



Date: October 12, 2007

TABLE OF CONTENTS

COMPANY PROFILE	3
GROUP STRUCTURE	3
BUSINESS UNITS	3
MANAGEMENT	8
SHAREHOLDING STRUCTURE	8
FINANCIAL PERFORMANCE	9
MARKET	11
COMPETITION	13
KEY HIGHLIGHTS	13
OUTLOOK AND PROJECTIONS	14
SCOT ANALYSIS	16
DETAILED FINANCIALS	17



Date of report:
October 12, 2007

Stock Profile

Core business:
Advertising,
Exhibitions,
Conferences and
Publishing

Exchange: Frankfurt
Stock Exchange

Date of listing: October
10, 1999

Stock price as on
October 12, 2007:
EUR 26.60

**52 week high and
low:**
EUR 27.00 - EUR 17.00

Fiscal Yr End: Dec 31

Local Currency: EUR

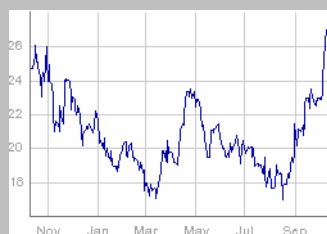
Ticker-symbol: BMQ

Shares Outstanding:
5,999,466

Market Cap as on:
October 12, 2007:
159.59 mEUR

Free Float: 52.00%

Stock performance



Exchange rate
1 EUR=10 RMB

Business Media China AG (BMQ)

COMPANY PROFILE (www.businessmediachina.com)

Business Media China AG (hereinafter referred to as "BMC" or "Company") is a fast growing advertisement company focused on outdoor media (Railways and Airports) and exhibitions, conferences and publishing in China.

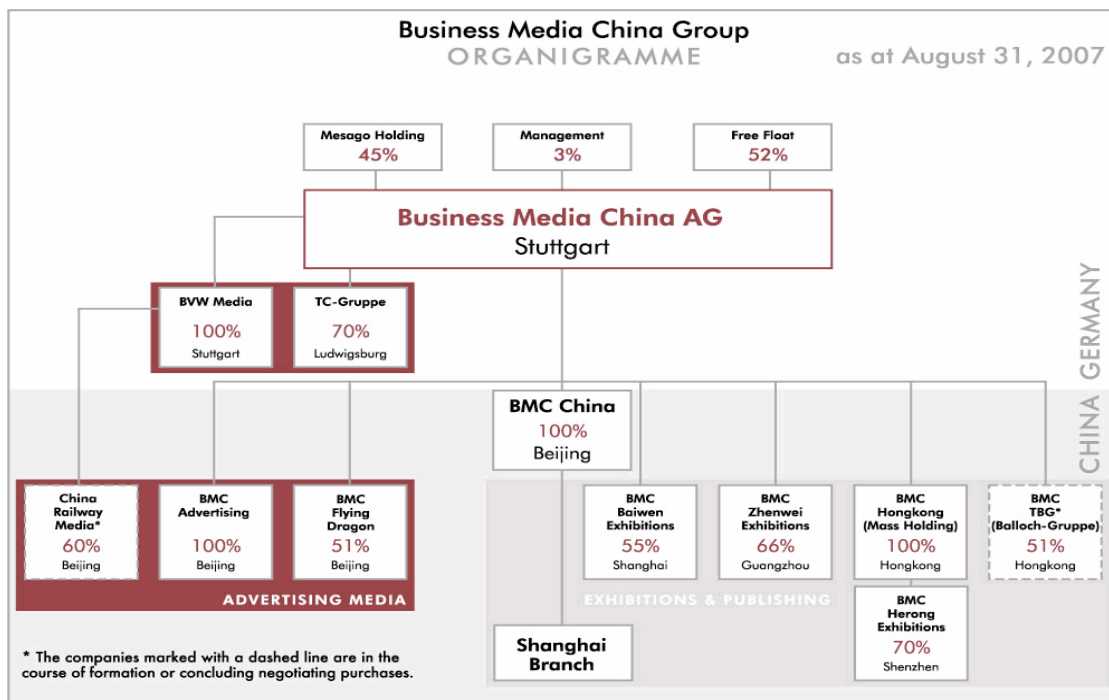
BMC has evolved over the last 2 years into a completely China-focused outdoor advertising and exhibition company. BMC is close to completing its first large investment phase during which it invested in relationship-building for procurement and sales of advertising rights (i.e. alliances, acquisitions and partnerships) and is on the verge of reaping benefits from it.

BMC Railway Advertising has been honoured with one of the key Chinese media prizes for the "Most important contribution to new media formats in 2006."

GROUP STRUCTURE

BMC Co. Ltd., China (BMC China, a 100% operational subsidiary of BMC AG in China) is the primary Chinese vehicle through which the company operates. BMC China has 8 subsidiaries out of which 5 subsidiaries are in the exhibition and publishing space (one is under formation).

The Company is structured as follows:



Subsidiaries in the Advertising media division

BMC Advertising started its operating business at the start of 2007 and has recorded initial revenues. Earnings were negative in the first six months in line with the forecast. In FY 2007, the company got its business license.

BMC Flying Dragon was acquired (a 51% stake) by BMC in FY 2006 to enter into the fast growing market of airport advertising. This company currently has advertising rights for nine major airports in China.

China Railway Media has been registered for formation in 2006. This company will focus on marketing advertising space at railway stations throughout China.

Subsidiaries in the Exhibition and Publishing division

BMC Baiwen is a subsidiary of BMC which conducts beauty and cosmetics trade fairs in China. This company organized a highly successful beauty and cosmetics trade fair in FY 2006. During FY 2006, BMC Baiwen successfully held the Beauty Expo Shanghai Trade Fair, and recorded a significant increase in revenues.

BMC Zhenwei was restructured and many changes such as staff cuts and new recruitment as well as the implementation of new systems for sales and trade fair organizations were implemented. The Company's interest in BMC Zhenwei was increased by a further 15% to 66% in 2007. After the business license has been issued for the newly acquired interest, BMC AG will hold a total interest of 66.0% in BMC Zhenwei.

