BMC
Business Media China AG

ANNUAL REPORT 2005

EXHIBITIONS & CONFERENCES
PUBLISHING
ADVERTISING

BMC
Business Media China AG

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CONTENT

CONSOLIDATED ANNUAL REPORT AND MANAGEMENT REPORT OF BUSINESS MEDIA CHINA AG

I. Business and General Conditions

Positioning

The operations of Business Media China AG ("BMC AG") and its subsidiaries include trade fairs, conferences and the publishing trade, sourcing and IT and – with effect from 2006 – advertising space marketing.

Due to the change of majority shareholder on 1st July 2004, the new Business Media China AG ("BMC AG") is now focussing its activities on the international trade fair, conference and publishing trade and – with effect from the end of 2005 –advertising space marketing in China. Initial activities were performed in 2004 in the trade fairs and conferences division ("trade fairs") by way of the acquisition of 55 % of the shares by Shanghai Baiwen Exhibition Co., Ltd., Shanghai ("BMC Baiwen"), which stages one of the largest beauty shows in China; and advance payments in respect of 55 % of the shares in Beijing Capital Exhibitions International Co., Ltd., Beijing ("CEICO") , which runs the leading mining conference and trade fair event in China – China Mining.

Guangzhou BMC Zhenwei Exhibition Co., Ltd., Guangzhou ("BMC Zhenwei") was acquired in 2005 and BMC AG will hold a 51 % stake in the company with effect from 2006. The company was founded as a Chinese joint venture between BMC AG and one of China's best-known private trade fair organisers. The company owns the rights to four large trade fairs, which have been organised in the Chinese fair market for several years. The company is based in Guangzhou in the south of China. In 2006, BMC Zhenwei will be presenting trade fair themes in mechanical engineering, textile and food processing and packaging.

The company BMC Flying Dragon AD Co., Ltd. ("BMC Flying Dragon"), which has its headquarters in Beijing, was founded in conjunction with Beijing Airport Flying Dragon Advertisement Ltd., Beijing. Since 2006 BMC AG has owned 51 % of the joint venture company, which was registered in 2006 and which still accounts for the entire business of Beijing Airport Flying Dragon Advertisement Ltd. By way of this shareholding, BMC AG has started a new highly profitable business division with high turnover and will take up a leading position in "Airport Media Services" at Beijing airport.

Advertising and advertising space marketing is becoming a significant pillar of the BMC group in the overall business activities portfolio. By way of the acquisition of further advertising space marketing rights for the largest railway stations in Beijing, BMC could even considerably further expand this business division in the 2006 financial year. The first proceeds from turnover and a positive result contribution are expected in the second half of 2006.

Beijing BMC China Co., Ltd. ("BMC China") based in Beijing is a wholly owned subsidiary of BMC AG and was founded in 2004. The field of activity of the company currently includes positioning BMC AG as a media supplier in China in trade fairs, publishing and advertising; developing trade fairs and media and supporting the management of the subsidiary companies and supporting acquisition activities in China. The company has two employees. The establishment of a branch in Shanghai is planned for 2006.

As a result of its acquisitions/new establishments, BMC AG is currently represented at the three key locations Beijing, Shanghai and Guangzhou. It is envisaged that the 50 % stake in CEICO held by BMC AG affiliate Mesago Holding Operations GmbH and the additional purchase of the 5 % majority share be transferred to BMC AG with effect from 1st January 2005. Changes in ownership of shares in state-owned companies, particularly majority shares, are subject to special approval by the registration authorities in China. The approval procedure is yet to be completed and authorisation is expected in the next four months.

Overall Underlying Economic Conditions

Economic development in Germany, which is where BMC AG has its headquarters, has only a limited effect on the economic development of the BMC group, as the Group mainly operates in China.

At the end of 2005, the Chinese economy was again in very good shape. In 2005, Chinese gross domestic product increased impressively by 9.9 %, after annual growth in the last 10 years at a range of 6 % – 10 % p.a. Growth in China in 2005 was mainly attributable to the ongoing large investments, the continued increase in private consumption and a growing trade surplus. Domestic demand rose by 13.9 %, not least due to state funding measures e.g. an increase in holidays, cuts in agricultural taxes and wage increases, in particular in jobs in the conurbations. Exports also increased significantly. The good economic development also saw the credit business make corresponding balance sheet adjustments with a view to reducing the risk of a bank crisis.

The Chinese economy's positive trend continued in the first quarter of 2006. Gross domestic product rose by a further 10.2 % and no significant weakening of the growth is expected for the rest of the year. As in 2005, a slight appreciation of the Yuan is expected. This will particularly benefit companies selling products to China.

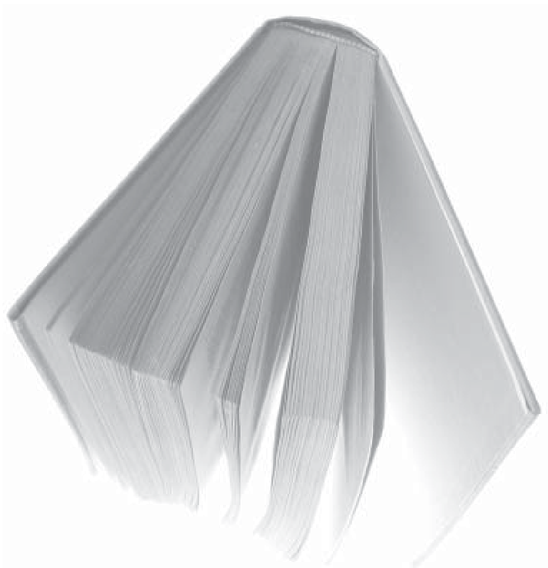
Trade Fairs, Conferences, Publishing Business

The entire media sector in China is in a process of reform amid the strong growth in the Chinese economy. Accordingly, the Chinese media market is witnessing double-digit growth rates. Not only are established media companies expanding very quickly, young companies with modern business concepts are appearing in the market and using international partnerships to quickly develop into significant media companies in the rapidly growing Chinese media market.

In this positive sector environment the trade fair and conference industry is no exception. Whilst the growth curve in the European trade fair and conference industry levelled off further in 2005, Asia and particularly China witnessed a sharp increase in sales. In China too, trade fairs serve as a marketing instrument for access to the market and therefore tend to grow more quickly than the gross domestic product in an upcoming national economy such as that of China.

Annual growth is about 30% in particular in the consumer-oriented trade fair themes that are in great demand such as beauty and cosmetics, communication media and health. China's ever increasing demand for raw materials is reflected in the strong growth of the mining sector. In the light of this, the trade fair and conference themes of the BMC group in China including beauty and cosmetics, textiles, food and its processing and packaging, mechanical engineering and special technological topics are very well positioned and are witnessing disproportionate development compared with the sector growth figures.

Overall, the companies of the BMC group are planning eleven trade fairs and conferences in 2006 in the three Chinese metropolises of Beijing, Shanghai and Guangzhou. Below are the most important BMC group events in 2006, including the trade fairs of CEICO, which is not yet part of the BMC group:



CEICO supplements the trade fair/conference events by publishing the trade magazines "ESTETICA" and "ICN" on the "Mining Journal" for the mining sector.

China Beauty Expo
(BMC Baiwen)
China's largest beauty trade fair, with approx. 22,000 m² area let.

China International Beauty Week
(CEICO)
The most important beauty trade fair in Beijing.

China Mining
(CEICO)
The no. 1 mining event in China, as a conference/trade fair. Ranks as the second most important mining event in the world.

Modern Life
(CEICO)
Ambience trade fair for China.

China Municipal Transport
(CEICO)
The largest transport/logistics trade fair in China. Buying platform for state appointments.

Canton Textile
(BMC Zhenwei)
One of the most important textile trade fairs in southern China.

Apparel Sourcing Fair
(BMC Zhenwei)
One of the most important cloth/fabric and clothing trade fairs in China.

PPI & FDC China
(BMC Zhenwei)
Among the top 3 food trade fairs in China.

GIMT+AMB China
(BMC Zhenwei)
In conjunction with AMB Stuttgart, one of the most important machine tool building trade fairs in southern China.

Advertising Space Marketing

The advertising sector/advertising space marketing operates across the sectors and thus benefits from the wide-ranging growth of the entire economy. This type of media communication is of great importance in view of Asian consumers' sympathy for outdoor advertising and, in particular, large scale and poster advertising.

Airports form a coveted presentation forum for the high-income target groups that advertising agencies look for. The number of air passengers in China increased by 19 % to 139 million in 2005. In total, growth of at least 10 % per year is expected for the coming years. This increase in passenger figures comes amid an increased investment budget for the expansion of airports in China. Overall, it is expected that as much will be invested in China's airports in the next five years as has been invested over the last 15 years. BMC AG will be participating in this market in 2006 by holding a share in BMC Flying Dragon.

In 2006, BMC AG was able to secure advertising space marketing rights for the four largest railway stations in northern China. According to a study by the Public Opinion Institute of Renmin University of China in 2005, the four stations – Beijing West Railway Station, Beijing Central Railway Station, Tianjin Railway Station and Shijiazhuang Station – have a total annual passenger flow of around 90 million people. With a passenger flow of over 35 million a year, Beijing West Railway Station ranks as one of the largest railway stations in Asia. The more traditional Beijing Central Railway Station comes next with approx. 32 million passengers a year. Tianjin is one of the 4 independent city-states in China and Beijing's most important seaport. Tianjin Railway Station has a passenger flow of approx. 10 million people a year. Shijiazhuang is the capital city of Hebei province where Beijing (as a city-state) is also located. Shijiazhuang Station has a passenger flow of approx. 14 million people a year.

BMC has therefore significantly expanded this business division. As the first foreign participant in the market, BMC is taking on one of the leading roles in the advertising market business at Chinese railway stations as the owner of the exclusive advertising space marketing rights at the four largest railways stations in northern China in addition to advertising and media services at airports (BMC Flying Dragon).chinesischen Bahnhöfen.

Sourcing and IT

The sourcing and IT business division is a young business division within the BMC Group's media portfolio. China is demonstrating a great demand for new software solutions, particularly in the trade fair industry. Here, on the basis of a distribution licence for one software product, the BMC group offers complete processing of conference and trade fair events. Initial contracts were prepared in the 2005 financial year and have been/will be implemented during 2006.

The sourcing business division reflects the demand for new purchase sources for international companies in China. Internet platforms are being developed in order to provide new supplier sources in China. In this respect special markets are selected and ideally presented by way synergies with other business divisions of the BMC group. The links within the BMC group as a media company will have a positive impact on the development of these new products.

Shareholding Structure

The majority shareholder of BMC AG is Mesago Holding GmbH, which held more than 50 % of the shares in BMC AG at the end of the 2005 financial year.

On 31st December 2005 BMC AG held a 100%-stake in BMC China and a 55 %-stake in BMC Baiwen. At the end of the 2005 financial year, both of these Chinese companies together with BMC AG were part of the consolidated companies in the group, with BMC China being included from 1st January 2005 and BMC Baiwen from 1st February 2005.

In 2006 the business licence was issued for the 51 % of shares in BMC Zhenwei and in BMC Flying Dragon. These companies will therefore be incorporated in the consolidated companies in 2006.

A new subsidiary is being founded for the advertising space marketing at railway stations, which is to be incorporated in the group from 2006.

The transfer of the interest in CEICO to BMC AG should be completed in the next four months.

Business Performance

The BMC group failed to achieve the expected target figures in the 2005 financial year. This was mainly due to the postponement of initial consolidation of the company CEICO in the BMC group consolidated financial statement. Due to the event, “Beijing Joy Festival”, which was unable to meet the target figures and will therefore not be continued, CEICO fell below expectations in respect of turnover and profit figures in 2005. In future, the company CEICO will focus its business activities on trade fairs, conferences and publishing specialist magazines.

2005 was characterised by further acquisitions, which will have a crucial effect on the future of the company. BMC AG has positioned itself in the Chinese media market by setting the business focus on advertising space marketing and media service provision as a supplement to the trade fair and conference business. The BMC Group’s new focus on advertising and provision of media services as an operative element of the business portfolio will also create synergies between the individual areas.

This was accompanied by integration and system implementation tasks to bring the BMC Group up to a uniform high international working standard. International distribution in respect the trade fairs staged in 2006 was reinforced in 2005. The aim – alongside our activities in Stuttgart – consisted of strengthening the shape of international distribution and sales via the sales agencies such that the team in Stuttgart can increasingly concentrate on the development of new subjects and co-ordinate established subjects. Contracts were entered into with a series of sales agencies to significantly increase the international participation of exhibitors and visitors at the Chinese trade fairs.

The reinforced focus of the BMC group on advertising and media service provision will give rise to an improvement in profits.

II. Profits

The profits of the Group and of Business Media China AG are illustrated below. The profits of Business Media China AG are based on the German accounting principles of commercial law (HGB[1]) and those of the Group on international accounting standards, the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London.

PROFITS OF BUSINESS MEDIA CHINA AG (HGB)

	2005 EUR'000	%	2004 EUR'000	%
Sales revenue	285.2	100.0	488.4	100.0
Other operating income	31.4	11.0	248.1	50.8
Expenditure for related services	-258.0	-90.5	-350.3	-71.7
Personnel expenditure	-636.1	-223.0	-358.9	-73.5
Capital allowances	-40.1	-14.1	-24.8	-5.1
Other operating expenditure	-1,030.7	-361.4	-695.4	-142.4
Financial performance	79.4	27.9	539.4	110.5
Profit/loss from ordinary operations	**-1,568.9**	**-550.1**	**-153.5**	**-31.4**
Taxes income	0.0	0.0	149.7	30.6
Other taxes	-0.1	0.0	-0.2	0.0
Net loss	**-1,569.0**	**-550.1**	**-4.0**	**-0.8**

BMC AG concluded 2005 with a net loss of EUR 1,569.0k and failed to achieve the targeted result.

Almost 90 % of the year's result is allocated to the areas of acquisition, administration, legal form and stock exchange listing, personnel expenditure and monitoring the subsidiaries. The remaining 10 % is allocated to investments in trade fairs, conferences and publications, which the corresponding turnover failed to compensate.

The proceeds from turnover are mainly attributable to commission from the sale of floor space and other services for the trade fairs staged in China in 2005 (EUR 237.9k). The turnover from the previous year was allocated to order production in the book division. This business division was sold in 2004.

The other operating profits include, in particular, the dissolution of savings of EUR 13.5k (EUR 43.3k in the previous year) and an insurance refund of EUR 10.0k. The previous year includes, in particular, profits from the sale of order production, the result from liquidation of the subsidiary in Italy, and liquidation of reserves. The liquidated subsidiary is also a company in which BMC AG already held all the shares before reorganisation.

The expenditure for related services in 2005 accounts for the cost of selling floor space and other services in respect of trade fair services. Moreover, a guarantee payment of EUR 75.0k is included for licensing the mining journal, which is to be published from 2006. Of last year's amounts, EUR 10.2k are allocated to trade fair and publishing services and EUR 340.1k to order production in the book division.

Personnel expenditure has risen as a result of the slight increase in employee numbers and consideration was given to the majority of employees over a full twelve-month period. The directors receive a fixed remuneration and the Supervisory Board payment is determined by BMC AG's Memorandum and Articles of Association Memorandum and Articles of Association.

[1]) German Civil Code

In addition to general administrative costs, the other operating expenditure includes, in particular, legal and consultation costs, travel costs and expenditure for listing and the stock exchange and the legal form of the AG (company limited by shares). On the one hand, the rise on the previous year is the result of increased travel costs due to the international marketing of the trade fairs and the acquisition of companies. On the other it is the result of increased expenditure for investor relations and the rise in general administration costs due to the higher numbers of employees proportionate to the previous year.

The financial performance includes interest and similar profits with a balance of EUR 283.2k (EUR 947.8k in the previous year). The interest and similar expenditure of EUR 203.8k (EUR 408.4 in the previous year) includes, in particular, interest for the liabilities owed to banks. The decline in the financial performance is linked to the capital repayment of EUR 22,023.3k to the shareholders in November 2004.

The positive taxes from income and from the profits of the previous year are the result of the external tax audit carried out in 2003.

PROFIT SITUATION OF BMC GROUP (IFRS)

	2005 EUR'000	%	2004 EUR'000	%
Sales revenue	2,109.7	100.0	488.4	100.0
Other operating profits	75.9	3.6	248.1	50.8
Expenditure for related services	-1,426.4	-67.6	-350.3	-71.7
Personnel expenditure	-814.1	-38.6	-357.5	-73.2
Capital allowances	-51.2	-2.4	-24.8	-5.1
Other operating expenditure	-1,273.1	-60.3	-649.3	-132.9
Financial performance and currency differences	83.2	3.9	519.5	106.4
Profit/loss from ordinary operations	**-1,296.0**	**-61.4**	**-125.9**	**-25.7**
Taxes on income	-99.5	-4.7	157.0	32.1
Group net income/net loss	**-1,395.2**	**-66.1**	**31.1**	**6.4**

In respect of the Group a deficit is stated at EUR 173.5k less than that of BMC AG. This is due, in particular, to the positive profit contribution of BMC Baiwen and consolidation measures.

BMC AG's profit and loss account prepared in accordance with IFRS is included in the previous year. The difference from the result of the previous year between the group profit situation and that of BMC AG is based on the application of accounting regulations in accordance with IFRS. Setting off the cost of the capital increase accrued for the capital increase in 2004 against the capital reserve was the key adjustment.

The profit situation of the group compared with that of BMC AG is considerably influenced by the inclusion of BMC Baiwen. The minority companies have a positive share of EUR 74.6k in the annual deficit stated.

On the basis of the segment reporting in the Notes to the Consolidated Accounts, it is apparent that a positive sector result was achieved in 2005 due to the BMC AG investment in the trade fair sector after incorporation of BMC Baiwen. Compared with the profit situation of BMC AG, the sector result of the "AG" sector, which includes the administrative costs and acquisition costs as well as the entire personnel expenditure of BMC AG and BMC China, deteriorated due to the inclusion of BMC China because BMC China only achieved internal turnover of EUR 66.3k with BMC AG in 2005. The other sectors will only be of significance for the profit situation from 2006.

With respect to further details on the profit situation and, in particular, the distribution of turnover and profit shares from the individual sectors, reference is made to the sector reporting in the Notes to the group financial statements.

III. Financial Position

At the end of the year, the AG had at its disposal liquid resources of EUR 2,321.8k (EUR 18,367.8k in the previous year). The deterioration of the net stock of financial resources compared with the previous year is attributable to repayment of debts of EUR 11,000.0k to credit institutes.

In addition to the repayment of the aforementioned loan, in 2005 the resources were mainly used to finance the current business activity and for investments in shares of affiliated companies/payments and additional acquisition expenses.

Additional funds are required in conjunction with the subcontractor purchase contracts entered into in 2005 and for future acquisition projects. Therefore, the capital was increased twice in 2006 , which – before capital increase costs – resulted in an inflow of resources of EUR 29,542.8k. These monies will cover the medium-term financial requirements of the BMC group.

