

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.

Direct investments in subsidiaries

Investments in subsidiaries	City	Activity		Share capital as of 31.12.2019 in 1000	Holding as of 31.12.2019 in %	Share capital as of 31.12.2018 in 1000	Holding as of 31.12.2018 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 ²⁾	Wohlen	Event technology	A	CHF 0	0.0	CHF 0	0.0
MCH Live Marketing Solutions AG ¹⁾	Effretikon	Stand construction	A	CHF 300	100.0	CHF 300	100.0
Rufener events Ltd. ¹⁾	Zurich	Event management	A	CHF 0	0.0	CHF 100	100.0
MCH Global AG ¹⁾	Basel	Live Marketing Solutions	A	CHF 0	0.0	CHF 100	100.0
MCH US Corp.	Delaware	Live Marketing Solutions	A	USD 30 000	100.0	USD 30 000	100.0
Investments in associated companies	City	Activity		Share capital as of 31.12.2019 in 1000	Holding as of 31.12.2019 in %	Share capital as of 31.12.2018 in 1000	Holding as of 31.12.2018 in %
metron Vilshofen GmbH ³⁾	Vilshofen	Stand construction	A	EUR 140	20.0	EUR 140	20.0

1) These companies will be merged into MCH Live Marketing Solutions AG on 01.01.2019.

2) The company Winkler Livecom AG was sold to the local management and a private investor on 31.12.2018.

3) The investment in Metron Vilshofen GmbH was impaired to the net market value of CHF 1 in 2019.

A Company directly owned by MCH Group Ltd.

2.2 Share capital

As at 31.12.2019, 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 of Winkler Livecom AG, the loans granted to it, for a sum of CHF 6.9 million, were fully written off in the 2018 financial year (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 in 2018, 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 amounting to CHF 1.0 million on 31.12.2019 (previous year CHF 3.0 million). By way of security for a rent guarantee for MC2, 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 40.0 million (previous year 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.

3.4 Sale of Winkler

MCH Group Ltd. sold subsidiary Winkler Livecom AG in Wohlen to the management of the technical live-communications service provider and a private investor. The sale was completed on 31.12.2018, which is why all the assets and debts were transferred to the new owners on that date. The book value of the investment in Winkler Livecom AG was fully written down in the 2017 financial 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 2019, 2,360 (previous year 2,629) registered shareholders were entered in the share register.

Shareholding 31.12. 2019 (31.12.2018):

Canton Basel-Stadt: 33.5% (33.5%)

Canton Basel-Landschaft: 7.8% (7.8%)

LLB Swiss Investment AG: 9.8% (9.9%) ¹⁾

Canton of Zurich: 4.0% (4.0%)

Indexatlas AG 3.85% (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

Shares held by members of the Board of Directors

	Number of shares CHF 10 and percentage of voting rights 31.12.2019		Number of shares CHF 10 and percentage of voting rights 31.12.2018	
Dr. Ulrich Vischer, Chairman	313	0.0%	313	0.0%
Christoph Brutschin, Vice-Chairman	0	0.0%	0	0.0%
Markus Breitenmoser ^{1) 2)}	1 150	0.0%		
Marco Gadola ³⁾			0	0.0%
Werner Helfenstein ³⁾			312	0.0%
Dr. Eva Herzog	0	0.0%	0	0.0%
Hans-Kristian Hoejsgaard ¹⁾	1 000	0.0%		
Dr. Balz Hösly	0	0.0%	0	0.0%
Dr. Dagmar Maria Kamber Borens ¹⁾	0	0.0%		
Dr. Karin Lenzlinger Diedenhofen	50	0.0%	50	0.0%
Dr. André Odermatt	0	0.0%	0	0.0%
Jean-Philippe Rochat ³⁾			0	0.0%
Thomas Weber	0	0.0%	0	0.0%
Andreas Widmer	0	0.0%	0	0.0%
Total	2 513	0.0%	675	0.0%

1) BD member as of 02.05.2019

2) MCBM Beteiligungen AG

3) BD member up to 02.05.2019

The members of the Board of Directors hold shares to the value of TCHF 66 (previous year TCHF 13). The taxable value per share is CHF 26.10 (previous year 19.95).

