	21 365
Accumulated depreciation as of 1.1.2018	–17 337
+ Reductions in value adjustments [1]	302
– Depreciations charged in 2018	–1 134
– Value impairments 2018	–2 149
Currency translation differences	77
Change in consolidation scope	1 052
Total accumulated depreciation as of 31.12.2018	–19 189
Net book value as of 31.12.2018	2 176

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

10. Provisions

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

CHF 1000	As of 01.01.2018	Recognised	Used	Released	Change in consolidation scope and reclassification	As of 31.12.2018	thereof short-term
Repairs to exhibition parking spaces	800	–	–	–	–	800	–
Renovation fund Theater 11	2 044	201	–162	–	–	2 083	–
Restructuring	19 219	5 400	–3 659	–8 857	–1 030	11 073	7 371
Other provisions	7 941	1 048	–7	–2 969	195	6 208	1 724
Deferred income tax provision	2 693	–	–319	–	–	2 374	–
Total provisions	32 697	6 649	–4 147	–11 826	–835	22 538	9 095

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.

In the financial year 2018, a provision was created for the expected costs of the structural and organisational optimisations in the national exhibition and event business. In some cases, the provision that had already been created the previous year was reversed accordingly, insofar as it had not already been used.

The other provisions result from funding shortfalls for pension funds of CHF 0.0 million (previous year CHF 0.6 million), general provisions for potential reimbursement claims CHF 2.5 million (CHF 4.0 million) and miscellaneous provisions totalling CHF 3.7 million (previous year CHF 3.3 million).

11. Employee pension funds

Employer contribution reserve (ECR)	Nominal value	Application waiver	Balance sheet	Constituted	Used	Interest	Change in consolidation scope	Balance sheet	Result for ECR in personnel expense	
CHF 1000	31.12.2018	31.12.2018	31.12.2018	2018	2018	2018	2018	31.12.2017	2018	2017
Pension fund	730	–	730	–	50	–	–	730	50	–
Total	730	–	730	–	50	–	–	730	50	–

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 expense	
CHF 1000	31.12.2018	31.12.2018	31.12.2017	2018	2018	2018	2017
Benefit plans with excess coverage	30 960	–	–	–	6 005	6 005	6 042
Benefit plans with under coverage	–2 300	–	–	–	366	366	476
Total	28 660	–	–	–	6 371	6 371	6 518

Employer contribution reserve (ECR)	Nominal value	Application waiver	Balance sheet	Constituted	Used	Interest	Change in consolidation scope	Balance sheet	Result for ECR in personnel expense	
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 expense	
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 fund of the MCH Group (hereinafter referred to as the pension fund) is independent of the group. The fund is financed by employee and employer contributions as a matter of principle. Membership of the pension fund is compulsory for all employees with permanent contracts at MCH Group Ltd., MCH Swiss Exhibition (Basel) Ltd., MCH Swiss Exhibition (Zurich) Ltd., MCH Live Marketing Solutions AG, Techno Fot AG, Rufener events Ltd., Winkler Livecom AG (until 31.03.2019), 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 amounting to 150% of the contributions paid by the members. Expenditure in the 2018 financial year totalled CHF 6.0 million (previous year CHF 5.9 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 01 January 2018. The mathematical reserve is calculated on an annual basis. The funded status in respect of the net assets of the pension fund is 115.9% as of 31 December 2018 (previous year 119.0%). The total employer contribution reserve as of 31 December 2018 is CHF 0.7 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% of the contributions paid by the members.

Expenditure in the 2018 financial year totalled CHF 0.4 million (statutory contributions of CHF 0.3 million, recapitalisation payment of CHF 0.1 million (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 90.5% as of 31 December 2018 (previous year 98.8%). On the basis of a decision taken by the Foundation's Board of Trustees, the employer made a recapitalisation contribution of CHF 130,000 (previous year CHF 160,000) in the 2018 financial year. Other liabilities include a liability to the semi-autonomous pension fund, Caisse de pension en faveur du personnel de Beaulieu Exploitation SA (under other operating expenditure in the group income statement), to offset underfunding and dilution in the event of a transfer to the MCH Group's pension fund.