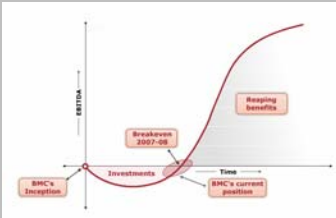
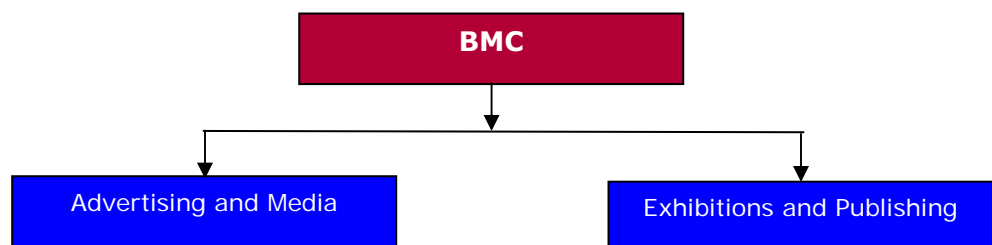
BMC Herong's acquisition and integration was completed during the FY 2007. This new subsidiary will hold its trade fair in the third quarter of 2007

BUSINESS MODEL

Outdoor advertising is the fastest growing media form in China and is the main source of revenue generation for BMC. The company sells advertising media formats at railway stations and airports to advertisers from various sectors including telecommunications, automotives, beauty products, and electronics. BMC follows a very innovative 'invest and reap' model. This requires a relatively large investment upfront to secure long-term rights for selling advertising space in railways and airports, to reap long term benefits in terms of increasing revenues and margins from selling the same space multiple times through short term contracts.

BMC's other revenue streams flow from international exhibitions, conferences and publishing in the country. The business model for the exhibitions segment is - acquiring and developing important exhibitions and venues in key cities and provinces of China and marketing them at the national and international level, generating revenues from sponsorships, exhibitors and visitors.

BUSINESS UNITS



Advertising and Media

Asian consumers have a preference for outdoor advertising, in particular billboard and poster and this type of advertising plays a key role in marketing advertising in China.

An average of 3% of international advertising budgets is spent on out-of-home advertising; this percentage in China was at around 12% of the total budget in 2006. Two bEUR were spent on out door advertising in China in 2006.

BMC focuses on advertising in airports and railway stations across China.

Airport Advertising

Airports are preferred for targeting the high-income groups. According to the China Statistical Yearbook 2006, passenger volumes are estimated to increase from a current total of 151 million passengers by 14% each year through to 2010.

BMC Flying Dragon holds media rights and outdoor advertisement licenses (using more than 30 formats of advertisements) for nine airports in China. It is an exclusive publisher and distributor of direct marketing material delivered at and post security check areas. It also operates business centres and internet kiosks. Given below is the table showing details of the advertising space at prominent airports in China.

Airport	Passenger traffic in 2006 in million	Media share of the permitted ad space
Beijing International	48.7	10%
Hangzhou	9.9	50%
Qingdao Olympics	6.8	+ 50%
Chengdu	16.3	20%
Chongqing	8.1	100% (exp FY 2007)
Xi'an	9.4	Not Available
Shanghai	19.3	Not Available
Guandzhou	26.2	Not Available
Xiamen	7.5	100% (exp FY 2007)

BMC is continuing to negotiate additional airport rights to become one of the largest providers of airport advertising. It aims to offer the international and Chinese advertising sectors an end-to-end, China-wide offering for airport advertising.

Railway stations

In October 2006, BMC formed a joint venture with China Railway Century Media Co., Ltd. to acquire or license advertising rights at important railway stations all over China. The overall railway passenger movement in China is about 1 billion every year.

BMC Railway Media has rights for 4 important high passenger traffic stations in China (Beijing West, Beijing Central, Tianjin and Shijiazhuang). In November 2006, BMC also signed a JV for marketing ad space in China's 20 largest railway stations. The advertisement spots at the railway stations are primarily light boxes and light pillars. The total passenger traffic was 139 million in 2006 (expected to grow at 20% per year) in the four cities for which the Company got a contract. The details of the four stations are as below:

BMC customer list	
Proctor & Gamble	Daimler Chrysler
Estee Lauder	Apple iPod
British Airways	Schwarzkopf
Toyota	Sina
Hewlett Packard	Toni & Guy
Kose	Shiseido
Fujitsu	Panasonic
Intel	Microsoft
Nokia	TDK
L'Oreal	Citigroup
GE	Siemens
Bayer	Alcatel
Allianz	Coca Cola
Samsung	BMW
IBM	Wella

- With a passenger flow of over 50 million a year, Beijing West ranks as one of the largest railway stations in Asia
- Beijing Central comes next with over 47 million passengers a year
- Tianjin is one of the 4 independent city-states in China and Beijing's closest seaport. Tianjin railway station has passenger traffic of approximately 20 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 approximately 22 million a year.

BMC has planned expansion in additional railway stations that are as follows:

Phase	Cities
Phase 1	Shanghai, Shanghai South, Hangzhou, Nanjing, Ningbo
Phase 2	Guangzhou, Guangzhou East, Shenzhen, Changsha
Phase 3	Chengdu, Chongqing, Xi'An, Wuhan
Phase 4	Kunming, Sehyang, Zhenzhou, Dalian, Qingdao
Phase 5	Ji Nan, Lanzhou
Phase 6	Other smaller stations according to profitability

Exhibitions & Publishing

Publishing



















The BMC Group pursues a cross-media approach in its Exhibitions & Publishing division. Parallel to the events, BMC publishes professional journals with editorials for each of the trade fairs or conference topics, thus allowing advertising customers to approach their target groups using multiple channels. Given below are the details of the magazines published by BMC:

Title	Circulation	Frequency	Target Audience
Estetica China	10,000	Bi-monthly	Salons, hairstyle professionals and cosmetics companies
ICN China	21,000	Bi-monthly	Retail industry: distributors, traders, producers and ingredient suppliers
Mining Journal China	5,000	Monthly	Chinese speaking mining community both Government and industry

Exhibitions

BMC's largest shareholder Mesago Holding has a track record in organizing exhibitions in Germany and China. BMC operates through its subsidiaries BMC Baiwen Exhibitions, BMC Zhenwei Exhibitions and BMC Herong Exhibitions. The Company has planned 11 main exhibitions in 2007 as detailed in Appendix I.

