

# Business Media China AG



## Eigenkapitalforum

November 11, 2008

K.M. Hilligardt, CEO

## Disclaimer

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This document contains forward-looking statements and forecasts based on assumptions and estimates made by Business Media China AG („BMC“) management. While we assume that the expectations of these forward-looking statements are realistic, we cannot guarantee that the expectations will prove to be correct. The assumptions may conceal risks and uncertainties which may lead to actual results significantly divergent from those made in the projective forecasts. The factors that can cause such a divergence include: changes in foreign exchange control or the economic and business environment, currency exchange rate fluctuations, the low market entry barriers for competitors, insufficient acceptance of new products or services and changes in corporate strategy. No update of the projected forecasts contained herein is planned, nor does BMC assume any obligation to do so.

# Agenda

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- ▶ **BMC at a Glance**
- ▶ **China – A growing advertising and exhibition market**
- ▶ **Strategy and strategic strengths**
- ▶ **BMC's operations + plans**
  - **OOH Media (Airports, Railway Stations)**
  - **Exhibitions & Conferences**
- ▶ **Peer group analysis**
- ▶ **Key numbers**
- ▶ **Outlook**

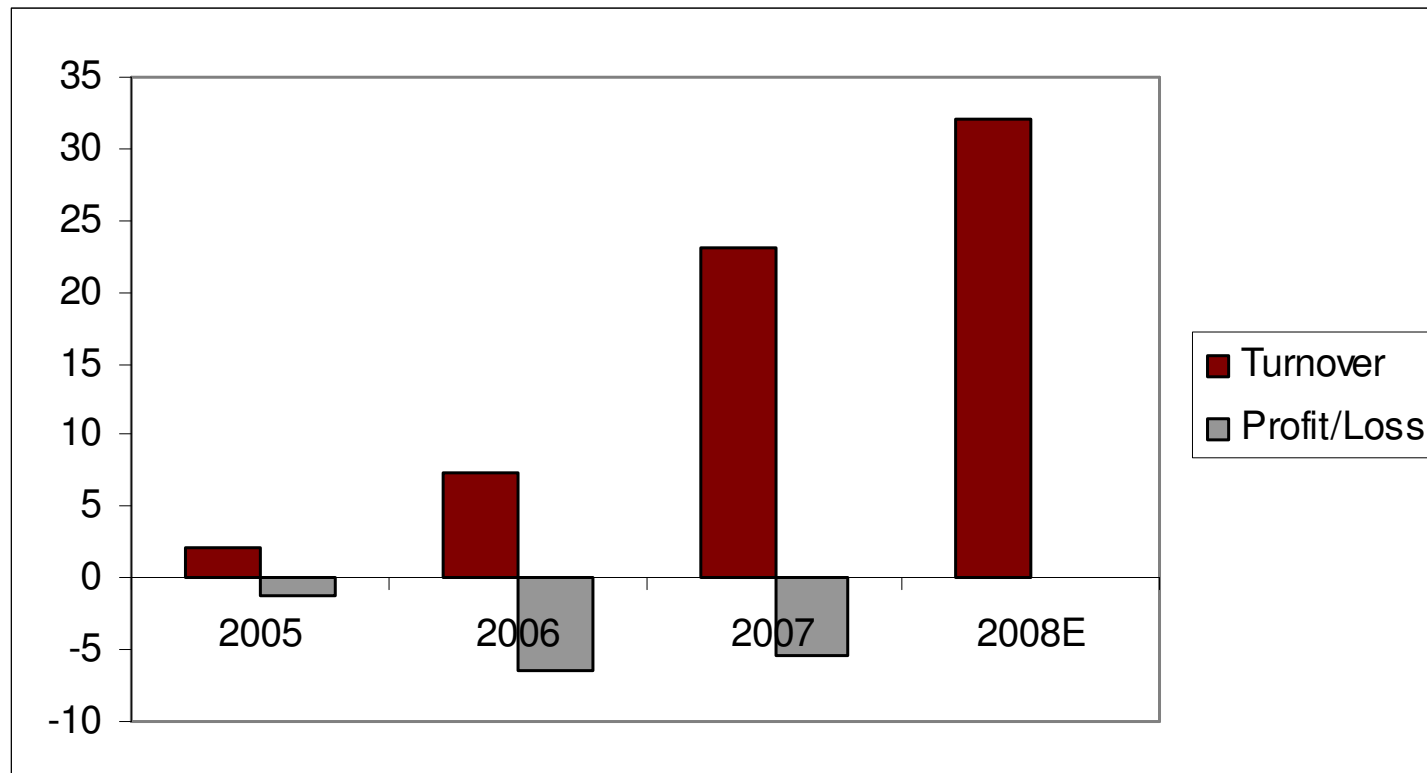
- ▶ BMC provides “**Total China Media Competence**” by combining key competences in **all relevant advertising media solutions**:

Exhibitions & Conferences, Outdoor Advertising / Out of Home Media (OOH), Online Marketing, TV/Radio and Print Media.

- ▶ BMC’s **track record in Exhibitions** and the strong **portfolio of premium advertising media in railway stations and airports** ensures a fast increasing revenue and earnings stream in a double-digit growing market.
- ▶ BMC today is recognized as the **leading company in OOH Media innovation and All-China media coverage**.
- ▶ Proven **SINO-EUROPEAN Management-Style** is the key success factor.
- ▶ **Shareholders’ structure**: 30.1% Mesago (CEO), 2.1% Management, 67.8% free float,
- ▶ **Market Cap** (11.11.2008): EUR 50 Mio.

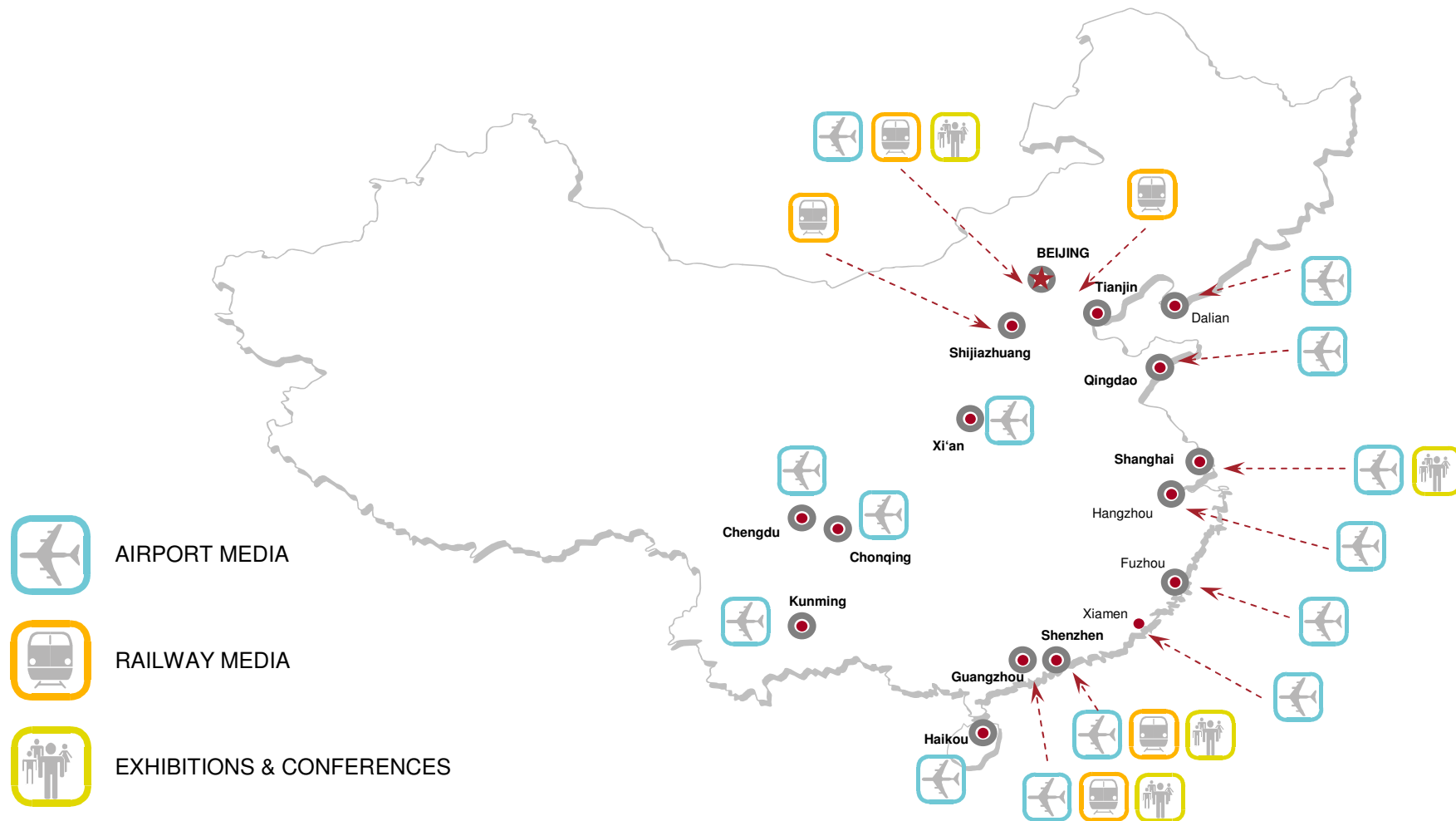
## Business Development 05-08E

From zero to a leading player in 4 years



## BMC`s footprint today

From zero to a leading player in 4 years