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%.

MC^2 contributes to collective pension plans which pay out retirement pensions.

The overall amount is less than 5% of the human resources expenditure in the 2018 financial year. Expenditure in the 2018 financial year was equivalent to CHF 0.5 million (previous year CHF 0.5 million). The Pension Protection Act provides the basis for the annual calculation. The current status report on the scheme is certified by the actuarial advisor each year. Institutions in the red zone are funded to less than 65%, in the yellow zone to less than 80% and those in the green zone are funded to at least 80%. The following table shows whether the Financial Improvement Plan (FIP) or the Rehabilitation Plan (RP) is pending or has already been implemented. The main pension plans are also visible from this.

US Pension Fund	EIN Pension Number	Pension Zone status	Pension Zone status prior year	FIP/RP status pending or implemented	Contributions 2018 CHF 1000	Effective date of current agreement
UIPAT	52-6073909	yellow	yellow	no	469	31.08.2020
Western Conference of Teamsters	91-6145047	green	green	no	438	31.05.2021
Chicago Carpenters Trust Fund	36-6130207	green	green	no	187	31.05.2020
Other plans					194	
Total					1 288	

US Pension Fund	EIN Pension Number	Pension Zone status	Pension Zone status prior year	FIP/RP status pending or implemented	Contributions 2017 CHF 1000	Effective date of current agreement
Western Conference of Teamsters	91-6145047	green	green	no	207	31.05.2021
Chicago Carpenters Trust Fund	36-6130207	green	green	no	265	31.05.2020
Other plans					500	
Total					972	

In the collective pension solutions, the assets are available to provide benefits for the employees of other employers. The employers also jointly to pay any uncovered obligations. In addition, the company can also be liable for any uncovered vested benefits in the event of a termination or withdrawal. The group has withdrawn from the Central States Southeast and Southwest Areas Pension Fund. The application for the refund of the sum paid in, of approximately CHF 0.5 million, has been submitted. Until the actuarial advisor has completed the audit, a provision equivalent to CHF 0.2 million has been formed.

As of 31 December 2018, approximately 15% (previous year 16%) of the human resources expenditure is used for employees in a trade union, taking in 10 (previous year 12) collective agreements. These are in force from 2018 to 2021. By this point in time, the agreements will have been renewed or renegotiated.

As of 31 December 2018, liabilities of CHF 12.0 million (previous year CHF 0.0 million) exist to the pension funds. These liabilities have been booked under the income statement item “Other operating expenses”.

12. Income by divisions and geographical markets

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

Operating income by divisions 2018 CHF 1000	In Switzerland	Abroad, [1] MCH exhibitions [2] Swiss customers	Abroad, foreign customers	Total
Exhibitions	209 247	56 857 [1]	9 112	275 216
Venues	38 458	–	–	38 458
Live Marketing Solutions	53 232	9 097 [2]	146 774	209 103
Total operating income by divisions	300 937	65 954	155 886	522 777

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. Staff

	2018	2017
Full-time jobs	968	834

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

The full-time employees (full-time equivalents) are calculated on a pro-rata basis – eight months for MC^2 and one month for Masterpiece London in the 2017 financial year, and 12 months for Winkler Livecom AG in the 2018 financial year.