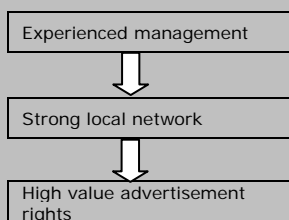
Chinese exhibitors, participants and advertisers pay less than 1/3rd of the international price. The growth in the exhibition revenue is expected due to new exhibitions organized by BMC. BMC is expected to re-structure the newly acquired exhibitions business. Some of the important events organized by BMC are:

	China Beauty Expo		<ul style="list-style-type: none"> China's largest beauty exhibition based in Shanghai
	China International Beauty Week		<ul style="list-style-type: none"> The most important beauty exhibition in Beijing and surrounding regions
	China Mining		<ul style="list-style-type: none"> A Congress / Exhibition – the No.1 mining event in China and the 2nd most important mining event worldwide
	China SMT Forum		<ul style="list-style-type: none"> China's premier SMT & MPT event
	China Commercial Vehicles		<ul style="list-style-type: none"> The largest transport / logistics exhibition in China and the main sourcing platform for government procurement
	PPI & FDC China		<ul style="list-style-type: none"> Among the top 3 food events in China covering both processing and finished products and the leading food event in South China
	GMT + AMB China		<ul style="list-style-type: none"> In cooperation with the world renowned AMB Stuttgart – an important and influential machine tool exhibition in South China.
	CIOE		<ul style="list-style-type: none"> The largest Optoelectronic exhibition worldwide
	CHINA URANIUM		<ul style="list-style-type: none"> Congress & exhibition of Chinese uranium, mining and nuclear power industry

As recent as Sept 2007, BMC organized a fair for optoelectronics in China where over 1900 exhibitors presented their products to more than 77,000 visitors in 4 days.

Sourcing & IT

BMC has started a development project focusing on sourcing platforms. Approx. 50,000 exhibiting companies and around 400,000 trade-fair and conference visitors are registered in a database to form a basis for a planned online portal. This communication platform which will be developed with the help of partner companies is scheduled to go live in 2007.

BMC strengths

MANAGEMENT

The Executive management consists of the following experienced and seasoned executives.

Klaus M. Hilligardt (CEO, BMC AG)

Mr. Hilligardt is a 25 year veteran in the media and exhibition business. He is also the owner and President of Mesago Holding GmbH and founder of Mesago Messe Frankfurt. He has a strong business network in China developed over the past 15 years.

Li Yang (Board Member, BMC AG)

Mr. Yang has held executive positions in media companies in China for the past 7 years. He joined Business Media China as General Manager and is also a director in the management board of BMC AG. From August 2001 to January 2003, he worked with China Great Wall Economy Development Group in various posts ranging from Assistant to General Manager.

Arend J.R. van Eeden (Board Member, BMC AG)

Mr. Eeden has more than 30 years of overall experience and more than 15 years in the media and exhibition business. He has held senior positions with Miller Freeman, United Business Media plc and EMAP plc.

Peter Sassmann (CFO, BMC AG)

Mr. Sassmann has more than 10 years of international experience in the exhibition business. He has been the Director, Administrations at BMC since 2005 and Vice President, Subsidiary Management at Messe Frankfurt (1996 – 2004).

The management team has been further strengthened by the recruitment of experienced advertisement executives in China:

Mo Li Yan, President (BMC Co. Ltd.)

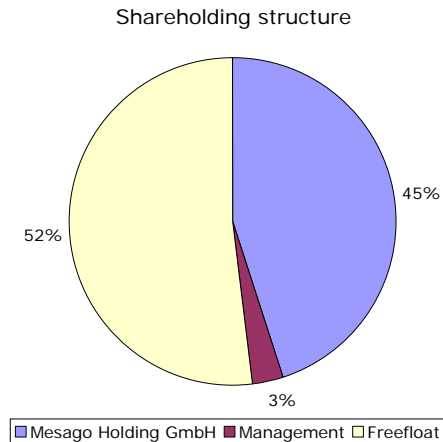
Li Yan was the COO of JC Decaux China (one of the largest outdoor advertisement companies in China with 100 mEUR turnover). Earlier she was COO, Media Nation Group and CEO, Top-Result Advertising and Shanghai Metro Advertising.

Wen Denny (CEO, BMC Co. Ltd.)

Denny joined BMC from JC Decaux where he worked as General Manager from 2005 to 2006. From 2003 to 2005, he worked as a General Manager with Media Nation Inc., National General Manager at Bus Media Manager & General Manager of Chendu MPI Public Transport Advertising Co. Ltd.

SHAREHOLDING STRUCTURE

Mesago Holding GmbH is the main shareholder of BMC. The total number of shares outstanding as on October 12, 2007 is 5,999,466 with 52% of these shares held by the general public. The Company management holds 3% of the outstanding shares.



FINANCIAL PERFORMANCE

We have used FY 2005, FY 2006 annual reports and half yearly report FY 2007, Company's investor presentation and information available in the public domain for our analysis.