On 31st December 2005, the group had at its disposal liquid resources of EUR 2,917.4k. The change is the result of the inclusion of BMC Baiwen and BMC China. With respect to the restriction on availability of the resources, reference is made to the notes to the group financial statements.

IV. Financial Status

FINANCIAL STATUS OF BUSINESS MEDIA CHINA AG (HGB)

	31.12.2005		31.12.2004	
	EUR'000	%	EUR'000	%
ASSETS				
Fixed Assets				
Intangible assets	19.8	0.3	10.2	0.1
Tangible assets	180.5	2.5	198.5	1.0
Financial assets	3,037.1	42.7	896.2	4.5
	3,237.4	**45.5**	**1,104.9**	**5.6**
Current Assets				
Accounts receivable from trading	104.7	1.5	7.4	0.0
Accounts due from affiliated companies	641.0	9.0	0.0	0.0
Other assets	799.7	11.2	368.7	1.9
Liquid resources	2,321.8	32.7	18,367.8	92.5
	3,867.2	**54.4**	**18,743.9**	**94.4**
Accured and deferred items	**10.2**	**0.1**	**4.1**	**0.0**
	7,114.8	**100.0**	**19,852.9**	**100.0**
LIABILITIES				
Equity capital				
Subscribed capital	4,545.1	63.9	4,545.1	22.9
Capital reserve	1,928.2	27.1	3,497.2	17.6
Balance sheet profit	0.0	0.0	0.0	0.0
	6,473.3	**91.0**	**8,042.3**	**40.5**
Outside capital (medium and short term)				
Other reserves	568.2	8.0	418.4	2.1
Liabilities due to banks	0.0	0.0	11,000.0	55.4
Trade accounts payable	36.9	0.5	92.5	0.5
Accounts due to affiliated companies	0.0	0.0	289.6	1.5
Other liabilities	36.4	0.5	10.1	0.0
	641.5	**9.0**	**11,810.6**	**59.5**
	7,114.8	**100.0**	**19,852.9**	**100.0**

In 2005 BMC AG invested in shares in affiliated companies, tenant fixtures, operating and business equipment and software. In total EUR 2,172.5k was invested in the 2005 financial year.

Of this, EUR 2,140.9k originates from the financial assets, of which EUR 1,871.5k is attributable to shares in affiliated companies as well as payments and the additional acquisition costs of future shares in affiliated companies at EUR 269.4k. The 55 % shareholding in BMC Baiwen represented the crucial proportion of this investment volume in 2005.

EUR 15.1k were invested in tangible assets and EUR 16.5k in intangible assets.

The intangible and tangible assets increased due to the purchase of consolidation software and due to investment in tenant fixtures and the operating and business equipment in Stuttgart.

The financial assets include shares of EUR 2,038.6k (EUR 100.2k in the previous year) in affiliated companies as well as payments of EUR 998.5k (EUR 796.0k in the previous year) for shares in affiliated companies, comprising payments and additional acquisition costs. The shares in affiliated companies are attributable to BMC Baiwen and BMC China. The payments and additional acquisition costs applicable up until 31st December 2005 were attributed to the companies CEICO, BMC Zhenwei and BMC Flying Dragon.

The decline in the proportion of current assets in the balance sheet total is attributable to the complete repayment of the loan stated last year in Accounts due to affiliated companies.

The Accounts receivable from trading are due from CEICO and BMC Zhenwei. The Accounts due from affiliated companies include receivables from loans to the parent company of EUR 363.7k.

As in the previous year, the other assets include tax refund claims. As per 31st December 2005 there is also a claim of EUR 526.0k against a Chinese contracting partner, which will be accounted for in 2006 with a commitment by BMC AG.

The subscribed capital has not changed in the year under review. The annual deficit of EUR 1,569.0k has been balanced by a withdrawal from the capital reserve.

The other reserves mainly include court cost reserves for the Julius-Bär court case and reserves for outstanding invoices, the 2006 Annual General Meeting and end-of-year costs.

FINANCIAL STATUS OF THE BUSINESS MEDIA CHINA GROUP (IFRS)

	31.12.2005		31.12.2004	
	EUR'000	%	EUR'000	%
ASSETS				
Fixed Assets				
Intangible assets	1,798.4	23.0	10.2	0.1
Other tangible assets	242.0	3.0	198.6	1.0
Other financial assets	998.5	12.8	896.2	4.5
	3,038.9	**38.8**	**1,105.0**	**5.6**
Latent taxes on profits	47.3	0.6	18.1	0.1
Long term assets	**3,086.2**	**39.4**	**1,123.1**	**5.7**
Inventories	6.4	0.0	0.0	0.0
Accounts receivable from trading	382.0	4.9	7.4	0.0
Other liabilities and assets	1,354.0	17.3	160.3	0.8
Effective income tax claims	83.6	1.1	212.5	1.1
Financial resources	2,917.4	37.3	18,367.8	92.4
Short term assets	**4,743.4**	**60.6**	**18,748.0**	**94.3**
	7,829.6	**100.0**	**19,871.1**	**100.0**
LIABILITIES				
Subscribed capital	4,545.1	58.1	4,545.1	22.9
Reserves	1,964.6	25.1	3,490.5	17.6
Balance sheet profit	125.6	1.5	26.7	0.1
Share of Business Media China AG shareholders in equitiy capital	**6,635.3**	**84.7**	**8,062.3**	**40.6**
Share of the partners in equity capital	232.1	3.0	0.0	0.0
Equity capital	**6,867.4**	**87.7**	**8,062.3**	**40.6**
Long term reserves (deferred taxes on profits)	**22.7**	**0.3**	**1.2**	**0.0**
Short term reserves (other reserves)	496.9	6.3	409.0	2.0
Borrowings	0.0	0.0	11,000.0	55.4
Trade accounts payable	79.6	1.0	388.5	2.0
Other liabilities	363.0	4.7	10.1	0.0
Short term reserves and liabilities	**939.5**	**12.0**	**11,807.6**	**59.4**
	7,829.6	**100.0**	**19,871.1**	**100.0**

The intangible asset values include the company or goodwill value totalling EUR 1,778.6k, which is largely attributable to BMC Baiwen.

The other tangible assets include the operating and business equipment as well as tenant fixtures. Tangible assets of EUR 41.2k were taken over from the initial consolidation of BMC Baiwen. The Chinese companies invested EUR 25.0k in tangible assets in 2005.

The other financial assets include the payments and additional acquisition costs on future affiliated companies. The deferred taxes on profits are mainly related to assessment differences in the debts and other assets as well as deferred taxes from the capital increase costs charged in 2004 with the capital reserve.

The inventories apply to raw, auxiliary and operating materials.

The Accounts due from affiliated companies listed separately in the financial situation of BMC AG are distributed in the group financial status according to economic basis. The Accounts receivable from trading include EUR 277.3k and the Other receivables and assets contains EUR 363.7 due from non-consolidated companies.

The effective tax claims on profits arise from deducted interest discount taxes and solidarity supplements.

The financial resources show the cash balance and credit balance with credit institutes. Of this, EUR 595.7k are allocated to financial resources in China.

The development of the equity capital for the Group is evident from the equity capital amendment invoice, which has been produced as part of the consolidated financial statement.

The decline in the reserves by EUR1,525.9k is made up of the withdrawal of capital reserves of EUR 1,569.0 and adjustment to the reserve for currency conversion of EUR 43.1k.

The reserves for deferred taxes on profits are mainly due to assessment differences in the other reserves.

The decline in the Other reserves in the group compared with BMC AG is based on the reclassification of reserves for outstanding purchase invoices in the trade accounts payable and from consolidation measures.

The borrowings were completely repaid in 2005.

The other liabilities mainly include advance payments received of EUR 276.8k, liabilities from taxes of EUR 44.9k and liabilities to employees of EUR 30.0k.

V. Supplementary Report

Two capital increases were placed/implemented in February 2006 and May 2006. The company issued/will issue a total of 1,454,416 new shares and liquid resources have/will come from the capital increase prior to capital increase costs of EUR 29,542.8k.

The business licences for BMC Zhenwei and BMC Flying Dragon were issued in 2006.

The trade fair software sales activities introduced in 2005 showed initial successes in the first quarter of 2006. These software solutions optimise the complete operations planning and organisation of a trade fair. Distribution initially focused on China.

VI. Dependency Report

The Management Board of Business Media China AG issued a report on relations with affiliated companies (dependency report) in accordance with § 312 Aktiengesetz[2] for the 2005 financial year, which concludes with the following declaration: "In the report on relations with affiliated companies, legal transactions and measures according to the circumstances known at the time when the legal transactions were undertaken, the company has received an appropriate consideration and has therefore not been disadvantaged by the measures being taken or action that was not taken."

VII. Risk Report

The risk management system

In the financial year of 2005, BMC AG used and developed a self-generated risk control system. All identifiable risks for the Management Board are listed and evaluated in the risk management manual. This includes various systems for early risk identification and for dealing with risks. Controlling is a particularly key element of this system. By means of timely, mid-year reporting, Controlling informs the Management Board at regular intervals including in relation to certain events by stating the risks on variations from the predicted course of business of BMC AG and the subsidiary companies. Thus, if applicable, early counter measures can be taken to avert a risk.
The counter measures taken are documented and contribute to the permanent development of the risk management system. However, the Management Board expressly points out that the documentation of potential risks in the risk control system run by the company cannot prevent the occurrence of damage in every case. It can merely keep risks to a minimum. The risk management system is implemented on a company-wide basis, which means that an effective monitoring instrument is in place even for the newly acquired companies.
The BMC Group is subject to the following primary risks.

[2]) German Company Law

Macroeconomic Risks

For over a decade the Chinese national economy has shown annual growth rates of up to 10 %. Alongside the opportunities from this, risks may arise from the possibility of an overheated economic boom. In addition, some of the markets in which the BMC Group is operating are still under construction. For the activities of the BMC group, the macroeconomic development in Europe, with the recognised stagnation at a high level, plays no part in countering this. In any case, the development in Europe is significant as an outlet for Chinese products. However, in view of the fact that wages are still currently low in China, this is not a major issue.

Industry Risks

BMC AG and its subsidiaries operate in a strongly growth-expectant market, which has great development potential. Based on the attractiveness of the rapid growth of the Chinese market, the corresponding changes are to be expected with the entry of further competitors. This risk is currently low in view of the many years of trade fair experience and associated contacts as well as the responsibility for and implementation of individual projects on site in the subsidiaries.

Operative Risks

In certain cases, the construction and expansion of further public and trade fair events as well as advertising space marketing does not give rise to the potential interest of the approached target group. In some cases, this may mean that investments made in individual projects must be abandoned ,which may lead to a corresponding loss. The risks attributed to an individual project can be considerably reduced with the intended expansion of the activities of our subsidiaries. Furthermore, an efficient controlling system guarantees limitation of operative risks.

Liquidity Risks

The BMC group requires corresponding capital for the huge growth. In addition, the capital market presents itself for such a stock exchange listed company in the case of appropriate, overall positive market activity. The corresponding financial resources can be procured by way of capital increases and other measures. Furthermore, the option of supplementary outside financing is also available. The fundamental liquidity planning should therefore not result in any untenable risks or such that jeopardise the company's existence.

Personnel Risks

Expansion of BMC AG's activities and its subsidiaries requires corresponding personnel provision. Thus, when new subsidiaries are founded, dependency on individual employees in strategically important positions may arise during the initial phase. With accordingly attractive jobs and working conditions, the fluctuation and therefore migration of know-how can be avoided as far as possible.

The know-how combined with decades of experience is concentrated, for example, in the hands of individual body members who are bound to the company accordingly. At the same time the risk of dependency on individuals are reduced thanks to growing personnel numbers.

Financial Risks

Material effects on the profit and financial situation of BMC AG may arise, for example, due to exchange rate fluctuations of the Chinese currency (CNY) and the US dollar (USD). National turnover in China is generally invoiced in CNY, turnover realised by BMC AG in USD and EUR, and agency commissions also in USD. Thus, BMC AG is subject to two exchange rate risks. The CNY is currently linked to a currency basket, which reduces the parity for BMC AG.

Political, Legal and Cultural Risks

The considerable opportunities in China are juxtaposed with the widely known political, legal and cultural risks. The conditions of general fiscal and company law for joint ventures in China and dealings with Chinese business partners are completely different from those in Europe or the USA. This means that some plans or stock acquisitions will be delayed or even impossible to realise. Based on many years of experience, these risks can be reduced where possible. Political and legal risks arise from the stability of the growth of a country with over 1 billion people and a currency that was previously not freely convertible. To date, the opening up and change of a state characterised by communism offer scope for further improvements to be implemented and, for example, well-known problems to be pursued such as the lacking protection of intellectual property, which on occasion is still lacking, and establishment of the rule of law that is customary in the west.

Other Risks

As a result of changes in the tax laws both in Germany and in China, there is a fundamental risk of unfavourable development of the tax burden for the company. Other risks may arise, for example, from litigation. The litigation pending with Julius Bär Kapitalanlage AG is explained in detail in the notes to the consolidated financial statement.

The stated risks may have a negative effect on the economic position and future development of BMC AG and its subsidiaries. However, we believe that they are insufficient to have a lasting detrimental effect on the substance of the company. We assume that our current positioning in China will be successful. Should the variations become significant, this may have negative repercussions on the asset, financial and profit situation of BMC AG.

VIII. Prognosis Report

The general economic conditions in China continue to be very positive and are expected to ensure lasting economic growth. Chinese gross domestic product grew by over 10% even in the first quarter of 2006. In the coming years, this growth should remain at a high level, not least as there will be strong international movement towards Asia and China in particular.

The continued opening up of the financial markets indicates that the Chinese government is increasingly liberalising the movement of capital. This will support the economic strategy introduced in China and allow for further growth opportunities.

In this very positive economic environment, the BMC Group has created the conditions for successful operations. Accordingly, the Management Board expects that BMC AG will see further growth in 2006 due both to organic growth and acquisitions. Future expansion will, in particular, focus on advertising services.

As well as organic growth of the existing subjects, the board expects further momentum in the coming years in the trade fair and conference business from new subject areas such as "water", "energy", "technology" and "health". In addition, further subject-specific publishing licences for the Chinese market shall be acquired. The flexible layout of the structure and the existing know-how of BMC AG allow for the rapid implementation of new projects in the area of trade fairs / conferences.

In the advertising and media services business division, BMC AG expects to see significant rates of increase in the coming years from the responsible subsidiaries BMC Flying Dragon and the start-up BMC Railway (proposed name of the company, which will run railway advertising space marketing).

Advertising space marketing will benefit further from the expected high increase in air passenger figures at Chinese airports. BMC Flying Dragon will not only expand its business activities at airports in China but also in advertising services in other media carriers. Accordingly, the strong rise in advertising and advertising space marketing will have a crucial impact on the further development of turnover and profit for the BMC group in 2006 and the following years.

A significant jump in turnover to EUR 19 to EUR 20 million is expected in the 2006 financial year. The Management Board also expects further organic growth in Baiwen and the initial consolidation of the trade fair and conference companies BMC Zhenwei and CEICO. Moreover, the incorporation of the new advertising and media services business division at airports and railways stations in China will play a considerable part in the increased turnover. A significant positive result is expected for 2006.

For the following years, the Management Board Management Board is counting on further significant rises in Group turnover. Alongside lasting organic growth of the subsidiaries that have already been consolidated, the consideration of turnover for the full financial year from the companies BMC Flying Dragon and BMC Railway as well as new developments in the trade fair and conference division will give rise to a significant push in turnover and result within the Group. For 2007, the Management Board is expecting a consolidated Group turnover of at least EUR 35 to EUR 40 million.

Stuttgart, May 2006

Business Media China AG

John Maxwell Hare
Management Board

Bernard Tubeileh
Chairman

GROUP PROFIT AND LOSS ACCOUNT OF BUSINESS MEDIA CHINA AG

for the period from 01.01.2005 to 31.12.2005

	Notes	01.01 -31.12. 2005 EUR'000	Total 01.01 -31.12. 2004 EUR'000	Suspended Area 01.01 -31.12. 2004 EUR'000	Continued Area 01.01 -31.12. 2004 EUR'000
Sales revenue	(1)	2,109.7	488.4	488.4	0.0
Other profits	(2)	75.9	248.1	123.6	124.5
Material expenditure	(3)	-1,426.4	-350.3	-340.1	-10.2
Personnel expenditure	(4)	-814.1	-357.5	-103.5	-254.0
Planned capital allowances	(5)	-51.2	-24.8	-6.6	-18.2
Other operation expenditure	(6)	-1,273.1	-649.3	-41.7	-607.6
Currency differences	(7)	-3.7	0.0	0.0	0.0
Financial performance	(8)	86.9	519.5	0.0	519.5
Result before income tax		**-1,296.0**	**-125.9**	**120.1**	**-246.0**
Taxes on income	(9)	-99.5	157.0	0.0	157.0
Group surplus (+) / -deficit (-)		**-1,395.5**	**31.1**	**120.1**	**-89.0**
Share of shareholders in group deficit		-1,470.1	31.1	120.1	-89.0
Share of other partners in group deficit	(10)	74.6	0.0	0.0	0.0
Group surplus (+) / -deficit (-)		**-1,395.5**	**31.1**	**120.1**	**-89.0**
		EUR	**EUR**	**EUR**	**EUR**
Undiluted result per share	(11)	-0.32	0.01	0.03	-0.02
Diluted result per share	(11)	-0.32	0.01	0.03	-0.02
Shares (unit, valued in 2004)	(11)	4,545,050	4,156,849	4,156,849	4,156,849

GROUP BALANCE SHEET OF BUSINESS MEDIA CHINA AG

on 31.12.2005

	Notes	31.12.2005 EUR'000	31.12.2005 EUR'000	31.12.2004 EUR'000	31.12.2004 EUR'000
ASSETS					
Company or goodwill value	(13)	1,778.6		0.0	
Other intangible assets	(14)	19.8		10.2	
Other tangible assets	(15)	242.0		198.6	
Other financial assets	(16)	998.5		896.2	
Fixes assets	(12)		**3,038.9**		**1,105.0**
Long term debts (latent claims for tax on profits)	(20)		**47.3**		**18.1**
Long term assets			**3,086.2**		**1,123.1**
Inventories	(17)		**6.4**		**0.0**
Other receivables and accounts receivable from trading	(18)	382.0		7.4	
Other debts and assets	(19)	1,354.0		160.3	
Effective claims from tax on profits	(20)	83.6		212.5	
Short term debts			**1,819.6**		**380.2**
Financial resources	(21)		**2,917.4**		**18,367.8**
Short term assets			**4,743.4**		**18,748.0**
			7,829.6		**19,871.1**