## China's dynamic economy

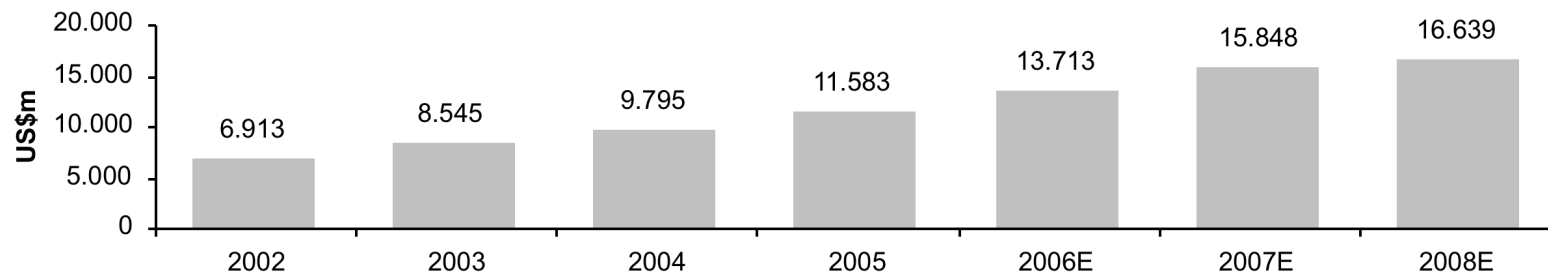
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- ▶ The Chinese economy is estimated to grow at 8-10% p.a. through the next decade.
- ▶ Huge manufacturing sector, called 'Factory of the World'.
- ▶ Rising income levels and increasing purchasing power of middle class (2008: >250 million).
- ▶ By 2020 the middle class will comprise 40% of the total population.
- ▶ China will consume approximately 29% of the world's total luxury goods in 2015.
- ▶ Boom in the retail sector.
- ▶ Government modernising rural & urban infrastructure, highways, railways, airports, roads, subways.
- ▶ Olympics 2008 led to higher awareness and attractiveness of the China market as strongly growing consumer market.

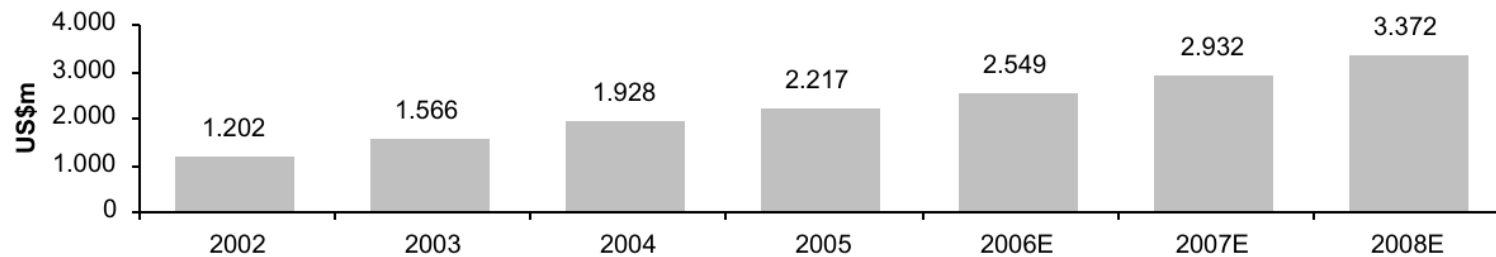
*Source: Chinese statistical Yearbook 2006*

