

# 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:

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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.

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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.

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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.

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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
<b>Total cash and cash equivalents</b>	<b>129 496</b>	<b>115 887</b>

### 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
<b>Total trade accounts receivable</b>	<b>66 527</b>	<b>81 038</b>
<b>Aging</b>	<b>31.12.2018 CHF 1000</b>	<b>31.12.2017 CHF 1000</b>
Not due	31 393	33 668
Due within 60 days	31 869	31 171
Due after 60 days	7 075	20 506
<b>Total trade accounts receivable</b>	<b>70 337</b>	<b>85 345</b>

### 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
<b>Total inventories</b>	<b>1 440</b>	<b>1 755</b>
<b>Composition of work in progress</b>	<b>31.12.2018 CHF 1000</b>	<b>31.12.2017 CHF 1000</b>
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
<b>Total work in progress</b>	<b>9 744</b>	<b>12 042</b>
<b>Total inventories and work in progress</b>	<b>11 184</b>	<b>13 797</b>

## 5. Trade accounts payable

	31.12.2018 CHF 1000	31.12.2017 CHF 1000
Trade accounts payable	23 493	25 375
<b>Total trade accounts payable</b>	<b>23 493</b>	<b>25 375</b>

## 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
<b>Total of prepayments and accrued income</b>	<b>37 611</b>	<b>43 387</b>

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
<b>Total of accrued expenses and deferred income</b>	<b>98 030</b>	<b>138 440</b>

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
<b>Total loans</b>	<b>134</b>	<b>229</b>



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 <sup>1)</sup>	–	69
<b>Total equity investments</b>	<b>2 029</b>	<b>1 946</b>
<b>Total financial assets</b>	<b>2 163</b>	<b>2 175</b>
Value allowance on equity investments <sup>1)</sup>	67	–
Assets held for sale in current assets <sup>1)</sup>	1	–

1) The investment in art.fair International GmbH was reclassified to current assets (assets held for sale) and valued 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 <sup>4)</sup>	Wohlen	Event technology	A	CHF 0	0.0	CHF 100	100.0
MCH Live Marketing Solutions AG <sup>1)</sup>	Effretikon	Stand construction	A	CHF 300	100.0	CHF 300	100.0
Techno Fot AG <sup>1)</sup>	Effretikon	Digital printing	D	CHF 400	100.0	CHF 400	100.0
Rufener events Ltd. <sup>1)</sup>	Zurich	Event management	A	CHF 100	100.0	CHF 100	100.0
Oceansalt LLC <sup>1)</sup>	Zurich	Design	E	CHF 20	100.0	CHF 20	100.0
MCH Global AG <sup>1)</sup>	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 <sup>2)</sup>	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. <sup>6)</sup>	Hong Kong	Exhibitions	B	HKD 1	100.0	HKD 1	100.0
Reflection Marketing AG <sup>1)</sup>	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 <sup>3)</sup>	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 <sup>5)</sup>	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 <sup>2</sup> 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 valued at a net market value of TCHF 1

6) Renamed in 2018, former 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 <sup>2</sup> 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<sup>2</sup>, 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<sup>2</sup> 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 <sup>1)</sup>	-	-	-	-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
<b>Purchase values as of 31.12.2017</b>	<b>10 650</b>	<b>917 602</b>	<b>927</b>	<b>162 522</b>	<b>1 091 701</b>
Accumulated depreciation as of 1.1.2017	-	-404 844	-	-104 708	-509 552
+ Reductions in value adjustments <sup>1)</sup>	-	-	-	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
<b>Net book value as of 31.12.2017</b>	<b>10 650</b>	<b>378 013</b>	<b>927</b>	<b>32 862</b>	<b>422 452</b>
Purchase costs as of 1.1.2018	10 650	917 602	927	162 522	1 091 701
Depreciated values <sup>1)</sup>	-	-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
<b>Purchase values as of 31.12.2018</b>	<b>7 900</b>	<b>910 048</b>	<b>927</b>	<b>106 316</b>	<b>1 025 191</b>
Accumulated depreciation as of 1.1.2018	-	-539 589	-	-129 660	-669 249
+ Reductions in value adjustments <sup>1)</sup>	-	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
<b>Net book value as of 31.12.2018</b>	<b>7 900</b>	<b>220 086</b>	<b>927</b>	<b>14 224</b>	<b>243 137</b>

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

Depreciation	2018	2017
	CHF 1000	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
<b>Total depreciation of tangible fixed assets</b>	<b>182 781</b>	<b>145 546</b>
Fire insurance values	31.12.2018	31.12.2017
	CHF 1000	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 "Rosenturm" 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 <sup>1)</sup>	-397
+ Additions	4 136
Reclassifications	244
Currency translation differences	24
Change in consolidation scope	3 869
- Disposals	-2
<b>Purchase values as of 31.12.2017</b>	<b>20 230</b>
Accumulated depreciation as of 1.1.2017	-11 672
+ Reductions in value adjustments <sup>1)</sup>	397
- Depreciations charged in 2017	-1 389
- Value impairments 2017	-835
Reclassifications	-215
Currency translation differences	-2
Change in consolidation scope	-3 621
<b>Total accumulated depreciation as of 31.12.2017</b>	<b>-17 337</b>
<b>Net book value as of 31.12.2017</b>	<b>2 893</b>
Purchase costs as of 1.1.2018	20 230
Depreciated values <sup>1)</sup>	-302
+ Additions	2 583
Currency translation differences	-86
Change in consolidation scope	-1 056
- Disposals	-4
<b>Purchase values as of 31.12.2018</b>	<b>21 365</b>
Accumulated depreciation as of 1.1.2018	-17 337
+ Reductions in value adjustments <sup>1)</sup>	302
- Depreciations charged in 2018	-1 134
- Value impairments 2018	-2 149
Currency translation differences	77
Change in consolidation scope	1 052
<b>Total accumulated depreciation as of 31.12.2018</b>	<b>-19 189</b>
<b>Net book value as of 31.12.2018</b>	<b>2 176</b>