	Notes	31.12.2005 EUR'000	31.12.2005 EUR'000	31.12.2004 EUR'000	31.12.2004 EUR'000
LIABILITIES					
Subscribed capital	(22)	4,545.1		4,545.1	
Reserves	(23)	1,964.6		3,490.5	
Balance sheet profit	(24)	125.6		26.7	
Share of Business Media China AG shareholders in equity capital			**6,635.3**		**8,062.3**
Share of other partners in equity capital	(25)		**232.1**		**0.0**
Equity capital			**6,867.4**		**8,062.3**
Long term reserves (deferred taxes on profits)	(26)		**22.7**		**1.2**
Short term reserves (other reserves)	(27)		**496.9**		**409.0**
Financial debts	(28)	0.0		11,000.0	
Trade accounts payable	(29)	79.6		388.5	
Other liabilities	(30)	363.0		10.1	
Short term liabilities			**442.6**		**11,398.6**
Short term reserves and liabilities			**939.5**		**11,807.6**
			7,829.6		**19,871.1**

CHANGE IN EQUITY CAPITAL STATEMENT

	Subscribed Capital	Capital Reserves	Profit Reserves	Differences from Currency Conversion
Notes	(22)			
Status as per 01.01.2004 according to HGB	**4,132.0**	**22,438.6**	**0.0**	**0.0**
Initial application of IFRS	0.0	0.0	21.5	0.0
Adjusted status as per 1st January 2004	**4,132.0**	**22,438.6**	**21.5**	**0.0**
Capital increase via company funds	22,023.3	-22,023.3	0.0	0.0
Distribution of capital increase from company resources to BMC AG shareholders	-22,023.3	0.0	0.0	0.0
November 2004 capital increase	413.1	3,085.9	0.0	0.0
Cost of capital increase after deferred taxes	0.0	-28.2	0.0	0.0
Net income (BMC AG)	0.0	0.0	0.0	0.0
Withdrawals from the capital reserve	0.0	-4.0	0.0	0.0
Status on 31.12.2004	**4,545.1**	**3,469.0**	**21.5**	**0.0**
Differences from changes in consolidated companies	0.0	0.0	0.0	0.0
Differences from currency conversion	0.0	0.0	0.0	43.1
Annual group deficit 2005	0.0	0.0	0.0	0.0
Withdrawals from the capital reserve	0.0	-1,569.0	0.0	0.0
Status as per 31.12.2005	**4,545.1**	**1,900.0**	**21.5**	**43.1**

Total reserves	Balance sheet profit / loss	Equity capital attributable to BMC AG holders	Shares held by other shareholders	Total equity capital
(23)	(24)		(25)	
22,438.6	**0.0**	**26,570.6**	**0.0**	**26,570.6**
21.5	-8.4	13.1	0.0	13.1
22,460.1	**-8.4**	**26,583.7**	**0.0**	**26,583.7**
-22,023.3	0.0	0.0	0.0	0.0
0.0	0.0	-22,023.3	0.0	-22,023.3
3,085.9	0.0	3,499.0	0.0	3,499.0
-28.2	0.0	-28.2	0.0	-28.2
0.0	31.1	31.1	0.0	31.1
-4.0	4.0	0.0	0.0	0.0
3,490.5	**26.7**	**8,062.3**	**0.0**	**8,062.3**
0.0	0.0	0.0	135.0	135.0
43.1	0.0	43.1	22.5	65.6
0.0	-1,470.1	-1,470.1	74.6	-1,395.5
-1,569.0	1,569.0	0.0	0.0	0.0
1,964.6	**125.6**	**6,635.3**	**232.1**	**6,867.4**

CASHFLOW STATEMENT

	Notes	2005 EUR'000	2004 EUR'000
Group result		-1,395.5	31.1
Capital allowances (+) / value adjustments (-) on fixed assets		51.2	24.8
Other expenditure (+) / profits (-) not affecting the balance sheet		63.0	0.0
Profit (-) / loss (+) on withdrawals of fixed assets		0.0	-16.8
Increase (-) / decrease (+) in inventories		-1.6	0.0
Increase (-) / decrease (+) in debts and other assets		-826.1	168.5
Increase (+) / decrease (-) in reserves		133.9	-457.7
Increase (+) / decrease (-) in liabilities (without financial debts)		-75.7	-192.6
Inflow / -outflow of resources from current business activity	**(31)**	**-2,050.8**	**-442.8**
Payments from withdrawals of tangible and intangible assets		0.0	48.0
Payments from withdrawals of companies, financial assets, credits and loans granted to third parties and securities		0.0	17,186.6
Payments for investments in tangible and intangible assets		-255.4	-39.2
Payments for investments in affiliated companies less financing resources adopted		-1,508.6	0.0
Payments for investments in financial assets and for credits and loans granted to third parties		-635.6	-938.5
Inflow / -outflow of resources from investment activity	**(32)**	**-2,399.6**	**16,256.9**
Deposits from capital increases		0.0	3,452.6
Payment from capital increase out of company resources to BMC AG shareholders		0.0	-22,023.3
Payments for repayment of financing debts		-11,000.0	-252.1
Inflow / -outflow of resources from financing activity	**(33)**	**-11,000.0**	**-18,822.8**
Changes affecting the balance sheet in the stock of financial resources		**-15,450.4**	**-3.008.7**
Development of stock of financial resources	**(34)**		
Stock of financial resources at the start of the period		**18,367.8**	**21,376.5**
Changes affecting the balance sheet in the stock of financial resources		-15,450.4	-3.008.7
Stock of financial resources at the end of the period		**2,917.4**	**18,367.8**

NOTES TO THE GROUP FINANCIAL STATEMENTS

Notes to the Principles and Methods of the Consolidated Financial Statement

General

Business Media China AG ("BMC AG"), previously CNV Vermögensverwaltungs AG, based at Rotebühlstraße 87, D-70178 Stuttgart, is the parent company of the Business Media China AG Group and a public limited company listed on the stock exchange under German law. The company is listed in the Register of Companies of the district court of Stuttgart (HRB 20362). BMC AG's parent company is Mesago Holding GmbH. As per 31st December 2005, Mesago Holding GmbH held a share of approx. 61.35% in BMC AG. At the same time, Mesago Holding GmbH is the prime parent company. BMC AG is included in the consolidated financial statement of Mesago Holding GmbH, which is deposited at the district court of Stuttgart (HRB 13588).

The financial year of BMC AG and its subsidiaries is the calendar year. The consolidated financial statement has been compiled in euros. Unless stated otherwise, all balances are stated in thousands of euros (EUR'000). The comparative figures of the previous year correspond to the figures from the individual accounts of BMC AG, because a consolidated financial statement was compiled again for the first time in 2005.

The Management and Supervisory Board have submitted the conformity declaration – specified by § 161 AktG – in respect of the German corporate governance code and made it permanently accessible to the public on the company internet site.

In the financial year of 2005, BMC AG became an integrated media services company in China. The focus of the business was broadened. In addition to the previous core business areas of specialist trade fairs, conferences and publishing, BMC AG entered the rapidly growing market of advertising and media services and sourcing and IT.

By way of a decision of the Management Board, the consolidated financial statement was released for publication on 6th June 2006.

Accounting Principles

Since the start of 2005, the adoption of § 315a, sub-section 1, of HGB in conjunction with the European Union Ordinance (EC no. 1606/2002) has resulted in a legal obligation for BMC AG to produce a consolidated financial statement in accordance with the regulations of the International Accounting Standards Board (IASB), London; the International Financial Reporting Standards (IFRS).

The IFRS are applicable with the same force as national law in respect of the acceptance procedure by the European commission. Furthermore, the requirements according to commercial law arising from § 315a, sub-section, 1 of HGB are met. The requirements of all standards of which application was compulsory on the date of the balance sheet were met without exception.

Consolidation Principles and Methods

The consolidated financial statement includes all significant companies, for which BMC AG has a direct or indirect opportunity to determine financial and business policy in order to derive benefit from the activities of these companies (subsidiaries). In general, control is exercised by majority voting right in management committees. Chinese subsidiaries are only included after authorisation by the Chinese state authorities, which takes place by way of issuing a business licence. Should the capacity to control the subsidiary end, then the corresponding company will leave the consolidated companies.

The consolidated financial statement is prepared using the individual accounts of BMC AG and its subsidiaries, which are subject to auditing by accountants and issued in accordance with standard balancing, valuation and consolidation methods.

Consolidated Companies

In addition to BMC AG, the consolidated financial accounts as per 31st December 2005 include two foreign subsidiaries: Shanghai Baiwen Exhibition Co., Ltd., Shanghai, China ("BMC Baiwen"), and Beijing BMC China Co., Ltd., Beijing, China ("BMC China").

BMC AG holds a 100%-stake in BMC China. BMC China was incorporated into the consolidated companies upon commencement of the business activity on 1st January 2005.

The business licence was issued on 1st February 2005 for the 55 % stake in BMC Baiwen and the company was therefore consolidated as per 1st February 2005.

The figures for the previous year relate to the individual accounts of BMC AG.

The shares in Beijing Capital Exhibitions International Co., Ltd. Beijing, China ("CEICO") are not included in the consolidated financial statement, because the Chinese authorities had not yet issued the business licence on the appointed balance sheet date. Advance payments were effected in this respect in 2004.

The business licences for the acquisitions of Guangzhou BMC Zhenwei Exhibition Co., Ltd., Guangzhou, China ("BMC Zhenwei") and BMC Flying Dragon AD Co., Ltd., Beijing, China ("BMC Flying Dragon") were issued in 2006. The companies will be included in the consolidated financial statement with effect from 2006.

The acquisition costs arising by the end of the year from the proposed purchase of shares in CEICO, BMC Zhenwei and BMC Flying Dragon are stated in the balance sheet under advance payments on shares in affiliated companies. The Chinese annual accounts of CEICO state equity capital as per 31st December 2005 of CNY 11,096,533.49 (approx. EUR 1,161.0k as per 31st December 2005) and net income of CNY 29,368.38 (approx. EUR 2.9k). The Chinese annual accounts of BMC Zhenwei state equity capital as per 31st December 2005 of CNY 1,661,592.08 (approx. EUR 173.8k on 31st December 2005) and a net loss of CNY 1,348,407.92 (approx. EUR 131.9k).

The liquidation of CNV Italia in Liq.ne S.r.l, in which BMC AG held a 100%-stake, was completed on 30th December 2004. The company was deleted from the Register of Companies in February 2005. The book value of the shareholding depreciated in the previous year is represented as disposals in the assets analysis.

BMC AG Shareholding

Name and Head Office	Share of Company Capital in %	Annual result for 2005 in EUR'000	Proportional Equity Capital 31.12.2005 in EUR'000
BMC China	100	-11.1	99.7
BMC Baiwen	55	152.9	314.4

The year's result and the proportionate equity capital have been converted from the companies' local annual accounts as per 31st December 2005 / the average rate from the offered and asking price as per 31st December 2005.

Effects of the Receipts on the Consolidated Companies

Balance sheet	31.12.2005 EUR'000
Long term assets	90.5
Short term assets	866.0
Reserves	7.1
Remaining liabilities	337.9

Profit and Loss Account	2005 EUR'000
Turnover with outside parties	1,824.4
Operating profits	44.5
Operating expenditure	-1,706.9
Financial performance	7.6
Earnings before tax on profits	235.9
Taxes on income	-84.9
Earnings after tax on profits	151.0

The following were transferred at the time of acquisition of BMC Baiwen

Balance sheet	01.02.2005 EUR'000
Long term assets	51.1
Short term assets	601.0
Short term liabilities	352.1

No intangible assets were identified in the case of BMC Baiwen. BMC Baiwen's year's result stated in the consolidated financial statement since the time of acquisition is EUR 165.8k . The company posted net income in 2005 of EUR 144.7k (according to IFRS). In 2005, there were no profits prior the incorporation of BMC Baiwen because no trade fairs were staged up to the time of acquisition in 2005.

BMC China was founded by way of cash deposit from BMC AG. The business licence for the company was issued at the end of December 2004. In 2005, BMC China posted a net loss of EUR 14.9 (according to IFRS).

Following the appointed balance sheet date company mergers took place with BMC Zhenwei and BMC Flying Dragon. Interim accounts up until the transfer date are currently being prepared in respect of BMC Zhenwei and BMC Flying Dragon. These have yet to be made available to the Group and therefore no statement concerning the transferred assets, reserves and liabilities can be made at present. In respect of BMC Zhenwei the purchase price is CNY 22,850,000 and for BMC Flying Dragon the payment obligations amount to a maximum of CNY 97,530,000. Of this, a total of CNY 46,000,000 applies to variable elements, which fall due if certain gross proceeds are exceeded / other conditions arise.

Currency Conversion

The annual financial statements of the foreign subsidiaries are converted in accordance with the concept of functional currency. In all cases, they correspond with the currency of the country in which the company is based. The assets, debts and balance sheet notes and of company or goodwill value attributed to the foreign companies are converted at the average rate of the offered and asking price on the appointed balance sheet date. The equity capital on which the capital consolidation is based is converted at the rate on the day of initial consolidation. Differences from the rate on the deadline date are recorded in the surplus reserves / with the shares of other partners, with no effect on income. The items in the profit and loss account and thus the result stated in the profit and loss account are converted at the annual average rate.

Differences from the conversion of annual financial statements of foreign subsidiaries are treated without an affect on income and stated separately in the surplus reserves. Only in the year of deconsolidation of these companies are the currency differences resolved with an effect on income.

Exchange rates of the Chinese Yuan (CNY) for EUR 1

Rate on deadline date	CNY
1.1.2005 (CNV China initial consolidation)	11.228315
1.2.2005 (BMC Baiwen initial consolidation)	10.787180
31.12.2005	9.55799
Average rate	
1.1.2005 to 31.12.2005	10.21971

The initial consolidation of BMC China took place on the appointed date of 1st January 2005, that of BMC Baiwen on the appointed date of 1st February 2005. The profit and loss accounts of both companies were converted at the average rate for 2005.

Consolidation Methods

The acquisition method is used for capital consolidation. Here, the purchase costs of the shareholding are calculated at the cost of the proportional, newly valued, equity capital at the time of acquisition of the subsidiary. Different balances of company acquisitions as a result of this are capitalised as company or goodwill value.

Debts and Liabilities / Accruals between the consolidated companies are offset. This is exploited providing the consolidation of third party debt obligations is specified.

Sales revenue within the Group and other profits as well as the corresponding expenditure are eliminated. Interim profits and losses from internal delivery and service dealings within the Group are withdrawn with an effect on profits, in consideration of deferred taxes.

Valuation Basis, Accounting and Valuation Methods

The annual financial statements of the companies incorporated in the Group are prepared in accordance with standard accounting and valuation principles. The value estimates in the consolidated financial statement are determined – without any influence by fiscal directives – only by the economic representation of the asset, financial and profit situation as part of the IASB regulations.

Sales revenue / other operating profits are realised with the performance of the service / transfer of risks to the customer. Operating expenditure has an effect on results upon acceptance of the service / at the time when it arises. Interest profits and expenditure are recorded periodically.

Assets are capitalised if all significant opportunities and risks linked to use are available to the company. With the exception of certain financial assets, the assets are valued at current acquisition and manufacturing costs.

The acquisition costs include all return services performed in order to acquire an asset and render it operable. The manufacturing costs are determined on the basis of individual costs and are directly attributable overheads and deductions. Financing costs for the acquisition / manufacturing period are not capitalised. By the same token no distribution costs are capitalised.

Intangible assets and tangible asset objects with a limited usage period are subject to planned linear depreciation over the expected useful economic life, unless another method of depreciation is necessary due to the actual course of usage in exceptional cases. Checks are carried out on the intrinsic value of assets, where events or guides are present, which show a decrease in value. Unscheduled decreases in value are undertaken if the future amount achievable from the asset is lower than its book value. The sum achievable from an asset corresponds with the higher of the values of net sale proceeds and cash value of the future payment flow to be assigned to the asset (useful value). Where the reasons for the unplanned depreciation of the previous year cease to apply, corresponding appreciation is recorded to the benefit of other profits. No appreciation is stated on company or goodwill value.

Company or goodwill value acquired from company acquisitions is capitalised and not subject to planned depreciation due to the application of IFRS 3 “company mergers”. At least once per year the intrinsic value of capitalised company or goodwill value is checked following conclusion of the annual planning process in the course of the annual financial statement (impairment test).

Other intangible assets acquired for a consideration are valued at their cost of acquisition. Even intangible assets created are valued at their production costs, providing the inflow of use for the group is likely and can be valued reliably.

Tangible assets are valued at acquisition or manufacturing cost less use-related, scheduled and – in certain cases – non-scheduled depreciation. Due to the lack of significance in the calculation of depreciation, residual values were not to be taken into consideration.

Useful Economic Life

Other Intangible Assets	Useful Life
Software and other rights	Up to 5 years
Tangible Assets	
From the tenant fixtures	Up to 10 years
Operating and business equipment	Up to 13 years

The cost of maintaining and repairing tangible asset objects is stated as expenditure. Renewal and preservation expenses are capitalised as subsequent manufacturing costs if they result in a significant extension of useful life, a considerable improvement or significant change in the use of the tangible asset.

Inventories are valued at acquisition or manufacturing cost or at the lower net sale value. The net sale value is taken as the expected achievable return from sales less the costs incurred up to the time of sale. Individual valuation reductions are applied to all inventories where the returns from net sales are lower than the book value of the inventories. The valuation is increased if there are no reasons for the devaluation of inventories. Valuation of similar objects in the inventories is undertaken in accordance with the average method.

Issued credits and debts are valued as continued acquisition costs. In addition to loans, this includes all debts and other assets. This item takes account of all identifiable individual risks and the general credit risk supported by practical value, by appropriate value deductions.

Liabilities are stated at the time they arise, generally after deduction of capital incorporation costs, at the value of the return service received.

Foreign currency debts and liabilities are stated in the balance sheet in the annual financial statements at the exchange rate on the balance sheet date. The currency differences from the conversion of these are recorded under material expenditure where they occur in the course of the normal service process. Should they need to be allocated to other issues, they are stated under the other operating expenditure and profits.

Reserves are built up for contingent liabilities to third parties if it is likely that these obligations will result in future asset impairment. They are stated at the expected settlement value and are not included in claims under a right of recourse. Long-term reserves are stated at their cash value, providing the effect is significant.

Reserves for taxes on profits are stated in the balance sheet by corresponding tax refund claims if they apply in the area of the same tax authority and are similar with respect to type and period.

Deferred taxes are stated in the balance sheet and valued in accordance with IAS 12 (revised in 2000) of the balance sheet oriented liability method on the basis of the taxation rate applicable at the time of realisation. The fiscal consequences of profit distributions are only taken into consideration at the time of the decision concerning the use of profits. Active deferred taxes are stated for the expected fiscal advantages from losses carried forward and estimated to be realisable in the future. For the current BMC AG accounts, active deferred taxes would arise due to losses carried forward. Due to the lack of sufficient security with respect to the practicability of these fiscal advantages, no active distinguishing items have been stated for BMC AG.