## The Chinese advertising market

### Large and Fast Growing Advertising Market (CAGR 16.2%)



### Outdoor Advertising (OOH) is growing faster than the advertising market (CAGR 18.0%)

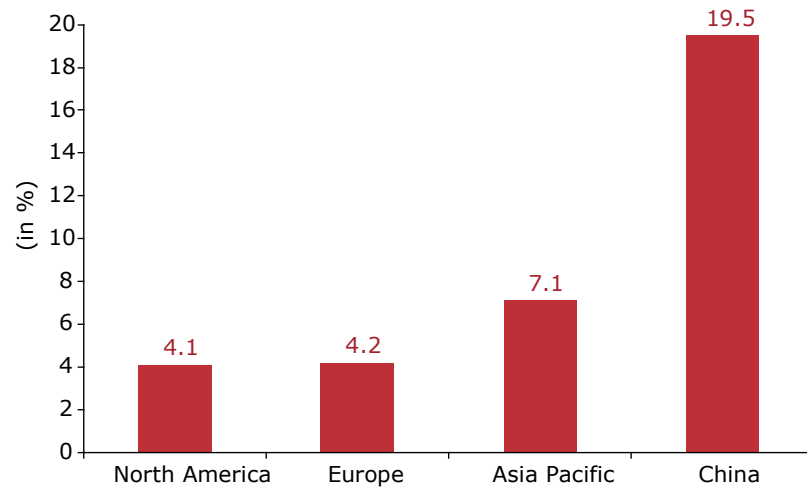


Source: Deutsche Bank, National Bureau of Statistics of China, ZenithOptimedia.