14. Financial result

Financial income	2018 CHF 1000	2017 CHF 1000
Interest income	38	80
Exchange gains	1 494	1 441
Total financial income	1 532	1 521

Financial expense	2018 CHF 1000	2017 CHF 1000
Interest on capital	5 591	3 745
Exchange losses	2 098	298
Bank and credit card charges	992	1 321
Total financial expense	8 681	5 364
Financial result net	–7 149	–3 843

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

15. Taxes

	2018 CHF 1000	2017 CHF 1000
Current income tax	1 663	2 329
Deferred income tax	–319	–168
Total income tax	1 344	2 161

	2018 CHF 1000	2017 CHF 1000
Total tax loss carry forward as of 01.01.	13 843	10 743
Change in consolidation scope	–3 145	–
Loss carry forwards expired	–1 540	–
Change in loss carry forward in the tax balance	8 273	3 100
Total tax loss carry forward as of 31.12.	17 431	13 843

Impact of changes in loss carry forwards on income tax	2018 CHF 1000	2017 CHF 1000
Income tax prior to allowance for loss carry forwards	1 048	1 394
Impact of non-capitalisation of loss carry forwards	296	778
Impact of the use of non-capitalised loss carry forwards	–	–11
Income tax with allowance for loss carry forwards	1 344	2 161

The average tax rate applied in respect of the result before tax from ordinary activities is -0.7% (previous year -2.0%).

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.

In each of the companies (with the exception of MCH Swiss Exhibition (Basel) Ltd.), deferred tax is calculated with the effectively applicable tax rate of 18 – 21%. In the 2018 financial year, the tax loss carry forward increased by CHF 3.6 million to CHF 17.4 million.

As of 31 December 2018, 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 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 MCH Group Asia Ltd., Reflection Marketing AG, Seventh Plane Networks Pvt. Ltd., Creative Management Services, Inc. (or MC^2 subgroup), art.fair International, Düsseldorf and Masterpiece London Ltd. In the 2018 financial year, additional shares were purchased in Seventh Plane Networks and earnout payments made for art.fair International.

On the basis of the strategy review of investments in regional art fairs, an impairment of CHF 722,000 was determined for the goodwill that had been offset against equity.

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	2018 CHF 1000	2017 CHF 1000
Loss for the year	–190 433	–110 344
Theoretical amortisation of goodwill	–21 070	–13 289
Result after taxes with capitalisation of the goodwill	–211 503	–123 633

Acquisition value of the goodwill 1)	2018 CHF 1000	2017 CHF 1000
As of 01.01.	108 007	13 874
Additions	341	94 133
As of 31.12.	108 348	108 007

Accumulated amortisation of the goodwill 1)	2018 CHF 1000	2017 CHF 1000
As of 01.01.	23 046	9 757
Scheduled amortisation	20 348	13 289
Value impairment	722	–
As of 31.12.	44 116	23 046

Shareholders' equity as of 31.12.	56 881	233 701
Theoretical net book value of goodwill	64 232	84 961
Shareholders' equity with inclusion of the goodwill as of 31.12.	121 113	318 662

Fully amortised goodwill values	2018 CHF 1000	2017 CHF 1000
As of 01.01.	50 831	50 831
Recycling Goodwill Winkler Livecom AG	–13 846	–
Fully amortised Goodwill values as of 31.12.	36 985	50 831

1) Excluding fully amortised goodwill values

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	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 of 31.12.2017	13 621	39 114	66 618	119 353
Rental contracts for business premises	11 040	26 332	5 135	42 507
Rental and maintenance contracts for ICT	132	133	–	265
Lease commitments for vehicles	206	343	–	549
Rental contracts for exhibition space	930	2 880	5 772	9 582
Ground rent	1 919	7 324	53 619	62 862
As of 31.12.2018	14 227	37 012	64 526	115 765

18. Derivative financial instruments

CHF 1000	Contract value 2018	Contract value 2017	Replacement value 2018	Replacement value 2017	Purpose
Forward transactions foreign exchange	3 376	18 893	18	257	Hedging
Total derivative financial instruments	3 376	18 893	18	257	

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

19. Loans taken up

As of 31.12.2017	Balance sheet	Interest on capital	Interest rate	thereof secured by mortages	Due date
	CHF 1000	CHF 1000		CHF 1000	
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 Zurich)	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 of 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 of 31.12.2017	246 548	3 745	–	69 867	