Shares held by members of the Executive Board

	Number of shares CHF 10 and percentage of voting rights 31.12.2019		Number of shares CHF 10 and percentage of voting rights 31.12.2018	
Jean-Marc Devaud ¹⁾			337	0.0%
Andreas Eggimann ²⁾	0	0.0%		
Florian Faber ³⁾	0	0.0%		
Hans-Kristian Hoejsgaard ⁴⁾			0	0.0%
Peter Holenstein	62	0.0%	62	0.0%
René Kamm ⁵⁾			0	0.0%
Stephan Peyer ⁶⁾			0	0.0%
Bernd Stadlwieser ⁷⁾	1 500	0.0%		
Beat Zwahlen	0	0.0%	0	0.0%
Total	1 562	0.0%	399	0.0%
Shares held by related parties				
of Peter Holenstein	256	0.0%	256	0.0%
of Bernd Stadlwieser	1 500	0.0%		

1) EB member up to 31.07.2019

2) EB member as of 01.11.2019

3) EB member as of 14.01.2019

4) CEO a.i. from 04.09.2018 to 31.07.2019

5) EB member up to 28.02.2019

6) EB member up to 31.03.2019

7) EB member as of 12.06.2019

The members of the Executive Board hold shares to the value of TCHF 41 (previous year TCHF 8). The taxable value per share is CHF 26.10 (previous year 19.95).

3.8 Events subsequent to the balance sheet date

Over the past three months, the MCH Group's business has been greatly affected by the coronavirus (COVID-19), forcing the company to cancel the Art Basel Hong Kong art show at the beginning of February already. In the meantime, the company has been forced to cancel or postpone further exhibitions on account of the latest developments.

On 11 March 2020, the WHO classified the rapid spread of the virus in more than 150 countries as a pandemic. The increasingly radical measures taken by the authorities in a large number of countries in a bid to slow the spread of the virus are having a massive impact on companies' economic capacity to act, and particularly in our sector.

The accompanying uncertainty concerning the progression of the crisis and its economic consequences calls for continuous monitoring and reassessment of the situation on the part of the Board of Directors and the management of the MCH Group, together with the appropriate alignment of the resulting measures.

To permit an assessment of the negative economic consequences and the measures that the company needs to take, a detailed contingency plan has thus been compiled to cover all the company areas. The cost-cutting measures and measures to protect the health of employees derived from this have been initiated without delay.

Following a careful analysis of different scenarios, the management and the Board of Directors have come to the conclusion that sufficient reserves are available in respect of the liquidity and also the equity base of the holding company to guarantee continuity of the group beyond 2020. For contingency-planning purposes, we are assuming a relatively conservative scenario, in which the COVID-19 situation will extend until August 2020, meaning we can resume our exhibition activity in September.

As a result, the Board of Directors sees no relevant uncertainty for the future of the MCH Group and its group companies.

The MCH Group has been forced to cancel or postpone events and projects in 2020 due to the spread of the coronavirus following orders issued by the authorities and customer demands. Since all these decisions had to be taken during the first quarter, they have no impact on the recognition and measurement of assets and liabilities as per 31.12.2019 and may therefore simply be reported and not booked in the 2019 accounts.

From a group perspective and based on a conservative estimate, the potential effects of the crisis will impact the result and the cash flow for 2020 by a sum in the medium double-digit million range after contingency measures.

This essentially results from the cancellation of Art Basel Hong Kong, Giardina and Habitat Jardin, the postponement of Baselworld until January 2021, the expected loss of a number of projects in the LMS segment and a lower expected income from the exhibitions staged in the autumn.

For the Art Shows, and hence for Art Basel Hong Kong too, the group has insurance cover to protect its revenue in the event of an event being cancelled. As per the date of this report, MCH was in ongoing discussions with the insurance companies to find a solution.

The Extraordinary General Meeting of 29.01.2020 rejected a motion submitted by a shareholder for the instigation of a special audit of the strategy. The shareholder is entitled, within a period of three months, to ask the judge to deploy a special auditor, which would entail a corresponding financial outlay.