Performance in H1 2007

- In H1 2007, BMC's total revenue was 8.11 mEUR, an increase of 161% over 3.06 mEUR for the same period of FY 2006. The largest sales contributor in the first half year was Advertising Media division specifically BMC Flying Dragon (39.9% of the revenue for the period or 3.18 mEUR). This was due to significant success in selling advertising space at some of the major airports in China.
- In H1 2007, the Company has made significant investments such as advertising space leased till 2015 at the Xi'An airport and acquisition of TC Gruppe GmbH.
- The COGS increased from 2.29 mEUR (81.2%) in H1 2006 to EUR 7.70 (95%) mEUR which was mainly due to expenses incurred for renting advertising space at airports and railway stations.
- In H1 2007, the Company has added 40 employees. This resulted in increase in personnel expenses from 0.77 mEUR to 1.96 mEUR
- The net loss in H1 2007 was 3.94 mEUR. Despite this loss, BMC has practically no debt and an equity base of 24.01 mEUR and cash in hand at 8.17 mEUR as on June 30, 2007

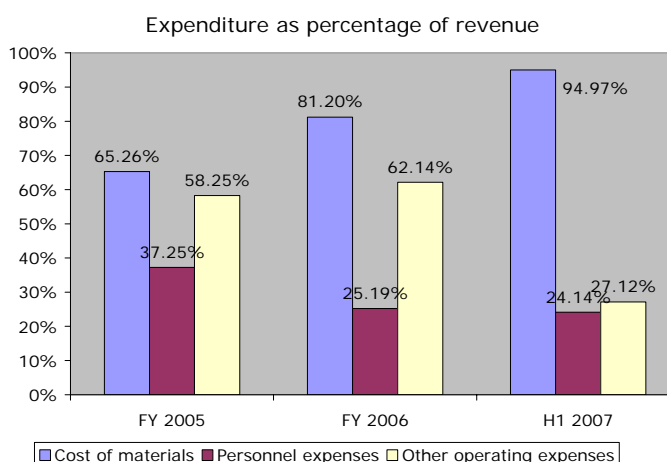
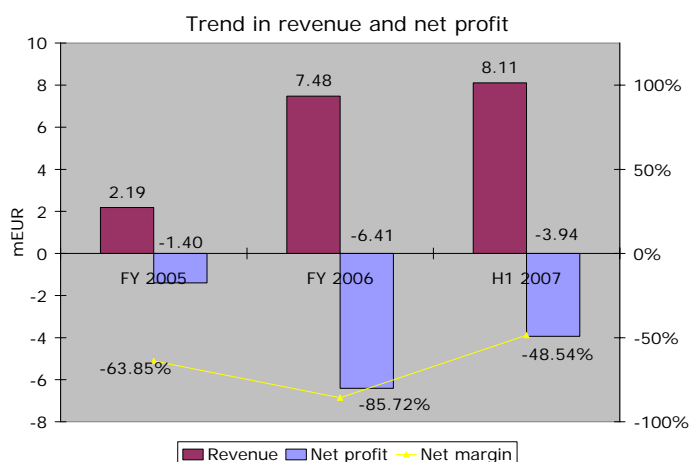
Performance in FY 2005 and FY 2006

- BMC's performance in FY 2005 comprised largely of revenue from the Exhibition division. The performance for FY 2006 includes the revenue for all its newly operated business divisions including Advertising Media (Airport and Railway Advertisement) and Exhibitions.
- The total revenue in FY 2006 was 7.48 mEUR primarily accounted by the new Advertising Media division in China (54% of the FY 2006 revenue or 4.03 mEUR). The revenue from the Exhibition division increased from 2.1 mEUR in FY 2005 to 2.9 mEUR in FY 2006.
- The gross profit margin excluding other operating profits was 18.51% or 1.38 mEUR in FY 2006.
- The operating profit margin was -88.66% and net margin was -85.72% in FY 2006.

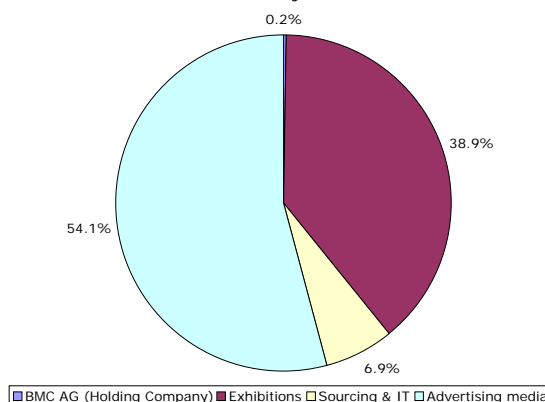
- The operating profit margin and net profit margin adjusted for the cost of acquisitions and excluding other operating profits were -26.18% and -23.54% in FY 2005 and FY 2006 respectively. This corresponded to a net operating loss of 1.95 mEUR and net loss of 1.75 mEUR in FY 2006. The operating profit and net profit margin was negative due to one time high project development costs of 1.7 mEUR towards building the railway advertising business and legal and consulting costs of EUR 682,000.

Particulars (mEUR)	FY 2005	FY 2006	H1 2007
Revenue	2.19	7.48	8.11
Gross profit	0.76	1.41	0.41
Net profit	(1.40)	(6.41)	(3.94)

Profitability ratios	FY 2005	FY 2006	H1 2007
Gross margin	34.74%	18.80%	5.03%
Operating margin	-59.30%	-88.35%	-50.88%
Net margin	-63.85%	-85.72%	-48.54%



Revenue distribution by business division



MARKET

The overall advertisement market in China was worth 13 bUSD in 2005 and is expected to grow at 15-18% p.a. until 2010 (Source: SAIC State Administration for Industry and Commerce).

The growth drivers for this market are:

- Increasing advertising budgets from consumer goods such as cosmetics, personal care and electronic consumables market
- High growth of automobiles and industry sectors such as metals and mining
- Higher advertising spend before and during the Olympic Games in 2008 and Shanghai Expo in 2010
- High growth potential for tier 2 cities such as Nanjing, Shenzhen, Changsha, Chengdu, Xiamen
- Massive urbanization drives China's ad expenditure where over 70% of retail sales take place in urban areas with a growth rate of over 14%

Regulatory environment

China has strong regulations for advertisement and media content. The regulations protect the consumers from actual or perceived risks of misinformation, potentially reducing advertisements by categories such as health care, cigarettes, and cosmetics. However, outdoor advertisements are not regulated very strictly by the government.

In mid-2006, the Government stopped Proctor & Gamble from marketing SK-II, a leading skin care product because the General Administration of Quality Supervision, Inspection and Quarantine identified supposedly harmful ingredients (neodymium and chromium) in the product. In late 2006, the Government stopped newspapers carrying advertisements by medical clinics.