When preparing the consolidated financial statement, assumptions were made and estimates used that have had an effect on the level and statement of the assets and debts stated in the balance sheet, yields and expenditure and contingent liabilities. The assumptions and estimations are primarily related to the standard group establishment of economic useful life, balance sheet and valuing reserves and the practicability of future tax relief. Furthermore, assumptions and estimates are made in respect of checking the intrinsic value of company or goodwill value. In certain cases the actual values may differ from the assumptions and estimates made. Such discrepancies are taken into consideration at a time when better knowledge is acquired with an effect on income.

Notes to the Accounting and Valuation Methods That Vary from German Law

Accounting in accordance with the International Financial Reporting Standards (IFRS) focuses primarily on the information requirement of the capital investors. It is therefore strictly separated in accordance with IFRS trade and fiscal accounting.

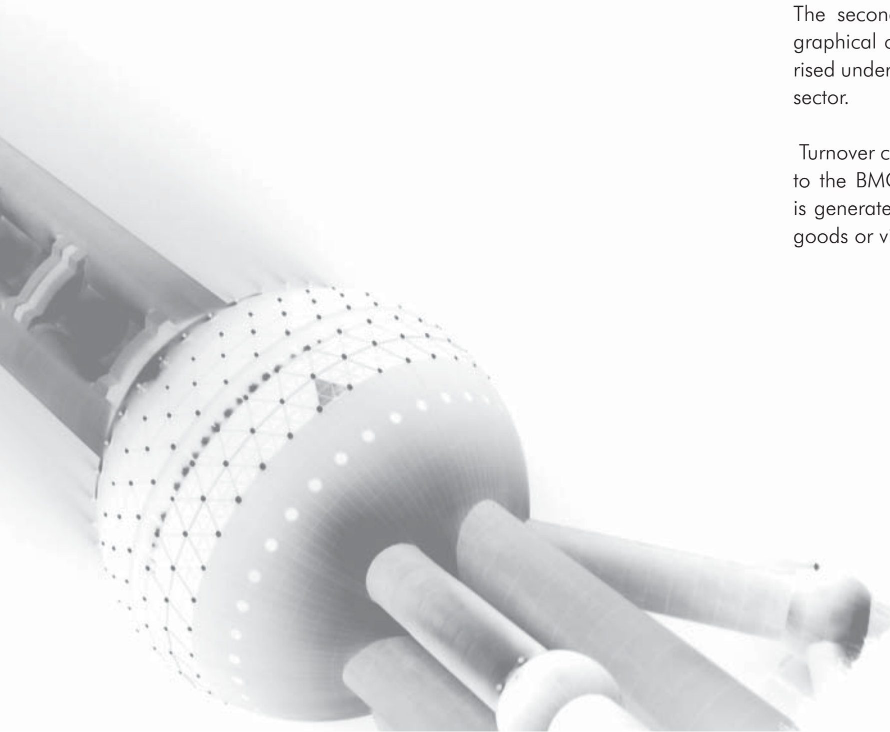
Scheduled depreciation of company or goodwill value is no longer required in accordance with IFRS 3 “company mergers”. Contrary to German commercial law, the intrinsic value of company or goodwill value is to be checked only once per year in respect of impairment tests.

In accordance with IAS 21 (revised 2003) and IAS 39, all foreign currency debts and liabilities are to be converted at the rate valid on the balance sheet date. All derivative financing instruments and securities available for sale are to be stated at market values. This means that even unrealised profits are recorded in the profit and loss account / equity capital. These regulations differ from the principle of acquisition costs, realisation and imparity prescribed according to the principles of German commercial law.

The accounting and valuation of deferred taxes in accordance with IAS 12 (revised 2000) uses the balance-oriented liabilities method, which varies from German commercial law. The tax savings from losses carried forward and which are estimated to be realisable in the future are stated as active deferred taxes if the requirements in this respect are met.

Debts are stated in the balance sheet at the repayment value in accordance with German commercial law. According to IFRS, outside capital is used after deduction of capital intake costs at the amount of the return service received. After consideration of deferred taxes, costs arising in respect of the issue of shares and redemption rights are treated without an effect on profits and deducted directly from the capital reserve - which varies from German commercial law.

Furthermore, on the basis of their high probability of occurrence, reserves for outstanding supplier invoices are stated under trade accounts payable in accordance
with the IFRS.



Sector Reporting

BMC is run internally via the following operating sectors: “trade fairs, conferences and publishing business” (short name: trade fairs); “sourcing and IT”; and “advertising”. The “AG” sector represents the administrative activities and acquisition activities of BMC AG and BMC China. It also encompasses all personnel expenditure of both units in 2005, including employee numbers. The remaining expenditure / profits of BMC AG, which mainly come under the trade fairs sector, are accounted for in the corresponding sectors.

The business division “order production in the book division” (order production) was sold in November 2004 due to the reorganisation and no longer has any effect on sector reporting in 2005.

Amounts were not set off between the sectors in 2005 and 2004.

The trade fairs sector combines the activities for the trade fairs and conferences held in China and the three magazines published in China by CEICO on the topics of mining and beauty.

The sourcing and IT sector includes internet purchasing platforms in China and the sale of trade fair software.

The advertising sector is, in particular, targeting advertising space marketing.

The sector assets of the respective sectors also include the shareholding book values and payments for shares in affiliated companies.

The sector assets and the sector debts include no deferred claims for taxes on profits / debts for taxes on profits. These amounts are shown together in the sector reporting, in the group transition column.

The sector expenditure also includes the depreciation on intangible and tangible assets. The depreciation is specified under a separate item. The sector result corresponds with the EBIT (earnings before interest and taxes).

The secondary sector format is created according to geographical criteria. BMC Baiwen and BMC China are summarised under the “China” sector and BMC AG in the “Germany” sector.

Turnover cannot be stated according to customer location due to the BMC Group’s business activity. The principle turnover is generated via the Chinese customers who generally exhibit goods or visit the trade fairs.

PRIMARY SECTORS

	AG EUR'000	Trade Fairs EUR'000	Sourcing + IT EUR'000
2005			
External turnover	18.9	2,090.8	0.0
Internal turnover	66.3	0.0	0.0
Sector turnover	85.2	2,090.8	0.0
Sector expenditure	1,609.7	2,060.3	1.7
Sector result	-1,493.8	75.7	-1.7
Sector assets	3,591.0	4,311.3	100.0
Sector debts	608.9	367.5	0.0
Sector investments	54.9	2,102.6	0.0
Sector depreciation	38.8	12.4	0.0
Employees as per 31.12.2005	12	25	0
2004			
External turnover	0.0	0.0	0.0
Internal turnover	0.0	0.0	0.0
Sector turnover	0.0	0.0	0.0
Sector expenditure	872.0	18.0	0.0
Sector result	-747.5	-18.0	0.0
Sector assets	19,057.0	796.0	0.0
Sector debts	11,796.9	10.7	0.0
Sector investments	237.9	896.2	0.0
Sector depreciation	18.0	0.2	0.0
Employees as per 31.12.2004	8	0	0

Advertising EUR'000	Order Production EUR'000	Sum of Sectors EUR'000	Transition EUR'000	Group EUR'000
0.0	0.0	2,109.7	0.0	2,109.7
0.0	0.0	66.3	0.0	66.3
0.0	0.0	2,176.0	0.0	2,176.0
0.1	0.0	3,671.8	-107.0	3,564.8
-0.1	0.0	-1,419.9	37.0	-1,382.9
40.0	0.0	8,042.3	-212.7	7,829.6
0.0	0.0	976.4	-14.2	962.2
40.0	0.0	2,197.5	0.0	2,197.5
0.0	0.0	51.2	0.0	51.2
0	0	37	0	37
0.0	488.4	488.4	0.0	488.4
0.0	0.0	0.0	0.0	0.0
0.0	488.4	488.4	0.0	488.4
0.0	491.9	1,381.9	0.0	1,381.9
0.0	120.1	-645.4	0.0	-645.4
0.0	0.0	19,853.0	18.1	19,871.1
0.0	0.0	11,807.6	1.2	11,808.8
0.0	0.0	1,134.1	0.0	1,134.1
0.0	6.6	24.8	0.0	24.8
0	0	8	0	8

SECONDARY SECTORS

	China EUR'000	Germany EUR'000	Sum of Sector EUR'000	Transition EUR'000	Group EUR'000
2005					
External turnover	1,824.5	285.2	2,109.7	0.0	2,109.7
Internal turnover	66.3	0.0	66.3	0.0	66.3
Sector turnover	1,890.8	285.2	2,176.0	0.0	2,176.0
Sector expenditure	1,706.9	1,964.9	3,671.8	-107.0	3,564.8
Sector result	228.4	-1,648.3	-1,419.9	37.0	-1,328.9
Sector assets	927.4	7,114.9	8,042.3	-212.7	7,829.6
Sector debts	337.9	638.5	976.4	-14.2	962.2
Sector investments	25.1	2,172.4	2,197.5	0.0	2,197.5
Sector depreciation	11.2	40.0	51.2	0.0	51.2
Employees as per 31.12.2005	26	11	37	0	37
2004					
External turnover	0.0	488.4	488.4	0.0	488.4
Internal turnover	0.0	0.0	0.0	0.0	0.0
Sector turnover	0.0	488.4	488.4	0.0	488.4
Sector expenditure	0.0	1,381.9	1,381.9	0.0	1,381.9
Sector result	0.0	-645.4	-645.4	0.0	-645.4
Sector assets	0.0	19,853.0	19,853.0	18.1	19,871.1
Sector debts	0.0	11,807.6	11,807.6	1.2	11,808.8
Sector investments	0.0	1,134.1	1,134.1	0.0	1,134.1
Sector depreciation	0.0	24.8	24.8	0.0	24.8
Employees as per 31.12.2004	0	8	8	0	8

Notes to the Profit and Loss Account

Preliminary Remarks on the 2004 Group Profit and Loss Account
The adjustment of the order production item in the Group profit and loss account 2004 is stated separately in the "adjusted item" column. By way of the reorganisation of BMC AG in November 2004, the order production division in the book division was sold. The adjusted item was integrated into BMC AG, which meant that there was no legally independent unit.

The turnover shown in the Group profit and loss account for 2004 is completely attributable to this business division and up to EUR 10.3 k also accounts for the overall material expenditure. The other operating profits are divided according to business divisions, including the surcharge for the business operation sold in 2004. The remaining expenses (personnel, depreciation, other operating expenses) have been added to the discontinued business division on the basis of estimates. The financial performance and taxes on profits are allocated to the remaining business divisions.

The following explanations of the previous year are stated with no subdivision in accordance with IFRS 5.

(1) Sales revenue

Group turnover by business activity	2005 EUR'000	2004 EUR'000
Trade fairs, conferences and publishing	2,090.8	0.0
Order production	0.0	488.4
Other	18.9	0.0
Total	**2,109.7**	**488.4**

At EUR 1,824.4k, the proceeds from turnover shown in 2005 are mainly attributable to BMC Baiwen from the 2005 trade fair business. The turnover from the previous year emanates from the business division of order production in the book division, which was sold in 2004.

(2) Other profits

	2005 EUR'000	2004 EUR'000
Refund of other taxes	44.5	0.0
Profits from the liquidation of reserves	13.5	43.3
Exchange rate gains	0.9	0.0
Book profit from the sale of financial assets	0.0	25.0
Sale of the order production business division	0.0	111.8
Profits from the liquidation of CNV France S.A.R.L.	0.0	24.6
Profits from depreciated debts	0.0	4.4
Other profits	17.0	39.0
Total	**75.9**	**248.1**

The other operating profits include profits not related to the accounting period, from the liquidation of reserves of EUR 13.5k (EUR 43.3k in the previous year), and other profits of EUR 2.3k that are not related to the accounting period. In the previous year, profits are included from book gains from sales of assets not related to the accounting period, from the sale of shares in affiliated companies and shareholdings, as well as other profits of EUR 56.0k not related to the accounting period.

(3) Material expenditure

Group material expenditure by business activity	2005 EUR'000	2004 EUR'000
Trade fairs, conferences and publishing	1,421.3	10.2
Order production	0.0	340.1
Other	5.1	0.0
Total	**1,426.4**	**350.3**

The expenditure stated is mainly expenditure for related services.

(4) Personnel expenditure

	2005 EUR'000	2004 EUR'000
Wages and salaries	707.0	298.1
Social security contributions and expenditure for old-age pension provisions	107.1	59.4
Total	**814.1**	**357.5**
Thereof for old-age pension provisions	**0.0**	**16.0**

The increase in personnel expenditure is the result of the expansion of the consolidated companies. The quarterly average for 2005 was 36 employees, of which 26 were in China. The expenditure for old-age pension provisions in the previous year was incurred for a board member who left in 2004.

(5) Planned depreciation

	2005 EUR'000	2004 EUR'000
Scheduled depreciation on other intangible and tangible assets	51.2	2.,8

(6) Other expenditure

	2005 EUR'000	2004 EUR'000
Legal, consultation and annual financial statement costs	355.7	431.2
Travel expenses	264.1	26.5
General meeting, investor relations and costs of publication	171.2	99.1
Operating requirements	110.6	27.8
Other taxes	104.1	0.2
Rents and leases	100.5	29.6
Advertising costs	34.8	6.4
Other operating expenditure	132.1	28.5
Total	**1,273.1**	**649.3**

EUR 30k (EUR 20.8k in the previous year) expenditure not related to the accounting period is included in 2005. Payments for perating lease relationships – all payments for minimum leasing – were incurred in accordance with IAS 17.35 (c) at EUR 83.2k in 2005 (EUR 23.2 in the previous year).

(7) Currency differences

	2005 EUR'000	2004 EUR'000
Currency differences	3.7	0.0

This item includes the discrepancies due to currency differences in the expenditure and profit consolidation.

(8) Financial performance

	2005 EUR'000	2004 EUR'000
Other interest and similar income	290.7	788.1
Profits from the sale of securities	0.0	154.5
Interest and similar expenditure	-203.8	-302.0
Expenditure from the sale of securities	0.0	-121.1
Total	**86.9**	**519.5**

Other interest and similar profits include interest of EUR 5.7k from affiliated, non-consolidated, companies.

(9) Taxes on income and profit

Summary of expenditure for tax on profit	2005 EUR'000	2004 EUR'000
Effective taxes on income		
Domestic	0.0	-149.7
Foreign	95.2	0.0
Potential tax expenditure		
Domestic	14.5	-7.3
Foreign	-10.2	0.0
Total	99.5	-157.0

The profit stated in the previous year from effective taxes on income is the result of an external fiscal audit, which covered the years 1998 to 2002.

BMC AG is subject to an average trade earnings tax of approx. 17 %, which is deductible on determining the corporation tax. Since 2004, corporation tax has been 25.0 % plus a solidarity surcharge of 5.5 % on corporation tax. All latent tax items are valued at a tax rate of approx. 39.1 %. The calculation of foreign trade earnings taxes is based on current laws and regulations. The trade earnings tax rate used for Chinese companies in 2005 is 33 %.

Potential taxes are determined in accordance with IAS 12 (revised in 2000), in accordance with the balance-oriented liabilities method. On this basis, it is probable that in future incoming tax relief and liability will be stated in the balance sheet for temporary differences between the book values applied in the consolidated financial statement and the fiscal stated values of assets and debts. Providing the temporary differences between trade or tax balance sheets relate to items that immediately increase or reduce the equity capital, the deferred taxes due on these differences are allocated directly with the equity capital. In total, in the financial year of 2004, the equity capital is reduced by EUR 18.1k, due to offsetting off deferred taxes with no effect on income.

Expected tax savings from the use of estimated future realisable losses carried forward are capitalised. In the valuation of a capitalised asset for future tax liabilities, the probability of realisation of the expected tax advantage is taken into account. In the case of BMC AG merely a deferred tax demarcation would arise on the basis of losses brought forward in addition to the capitalised deferred tax from the deferred tax set off against the equity capital and the deferred tax stated as liabilities from the different valuation method in the case of other reserves. Due to the lack of adequate certainty with respect to the achieving these tax advantages, as in the previous year no active accrual and deferrals were applied. The loss carried forward for BMC China was capitalised at EUR 2.0k on 31st December 2005.

Active and passive deferred taxes balanced by tangible assets	Aktive 31.12.2005 EUR'000	Passive 31.12.2005 EUR'000	Aktive 31.12.2004 EUR'000	Passive 31.12.2004 EUR'000
Different depreciation methods and useful life spans	0.1	0.0	0.0	0.0
Valuation differences for receivables and other assets	20.3	0.0	0.0	0.0
Valuation differences for remaining reserves	0.0	15.7	0.0	0.0
Deferred taxes from 2004 capital increase costs	18.1	0.0	18.1	1.2
Capitalised tax savings from future losses carried forward	2.0	0.0	0.0	0.0
Other transactions	6.8	7.0	0.0	0.0
Total	**47.3**	**22.7**	**18.1**	**1.2**

Composition of fiscal losses carried forward

Domestic losses carried forward	31.12.2005 EUR'000	31.12.2004 EUR'000
Corporation tax	12,777.5	656.9
Trade tax	12,779.0	759.2
Foreign losses carried forward	6.1	0.0
Total deferred tax savings from losses carried forward	**2.0**	**0.0**

The stated domestic losses carried forward are drawn from the 2004 tax returns and BMC's 2005 tax calculation. With respect to the 2004 loss carried forward, an appeal is still outstanding with the tax authorities for recognition of further losses of EUR 1,496.3k, on which a decision has yet to be made. Due to the repayment of a loan not taken into account in the tax balance sheet, the domestic losses carried forward were increased in 2005. The stated losses carried forward have not been finally assessed and may therefore differ significantly from the final assessed losses carried forward. Irrespective of the further unrestricted ability to carry forward domestic losses, the annual use is nevertheless limited by the introduction of a minimum taxation from the 2004 financial year. Foreign losses brought forward may be brought forward for a period ranging from two to five years. Domestic losses are not restricted in respect of bringing amounts forward.

The domestic losses carried forward are not capitalised because the use of the basic losses carried forward in the planning period seems unlikely. On 31st December 2004, no losses carried forward were capitalised in the consolidated balance sheet.

The tax saving of EUR 9.9k on losses carried forward, capitalised on 1st February 2005 by BMC Baiwen, was applied in full in 2005.

Transfer of expected revenue from tax on profits to actual expenditure for tax on profits

Domestic losses carried forward	2005 EUR'000	2004 EUR'000
Annual Group deficit before taxes on profits	1,296.0	-125.9
Expected revenue from tax on profits	**507.4**	**49.3**
Variation between actual tax rates and expected tax scalef	14.5	0.0
Non tax-deductible expenditure (without BMC AG)	-7.1	0.0
Neutral calculation with equity capital	0.0	18.2
Tax revenue not related to the accounting period	0.0	149.7
Tax on profits expected on the annual income of BMC AG before tax	-614.3	-60.2
Actual expenditure / revenue on tax on profits	**-99.5**	**157.0**

The expenditure stated for tax on profits is attributable to BMC Baiwen at EUR 89.8k and to consolidation measures at EUR 14.5k. The revenue from tax on profits of BMC China has the opposite effect at EUR 4.8k.