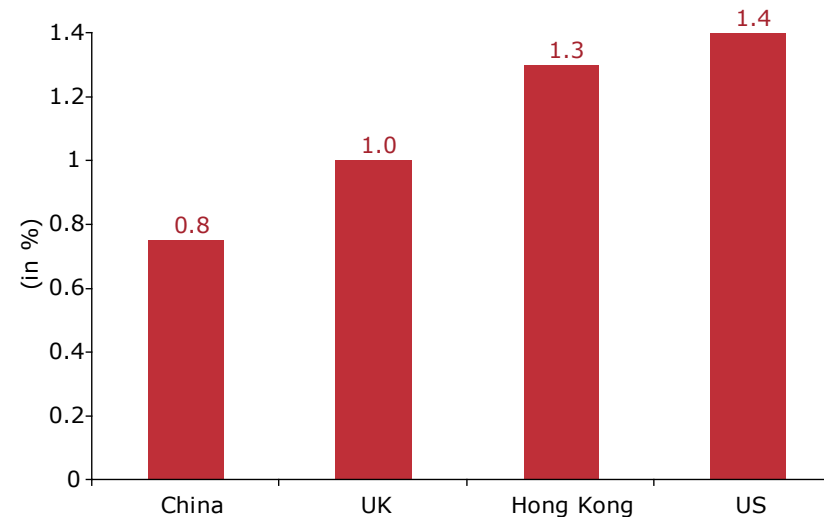


## Ad Spend: China vs. World

Ad spend growth of China vs. World



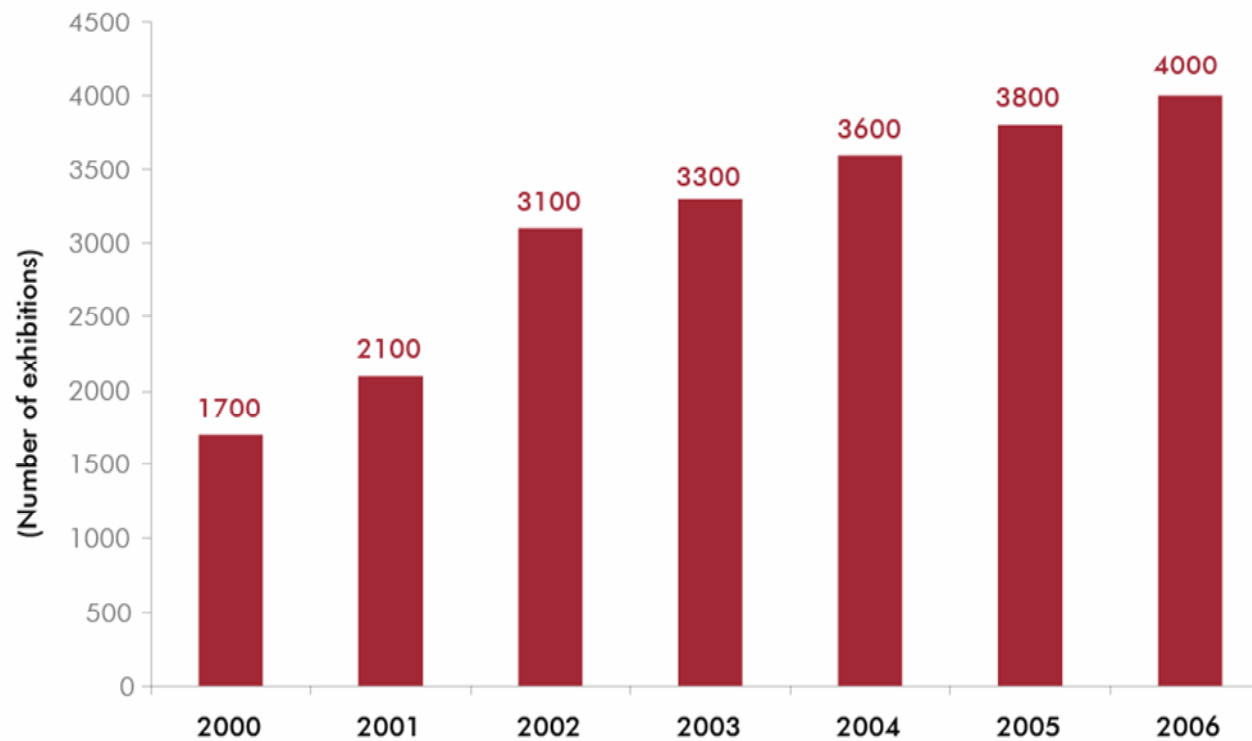
Ad spend % of GDP of China vs. World



- ▶ China's urban population increased from 29.0% in 1995, to 40.5%, or 523 million people, in 2003.
- ▶ Predicted to increase beyond 615 million by 2010.

## Exhibition growth in China

### Exhibitions' growth in China during 2000 – 2006



Source: CCPIT

**China is the fastest growing Exhibition market**

- ▶ Follow a **buy & build** strategy using national and global reach:  
BMC identifies market leaders in specific local or regional segment, acquires a controlling stake in it (buy), and then scales (build) it up using its national and global reach.
- ▶ **Develop, attract & establish** additional international exhibitions and conferences in the Chinese market.
- ▶ Identification of new **opportunities** (e.g online platforms) for a strong and profitable growth.
- ▶ Exploring **synergies** between OOH, exhibitions and conference businesses.
- ▶ Driving the **consolidation** in the Chinese Outdoor Advertising market.
- ▶ Develop City Partnerships (PPP) with City Furniture (JV with Wall AG)

### **BMC Germany**

- ▶ BMC Capital Markets
- ▶ BMC Group Admin, Legal, Financial Control
- ▶ BMC International Business
- ▶ BMC Group Corporate Marketing, Design & IT

### **BMC China**

- ▶ China Business Operations
- ▶ China Business Development
- ▶ China Administration & Financial Reporting