Mediums of advertisement

The advertisement market comprises of mediums such as TV, newspapers, magazines and outdoor and online publicity. In 2005, TV advertisements were the largest sector worth 32,474 mRMB (or 3,247 mEUR) followed by newspaper advertisements worth 30,989 mRMB (or 3,099 mEUR). These sectors are expected to grow at 16% and 15% YOY respectively till 2010. In 2005, online advertisements grew at more than 50% YOY worth 4,405 mRMB (or 441 mEUR). (Source: Goldman Sachs)

China's urban population is expected to reach 615 million by 2010 from 523 million in 2003

China's per capita ad spend (EUR 5) is much lower than US, Hong Kong and UK (EUR 236)

The 4 large cities with only 9% of the overall Chinese population accounted for 50% of advertisement spend in 2005.

Macroeconomic Factors	Value
GDP growth rate	10%
Population growth rate	0.6%
Rail passenger growth rate	3.3%
Air passenger growth rate	10%
Consumer inflation rate (Feb 2007)	2.7%

Top 5 outdoor media companies

Company	FY 2006E revenue
JC Decaux	100 mEUR
Clear Media	90 mEUR
Tinajun	60 mEUR
Tom Outdoor	45 mEUR
Dahe Outdoor	30 mEUR

Growth drivers in outdoor advertisement

BMC operates in the outdoor advertisement sector in China. This sector is the third largest sector, worth more than 2 bUSD in 2005 and expected to reach 4 bUSD by 2010 (Source: SAIC State Administration for Industry and Commerce). The growth in this sector is driven by the following:

- In China, outdoor advertisements are less regulated as compared to news, TV and other media content
- Due to smaller homes, the Chinese people spend more time outdoors, relative to their US or European counterparts
- The sector has the lowest content creation costs. The cost of a 17" poster advertisement is only RMB 1,000 (or 100 EUR). This cost is only 3% of the corresponding advertisement created for TV and only 1% of the corresponding advertisement created for plasma display

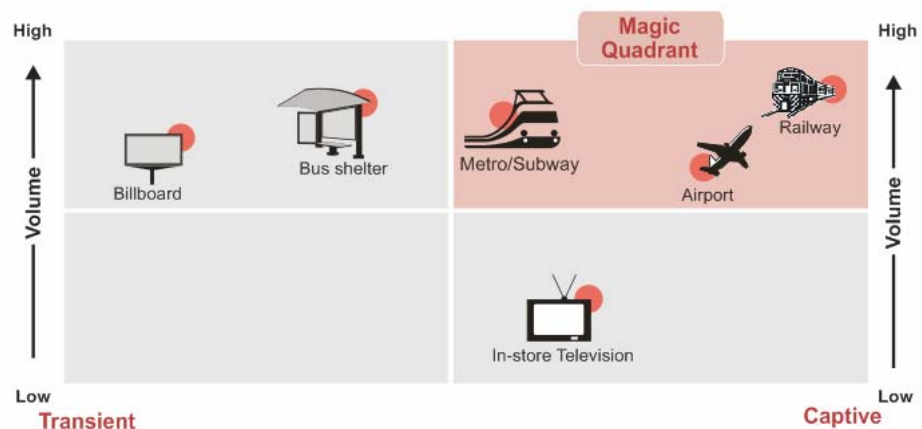
Outdoor advertisement market segments

Airports, as a location, are in demand to target high-income groups that advertising agencies look for. The number of air passengers in China increased by 19% YOY (139 million in 2005) and are expected to grow by at least 10% per year. The increase in the number of passengers is driven by the increased investments by the Government in Chinese airports.

Railway stations, as a location, are also in demand to target the medium income urban population. The number of rail passengers in China was 1 billion in 2005 and is expected to grow due to industrialization and urbanization. Higher industrial growth and global flow of capital into China has been a growth driver in this market. Tier 1 cities in China such as Beijing, Shanghai and Guangzhou are getting crowded. Tier 2 cities such as Nanjing, Shenzhen, Changsha, Chengdu, and Xiamen are growing at an attractive pace. These cities are close to industrial hubs and emerging commercial centres. The rail passenger traffic is expected to increase rapidly in the tier 2 cities.

BMC also operates in the exhibitions and conferences segments which are a popular marketing channel. Expected annual growth in the consumer product exhibitions such as cosmetics and healthcare and electronics is in the range of 30% p.a. till 2010. (Source: SAIC State Administration for Industry and Commerce)

The advertisement delivery volumes and audience captivity can be mapped into four quadrants as shown in the accompanying figure.



COMPETITION

The outdoor advertisement market in China is fragmented with few large international companies and several local and niche companies. According to the China Advertising Association, there are approx. 60,000 outdoor advertisement companies. However, the top five companies account for 16% of the total market share.

BMC competes with large outdoor advertisement companies such as Lamar US and Clear Channel Outdoor (headquartered in the US), JC Decaux (headquartered in Europe) and Clear Media and Focus Media (headquartered in Asia) as well as local and niche companies such as Beijing Media.

The following table highlights BMC's competitors and the type of advertisements they specialise in:

Competitive analysis						
Company	Airports	Railways	Metro (Subway)	Bus shelter/body	Billboard	In-store TV
JC Decaux	✓		✓	✓	✓	
Clear Media	✓			✓	✓	
Tom Outdoor					✓	
Dahe Media					✓	✓
Focus Media	✓				✓	✓
BMC	✓	✓				

KEY HIGHLIGHTS

• Increasing market for outdoor advertisements in China

Due to smaller homes, the Chinese people spend more time outdoors, relative to their US or European counterparts. Thus outdoor advertisements are increasingly popular in China. At present the outdoor advertisement market represents 15.4% of the overall advertisement market and is growing at 19% p.a in China. This market is expected to surge due to the 2008 Olympic Games in Beijing and 2010 Shanghai World Expo.

• Easily scalable business model

BMC has a scalable business model as it can start selling the advertising space immediately as and when it gets contracts for stations or airports (it has the infrastructure ready for the purpose). In fact, in all probability the advertisers themselves will approach the company and will be ready to pay a price for prime space. BMC can also achieve larger revenues by selling the prime space for shorter time periods.