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	–
<b>Total provisions</b>	<b>11 670</b>	<b>21 878</b>	<b>–501</b>	<b>–3 531</b>	<b>3 181</b>	<b>32 697</b>	<b>7 505</b>

  

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	–
<b>Total provisions</b>	<b>32 697</b>	<b>6 649</b>	<b>–4 147</b>	<b>–11 826</b>	<b>–835</b>	<b>22 538</b>	<b>9 095</b>

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
	31.12.2018	31.12.2018	31.12.2018	2018	2018	2018	2018	31.12.2017	2018
CHF 1000	730	-	730	-	50	-	-	730	50
Pension fund	730	-	730	-	50	-	-	730	50
<b>Total</b>									
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	2017
Benefit plans with excess coverage		30 960	-	-		-		6 005	6 042
Benefit plans with under coverage		-2 300	-	-		-		366	476
<b>Total</b>		28 660	-	-		-		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
	31.12.2017	31.12.2017	31.12.2017	2017	2017	2017	2017	31.12.2016	2017
CHF 1000	780	-	780	-	-	-	-	780	-
Pension fund	780	-	780	-	-	-	-	780	-
<b>Total</b>									
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	2016
Benefit plans with excess coverage		38 000	-	-		-		6 042	5 878
Benefit plans with under coverage		-322	-	-		-		476	553
<b>Total</b>		37 678	-	-		-		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<sup>2</sup> 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	
<b>Total</b>					<b>1 288</b>	

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	
<b>Total</b>					<b>972</b>	

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, <sup>1)</sup> MCH exhibitions <sup>2)</sup> Swiss customers	Abroad, foreign customers	Total
Exhibitions	238 331	56 555 <sup>1)</sup>	–	294 886
Venues	36 892	–	–	36 892
Live Marketing Solutions	55 103	5 889 <sup>2)</sup>	100 566	161 558
<b>Total operating income by divisions</b>	<b>330 326</b>	<b>62 444</b>	<b>100 566</b>	<b>493 336</b>

  

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

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<sup>2</sup> 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
<b>Total financial income</b>	<b>1 532</b>	<b>1 521</b>
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
<b>Total financial expense</b>	<b>8 681</b>	<b>5 364</b>
<b>Financial result net</b>	<b>-7 149</b>	<b>-3 843</b>

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
<b>Total income tax</b>	<b>1 344</b>	<b>2 161</b>

	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
<b>Total tax loss carry forward as of 31.12.</b>	<b>17 431</b>	<b>13 843</b>

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
<b>Income tax with allowance for loss carry forwards</b>	<b>1 344</b>	<b>2 161</b>

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<sup>2</sup> 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	2017
	CHF 1000	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 <sup>1)</sup>		
	2018	2017
	CHF 1000	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 <sup>1)</sup>		
	2018	2017
	CHF 1000	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	2017
	CHF 1000	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
<b>As of 31.12.2017</b>	<b>13 621</b>	<b>39 114</b>	<b>66 618</b>	<b>119 353</b>
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
<b>As of 31.12.2018</b>	<b>14 227</b>	<b>37 012</b>	<b>64 526</b>	<b>115 765</b>

## 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
<b>Total derivative financial instruments</b>	<b>3 376</b>	<b>18 893</b>	<b>18</b>	<b>257</b>	

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 mortgages	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
<b>Total short-term loans (less than 1 year)</b>	<b>3 129</b>	<b>197</b>	<b>–</b>	<b>2 500</b>	
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) <sup>1)</sup>	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 <sup>2)</sup>	35 000	–	–	35 000	last amortisation instalment 06.07.2032
<b>Total long-term loans (more than 1 year)</b>	<b>243 419</b>	<b>3 548</b>	<b>–</b>	<b>67 367</b>	
<b>Total loans taken up as of 31.12.2017</b>	<b>246 548</b>	<b>3 745</b>	<b>–</b>	<b>69 867</b>	

As of 31.12.2018	Balance sheet	Interest on capital	Interest rate	thereof secured by mortgages	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
<b>Total short-term loans (less than 1 year)</b>	<b>3 205</b>	<b>145</b>	<b>–</b>	<b>2 567</b>	
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) <sup>1)</sup>	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 <sup>2)</sup>	32 500	–	–	32 500	last amortisation instalment 06.07.2032
<b>Total long-term loans (more than 1 year)</b>	<b>275 013</b>	<b>5 446</b>	<b>–</b>	<b>34 800</b>	
<b>Total loans taken up as of 31.12.2018</b>	<b>278 218</b>	<b>5 591</b>	<b>–</b>	<b>37 367</b>	

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<sup>2</sup> 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<sup>2</sup>, 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.