The discrepancy from the difference between the actual tax rates and the domestic tax scale in 2005 is due to the lower tax rate in China, which was 33 % for 2005. The tax revenue not related to the accounting period shown for the previous year relates to an external fiscal audit at BMC AG. BMC AG has been finally assessed for the period up to 2002.

The item "tax on profits expected on the annual income of BMC AG before tax" includes the annual income before taxes on profits according to commercial law, multiplied by the tax rate of approx. 39.1 %. As no capitalisation is undertaken for the tax saving on losses carried forward for BMC AG, the simplified representation has been selected in the transition account.

(10) Share of other partners in the Group net loss

Of the annual surplus of BMC Baiwen totalling EUR 165.8k, EUR 74.6k are attributable to the other partners who have a shareholding of 45 % in the company.

(11) Result per share

The undiluted result per share is determined as a ratio of the Group net income / loss to which the shareholders of BMC AC are entitled and the assessed average number of bearer unit shares in circulation during the financial year in accordance with IAS 33. IAS 33 was also used for the calculation in the previous year. On 9th November 2004, a capital increase of 413,100 shares was decided and was recorded in the Register of Companies on 9th December 2004. Thus, the shares increased from 4,131,950 to 4,545,050. Therefore, for 2004, the result is an assessed average share number of 4,156,849 shares. No capital increases were made in 2005. The capital increases in 2006 are not included in the calculation of result per share.

An estimated result per share of EUR 0.03 is attributable to the Order Division that was discontinued in 2004 from the Group Profit and Loss Statement for 2004, while a loss per share of EUR 0.02k is attributable to the other divisions. In this respect, EUR 120.1 k was taken as a basis for the Order Production Division and EUR -89.0k for the other divisions.

The result per share is then diluted if the average number of shares is increased by the addition of the issue of potential shares from option and conversion rights. No option and conversion rights have been issued. Therefore the undiluted result per share corresponds with the diluted result per share.

The capital was increased twice, in February and May 2006. Accordingly, the number of shares issued in BMC AG will increase by 1,454,416 to 5,999,466..

NOTES TO THE GROUP BALANCE SHEET

(12) Development of the fixed assets

ASSETS ANALYSIS

	Acquisition / production costs						
	Status 01.01.2005 EUR'000	Currency adaptation EUR'000	Initial consolida-tion income EUR'000	Booking changes EUR'000	Income EUR'000	Disposals EUR'000	Status as per 31.12.2005 EUR'000
Intangible assets							
Company or goodwill value	0.0	0.0	1,778.6	0.0	0.0	0.0	1,778.6
Other intangible assets							
Software (external procurement)	15.0	0.0	0.0	0.0	16.5	0.0	31.5
	15.0	0.0	1,778.6	0.0	16.5	0.0	1,810.1
Other tangible assets							
Tenant fixtures	104.4	0.0	0.0	0.0	1.3	0.0	105.7
Other assets, operating and business equipment	97.8	10.2	74.6	0.0	21.8	1.4	203.0
Payments made on tangible assets	0.0	1.2	0.0	0.0	17.1	0.0	18.3
	202.2	11.4	74.6	0.0	40.2	1.4	327.0
Other financial assets							
Shares in non-consolida-ted, affiliated companies	533.2	0.0	0.0	-100.2	0.0	433.0	0.0
Payments on shares in affiliated companies	796.0	0.0	0.0	-66.9	269.4	0.0	998.5
	1,329.2	0.0	0.0	-167.1	269.4	433.0	998.5
	1,546.4	11.4	1,853.2	-167.1	326.1	434.4	3,135.6

	Capital Allowances						Book Values	
	Status 01.01.2005 EUR'000	Currency adaptation EUR'000	Addiation of initial consolida-tion income EUR'000	Depreciati-on of entire financial year EUR'000	Disposals EUR'000	Status as per 31.12.2005 EUR'000	31.12.2005 EUR'000	31.12.2004 EUR'000
	0.0	0.0	0.0	0.0	0.0	0.0	1,778.6	0.0
	4.8	0.0	0.0	6.9	0.0	11.7	19.8	10.2
	4.8	**0.0**	**0.0**	**6.9**	**0.0**	**11.7**	**1,798.4**	**10.2**
	1.3	0.0	0.0	11.6	0.0	12.9	92.8	103.1
	2.3	5.1	33.4	32.7	1.4	72.1	130.9	95.5
	0.0	0.0	0.0	0.0	0.0	0.0	18.3	0.0
	3.6	**5.1**	**33.4**	**44.3**	**1.4**	**85.0**	**242.0**	**198.6**
	433.0	0.0	0.0	0.0	433.0	0.0	0.0	100.2
	0.0	0.0	0.0	0.0	0.0	0.0	998.5	796.0
	433.0	**0.0**	**0.0**	**0.0**	**433.0**	**0.0**	**998.5**	**896.2**
	441.4	**5.1**	**33.4**	**51.2**	**434.4**	**96.7**	**3,038.9**	**1,105.0**

(13) Company or goodwill value

The capitalised company or goodwill value in 2005 emanates from the initial consolidation of BMC Baiwen and BMC China (including currency differences) and is attributable to BMC Baiwen at EUR 1,773.4k and to BMC China at EUR 5.2k. disposals consolidated companies Disposals for consolidated companies did not include dormant reserves and debts. Therefore the difference between the acquisition cost and proportionate equity capital at the time of inclusion in the Group is stated in full as goodwill. Differences based on exchange rate fluctuations between the exchange rate at the time of acquisition of the subsidiary and the exchange rate on the balance sheet date are treated by way of analogy to other differences from the conversion of annual accounts of subsidiaries and shown separately in equity capital.

With regard to BMC Baiwen, acquisition costs of EUR 1,938.4k were incurred of which direct costs of EUR 1,871.4k applied to the former partners. The remaining balance was incurred for additional company acquisition costs. EUR 100.2k were spent on founding BMC China, of which EUR 100.0k for payment of the ordinary share capital of the company.

The value as a going concern is regularly reviewed in respect of lasting value (impairment test) following completion of the annual planning process in the course of the annual financial statement. In the case of BMC Baiwen the value in use has been determined on the basis of three-year planning and for the ensuing periods with a perpetual annuity based on a discounted interest rate of 12.5 % or 17.5 %. In this respect growth rates in the beauty sector – for which BMC Baiwen organises the trade fairs – are assumed to be between 30 % and 40 % and an average of 33 % using the DCF (discounted cashflow) method calculation.

(14) Other intangible assets

Operating software is stated and depreciated using the linear method over the useful economic life. No extraordinary capital allowances were necessary.

(15) Other tangible assets

The intake from the initial consolidation is attributable entirely to BMC Baiwen, while the currency adaptations are attributable to BMC Baiwen and BMC China. No extraordinary capital allowances were necessary. No financial leasing contracts are currently entered into. Therefore IAS 17 is not applicable.

(16) Other financial assets

The amounts listed in the booking changes column apply to the booking changes in the shares in consolidated companies, which were subsequently consolidated in full. The amounts apply to the acquisition costs incurred for the purchase of shares up to 31st December 2004.

The payments on shares in affiliated companies not yet consolidated apply to payments including additional acquisition costs in respect of the shares in BMC Zhenwei, BMC Flying Dragon and CEICO.

The liquidation of CNV Italia in Liq.ne S.r.l, in which Business Media China AG was the sole shareholder, was completed on 30th December 2004. The company was deleted from the Register of Companies in February 2005. The book value of the shareholding depreciated in previous years is represented as a disposal in the assets analysis.

(17) Inventories

The inventories as per 31.12.2005 include raw, auxiliary and operating materials. No capital allowances were necessary on the date of the balance sheet.

(18) Accounts receivable from trading

	31.12.2005 EUR'000	31.12.2004 EUR'000
Accounts due from non-consolidated affiliated companies	277.3	0.0
Accounts due from third parties	104.7	7.4
Total	**382.0**	**7.4**

(19) Other debts and assets

	31.12.2005 EUR'000	31.12.2004 EUR'000
Accounts due from a Chinese contracting party	526.0	0.0
Credit accounts due from non-consolidated affiliated companies	363.7	0.0
Claims from the refund of other taxes	160.5	151.7
Payments made	159.6	0.0
Prepayments and accrued income	36.1	4.1
Credit accounts due from third parties	8.1	0.0
Other assets	100.0	4.5
Total	**1,354.0**	**160.3**

(20) Effective and deferred earnings tax claims

	31.12.2005 EUR'000	31.12.2004 EUR'000
Deferred claims for tax on profits	47.3	18.1
Effective claims for tax on profits	83.6	212.5
Total	**130.9**	**230.6**

The active deferred taxes are explained in detail in sub-paragraph 9. The effective claims for tax on profits include interest payment taxes and the solidarity surcharge from the investment of liquid resources.

(21) Financial resources

	31.12.2005 EUR'000	31.12.2004 EUR'000
Credit balance with credit institutes	2,915.6	18,258.1
Cash balance and cheques	1.8	109.7
Total	**2,917.4**	**18,367.8**

On 31st December 2004, financial resources of EUR 11,000.0k were pledged for financial debts. As per 31 December 2004 and as per 31 December 2005 funds of EUR 300.0k were pledged for a bank guarantee from an asset deal and released at the beginning of 2006 due to the return of the bank guarantee.

Group equity capital

The change in the BMC Group's equity capital is stated in the statement of changes in equity capital.

(22) Subscribed capital

As per 31st December 2005, the share capital was EUR 4,545,050 and was distributed in 4,545,050 non-par unit shares with a proportional amount of share capital of EUR 1.00 per share. By way of the Supervisory Board agreement dated 10th February 2006, the Management Board increased the share capital by EUR 454,505 to EUR 4,999,555 by way of the issue of 454,505 unit shares with a proportion of share capital of EUR 1.00 per share.

By way of a decision taken at the Annual General Meeting on 14th June 2005, the company amended its company name from CNV Vermögensverwaltungs AG to Business Media China AG and the object of the company was re-established. The decisions were entered in the Register of Companies on 12th July 2005.

By way of a decision taken at the Annual General Meeting on 14th June 2005, the share capital was increased to EUR 7,545,050 via company funds and the Memorandum and Articles of Association were amended accordingly. By way of a decision taken at the Annual General Meeting on 14th June 2005, the share capital was then reduced to EUR 4,545,050 and the Memorandum and Articles of Association were amended accordingly. In accordance with Section 272, sub-section 2, no. 4, of HGB, the capital reduction is divided into free capital reserves. The decisions were entered in the Register of Companies on 12th July 2005.

By way of a decision taken at the Annual General Meeting on 14th June 2005, capital I and capital II – approved on 18th March 2004 – were annulled and a new capital I was agreed. The Management Board is authorised to increase BMC AG's share capital by up to EUR 2,272,525 up to five years after entry in the Register of Companies. The new approved capital I of EUR 454,505 was used in 2006 and, after partial dividend by the increase in capital, this amounts to EUR 1,818,020.

By way of of the decision taken at Annual General Meeting of 14th June 2005, the conditional capital I in § 4, sub-section 4, of the Memorandum and Articles of Association – agreed on 1st October 1999 – was annulled and a conditional increase in share capital of EUR 100,000 agreed. The decisions were entered in the Register of Companies on 12th July 2005. The Management Board is authorised, by way of approval by the Supervisory Board that applies up until 31 December 2008, to grant one-off or repeated redemptive rights ("share options") on up to 100,000 non-par unit bearer shares in the Company (the "individual shares") to employees and members of the Management of the Company and companies in which the Company is directly or indirectly the majority shareholder ("affiliated companies") (jointly referred to as the "Beneficiary"). Insofar as the Board is the Beneficiary, the Supervisory Board shall be entitled to grant share options. To date there was no share option plan in place and no options were granted. The main determinants of the decision taken at the Annual General Meeting are described below:

Of the share options, up to a total of 35,000 units (corresponding to 35%) may be granted to members of the company Management Board, up to a total of 30,000 units (corresponding to 30%) to members of the management of affiliated companies, up to a total of 10,000 units (corresponding to 10%) to Company employees and up to 25,000 units (corresponding to 25%) to employees of affiliated companies. The decision concerning the individual beneficiaries and the number of share options to be granted to these shall be made by the Company Management Board and, where members of the company Management Board are concerned, the Supervisory Board. The time for granting share options to the beneficiaries is limited to the following annual periods, each of which lasts one week ("procurement window"): one procurement window begins on the day after publication of the annual financial statement and other procurement windows each begin on the days after the publication of the Company's interim accounts (half yearly and/or quarterly reports). The share options can only be exploited after a period of at least two years from the respective times when they are granted ("waiting period"). The option conditions may also include a longer waiting period and the graded exploitation of share options in certain tranches. The share options are valid for up to eight years calculated from the respective time at which they are granted. The exploitation of share options is only permitted during the following periods of the year ("exploitation windows"), each of which lasts for two weeks: the first exploitation window begins on the day after the Annual General Meeting while other exploitation windows begin on the day after the publication of the annual financial statement and other exploitation windows each begin on the days after the publication of the Company's interim accounts (half yearly and/or quarterly reports). Should an exploitation window fall in the period when the company is offering its shareholders the opportunity to purchase new unit shares due to an increase in capital, then the corresponding exploitation window shall begin on the first working day after the end of the subscription period.

The share options can only be exploited after the expiry of the respective waiting period if either: (i) the price movement of unit shares in the period between when the share options are granted and the start of the respective exploitation window in which the share options are to be exploited exceeds the development of the Deutsche Börse AG (German stock exchange) MDAX Index or another alternative index ("reference index") by a minimum of 5 % ("success target 1"); or (ii) the EBIT margin derived from the audited consolidated financial statement of Business Media China AG for the last ended financial year prior to exploitation of the option rights equalled 25% or more and the EBIT result on the total capital used (equity capital and outside capital) derived from the audited consolidated financial statement of Business Media China AG for the last ended financial year prior to exploitation of the option rights equalled 25% or more – with the EBIT margin defined as the EBIT for the respective financial year, specified as a percentage of proceeds from turnover in the respective financial year ("success target 2"; success target 1 and success target 2 are jointly the "success target"). To calculate the achievement of success target 1, compare the average closing price of the unit share in XETRA trade (or in a functionally comparable successor system in place of the XETRA system) on the Frankfurt stock exchange in the last 5 stock exchange days before the end of the respective collection window in which the share options have been granted and in the last 5 stock exchange days prior to the start of the exploitation window in which the share options are to be exploited with the development of the reference index calculated by way of the same method. Providing the success target for the exploitation of share options on one exploitation window is not achieved, the share options for which the waiting period has expired can be exploited in a subsequent exploitation window if the success target is reached for one of the subsequentexploitation windows. Share options for which the waiting period is complete and which are not exploited despite achievement of the success target can be exploited in a later exploitation window even if the success target is no longer met for this later exploitation window.

The partial exploitation of share options in an exploitation window is permissible. In addition to the achievement of the success target, the option conditions may include other requirements for the complete or partial exploitation of share options.

The share options are granted with no payment in return. However, the granting of share options to the beneficiaries may be made conditional on certain requirements (e.g. own investment of the beneficiary in the shares of the company). When exploiting the share options, an exploitation price is payable for each share option exploited, which corresponds to the average closing price of the unit share in XETRA trade (or a functionally comparable successor system in place of the XETRA system) on the Frankfurt stock exchange in the last 5 stock exchange days before the end of the collection window during which the respective redemptive rights have been granted ("base price"). Dividends may be issued for the new shares issued on the basis of the redemptive rights for the entire financial year in which the exploitation of the redemptive right takes effect.

From 12th October 1999 to 30th November 2001, BMC AG was listed on the Frankfurt stock exchange in the regular market in the new market segment. Since 3rd December 2001, pricing has been carried out on the regular market (ISIN DE0005250401).

(23) Reserves

Reference is made to the statement of changes in equity capital for the composition of the reserves.

Capital reserves

In accordance with § 150 AktG, EUR 1,569.0k were used from the capital reserve to balance the annual deficit for 2005. In this respect, EUR 497.3k were used from the capital reserves bound by § 150 AktG and EUR 1,071.7 were used from the free capital reserves.

Surplus reserves

The reserves (23.5) include adjustments from the transfer from accounting in accordance with commercial law accounting principles (HGB) to IFRS.

		HGB 1.1.2004 EUR'000	Adaption EUR'000	IFRS 1.1.2004 EUR'000
ASSETS				
Other intangible assets		5.7	0.0	5.7
Other tangible assets		46.1	0.0	46.1
Other financial assets	(23.1)	129.5	-104.5	25.0
Fixed assets		**181.3**	**-104.5**	**76.8**
Deferred claims for tax on profits	(23.2)	0.0	0.5	0.5
Long term debts		**0.0**	**0.5**	**0.5**
Long term assets		**181.3**	**-104.0**	**77.3**
Inventories		**0.0**	**0.0**	**0.0**
Accounts receivable from trading		262.5	0.0	262.5
Other receivables and assets	(23.3)	17,145.2	-38.0	17,107.2
Effective claims for tax on profits		172.7	0.0	172.7
Short term debts		**17,580.4**	**-38.0**	**17,542.4**
Financial resources	**(23.4)**	**21,318.6**	**57.8**	**21,376.4**
Short term assets		**38,899.0**	**19.8**	**38,918.8**
		39,080.3	**-84.2**	**38,996.1**

LIABILITIES				
Capital subscribed		4,132.0	0.0	4,132.0
Reserves	(23.5)	22,438.6	21.5	22,460.1
Net loss	(23.6)	0.0	-8.4	-8.4
Equity capital (Share of BMC AG shareholders in equity capital)		**26,570.6**	**13.1**	**26,583.7**
Reserves for pensions and similar obligations	(23.7)	138.6	-103.2	35.4
Deferred reserves for tax on profits	(23.8)	0.0	8.9	8.9
Long term reserves		**138.6**	**-94.3**	**44.3**
Effective reserves for tax on profits		79.3	0.0	79.3
Other reserves for tax on profits	(23.9)	747.2	-3.0	744.2
Short term reserves for tax on profits		**826.5**	**-3.0**	**823.5**
Financial debts		11,252.1	0.0	11,252.1
Trade accounts payable		67.4	0.0	67.4
Other liabilities		225.1	0.0	225.1
Short term liabilities		**11,544.6**	**0.0**	**11,544.6**
Short term reserves and liabilities		**12,371.1**	**-3.0**	**12,368.1**
		39,080.3	**-84.2**	**38,996.1**

The adjustment of EUR 104.5k under other financial assets (23.1) applies to the reclassification of reinsurance coverage of the corresponding pension obligation (23.7).