• Investments to fetch rewards in the future

BMC is aiming at a market leader position in the outdoor marketing in China and has undertaken major investments in FY 2006 and H1 2007. In H1 2007, the Company has acquired advertising space available till 2015 at the Xi'An airport. The Company has also acquired TC Gruppe GmbH to establish a direct access to German advertising clients so as to launch the necessary customer

communication for market penetration and branding in the early phase itself. Once the investments are done, BMC is set to achieve a surge in revenue, marginal cost of operations and increase in market share in the short term.

• **Excellent contacts and network in the advertising sector in China**

BMC enjoys excellent personal relations with the respective railway and airport authorities' combined with BMC's expertise in media development and marketing. This ensures the Company's ability to acquire long-term contracts and co-operations.

BMC has formed major alliances and partnerships recently:

- BMC formed a 30 year joint venture with China Railway Century Media Co., Ltd., an advertising division of the Beijing Railway Administration, to promote advertising business at railway stations across China. BMC holds 60% in the joint venture, which will go up to 75%. Future annual sales potential predicted is above 100 mEUR.
- BMC has also acquired advertising rights for six important airports in China.
- It also secured airport advertisement rights in 9 airports including Qingdao (airport of the Olympic Games)
- BMC won licenses for advertisement rights in Terminal 3 of the Beijing International airport
- BMC organized or was a strategic alliance partner for nine trade fairs and conferences in the three Chinese cities of Beijing, Shanghai and Guangzhou in the fiscal year 2006 and plans to add Shenzhen in 2007.

• **Experienced management team**

BMC has recruited some of the best professionals in the Chinese advertising market. In 2006, BMC recruited Liyan Mo as President and Denny Wen as CEO of BMC Co. Ltd. in China. They are both experienced advertising executives and have worked at JC Decaux China, one of the largest outdoor advertisement companies in China. Recruiting local professionals also means overcoming the Chinese language barrier.

• **Out of home advertising faces least interference by the government**

The Chinese government stringently controls television, newspaper and radio and also magazines, which are allowed to publish but are not allowed to write on politics. The government is also framing regulations for the control of Internet. Relative to these media types, authorities are least interfering where outdoor media is concerned. BMC being primarily in the outdoor media segment faces the least interference from the government.

STRATEGY

The Company strategy is based on expansions in the Chinese market through organic and inorganic modes. The new market entry in other regions will be done mainly by forming JVs and alliances.

Consolidation in the East Coast of China

The Company's strategy is to consolidate its business in the East Coast of China. It is constantly on the lookout to buy either 100% or controlling interests in companies located in the metros of Beijing, Shanghai and Guangzhou. BMC is also recruiting well-known Chinese professionals in the advertising space to head these companies.

Enter newer markets

BMC is in negotiations with organizers and venues in the newer markets of Dalian, Hong Kong, Macao and Shenzhen for either an alliance, joint venture or a complete buyout. The company then plans to develop the products as per international standards to attract large multinationals. Further growth will be generated through professional development of the existing exhibitions and conferences.

Organic growth through planning and launching of new exhibitions

BMC is planning and launching new exhibitions and conferences as well as reformatting and reinventing its existing exhibitions and conferences through:

- Changes in pricing
- Volume growth
- Add-on product development
- Cost efficiency

Growth through mergers and acquisitions of local organizers

BMC is growing in China through mergers and acquisitions with the local venues and organizers. The company sees multiple benefits in this:

- Fast growth
- Easy access to newer markets
- New source for fresh ideas
- Local contact points make it easy to understand the local culture

BMC also plans to form joint ventures with leading western exhibitions for China. For its publishing segment, the company has license agreements and joint ventures with top Chinese, European and American publishing houses.

OUTLOOK AND PROJECTIONS

BMC is a growing company in the dynamic and fast evolving outdoor advertising industry. The Company has acquired many other companies and formed acquisitions and alliances in FY 2006 and H1 2007. This will certainly help BMC to grow rapidly in future.

According to the Company, the revenue growth in the medium term will be double digit and the Company will post its first profits in FY 2008. After the consolidation, the Company expects to reach revenue of 26-28 mEUR in FY 2007. The Company expects revenue of 64 mEUR and 83 mEUR in FY 2008 and FY 2009 respectively including from other income. We have not analysed other income.

Our analysis suggests that the Company will significantly improve its revenue in FY 2008 to 51.32 mEUR exploiting the investments in the past and the 2008 Olympics in China.

Valuation (figures in mEUR)			
Particulars	FY 2007F	FY 2008E	FY 2009E
Segment wise revenue			
Airport division	7.25	24.21	29.59
Railway division	12.25	18.21	21.58
Exhibitions division	6.61	8.90	11.90
Total Revenue excluding other income	26.11	51.32	63.06
Operating profit (EBIT)	-	5.70	12.28
Net profit	-	4.3	9.21
EPS (EUR)	-	0.7	1.54

F- Company forecast, E – Estimates

Assumptions

For segment wise revenue calculation

- BMC's share of air traffic is 14.47 million. This share is expected to increase by 10% p.a. till 2010 in line with the growth in overall passenger traffic in China. In FY 2008, we assume an increase of 25% in the overall air traffic due to scheduled Olympics.
- We have also considered the revenue impact of additional air traffic of 6-7 million due to new airports such as Chongqing and Xiamen in FY 2008. Passenger traffic estimates used is 26.90 million and 29.59 million in FY 2008 and FY 2009 respectively. The average revenue per passenger is 0.9 EUR and 1.0 EUR in FY 2008 and FY 2009 respectively. (source: SAIC, past performance of BMC, China population data, Company forecast)
- The total rail passenger traffic was 139 million in 2006. The rail passenger traffic is 234 million and 257 million in FY 2008 and FY 2009 respectively. The average revenue per passenger is 0.13 EUR and 0.14 EUR in FY 2008 and FY 2009 respectively. (source: SAIC, past performance of BMC, China population data, Company forecast)
- BMC owns 60% of the railway division joint venture which has a revenue potential of around 15 mEUR in FY 2007 (Source: Beijing Rail Bureau)
- Estimated growth rate in exhibition division is approx. 35% YOY.