As of 31.12.2018	Balance sheet	Interest on capital	Interest rate	thereof secured by mortages	Due date
	CHF 1000	CHF 1000		CHF 1000	
Short-term and fixed-rate loans from third parties and banks	638	144	1.25%	–	
Short-term and fixed-rate loans from shareholders (Canton of Zurich)	67	1	2.00%	67	30.06.2019
Non-repayable loan (à fonds perdu) secured with a mortgage	2 500	–	–	2 500	08.07.2019
Total short-term loans (less than 1 year)	3 205	145	–	2 567	
Long-term and fixed-rate loans from third parties and banks	45 213	1 056	1.25%-2.32%	–	01.09.2022 resp. 05.01.2037 annual amortisation obligation CHF 0.2 mn
Bond	100 000	1 172	1.875%	–	
Long-term loans from shareholders (Canton of Basel-Stadt)	0	1 519	2.34%	–	
Long-term loans from shareholders (Canton of Basel-Landschaft)	35 000	1 050	3.00%	–	15.03.2021
Long-term loans from shareholders (Canton of Zurich)	800	319	2%	800	6/30/2031
Long-term loans from shareholders (City of Zurich)	1 500	330	2%	1 500	6/30/2031
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)]	32 500	–	–	32 500	last amortisation instalment 06.07.2032
Total long-term loans (more than 1 year)	275 013	5 446	–	34 800	
Total loans taken up as of 31.12.2018	278 218	5 591	–	37 367	

1) Interest as a subsidy; the interest-free loans of the cantons of Basel-Stadt and Basel-Landschaft are subordinated
2) Financing sum, annual amortisation of CHF 2.5m, as a subsidy from 2013 onwards

In the framework of financing the MCH Group, a CHF 100-million new issue (bond) was raised with a term running from 16.05.2018 to 16.05.2023 (5 years) and a coupon of 1.875%.

The net debt (short and long-term loans taken up minus cash and cash equivalents) increased to CHF 148.7 million (previous year CHF 130.7 million).

20. Further details

20.1. Transactions with related parties

As an organiser of exhibitions and various other events, the MCH Group maintains a range of business relationships with its most important shareholders, the Cantons of Basel-Stadt, Basel-Landschaft, 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 0.9 million and CHF 1.5 million respectively, both subject to 2% interest. In addition, the City of Zurich has made the land required by MCH Swiss Exhibition (Zurich) Ltd. available with a building lease.

In the context of the financing concept for the “Messe Basel New Buildings” for CHF 350 million (including some CHF 40 million from the increase in share capital in 2011), the following transactions were made or have been prepared between MCH Swiss Exhibition (Basel) Ltd. and the public-sector entities. As the parent company, MCH Group Ltd. guarantees 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 2018 financial year by CHF 0.7 million taking a reference interest rate of 1.15% (previous year CHF 0.6 million with an interest rate of 0.92%). 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 0.5 million (previous year CHF 0.4 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 31.12.2018, MCH Swiss Exhibition (Zurich) Ltd. has contingent liabilities of CHF 0.6 million (previous year CHF 0.7 million) in respect of Theater 11 and the renovation of exhibition restaurants.

By way of security for obligations taken on by MCH Live Marketing Solutions AG in the context of a work contract, MCH Group Ltd. provided guarantees totalling CHF 3.0 million as of 31.12.2018 (previous year CHF 3.0 million). By way of security for a rent guarantee for MC^2, a guarantee of USD 2.5 million was issued.

20.3. Exchange rates

Exchange rates	Average annual rates		Year ending rates	
	2018	2017	2018	2017
USD	0.98	0.98	0.99	0.97
EUR	1.15	1.11	1.13	1.17
HKD (100)	12.48	12.64	12.59	12.47
INR (100)	1.43	1.51	1.41	1.53
GBP	1.31	1.27	1.26	1.32
CNY (100)	14.80	14.59	14.36	14.96

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 29 November 2018. 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 18 March 2019.

KPMG

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 2018 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 2018, 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)

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 adressed 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.