The deferred claims for tax on profits (23.2) are the result of the adjustment of the pension reserve from HGB to IFRS. The pension reserve was established for a board member who left on 9th November 2004. It was paid to the board member when he retired from the company. The reinsurance was paid to BMC AG in November 2004.

At EUR 58.0k, the adjustment of EUR 38.0k stated in Receivables and other assets (23.3) includes the reclassification of the stock of financial resources held in a mutual fund (23.4) and the exposure of hidden assets of EUR 20.0k in securities.

The net loss shows the balance of deferred taxes (23.8) as assets (23.2) and liabilities.

In addition to the reclassification from the other financial assets of EUR 104.5k, opposing adjustments of EUR 1.3k were required from the revaluation of the pension reserve (23.7).

The deferred reserves on the liabilities side for tax on profits (23.8) are the result of the revaluation of the securities (23.3) and the other reserves.

In the case of short-term reserves (23.9), a reserve of EUR 3.0k that is not permitted according to IFRS, has been eliminated.

Effects of the transfer from HGB to IFRS in the profit and loss account

	HGB 1.1.-31.12.2004 EUR'000	IFRS 1.1.-31.12.2004 EUR'000	Adaption 2004 EUR'000
Sales revenue	488.4	488.4	0.0
Other profits	248.1	248.1	0.0
Material expenditure	-350.2	-350.2	0.0
Personnel expenditure	-358.9	-357.6	1.3
Planned depreciation	-24.8	-24.8	0.0
Other operating expenditure	-695.7	-649.3	46.4
Financial performance	539.4	519.5	-19.7
Earnings before taxes on profits	**-153.7**	**-125.9**	**27.8**
Taxes on income and on profit	149.7	157.0	7.3
Group surplus (+) / deficit (-)	**-4.0**	**31.1**	**35.1**

The personnel expenditure adjustments apply to the revaluation of the pension reserve in accordance with IFRS. The reserve was used up in 2004. The amount added on 1st January 2004 had an effect on profits.

The other operating expenditure was reduced by the elimination of the costs incurred for the capital increase of EUR 46.4k that was agreed in November 2004. After accounting for deferred taxes, the balance was offset by the capital reserve.

The adjustments of the financial performance relate to the revaluation of the securities on 1st January 2004. These were all sold in 2004.

The deferred tax on profit of EUR 7.3k is the result of the sale of the aforementioned securities and the consumption of the pension reserve.

Differences from currency conversion

The currency differences arising from the conversion of foreign annual financial statements are recorded in the reserve for differences from currency conversion, and do not have any effect on profits. Currency differences occurred for the first time in 2005 and are allocated at EUR 37.8k to the capital and EUR 5.3k to the annual result. The conversion differences of the minority shares are included in the shares of other partners.

(24) Balance Sheet Profit

The development of the balance sheet profit can be seen from the statement of changes in equity capital. The balance sheet profit comprises the annual yields of the companies incorporated in the consolidated financial statement, consolidation measures with an effect on profits and withdrawals from the capital reserves. The withdrawals from the capital reserves are based on the individual financial statement of BMC AG to cover the annual deficit of EUR 1,569.0k generated according to the regulations of commercial law.

(25) Share of other partners in equity capital

The share of other partners in the equity capital is attributable to the minority shareholders of BMC Baiwen. The minority share totalling EUR 232.1k comprises a share of EUR 157.5k in the capital and EUR 74.6k in the result.

(26) (26) Long term reserves (deferred taxes on profits)

The reserves for deferred taxes on profits have developed as follows:

	Initial stock 01.01.2005 EUR'000	Currency adaption EUR'000	Consumption EUR'000	Dissolution EUR'000	Additions EUR'000	End stock 31.12.2005
Deferred reserves for taxes on profits	1.2	0.4	0.0	0.0	21.1	22.7

(27) Short term reserves (other reserves)

Short term reserves (other reserves)

	Initial status as per 01.01.2005 EUR'000	Consumption EUR'000	Disposals EUR'000	Additions EUR'000	End stock 31.12.2005 EUR'000
Risk of court cases	225.2	0.0	0.0	0.0	225.2
Audit costs	36.0	36.0	0.0	107.0	107.0
General meeting	60.0	60.0	0.0	60.0	60.0
Outstanding invoices	50.4	36.9	13.5	38.0	38.0
Outstanding invoices	6.6	6.6	0.0	17.0	17.0
Supervisory Board	6.9	4.2	0.0	10.3	13.0
Financial report	15.0	15.0	0.0	9.6	9.6
Professional association contributions	0.9	0.8	0.0	2.9	3.0
Other reserves	8.0	0.0	0.0	16.1	24.1
	409.0	**159.5**	**13.5**	**260.9**	**496.9**

The expected expenditure for the Julius Bär court case is stated under Risk of court cases.

Periods of reserves for tax on profits and other reserves
The deferred taxes are classified as long term. As in the previous year, the other reserves have a residual term of up to one year.

Short term liabilities

(28) Financial debts

The short term financial debts stated in the previous year were repaid in full in 2005. The financial debts were absorbed into EURIBOR plus an additional supplement of 0.3 %. Liquid resources were pledged at the rate of EUR 11,000.0k.

(29) Trade accounts payable

	31.12.2005 EUR'000	31.12.2004 EUR'000
To foreign third parties	79.6	98.9
To associated, non-consolidated, companies	0.0	289.6
Total	**79.6**	**388.5**

All the liabilities have a residual term of up to one year.

(30) Other liabilities

	31.12.2005 EUR'000	31.12.2004 EUR'000
Other liabilities	276,8	0,0
Liabilities to employees	30,1	0,0
Liabilities from taxes on profits	27,6	0,0
Liabilities from other taxes	17,3	8,9
Liabilities relating to social security	0,5	0,0
Other remaining liabilities	10,7	1,2
Total	**363,0**	**10,1**

All the liabilities have a residual term of up to one year

Liability relations

A liability of EUR 347.0k applies due to a possible secondary, directly liable, liability resulting from a company acquisition. It is considered unlikely that claims will be lodged in this respect.

A bank guarantee of EUR 3,000.0k was made available for the guarantees granted in respect of the purchase and transfer agreement with Panini Verlags GmbH, which Panini Verlags GmbH returned to BMC AG in January 2006, due to the term restriction of the guarantee to 31st December 2005.

Other financial liabilities

Other financial obligations totalling CNY 118,830.000 (on 31.12.2005 approx. EUR 12,432.6k) apply to the purchase of shares in affiliated companies. Of these, a total of CNY 46,000,000 (on 31.12.2005 approx. EUR 4,812.8k) apply to obligations in respect of company acquisitions, which mature when certain gross profit yields are exceeded / other conditions apply. Of the obligations in respect of company acquisitions, CNY 21,000,000 (on 31.12.2005 approx. EUR 2,197.1k) would be due after one to five years if these came into force in full. On 31st December 2004, there were financial liabilities of CNY 20,000,000 (on 31.12.2004 approx. EUR 1,777.0k) from the acquisition of shares in affiliated companies that were due within one year.

In 2003, BMC AG was issued with a claim waiver and debtor warrant on a loan granted at EUR 1,448.0k. This debtor warrant was purchased by Mesago Holding GmbH on 1st July 2004. Payment of the loan claim can only be demanded from future annual surpluses under commercial law and in the case of liquidation, insolvency proceedings or other termination of the company, the claim can only be demanded if all other creditors of the company are satisfied. Due to the annual deficit of 2005, no payment is required. Including interest the liability amounted to EUR 1,560.0k (EUR 1,504.9k in the previous year) on the balance sheet date.

Other financial obligations	Up to 1 year EUR'000	Remaining term over 1 and up to 5 years EUR'000	31.12.2005 Total EUR'000	31.12.2004 Total EUR'000	Remaining term over 1 year EUR'000
Obligations from company purchase agreements made	10.235,5	2.197,1	12.432,6	1.777,0	0,0
Purchase commitments from operative business	215,3	218,0	433,3	0,0	0,0
Rent on buildings	227,5	270,8	498,3	182,2	149,0
Liabilities from the debtor warrant	0,0	1.560,0,9	1.560,0	1.504,9	1.504,9
Other	5,0	12,7	17,7	0,0	0,0
Total	**10.683,3**	**4.258,6**	**14.941,9**	**3.464,1**	**1.653,9**
Attributable value	**10.247,8**	**3.837,6**	**14.085,4**	**3.218,6**	**1.490,5**

The attributable current value of the financial obligations was established by discounting the future disposals on the basis of a comparable standard interest rate of 4.25 % p.a. (4.75 % in the previous year). Discounting with an interest rate of 4.75 % p.a., without change compared with the previous year, would have resulted in an attributable current value of EUR 94.5k less.

Legal disputes

BMC AG is in the process of instituting legal proceedings against Julius Bär Kapitalanlage AG. BMC AG is demanding compensatory damages in respect of the administration of a special fund. In the first instance, BMC AG lost. In the hearing of the appeal against the judgement passed by the Frankfurt am Main district court in February 2006, the court of appeal suggested a settlement to avoid a further extensive court case.

The settlement specifies that Julius Bär Kapitalanlage AG pay BMC AG 25 % of the claim and thus EUR 1,656.4k plus interest as from 16th October 2001 and that, in both cases, one quarter of the costs of the legal dispute be born by Julius Bär Kapitalanlage AG and three quarters by BMC AG. Although BMC AG accepted the settlement suggestion, it was rejected by the opposition. The court case therefore continues.

Notes to the cashflow statement

In the cashflow statement, the cash flow development is shown separately by inflows and outflows of resources from ongoing business activity, investment activity and financing activity. This eliminates effects due to the changes in the group of consolidated companies. The cashflows from foreign consolidated companies have been converted at the appropriate average rate.

(31) Inflow/outflow of resources from ongoing business activity

The inflow/outflow of resources from ongoing business activity also includes inward and outward interest payments. In 2005, interest amounting to EUR 284.9k (EUR 788.1k in the previous year) was collected and interest amounting to EUR 203.8k (EUR 302.0k in the previous year) was paid. Refunds on tax on profits resulted in a resources inflow of EUR 149.7k in 2004. In 2005, EUR 30.2k were paid. Profits of EUR 111.8k from the sale of the order production operations are included in 2004.

(32) Inflow/outflow of resources from investment activity

The payments for investments in the tangible and intangible assets / payments from corresponding sales are not covered by the additions / disposals shown in the development of fixed assets. The difference, in particular, results from the cashflow impact of additions in 2004 and 2005 and from the capital consolidation on the basis of acquired company or goodwill value.

The disposals of resources for financial asset investments – calculated with the financial resources from disposals to the consolidated companies – take into account the payments for the acquisition of shares in subsidiaries, which are mainly included in the consolidated balance sheet as company or goodwill value in respect of consolidation. Furthermore, credits and loans to third parties are included.

In total in 2005, payments amounting to EUR 1,971.6k were effected for acquisitions of shares in subsidiaries. The financial resources acquired by the purchases amount to EUR 362.9k. EUR 269.4k were paid in 2005 for future acquisitions. In 2004, EUR 50.0k were received from the sale of non-consolidated subsidiaries and shareholdings while EUR 796.0k were spent on share purchases.

In 2004, payments totalling EUR 48.0k were received from the sale of tangible assets of the order production division.

(33) Inflow/outflow of resources from financing activity

In 2004, the capital was increased using company resources of EUR 22,023.3k, which was paid to the shareholders of BMC AG after a capital reduction and a six-month waiting period. A capital repayment of EUR 5.33 applied to each share.

In 2005 repayment of a loan to a bank ranks as the most important change.

(34) Development of the stock of financial resources

The stock of financial resources includes all liquid resources, i.e. cash balances, credit balances with credit institutes and cheques. The effects from movements of payment resources due to exchange rates are stated in the cashflow statement under changes with no effect on payments. On 31st December 2005, the financial resources were subject to availability restrictions of EUR 895.7k.

Composition of unavailable financial resources	31.12.2005 EUR'000	31.12.2004 EUR'000
Total financial resources	**2,917.4**	**18,367.8**
Unavailable financial resources		
Resources China	595.7	0.0
Pledging financial resources for bank securities	300.0	300.0
Pledging of overnight monies for financial debts	0.0	11,300.0
	895.7	**11,300.0**
Readily available financial resources	**2,021.7**	**7,067.8**

In June 2005 and September 2005, the initial financial debts of EUR 11,000.0k were repaid, for which corresponding amounts were pledged as security. The financial resources of the Chinese subsidiaries on 31st December 2005 are available in China but remain in the company due to the existing restrictions on foreign exchange transactions with respect to the use of financial resources and are therefore classified as merely of limited use.

At the end of 2002, the former operative business of BMC AG, which was then still trading under the name Dino entertainment AG, was sold to a third party as part of an asset deal. For the guarantees secured at that time in the contract from BMC AG, a bank guarantee of EUR 3,000.0k with a term limited to 31st December 2005 was transferred to the purchaser. With the sale of shares in BMC AG on 1st July 2004, the seller took over 90 % from future demands such that the availability restriction of the financial resources was reduced to EUR 300.0k. The availability restriction expired in January 2006 with the return of the bank security.

On 10th February 2006, with the approval of the Supervisory Board, the Management Board effected a ten percent increase in capital, whereby the company received EUR 4,545.0k in liquid funds (before capital increase costs). Of the capital increase effected in May 2006, BMC AG will have additions of EUR 24,997.8k before capital increase costs.

Other information

Associations with closely affiliated companies and people

In addition to the subsidiaries included in the consolidated financial statement, BMC AG is directly or indirectly associated with closely affiliated companies and closely affiliated people during the course of normal business activity.

More than 50 % of BMC AG is held by the majority shareholder, Mesago Holding GmbH, of which the sole partner and director, Mr Klaus M. Hilligardt, is the Chairman of the Supervisory Board of BMC AG. With the exception of Mr Hilligart's function in respect of his activity as Chairman of the Supervisory Board, there have been no commercial transactions during the reporting period. In August and September 2005, Mesago Holding GmbH was granted three loans totalling EUR 358.0k. The term of the loans runs to 31st December 2006 and interest is charged at 5 % p.a. No securities were placed for the loan. On 31st December 2005, the outstanding accounts amount to EUR 363.7k.

Mesago Holding GmbH holds a 100%-stake in Mesago Holding Operations GmbH. In 2004, this company took over the trade fairs division at a purchase price totalling EUR 182k and payments were made for 55 % of the shares in CEICO were made at apurchase price of EUR 700.0k. With regard to this company costs are passed on from deliveries and services from third parties. In 2005, EUR 10.8k were charged to BMC AG. BMC AG charged EUR 132.4k for commission and services. The amount of outstanding accounts as per 31st December 2005 is EUR 158.6k (EUR 189.5k in the previous year).

In 2005, a prepayment of EUR 100.0k agreed per contract was effected to Mediabizz Messedienstleistungsgesellschaft mbH – in which Mesago Holding GmbH is the sole shareholder – for a future commission obligation. The amount of outstanding accounts as per 31st December 2005 is EUR 100.0k.

BMC AG provides services for REC Real Estate China AG, in which Mesago Holding GmbH is the majority shareholder. EUR 16.2k were invoiced for this in 2005. The amount of outstanding accounts as per 31st December 2005 was EUR 18.8k.

EUR 70.0k were paid in 2005 for the services of BMC China for BMC and reserves of EUR 37.0k were established for BMC China invoices still outstanding in the annual financial statement of BMC, which have been eliminated in the consolidated financial statement. BMC Baiwen was invoiced for services of EUR 40.4k and BMC invoiced EUR 64.0k for the BMC Zhenwei trade fairs taking place in 2006. The amount of outstanding accounts as per 31st December 2005 was EUR 64.0k.

Employees in key positions according to IAS 24.16 a were paid EUR 18.8 in 2005. This applies to the salary for a Chinese director. The salaries of the Management Board and the Supervisory Board are listed with the explanations of the bodies.

As in 2003, outgoing director Christian Neuber and former majority shareholder in BMC AG until 1st July 2004 were granted three loans in 2004, which were repaid in full with interest on 1st July 2004. The first loan had a credit limit of EUR 2,900.0k up to 30th March 2004, which was increased to EUR 3,300.0 on 30th March 2004. Interest of 3.8 % p.a. was charged on the loan in 2004. Interest on the second and third loans, of EUR 2,343.0 and EUR 4,113.0 respectively, was also charged at 3.8 % p.a. A loan of EUR 1,590.0k was granted to Christian Neuber und Philipp Neuber Vermögensanlage GbR in 2003, on which interest at 3.8 % p.a. was charged up to 1st July 2004 and which was repaid in full with interest on that day. Interest on the loans was due on a calendar quarter basis. The loans had no fixed term and could be terminated at the end of any month by serving one months' notice. BMC AG was provided with bank guarantees totalling EUR 11,000.0k as security for these loans.

Auditor

On 31st December 2005, EUR 90.0k were retained and EUR 30.0k paid for the auditor's fee. The expenditure relates to the audit on 31st December 2005. Furthermore, the additional audit costs from the initial application of the International Financial Accounting Standards (IFRS) and group audit are included.

Notification pursuant to § 25 WpHG in 2005

No notification required publication in accordance with § 25 WpHG for the 2005 financial year.

Details on the shareholding of the executive bodies on 31st December 2005

Management board	Shares	%
Bernard Tubeileh 1)	227.258	5,00
John Maxwell Hare	41.218	0,91
	268.476	**5,91**

Supervisory Board	Shares	%
Klaus Michael Hilligardt 2)	2.788.252	61,35

The shareholding of the executive bodies remains unchanged on 31st December 2004.

In the 2005 financial year, the company was notified of a loan on collateral securities by a member of the Supervisory Board and this was made permanently accessible to the public in accordance with § 15a WpHG.

On 31st December 2005, the other members of the Supervisory Board did not hold any shares in BMC AG.

1) Thereof 185,940 shares indirectly through Sinostar Investments GmbH
2) Indirectly through Mesago Holding GmbH, Stuttgart

Management Board emoluments

The activities of the Management Board are remunerated by way of a fixed salary, as in the past. At the Annual General Meeting on 23rd June 2005, a share option programme was agreed in which the Management Board could also participate. The decision taken at the Annual General Meeting has yet to be implemented. In respect of the loans to directors in 2004, reference is made to the explanations concerning the connections with closely affiliated companies and people.

Management Board emoluments

Management Board emoluments	2005 EUR'000	2004 EUR'000
John Maxwell Hare	100.0	14.2
Bernard Tubeileh	85.8	36.0
Christian Neuber	0.0	215.3
	185.8	**265.5**

The emoluments of the previous year for director Christian Neuber, who has retired, include the payment of EUR 119.0k for his pension claim. Mr Hare has been a member of the Management Board of BMC since November 2004 and Mr Tubeileh since July 2004.