Other assumptions

- Given BMC's negligible debt we assume the EBIT equal to its operating profit or pre tax profit.
- BMC has forecasted an EBIT of 30-40%. This EBIT forecast is in line with its peers such as Focus media (Gross margin of 63% and operating margin of 37% for FY 2006). We expect BMC's EBIT to be 20% due to higher amortization and depreciation costs incurred due to acquisitions.
- Effective tax rate of 25%

SCOT ANALYSIS

STRENGTHS <ul style="list-style-type: none"> • Strong local network with media buyers and Government agencies in China • High value portfolio of advertisement rights in airports and railways stations • Experienced management with strong track record • Favourable capital structure, enabling growth and acquisitions 	CHALLENGES <ul style="list-style-type: none"> • Maintaining strong relations with Chinese Government agencies • High cost management based in Germany
OPPORTUNITIES <ul style="list-style-type: none"> • Use of experience in growing further across airports and railways • Exploit exhibition formats 	THREATS <ul style="list-style-type: none"> • Overall economic slowdown • Adverse regulatory reforms

DETAILED FINANCIALS

BALANCE SHEET

Fiscal Year Ended on Dec 31	FY 2005	FY 2006	H1 2007
	EUR'000		
Assets			
Goodwill	2,007.60	6,361.70	7,992.80
Other intangible assets	19.80	29.70	4,115.80
Property, plant and equipment	242.00	813.40	1,628.00
Financial assets	998.50	60.00	0.00
Non-current assets	3,267.90	7,264.80	13,736.60
Deferred tax assets	47.30	290.50	928.30
Non-current receivables and assets	47.30	290.50	928.30
Non-current assets	3,315.20	7,555.30	0.00
Inventories	6.40	0.00	320.90
Trade receivables	382.00	1,901.90	3,568.60
Other receivables and assets	1,354.00	8,236.30	9,291.20
Effective income tax assets	83.60	168.80	231.40
Current receivables	1,819.60	10,307.00	13,091.20
Cash and cash equivalents	2,917.40	14,950.60	8,168.30
Current assets	4,743.40	25,257.60	21,580.40
Total Assets	8,058.60	32,812.90	36,245.30
Liabilities and shareholders' equity			
Subscribed capital	4,545.10	5,999.50	5,999.50
Reserves	2,319.20	21,315.20	21,812.80
Net retained profits	0.00	0.00	-3,798.20
Interest of Business Media China AG shareholders in equity	6,864.30	27,314.70	24,014.10
Equity attributable to minority interest	232.10	1,043.80	2,008.10
Equity	7,096.40	28,358.50	26,022.20
Provisions for deferred taxes	22.70	0.60	478.90
Other provisions	0.00	0.00	0.00
Non-current provisions	22.70	0.60	478.90
Current provisions (other provisions)	496.90	1,094.90	1,245.50
Current liabilities	519.60	1,095.50	1,724.40
Financial debt	0.00	47.60	15.60
Trade payables	79.60	1,732.30	0.00
Tax liabilities	44.90	57.10	0.00
Other non-current liabilities	318.10	1,521.90	539.00
Non Current liabilities	442.60	3,358.90	554.60
Non Current provisions and liabilities	939.50	4,453.80	9,189.60
Total Liabilities and Shareholder Equity	8,058.60	32,812.90	36,245.30

INCOME STATEMENT

Fiscal Year Ended on 31- Dec	FY 2005	FY 2006	H1 2007
	EUR' 000		
Revenues	2,109.70	7,452.60	7,972.70
Other income	75.90	26.00	83.60
Changes in Inventory	0.00	0.00	54.40
Total revenue	2,185.60	7,478.60	8,110.70
Cost of materials	(1,426.40)	(6,072.30)	(7,702.90)
Gross profit	759.20	1,406.30	407.80
Personnel expenses	(814.10)	(1,883.90)	(1,958.00)
Amortization/depreciation	(51.20)	(1,766.40)	(532.50)
Other operating expenses	(1,273.10)	(4,647.30)	(2,199.80)
Finance costs	(203.80)	(34.50)	(20.90)
Other financial result	287.00	318.60	176.50
Earnings before income taxes	(1,296.00)	(6,607.20)	(4,126.90)
Income taxes	(99.50)	196.80	189.70
Consolidated net loss	(1,395.50)	(6,410.40)	(3,937.20)
Shareholders' interest in net loss	(1,470.10)	(6,224.00)	(3,798.20)
Loss attributable to minority interest	74.60	(186.4)	(139.00)
Consolidated net loss	(1,395.50)	(6,410.40)	(3,937.20)

RATIO ANALYSIS

Year	FY 2005	FY 2006	H1 2007
Short term solvency ratios			
Current Ratio	9.13	23.06	12.51
Quick Ratio	9.12	23.06	12.33
Current Liability to Net Worth	0.07	0.04	0.07
Current Liability to Inventory	81.19	N.A.	5.37
Asset Utilization or Turnover ratios			
Inventory Turnover			
Fixed Asset Turnover	0.44	0.30	0.37
Total Asset Turnover	0.26	0.23	0.22
Long-term Solvency or Financial Leverage ratios			
Total Debt Ratio	0.12	0.14	0.28
Equity Ratio	0.88	0.86	0.72
Debt-Equity Ratio	0.14	0.16	0.39
Total Liability to Net Worth	0.14	0.16	0.39
Fixed asset to Net Worth	0.47	0.27	0.00
Efficiency			
Average Collection Period (days)	66.09	93.15	81.69
Capital Intensity (Total assets / Net sales)	0.14	3.39	
Account Payable to Sales			
Profitability ratios			
Gross Profit Margin	34.74%	18.80%	5.03%
Operating Profit Margin	-59.30%	-88.35%	-50.88%
Net Profit Margin	-63.85%	-85.72%	-48.54%
Market value ratios			
Market Price per share			26.60
Price/Earnings Ratio			NA
Book value per share			4.34
Market Value to Book Value Ratio			6.13
Market capitalization (mEUR)			159.59