1

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

Valuation of property, plant and equipment (exhibition halls)

Key Audit Matter

As at 31 December 2018, MCH Group Ltd. has land, buildings and fixed installations in the amount of CHF 228.0 mio., of which CHF 127.9 mio. correspond to exhibition halls situated in Basel and CHF 35.9 mio. correspond to exhibition halls situated in Zurich.

The recognition of impairments on the exhibition halls situated in Basel and Zurich during the year under review amount to CHF 132.3 mio.

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

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

Claudio Boller
Licensed Audit Expert
Auditor in Charge

Marc Stadelmann
Licensed Audit Expert

Basel, 18 March 2019

MCH Group Ltd. Balance sheet

Statutory accounts of the holding company

		31.12.2018		31.12.2017	
Assets	Details	CHF 1000	%	CHF 1000	%
Cash and cash equivalents		18 102	–	11 079	–
Trade accounts receivable from holdings		2 054	–	3 011	–
Other receivables from third parties		199	–	615	–
Other receivables from holdings	2.1	31 260	–	4 304	–
Prepayments and accrued income from third parties		630	–	569	–
Prepayments and accrued income from holdings		420	–	–	–
Total current assets		52 665	14.8	19 578	7.0
Long-term loans to group companies		144 007	–	100 734	–
Investments	2.1	160 144	–	160 919	–
Total non-current assets		304 151	85.2	261 653	93.0
Total assets		356 816	100.0	281 231	100.0

Liabilities and shareholders' equity	Details	31.12.2018 CHF 1000	%	31.12.2017 CHF 1000	%
Trade accounts payable towards third parties		479	–	1 015	–
Other payables towards third parties		13	–	375	–
Other payables towards holdings		526	–	1 436	–
Accrued expenses and deferred income towards third parties		2 663	–	1 485	–
Accrued expenses and deferred income towards holdings		182	–	0	–
Short-term provisions		1 300		–	–
Total current liabilities		5 163	1.4	4 311	1.5
Long-term interest-bearing liabilities towards holdings		104 198	–	107 192	–
Long-term non-interest-bearing liabilities towards holdings		–	–	10 000	–
Bond		100 000	–	–	–
Total non-current liabilities		204 198	57.2	117 192	41.7
Total liabilities		209 361	58.7	121 503	43.2
Share capital	2.2	60 066	–	60 066	–
Statutory capital reserves					
- Reserves from capital contributions		27 990	–	27 990	–
Statutory retained earnings					
- General statutory retained earnings		5 600	–	5 600	–
Voluntary retained earnings					
- Special reserves		47 600	–	47 600	–
Retained earnings					
- Profit carried forward		18 472	–	18 154	–
- Net loss / profit		–12 273	–	318	–
Total shareholders’ equity		147 455	41.3	159 728	56.8
Total liabilities and shareholders’ equity		356 816	100.0	281 231	100.0

MCH Group Ltd. Income statement

Statutory accounts of the holding company

	Details	2018 CHF 1000	2017 CHF 1000
Dividends from subsidiaries	2.1	5 686	18 186
Other financial income from subsidiareies		6 052	4 638
Other financial income		54	4
Management fee from group companies		11 990	10 785
Other operating income			
- Services with third parties		161	69
- Other operating income		3	3
- Revenue reductions		–1	–3
Total operating income		23 945	33 682
	Details	CHF 1000	CHF 1000
Financial expense from bond		–1 296	-
Financial expense from subsidiareies		–7 950	–6 194
Other fnancial expenses		–206	–92
Personnel expenses		–8 642	–6 496
Value allowance on investments		–775	–11 002
Value allowance on loans	2.3	–6 900	–
Other operating expenses			
- Administration		–8 804	–8 379
- Insurance		–498	–30
- Furnishing expenses		–	–57
- Advertising, press, public relations		–654	–1 050
- Other operating expenses		–414	–64
- Other operating expense from subsidiaries		–79	–
Total operating expenses		–36 218	–33 364
Total result before taxes		–12 273	318
Income tax		–	–
Net loss / profit		–12 273	318

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 reported under the item “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 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.