Supervisory Board Emoluments

In respect of its activities, the Supervisory Board receives a fixed payment, which is specified in the Memorandum and Articles of Association of BMC AG. At the Annual General Meeting on 23rd June 2005, it was decided to abolish the variable remuneration previously regulated in the Memorandum and Articles of Association. No variable payments were ever made to the members of the Supervisory Board because the conditions for payment were never in place. The remuneration according to the Memorandum and Articles of Association is EUR 5k, with the Chairman of the Supervisory Board receiving twice the single payment and the Deputy chairman one and a half times the single payment. Thus, the annual remuneration of the Supervisory Board is EUR 22.5k. For 2005, EUR 13.0k (EUR 11.5 in the previous year) were retained, including the reimbursement of expenses.

Supervisory Board Emoluments according to the Memorandum and Articles of Association	EUR'000
Klaus M. Hilligardt	10.0
Henning Möller	7.5
Wolfram Diener	5.0
	22.5

The Deputy Chairman, Christian Sundermann, who has retired, was entitled to EUR 7.5k p.a.

Organs of BMC AG

Supervisory Board

Klaus Michael Hilligardt
(Supervisory Board Chairman)
Businessman

Membership of other Supervisory Boards and control committees:
· Supervisory Board Chairman of REC Real Estate China AG, Stuttgart (to 22nd March 2006)

Henning Möller
(Deputy Supervisory Board Chairman since 31st October 2005)
Business consultant

Membership of other Supervisory Boards and Control Committees:
· Membership of the governing board of WKW Kunststofftechnik AG, Rüthi (Switzerland)
· Membership of the governing board of Falcontec SA, Fribourg (Switzerland)
· Deputy Supervisory Board Chairman of REC Real Estate China AG, Stuttgart

Wolfram N. Diener
(Supervisory Board member since 26th September 2005)
Convention and Exhibition Vice President of Venetian Macau Limited, Macau (China)

No membership of other Supervisory Boards and Control Committees.

Christian Sundermann
(Deputy Chairman up until 10th September 2005, retired on 10th September 2005)
Business consultant, Munich

No membership of other Supervisory Boards and control committees.

Director

John Maxwell Hare
(Management Board Chairman since 17th October 2005)

Bernard Tubeileh
(Management Board Chairman up until 17th October 2005)

Stuttgart, in May 2006

Business Media China AG

John Maxwell Hare
Chairman of the Board of Management

Bernard Tubeileh
Chairman of the Board of Management

PROFIT AND LOSS ACCOUNT OF BUSINESS MEDIA CHINA AG

For the period from 01.01.2005 to 31.12.2005

	Notes	2005		2004	
		EUR'000	EUR'000	EUR'000	EUR'000
Sales revenue	(6)		285,2		488,4
Other operating profits	(7)		31,4		248,1
Material expenditure (expenditure for related		-258,0		-350,3	
Personnel expenditure	(8)	-636,1		-358,9	
Capital allowances		-40,1		-24,8	
Other operating expenditure	(9)	-1.030,7	-1.964,9	-695,4	-1.429,4
Other interest and similar amounts	(10)	283,2		947,8	
Interest and similar expenses		-203,8	79,4	-408,4	539,4
Result from normal business activity			**-1.568,9**		**-153,5**
Taxes on income	(11)		0,0		149,7
Other taxes			-0,1		-0,2
Annual deficit			**-1.569,0**		**-4,0**
Withdrawals from the capital reserve			1.569,0		4,0
Balance sheet profit			**0,0**		**0,0**

BALANCE SHEET OF BUSINESS MEDIA CHINA AG

on 31.12.2005

	Notes	31.12.2005 EUR'000	31.12.2004 EUR'000
ASSETS			
Notes	(1)		
Intangible assets		19.8	10.2
Tangible assets		180.5	198.5
Financial assets		3,037.1	896.2
		3,237.4	**1,104.9**
Current assets			
Debts and other assets	(2)		
Accounts receivable from trading		104.7	7.4
Accounts due from affiliated companies		641.0	0.0
Other assets		799.7	368.7
		1,545.4	**376.1**
Cash balance and credit balance with credit institutes		2,321.8	**18,367.8**
		3,867.2	**18,743.9**
Accrued and deferred items		**10.2**	**4.1**
		7,114.8	**19,852.9**
LIABILITIES			
Equity capital	(3)		
Subscribed capital		4,545.1	4,545.1
Capital reserve		1,928.2	3,497.2
Balance sheet profit		0.0	0.0
		6,473.3	**8,042.3**
Other reserves	(4)	**568.2**	**418.4**
Liabilities	(5)		
Liabilities due to banks		0.0	11,000.0
Trade accounts payable		36.9	92.5
Accounts due to affiliated companies		0.0	289.6
Other liabilities		36.4	10.1
		73.3	**11,392.2**
		7,114.8	**19,852.9**

NOTES

for the financial year of 2005 der Business Media China AG, Stuttgart

General preliminary remarks

The annual financial statement of Business Media China AG ("BMC AG") has been prepared in accordance with the commercial law provisions (HGB). Unless otherwise indicated, all amounts are stated in thousands of euros (k). The financial assets have been further subcategorised in accordance with § 265, sub-section 5, of HGB and the item "payments on shares in affiliated companies" has therefore been inserted. As in the past, the profit and loss account has been prepared using the total cost procedure.

Balancing and evaluation methods

Intangible assets are capitalised as acquisition costs and depreciated using the linear method according to their expected useful life.

The tangible assets are evaluated in concordance with the fiscal regulations at acquisition/manufacturing cost less scheduled linear depreciation.

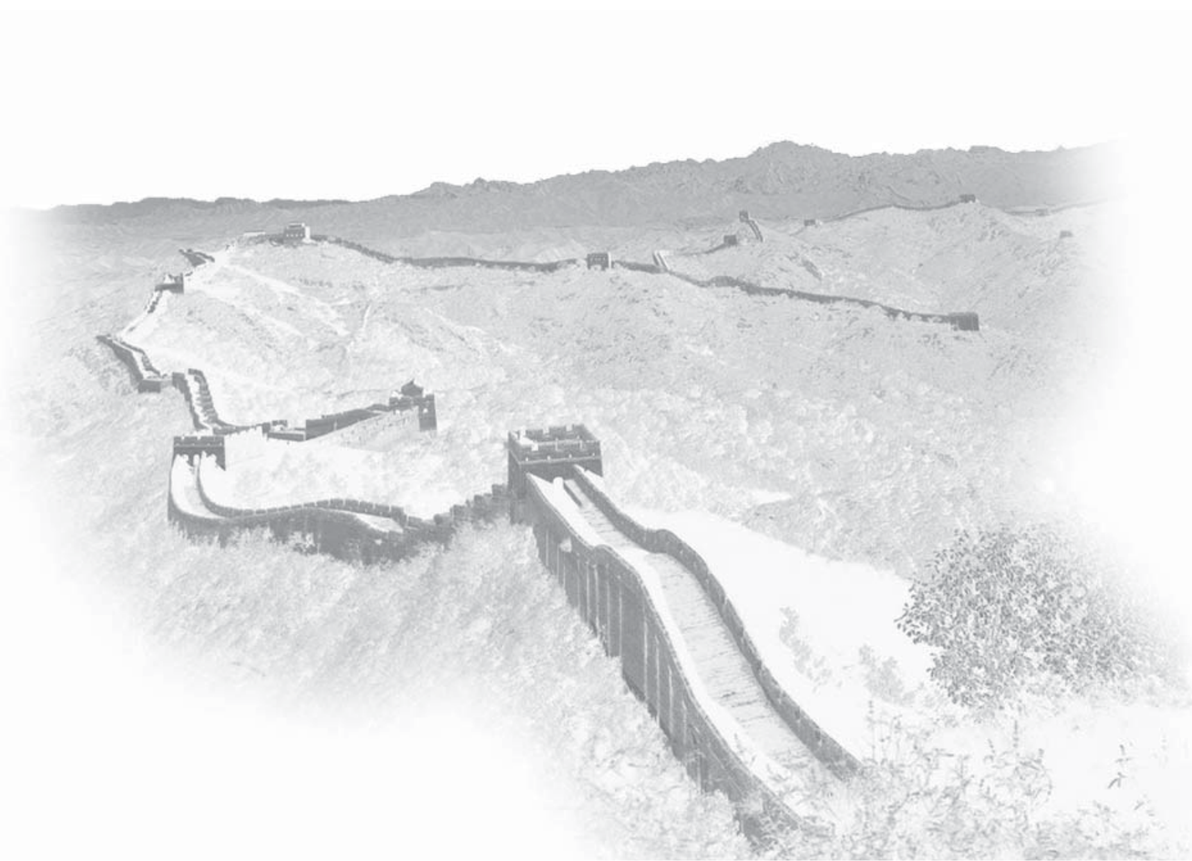
Capital goods with acquisition costs of up to EUR 410 are written off completely in the year of acquisition and stated as disposals.

Affiliated companies based in China are stated under the shares in affiliated companies, providing the Chinese authorities have issued the so-called business licence. The shares in affiliated companies and the payments on shares in affiliated companies are valued at the cost of acquisition. The shares in affiliated companies shown in the previous year were stated at the cost of acquisition / at the lower value.

Debts and other assets as well as currency amounts are estimated at nominal values / the lower attributable values as standard. When valuing the Accounts receivable from trading and Accounts due to affiliated companies and in the case of other assets, identifiable risks are taken into account by establishing reserves for bad debts. The other reserves take into account the identifiable risks and contingent obligations on the balance sheet. They are established at the level of the expected use.

The liabilities are estimated on repayable amounts.

Foreign currency items are estimated at the cost rate on the booking day or the lower / higher rate on the balance sheet dated.



EXPLANATIONS OF THE BALANCE SHEET

(1) Fixed assets

ASSETS ANALYSIS

	Acquisition / production costs				
	01.01.2005 EUR'000	Booking changes EUR'000	Income EUR'000	Disposals EUR'000	31.12.2005 EUR'000
Intangible assets (software)	15,0	0,0	16,5	0,0	31,5
Tangible assets					
Tenant fixtures	104,4	0,0	1,3	0,0	105,7
Other assets, operating and business equipment	97,8	0,0	13,8	1,4	110,2
	202,2	**0,0**	**15,1**	**1,4**	**215,9**
Financial assets					
Shares in affiliated companies	533,2	66,9	1.871,5	433,0	2.038,6
Payments on shares in affiliated companies	796,0	-66,9	269,4	0,0	998,5
	1.329,2	**0,0**	**2.140,9**	**433,0**	**3.037,1**
	1.546,4	**0,0**	**2.172,5**	**434,4**	**3.284,5**

The following companies are stated in the balance sheet under “shares in affiliated companies”:

Name and head office	% Proportion of share capital	Annual result 2005 EUR'000	Proportional equity capital 31.12.2005 in EUR'000
Beijing BMC China Co., Ltd. – Beijing, China („BMC China“)	100	-11,1	99,7
Shanghai Baiwen Exhibition Co., Ltd. – Shanghai, China („BMC Baiwen“)	55	152,9	314,4

The annual results and the respective proportional equity capital have been converted from the local annual financial statements of the companies on 31st December 2005 at the average rate for 2005 / the average exchange rate from the offered and asking price on 31st December 2005.

BMC China was founded on 2nd September 2004. The business licence was issued on 23rd December 2004. The total subscribed capital is EUR 100.0k, which was paid in by Business Media China AG in March 2005.

The business licence for BMC Baiwen was issued on 1st February 2005.

The acquisition costs incurred up to the end of the year from the planned purchase of the shares in Beijing Capital Exhibitions International Co., Ltd., Beijing (“CEICO”), Guangzhou BMC Zhenwei Exhibition Co., Ltd., Guangzhou, China (“BMC Zhenwei”) and BMC Flying Dragon AD Co., Ltd., Beijing, China (“BMC Flying Dragon”) are stated under the payments on shares in affiliated companies. The Chinese annual financial statement of CEICO states equity capital of CNY 11,096,533.49 (approx. EUR 1,161.0k on 31st December 2005) and an annual surplus of CNY 29,368.38 (approx. EUR 2.9k) on 31st December 2005. The Chinese annual surplus of BMC Zhenwei shows equity capital of CNY 1,661,592.08 (approx. EUR 173.8k on 31st December 2005) and an annual deficit of CNY 1,348,407.92 (approx. EUR 131.9k) on 31st December 2005.

Depreciation				Book Values	
01.01.2005	Depreciation of the entire financial year	Disposals	31.12.2005	31.12.2005	31.12.2004
EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
4,8	6,9	0,0	11,7	19,8	10,2
1,3	11,6	0,0	12,9	92,8	103,1
2,3	21,6	1,4	22,5	87,7	95,5
3,6	**33,2**	**1,4**	**35,4**	**180,5**	**198,6**
433,0	0,0	433,0	0,0	2.038,6	100,2
0,0	0,0	0,0	0,0	998,5	796,0
433,0	**0,0**	**433,0**	**0,0**	**3.037,1**	**896,2**
441,4	**40,1**	**434,4**	**47,1**	**3.237,4**	**1.105,0**

The liquidation of CNV Italia in Liq.ne S.r.l, in which BMC AG held 100 %-stake, was completed on 30th December 2004. The company was deleted from the Register of Companies in February 2005. The book value of the shareholding epreciated in the previous year is stated as disposals in the assets analysis.

(2) Debts and other assets

The debts and other assets all have residual terms of up to one year.

Three loans to Mesago Holding GmbH including discontinued interest totalling EUR 363.7k, on which interest is charged at 5 % p.a., are shown under the Accounts due from affiliated companies. All loans have a term up until 31st December 2006 and can be terminated at the end of the calendar month by serving one months' notice. No securities were made available.

Significant claims against a Chinese contracting partner and tax refund claims are stated in other assets.

(3) Equity capital

On 31st December 2005, the amount of share capital was EUR 4,545,050, distributed over 4,545,050 non-par unit shares with a proportional amount of share capital of EUR 1.00 per share. By way of the agreement of the Supervisory Board on 10th February 2006, the Management Board increased the share capital by EUR 454,505 to EUR 4,999,555 by issuing 454,505 unit shares with a proportion of share capital of EUR 1.00 per share.

By way of the decision taken at the Annual General Meeting dated 14th June 2005, the company changed its name from CNV Vermögensverwaltungs AG to Business Media China AG and the object of the company was redefined. The decisions were entered in the Register of Companies on 12th July 2005.

By way of the decision taken at the Annual General Meeting dated 14th June 2005, the share capital was increased to EUR 7,545,050 using company resources and the Memorandum and Articles of Association were amended accordingly. By way of the decision taken at the Annual General Meeting dated 14th June 2005, the share capital was subsequently reduced to EUR 4,545,050 and the Memorandum and Articles of Association were amended accordingly. The capital reduction was suspended in the free capital reserves, in accordance with § 272, sub-section 2, no. 4, of HGB. The decisions were entered in the Register of Companies on 12th July 2005.

By way of the decision taken at the Annual General Meeting dated 14th June 2005, capital I and capital II – approved on 18th March 2004 – were annulled and a new capital I agreed. The Management Board is authorised to increase the share capital of BMC AG by up to EUR 2,272,525 up to five years after entry into the Register of Companies (12th July 2005). The new approved capital I was used in 2006 at the rate of EUR 454,505 and, after partial dividend by the increase in capital, amounts to EUR 1,818,020.

By way of the decision taken at the Annual General Meeting dated 14th June 2005, the conditional capital I in § 4, sub-section 4, of the Memorandum and Articles of Association – agreed on 1st October 1999 – was annulled and a conditional increase in share capital of EUR 100,000 agreed. The decisions were entered in the Register of Companies on 12th July 2005. The Management Board is authorised by way of approval by the Supervisory Board that is valid up until 31 December 2008, to grant one-off or repeated redemptive rights ("share options") on up to 100,000 non-par unit bearer shares in the company to employees and members of the management body of the companies and businesses in which the company is directly or indirectly the majority shareholder. Insofar as the Board is the Beneficiary, the Supervisory Board shall be entitled to grant share options. To date, no share option plan was in place and no options were granted.

BMC AG was listed on the Frankfurt stock exchange in the regular market in the new market segment of the market from 12th October 1999 to 30th November 2001. Since 3rd December 2001 pricing has been carried out on the regular market (ISIN DE0005250401).

The **capital reserve** has developed as follows:

	EUR'000
Status on 1st January 2005	3,497.2
Capital increase from company resources	-3,000.0
Capital reduction	3,000.0
Withdrawals from capital reserve	-1,569.0
Status on 31.12.2005	**1,928.2**

In accordance with § 150 AktG, EUR 1,569.0k were used from the capital reserve to balance the annual deficit of 2005. For this, EUR 497.3k were used from the capital reserves subject to § 150 AktG and EUR 1,071.7 were used from the free capital reserves.

(4) Other reserves

The other reserves mainly include obligations from outstanding invoices, court case risks and the cost of the annual financial statement as well as the cost of the Annual General Meeting.

(5) Liabilities

The liabilities all have residual terms of up to one year. Liabilities of EUR 25.3k from taxes (EUR 8.9k in the previous year) and EUR 0.5k in respect of social security (EUR 0.0k in the previous year) are included in other liabilities.

The repayment of the loan of EUR 11,000.0k stated in the previous year under liabilities for credit institutes was rendered conditional on the future proceeds from turnover and on the basis of the annual surpluses achieved under commercial law. EUR 439.6k were repaid in 2005. The loan was then cancelled and repaid in September 2005. Three-month deposits of EUR 11,000.0k were pledged on 31st December 2004 to secure the loan.

Notes to the profit and loss account

6) Sales revenue

	2005 EUR'000	2004 EUR'000
Domestic	145.1	488.4
China	140.1	0.0
	285.2	**488.4**

The sales revenue for 2004 was attributed to the order production division sold in 2004, which was sold due to the new focus of Business Media China AG. The turnover stated in 2005 is mainly attributable to trade fair business and relate to forward charge expenditure and commission for trade fairs taking place in China and magazines published.

(7) Other operating profits

The other operating profits include profits not related to the accounting period, from the dissolution of reserves of EUR 13.5k (EUR 43.3k in the previous year), and other profits of EUR 2.3k that are not related to the accounting period. In the previous year, profits are included from book gains from sales of assets not related to the accounting period, from the sale of shares in affiliated companies and shareholdings, as well as other profits of EUR 56.0k not related to the accounting period.

(8) Personnel Expenditure

	2005 EUR'000	2004 EUR'000
Salaries	565.9	298.1
Social security contributions and expenditure for old-age pension provisions	70.2	60.8
– Thereof for old-age pension provisions –	(0.0)	(16.0)
	636.1	**358.9**

On average over the year, Business Media China AG employed 10 people (5 in the previous year).

(9) Other operating expenditure

Expenditure of EUR 30.0k (EUR 20.8k in the previous year) not related to the accounting period is included in 2005.

(10) Other interest and similar profits

The interest from profits includes interest of 5.7k from affiliated companies.

(11) Taxes on income

The profit stated in the previous year emanates from the tax audit carried out in 2003.