Method of research: Desk research using publicly available information

Appendix I: Details of BMC exhibitions for 2007

Exhibition	Products	Venue	Sponsors
CHINA SMT FORUM		Shanghai	China Semi-Conductor Industry Association (CSIA) China Electronics Production Equipment Industry Association (CEPA) China Electronics Materials Industry Association (CEMIA) China Communication Industry Association (CCIA)
CHINA COMMERCIAL VEHICLE	China's commercial vehicles industry such as Buses, Trucks, Parts & Accessories	Beijing	Ministry of , P. R. China Beijing Guojian Zhongke Vehicles Technology Co., Ltd. China Road Vehicles Machine Company
CHINA BEAUTY EXPO	Perfumery, cosmetics and skin care products Beauty, hair and nail products Packaging and machinery Raw materials	Shanghai	CCPIT Specialized Sub-council of Light Industry National Industrial and Commercial Association of China China National Light Industry Association Shanghai Municipal Government Shanghai Trade Exhibition Office Hong Kong Hair & Beauty Merchants Association Hong Kong Trade and Development Council Korea Cosmetics Industry Association Sino-Japan Council for the Promotion of Cosmetics Singapore Manufacturers' Federation
PPI CHINA	International Fair for the Food & Drink Processing- and Packaging Industry	Guangzhou	Guangdong Food and Packaging Machinery Industry Association
FDC CHINA	International Fair for Food and Drinks such as Non-alcoholic beverages, spirits, wines, beers, processing and packaging machinery	Guangzhou	China National Food Industry Association China Food Publishing House
GIMT + AMB CHINA	International Exhibition for Metal Working	Guangzhou	Guangdong Machinery Industrial Quality Managing Association CCPIT – The Sub-council of Machinery Industry Guangdong Mould and Die Association
CANTON TEXTILE	International Textile Fair	Guangzhou	Guangdong Textile Association CCPIT Sub-council of the Chemical Industry
CHINA BEAUTY WEEK	Hair products, cosmetic, professional beauty salon products equipment, perfumes & toiletries, nail products, etc.	Beijing	All-China Women Federation Asia Beauty & Hair Association Beijing Municipal Government CCPIT Specialized Sub-council of Light Industry China Flavor and Fragrance Cosmetics Industry Association China Beauty Chamber of the China Commerce Federation China Beauty & Fashion Newspaper China Beauty & Hair Association Hong Kong Cosmetics Industry Association Hong Kong Hair & Beauty International Business Development
CIOE China International Optoelectronic s Exposition (CIOE)	Laser & Infrared Applications Optics Optoelectronic Displays & LED Semiconductor Lightings	Shenzhen	Ministry of Commerce, China Ministry of Science and Technology, China Ministry of Information Industry, China Chinese Academy of Science
CHINA URANIUM	Congress & exhibition of Chinese uranium mining and nuclear power industry	Beijing	China National Nuclear Corporation China Atomic Energy Agency
CHINA MINING	Asia's Premier Mining Congress and Exhibition	Beijing	State Development and Reform Commission, P. R. China Ministry of Finance, P. R. China Ministry of Commerce, P. R., China China Mining Association World Bank Group Canadian Embassy, P. R., China Australian Embassy, P. R., China

Appendix II: Details of Reed exhibitions for 2007

Reed Exhibitions 2007 China Exhibition & Conference Calendar (as on Mar 30th, 2007)	
Electronics & Electrical Engineering	
NEPCON China 2007-for SMT & microelectronics industry	Shanghai
EMT China 2007	Shanghai
NEPCON South China 2007	Shenzhen
EMT South China 2007	Shenzhen
Automotive Electronics South China 2007	Shenzhen
Bohai Electronics Week 2007	Tianjin
Engineering/Manufacturing/Processing	
Aluminium China 2007	Shanghai
ATE China 2007 (Assembly Technology Expo China)	Shenzhen
Quality Expo China 2007	Shenzhen
Asia Manufacturing Technology Expo 2007	Dongguan
COMPOSITES & RP Asia 2007 (Asian Trade Fair & Conference for Composites, Technology & Applications)	Hong Kong
Transportation & Logistics	
SITL Asia 2007(Asian Int'l Transport & Logistics Exhibition)	Shanghai
Packaging & Printing	
SINO-CORRUGATED 2007	Shanghai
LIQUITEK China 2007	Shanghai
PACKAGING China 2007	Shanghai
SINO-FOLDINGCARTON 2007	Shanghai
Pharmaceuticals & Medical	
MEDPHARM 2007	Haikou
The 57th CMEF (China Int'l Medical Equipment Fair 2007-Spring)	Dalian
The 4th ICMD (Int'l Component Manufacturing & Design Show 2007-Spring)	Dalian
The 57th PHARMCHINA (2007-Spring)	Dalian
The 58th API China (China Int'l Pharmaceutical Ingredients Fair (2007-Spring)	Nanjing
Interphex China	Nanjing
The 57th EXPOLAB	Nanjing
The 42nd New Drugs China	TBC
The 4th Interherb	Xiamen
The 8th CMEF MIDDLEWEST(China Int'l Medical Equipment Middlewest Fair)	Kunming
LifeCare China	Kunming
The 5th ICMD (Int'l Component Manufacturing & Design Show 2007-Autumn)	Chengdu
The 58th CMEF (China Int'l Medical Equipment Fair 2007-Autumn)	Chengdu
The 59th API China (China Int'l Pharmaceutical Ingredients Fair 2007-Autumn)	TBC
The 58 th PHARMCHINA (Autumn)	TBC
Travel & Recreation	
G2E Asia 2007(Global Gaming Expo Asia 2007)	Macau
Asia Luxury Travel Market 2007	Shanghai
CIBTM 2007(China Incentive, Business Travel & Meetings Exhibition)	Beijing
Decoration & Design	
International Home Décor & Design 2007	Shanghai
100% Design Shanghai Preview	Shanghai

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