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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.

Goodwill impairment

Key Audit Matter

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

The consequences of a theoretical capitalization (acquisition value, residual value, useful life, depreciation) as well as of any impairment are disclosed in note No. 16 (Goodwill) to the consolidated financial statements.
Management examines on a yearly basis if there are indicators of goodwill impairment. If such indicators exist, the carrying amount of the corresponding net assets plus the goodwill is compared to the recoverable amount (value in use). The value in use is based on the estimated and discounted forecast cash flows, which are determined mainly by the estimated future revenues and expenses as well as the discount rate.

Our response

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

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

— comparing business plan data against the latest management approved forecasts and Board approved plans;

— challenging the robustness of the key assumptions used to determine the recoverable amount, including forecast cash flows, long-term growth rates and discount rates by comparing them with publicly available data as well as based on our understanding of the commercial prospects of the related assets;

— comparing the sum of discounted forecast cash flows to the carrying amount of the corresponding net assets plus the goodwill and examining the recording of any value adjustments.

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

For further information on goodwill impairment refer to the following:

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

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Valuation of property, plant and equipment (exhibition halls)

Key Audit Matter

As at 31 December 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

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