## Airport advertising



## Airports advertising: Acces to all top 15 airports

Airports	Passengers 2007 in Mio	BMC FD own ad. Rights/ Licenses inside Airports	BMC FD own advertising Rights/ Licenses at direct access streets (direct surrounding of Airport)	BMC FD acts as Sales Agent
Peking BCIA	53,31	X		
Guangzhou Baiyun International Airport	30,95	X		
Shanghai Pudong International Airport	28,95		X	X
Shanghai Hongqiao	22,61	X	X	X
Shenzhen	20,61	X		
Chengdu	18,57	X		
Kunming	15,73	X		
Hangzhou	11,73	X	X	X
Xi'an Xianyang International Airport	11,37	X		
Chongqing	10,35			X
Xiamen	8,69	X		X
Qingdao-Liuting	7,87	X		
Dalian	7,28	X		
Haikou	7,27	X		
Fuzhou	4,1			X

## Airport: Position and Targets

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- ▶ BMC Flying Dragon is the leading provider at the 15 most important airports
- ▶ Important Milestone September 2007: Winning of T3 media formats at Beijing airport
  - Up to EUR 10 million turnover/year as of H2/2008
  - Strong demand for more formats
- ▶ Strategic cooperation in China with Kinetic worldwide since May 2008
  - BMC is exclusive Airport partner for the world's largest media agency
- ▶ Further consolidation of Chinese Airport Media market expected