Other details

Corporate Governance Code

The declaration pursuant to § 161 AktG dated 15th November 2005 for the 2005 financial year was made permanently accessible to shareholders on the BMC AG homepage on 15th November 2005. The declarations for 2002 to 2004 can also be viewed on the homepage.

Liability relations and other financial obligations

Currently, EUR 2.9k are paid for the business premises and the rental of parking spaces. In 2006, the financial obligations from this run to EUR 33.1k and to EUR 115.9k in the following one to five years. There were no other notable financial obligations from rental and service contracts on the date of the financial statement. A bank guarantee of EUR 3,000k was made available for the guarantees granted in respect of the purchase and transfer agreement with Panini Verlags GmbH, which Panini Verlags GmbH returned to BMC AG on 31st December due to the term restrictions of the guarantee.

Other financial obligations totalling CNY 118,830,000 (approx. EUR 12,432.6k on 31.12.2005) exist from the purchase of shares in affiliated companies. Of this amount, a total of CNY 46,000,000 (approx. EUR 4,812.8k on 31.12.2005) relates to obligations in conjunction with company acquisitions, which are due when certain gross proceeds are exceeded / other conditions apply. Of the obligations in conjunction with company acquisitions, CNY 21,000,000 (approx. EUR 2,197.1k on 31.12.2005) would be due between one and five years if in force In full On 31st December 2004, financial obligations of CNY 20,000,000 (approx. v 1,777.0k on 31.12.2004) applied from the purchase of affiliated companies These obligations were due within one year.

In respect of a licence agreement entered into in 2005, EUR 72.6k are due in 2006 and v 218.0k in 2007 to 2009.

In 2003, BMC AG was issued with a claim waiver and debtor warrant on a loan granted at EUR 1,448.0k. This debtor warrant was purchased by Mesago Holding GmbH on 1st July 2004. Payment of the loan claim can only be demanded from future annual surpluses under commercial law and in the case of liquidation, insolvency proceedings or other termination of the company, the claim can only be asserted if all other creditors of the company are satisfied. Due to the annual deficit of 2005, no payment is required. Including interest, the liability amounted to EUR 1,560.0k (EUR 1,504.9k in the previous year) on the balance sheet dated. A liability of EUR 347.0k applies due to a possible secondary, directly liable, liability resulting from a company acquisition. It is considered unlikely that claims will be lodged in this respect.

Consolidated financial statement

BMC AG is included in the consolidated financial statement of Mesago Holding GmbH, Stuttgart, which prepares the consolidated financial statement for the largest group of companies. The consolidated financial statement will be deposited at the district court of Stuttgart under HRB 13588.

Auditor

On 31st December 2005, EUR 90.0k were retained and EUR 30.0k paid for the auditor's fee. The expenditure relates to the audit on 31st December 2005. Furthermore, the additional audit costs from the initial application of the International Financial Accounting Standards (IFRS) and Group audit are included.

Notification pursuant to § 25 WpHG in 2005

No notification in the 2005 financial year required publication pursuant to § 25 WpHG.

Details on the shareholding of the executive bodies on 31st December 2005

Management Boards	Shares	%
Bernard Tubeileh 1)	227.258	5.00
John Maxwell Hare	41.218	0.91
	268.476	**5.91**

Supervisory Board	Shares	%
Klaus Michael Hilligardt 2)	2,788.252	61.35

The shareholding remains unchanged on 31st December 2004.
No shares in BMC AG were held by other members of the Supervisory Board on 31st December 2005.

1) Thereof 185,940 shares indirectly through Sinostar Investments GmbH
2) Indirectly through Mesago Holding GmbH, Stuttgart

Organs of Business Media China AG

Supervisory Board

Klaus Michael Hilligardt
(Supervisory Board Chairman)
Businessman

Membership of other Supervisory Boards and Control Committees:
· Supervisory Board Chairman of REC Real Estate China AG, Stuttgart (to 22nd March 2006)

Henning Möller
(Deputy Supervisory Board Chairman since 31st October 2005)
Business consultant

Membership of other Supervisory Boards and Control Committees:
· Membership of the governing board of WKW Kunststofftechnik AG, Rüthi (Switzerland)
· Membership of the governing board of Falcontec SA, Fribourg (Switzerland)
· Deputy Supervisory Board Chairman of REC Real Estate China AG, Stuttgart

Wolfram N. Diener
(Supervisory Board member since 26th September 2005)
Convention and Exhibition Vice President of Venetian Macau Limited, Macau (China)

No membership of other Supervisory Boards and Control Committees.

Christian Sundermann
(Deputy Chairman up until10th September 2005, retired on 10th September 2005)
Business consultant, Munich

No membership of other Supervisory Boards and Control Committees.

In accordance with the Memorandum and Articles of Association, the Supervisory Board payments for 2005 were EUR 22.5k, which were either paid out or retained accordingly.

Director

John Maxwell Hare
(Management Board Chairman since 17th October 2005)

The fixed payment in and for 2005 was EUR 100.0k. No variable payment components are agreed.

Bernard Tubeileh
(Management board Chairman up until 17th October 2005)

The fixed payment in and for 2005 was EUR 85.8k. No variable payment components are agreed.

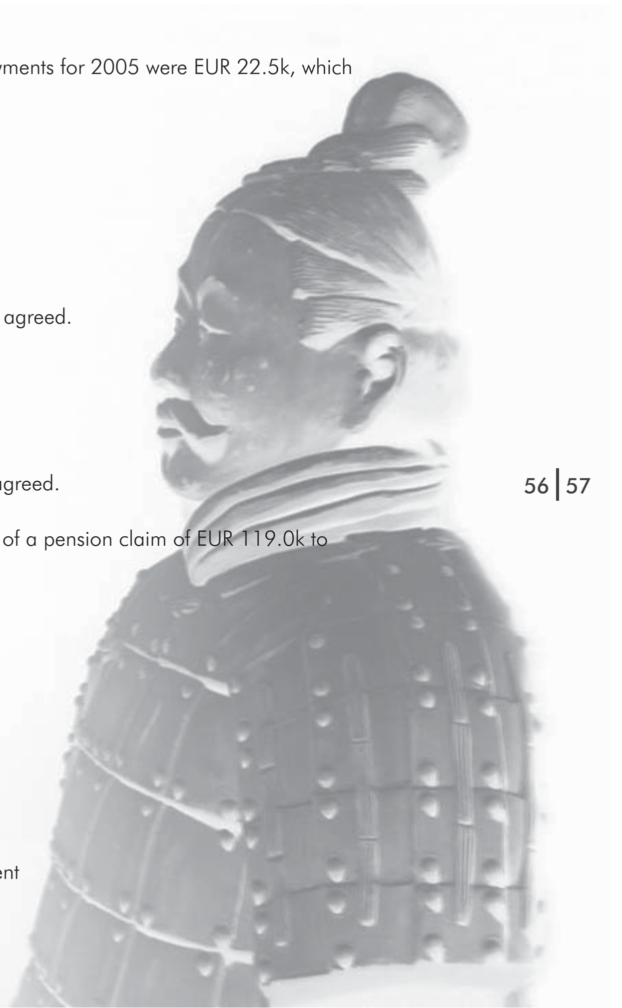
The Management Board payments for 2005 were EUR 265.4k, which includes the payment of a pension claim of EUR 119.0k to Management Board member Christian Neuber, who has retired.

Stuttgart, in May 2006

Business Media China AG

John Maxwell Hare
Chairman of the Board of Management

Bernard Tubeileh
Chairman of the Board of Management



AUDIT CERTIFICATES

Consolidated financial statement of Business Media China AG

Auditor's Certificate

We have examined the consolidated financial accounts prepared by Business Media China AG, Stuttgart – comprising balance sheet, profit and loss account, statement of changes in equity capital, and notes – as well as the report on the status of the company and the Group for the financial year from 1st January 2005 to 31st December 2005. In view of the fact that these documents apply in the EU and are subject to the supplementary regulations of commercial law pursuant to § 315a, sub-section 1, of HGB as well as the supplementary conditions of the Memorandum and Articles of Association , preparing these documents in accordance with the IFRS, is the responsibility of the company's legal representative. Our task is to submit a report on the consolidated financial statement and the report concerning the status of the company and the Group on the basis of our review.

We undertook our audit of the consolidated financial statement according to § 317 HGB in observance of the German principles of proper auditing as established by the German institute of auditors (Institut der Wirtschaftsprüfer – IDW). In accordance with this, the audit must be planned and carried out in such a way that the detection of inaccuracies and breaches with a significant effect on the representation of the assets, financial and profit situation by the consolidated financial statement in observance of the applicable accounting regulations and by the report on the status of the company and the group is assured. Knowledge of the business activity and the economic and legal environment of the group as well as the expectation of possible errors are taken into account when establishing the procedure for the review. In the context of the review, an assessment of the effectiveness of the accounting-related internal control system and of the proofs for the details in the consolidated financial statement and in the report on the status of the company and the Group is made on the basis of random sampling. The review includes assessment of the annual financial statements of the companies included in the consolidated financial report, differentiation of the consolidated companies, the accounting and consolidation principles used and the significant opinions of the legal representatives, and recognition of the overall representation of the consolidated financial statement and the report on the status of the company and the Group. In our opinion, our review forms a sufficiently sure basis for our assessment.

No objections were raised by our review.

According to our report, on the basis of the knowledge gained from the review, the consolidated financial statement complies with the IFRS, because they apply in the EU and in accordance with the supplementary regulations of commercial law pursuant to § 315a, sub-section 1, of HGB as well as with the supplementary conditions of the Memorandum and Articles of Association and, in observance of these regulations provide a true representation of the assets, financial situation and Group profits. The report on the status of the company and the Group is in accord with the consolidated financial statement and provides an appropriate overall image of the situation of the company and the Group and an appropriate representation of the opportunities and risk of future development.

Stuttgart, 31st May 2006

Dr. Rödl Stuttgart GmbH

Auditing company

Rauen
Accountant

Janoschka
Accountant

Annual financial statement of Business Media China AG

Auditor's Certificate

We have examined the consolidated financial accounts – comprising balance sheet, profit and loss account and notes – including the accounting and the report on the status of the company and the Group for Business Media China AG, Stuttgart for the financial year from 1st January 2005 to 31st December 2005. The accounting and the preparation of the annual financial statement and report on the status of the company and the Group in accordance with the German principles of commercial law and the supplementary conditions of the Memorandum and Articles of Association are the responsibility of the company's legal representative. Our task is to submit a report on the consolidated financial statement and the report concerning the status of the company and the Group on the basis of our review.

We undertook our audit of the consolidated financial statement according to § 317 HGB in observance of the German principles of proper auditing as established by the German institute of auditors (Institut der Wirtschaftsprüfer – IDW). In accordance with this, the audit must be planned and carried out in such a way that the detection of inaccuracies and breaches with a significant effect on the representation of the assets, financial situation and profits in the consolidated financial statement in observance of the applicable accounting regulations and in the report on the status of the company and the Group is assured. Knowledge of the business activity and the economic and legal environment of the Group as well as the expectation of possible errors are taken into account when establishing the procedure for the review. In the context of the review, an assessment of the effectiveness of the accounting-related internal control system and the proof of the details in the consolidated financial statement and in the report on the status of the company and the Group is made on the basis of random sampling. The review includes an assessment of accounting principles used and the significant opinions of the legal representatives, and recognition of the overall representation of the consolidated financial statement and the report on the status of the company and the group. In our opinion, our review forms a sufficiently sure basis for our assessment.

No objections were raised in our review.

According to our report, and on the basis of the knowledge gained from the review, the annual financial statement complies with the legal requirements and the supplementary conditions of the Memorandum and Articles of Association and, in observance of these principles, it provides a true representation of the company's assets, financial situations and profits. The report on the status of the company and the Group is in line with the annual financial statement and appropriately reflects the situation of the company and provides an appropriate representation of the opportunities and risk of future development.

Stuttgart, 19th May 2006

Dr. Rödl Stuttgart GmbH

Auditing company

Rauen
Accountant

Janoschka
Accountant

CORPORATE GOVERNANCE CODE

Conformity declaration in accordance with § 161 AktG of Business Media China AG on the recommendations of the registration commission of the German corporate governance code

The Management and Supervisory Board of Business Media China AG hereby declare that the recommendations of the "registration commission of the German corporate governance code" published by the federal ministry of justice in the official section of the electronic version of the German Federal Gazette were met in 2005 and will be met in the future. However, this is subject to the exception of the recommendations listed below, which were not applied in 2005 and for which there are no plans for these to be applied in 2006. The following recommendations of the "registration commission of the German corporate governance code" have not been / will not be applied:

Sub-paragraph 4.2.3 specifies that the payment of members of the Management Board should include fixed and variable elements. The Management Board contracts currently include fixed elements only. The introduction of a variable pay system is planned for 2006, although the concrete arrangement of this has yet to be determined. However, it should focus on the suggestions for variable pay that are listed under this sub-paragraph.

Sub-paragraph 5.1.2 specifies that an age limit should be established for members of the Management Board. No age limit for members of the Management Board has yet been established. With respect to the specific shareholder structure of the company, the Management and Supervisory Board do not consider it to be appropriate to make a general guideline in the form of a procedural regulation or one in line with the Memorandum and Articles of Association.

Sub-paragraph 5.3.1 specifies that the Supervisory Board should form professionally qualified committees, regardless of the specific conditions of the company and the number of members.

Sub-paragraph 5.3.2 specifies that the Supervisory Board should set up an audit committee, which deals specifically with questions of accounting and risk management, the required independence of the auditor, placing the audit order with the auditor, establishing the emphasis points of the audit, and agreement of the fee. The Chairman of the audit committee should have particular knowledge and experience in the application of accounting principles and internal control procedures. This should not be a former member of the company Management Board.

In view of the size of the company and the fact that the Supervisory Board comprises only three members, the formation of committees and an audit committee is not appropriate. The tasks of the audit committee shall be undertaken by the plenary session.

Sub-paragraph 5.4.1 specifies that an established age limit be observed for suggestions on the election of members of the Supervisory Board. No establishment of an age limit is planned.

Sub-paragraph 5.4.7 specifies that members of the Supervisory Board receive success-related pay in addition to fixed pay. The success-related pay should also include elements relating to the long term success of the company. The variable pay for the Supervisory Board, which was valid up until the Memorandum and Articles of Association amendment at the Annual General Meeting in June 2004, has been revoked. There are currently no plans to introduce variable pay.

Sub-paragraph 5.4.8 specifies that if a member of the Supervisory Board has attended fewer than half of the meetings of the Supervisory Board in one financial year, this must be noted in the Supervisory Board report.

The Supervisory Board wishes to retain the scope for individual assessment of any absence.

Sub-paragraph 7.1.2 specifies that the consolidated financial accounts should be available to the public within 90 days after the end of the financial year and the interim reports within 45 days after the end of the reporting period. We will only "endeavour" to make the statements available to the public within the specified periods. We are not under obligation in this respect.

This declaration is made permanently available to the shareholders.

Stuttgart, 15th November 2005 Business Media China AG

Business Media China AG

Supervisory Board
Klaus M. Hilligardt

Management Board
John Maxwell Hare

SUPERVISORY BOARD REPORT

Dear Shareholders,

During the 2005 financial year, the Supervisory Board monitored the management of the company, discussed, checked and examined together the verbal and written reports of the Management Board on the development of the company and the company strategy and the fundamental questions of business management and business development. Furthermore, the Chairman of the Supervisory Board maintained ongoing telephone or personal contact with the Management Board.

In the 2005 financial year, the Supervisory Board met for a total of 4 meetings: on 25th April, 14th June, 31st October and 21st December. The subjects of the joint discussions included, in particular, the acquisitions and joint ventures with Chinese partners and their further development and the introduction of standardised reporting in the new subsidiaries. Furthermore, the Supervisory Board adopted a new procedural regulation for the Management Board and appointed John Maxwell Hare as the new Management Board Chairman. The previous Chairman, Bernard Tubeileh, also continues as the Financial Director. At the December meeting, the Supervisory Board adopted the financial planning and budget for 2006 as well as the multi-year forward planning presented by the Management Board. The strategic development of the BMC group was discussed at length and the result of this included entry into advertising space marketing in China.

The Supervisory Board also dealt with the German corporate governance code and submitted the conformity declaration on the same. In accordance with § 161 AktG, it can be viewed on the company homepage. In this respect, certain points in the specifications of the code were not heeded. For example the formation of an audit committee is unnecessary in view of a Supervisory Board of three members. Nonetheless, the specifications of the corporate governance code do form an important guideline of efficient and trust-based co-operation between the Management Board and the Supervisory Board.

Supervisory Board member Christian Sundermann, appointed by way of a decision by the Stuttgart Local Court ("Amtsgericht")on 12th April 2005, was confirmed in office at the Annual General Meeting on 14th June 2005. Mr Sundermann retired from the Supervisory Board on 10th September 2005. In his place, the Stuttgart Local Court ("Amtsgericht")appointed Wolfram N. Diener as the new Supervisory Board member on 26th September 2005.

The Supervisory Board received the declaration of independence from the auditor in accordance with the German corporate governance code and agreed key aspects of the review with the auditor. The auditor did not perform any consulting activity on behalf of the company that extended beyond the review activity.

Dr. Rödl Stuttgart GmbH, auditing company, Stuttgart, appointed at the Annual General Meeting on 14th June 2005, reviewed the annual financial statement and consolidated financial statement prepared by the Management Board, the summarised status and Group management reports for the financial year of 2005, and the report on relations with affiliated companies. An unqualified audit certificate was issued for all these reports.

The auditor's reports were available to all members of the Supervisory Board and were discussed in detail with the auditor at the Supervisory Board meeting on 6th June 2006. The Supervisory Board read and agreed with the result of the review by the auditor and raised no objections to the final outcome of its reviews. The Supervisory Board approved the annual accounts and Group financial statement prepared by the Management Board for the 2005 financial year. The annual accounts of Business Media China AG are thereby approved.

The Supervisory Board also reviewed the Management Board report on relations with affiliated companies in accordance with § 312 AktG. The Supervisory Board has no objections to the Management Board declaration at the end of the report. It supports the result obtained by the auditor who issued the following confirmation of the Management Board report in accordance with § 313, sub-section 3:

"In accordance with our obligatory review and assessment, we hereby confirm that:

1. The factual specifications of the report are correct,
2. In the case of the legal transactions stated in the report, the company's fees were not inappropriately high,
3. In view of the measures set out in the report, there are no circumstances which favour a significantly different assessment from that of the Management Board."

The Supervisory Board would like to thank the Management Board and all employees for the work performed during the financial year and the long-term shareholders for their loyalty to the company.

Stuttgart, 6th June 2006

Klaus M. Hilligardt
Supervisory Board Chairman

WWW.BUSINESSMEDIACHINA.COM

BMC

Business Media China AG

Rotebuehlstrasse 87
70178 Stuttgart · Germany
Telefon: +49 711 490 890 0
Telefax: +49 711 490 890 10
E-mail: mail@businessmediachina.com
www.businessmediachina.com