The capital share corresponds to the voting share.

At the extraordinary general meetings of MCH Swiss Exhibition (Basel) Ltd. on 15 January 2018 and 7 March 2018, it was resolved to pay a dividend of CHF 4.0 million and CHF 1.5 million. These dividends are already entered as dividend income in the 2017 annual accounts and stated under other current receivables from holdings.

2.2 Share capital

As of 31.12.2018, 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).

2.3 Value adjustment on loans

In conjunction with the sale, the loan granted to Winkler Livecom AG for a sum of CHF 6.9 million was similarly written down in full (including CHF 2.9 million subsequent to the sale).

2.4 Bond

In the framework of financing MCH Group Ltd., a CHF 100 million new issue (bond) was raised with a term running from 16.05.2018 to 16.05.2023 (5 years) and a coupon of 1.875%. The fees incurred for the issue of the bond will be charged to the income statement on an accrual basis over the five-year term.

3. Further details

3.1 Full-time employees

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

3.2 Sureties provided for liabilities of third parties

By way of security for obligations taken on by MCH Live Marketing Solutions AG in the context of a work contract, MCH Group Ltd. provided guarantees totalling CHF 3.0 million on 31.12.2018 (previous year CHF 3.0 million). By way of security for a rent guarantee for MC^2, a guarantee of USD 2.5 million was issued.

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 70.0 million, which was taken up for a sum of CHF 40.0 million (previous year CHF 40 million) by MCH Swiss Exhibition (Basel) Ltd. on the balance sheet date. The MCH Group also has a credit limit of a further CHF 30 million.

3.4 Sale of Winkler

MCH Group Ltd. sold subsidiary Winkler Livecom AG in Wohlen to the management of the technical live communication service provider and a private investor. The sale was completed on 31.12.2018, which is why all the assets and liabilities were transferred to the new owners on this date. The book value of the investment in Winkler Livecom AG was written down in full in the previous year already. In conjunction with the sale, the loan granted to Winkler Livecom AG for a sum of CHF 6.9 million was similarly written down in full (including CHF 2.9 million subsequent to the sale).

3.5 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.

3.6 Key shareholders

At the end of 2018, 2,629 (previous year 2,936) registered shareholders were entered in the share register.

Shareholding 31.12. 2018 (31.12.2017):

- Canton Basel-Stadt: 33.5% (33.5%)
- Canton Basel-Landschaft: 7.8% (7.8%)
- LLB Swiss Investment AG: 9.9% (9.6%) [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

	2018	2017
	CHF 1000	CHF 1000
Profit carried forward	18 472	18 154
Net loss / profit	–12 273	318
Retained earnings available	6 199	18 472
The Board of Directors propose the Annual General Meeting the following appropriation:		
Dividend [1]	–	–
Allocation to statutory reserve	–	–
Balance carried forward	6 199	18 472
Retained earnings available	6 199	18 472
	CHF 1000	CHF 1000
Special reserves	47 600	47 600
The Board of Directors proposes to shift the special reserves into the general free reserves.		
Allocation to general free reserves	–47 600	–

1) The Board of Directors proposes to carry forward the available retained earnings to the new accounts (previous year carry forward to the new accounts).

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 2018, 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 2018 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 adressed 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.

KPMG

Investments impairment

Key Audit Matter

As at 31 December 2018, MCH Group Ltd. holds investments in the amount of CHF 160.1 mio.

The value adjustments recorded on investments during the year 2018 amount to CHF 0.8 mio.

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

Claudio Boller
Licensed Audit Expert
Auditor in Charge

Marc Stadelmann
Licensed Audit Expert

Basel, 18 March 2019

MCH Group
Global Live Marketing

Reports 2018

MCH Group Ltd.
4005 Basel, Switzerland
T +41 58 200 20 20
info@mch-group.com
www.mch-group.com

The Reports 2018 of MCH Group are available in German, English and French. The German version is legally binding. 22 march 2019