## Airport: Media Formats





## Airport: Media Formats



## Airport: Media Formats

### Global players and domestic companies

**NOKIA**  
Connecting People

**lenovo** 联想

**LG**

**mazda**

**VOLVO**

**HONDA**  
The Power of Dreams

**mango**  
city.com

**SELVA** 淨氧机  
神波原

**COSMOPOLITE**  
海晟国际公寓

**LOUIS VUITTON**

馨合亭®  
La Maison de Domitille

**A-Ztonn**  
爱这城

**首创置业**  
BEIJING CAPITAL LAND

**MG**

**中国移动通信**  
CHINA MOBILE  
移动信息专家

**hp**

**BEA 東亞銀行**  
The Bank of East Asia

**Canon**

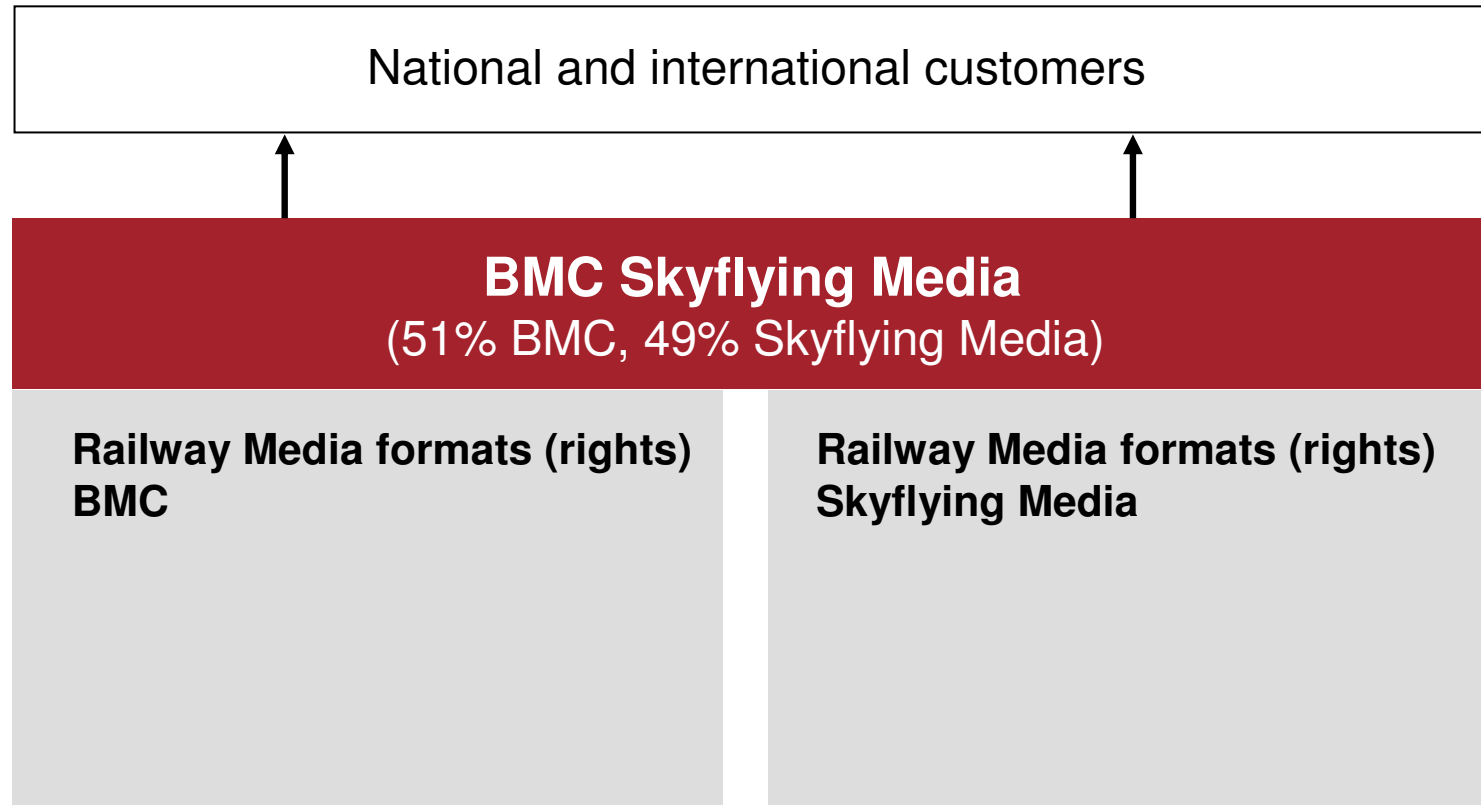
**阿里巴巴**  
Alibaba.com

## Railway advertising



## BMC Skyflying Media Joint Venture

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## Railway advertising Beijing and South China

Railway Stations with BMC Skyflying Media Assets	
Beijing Central Railway Station	Guangzhou Central Railway Station
Beijing West Railway Station	Guangzhou East Railway Station
Beijing South Grand Station	Shenzen Central Railway Station
	Shenzen Luo Wu Station

Next steps of All China roll-out will include Shanghai and Chengdu.

## Railway: Position and Targets

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- ▶ Start Railway advertising in Q2 2007
- ▶ Need to educate Chinese customers – BMC leads Railway advertising reformation
- ▶ Potential for All China Roll-out – but slower development than expected (prices, occupancy rate)
- ▶ New Joint Venture in Q2 2008 doubles China-reach
- ▶ Shanghai to be integrated
- ▶ Media formats at existing Railway Stations to be expanded



## Railway: Media Formats



## Railway: Media Formats





## Railway: Media Formats



## Railway: Media Formats

**lenovo** 联想

**CNC** 中国网通  
China Netcom

 中国移动通信  
CHINA MOBILE  
移动信息专家

**伊利** 



**Coca-Cola**

 **宝健**  
Pro-Health

 **石药集团**  
CSPC

## Exhibitions & Conferences



## Exhibitions: Position and Targets

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With its 25 years history in exhibition, conference and publishing, BMC is a major player in China.

- ▶ 9 leading international exhibitions & conferences in China

Thereof:                   **4 No.1 events in China**  
                                 **1 No. 1 event worldwide**

[www.bmc-expub.com](http://www.bmc-expub.com)

- ▶ Strong growth expected by:
  - Growth of existing events
  - Developing new Exhibitions
  - M&A activities
  - JVs with western Exhibitions
  - JVs with national Exhibition centers

## BMC's most important events



### **China Beauty Expo**

China's No. 1 Exhibition in China.



### **China Mining**

No.1 Mining Event in China and No. worldwide.



### **China SMT Forum**

The most important SMT & MPT Event in China.



**MICROPAC**

### **MICROPAC**

Concurrent to China SMT Forum.



### **China Municipal Transport**

No. 1 Transport & Logistic Exhibition in China.

Procurement Exhibition for the Chinese Government.



### **PPI&FDC China** (concurrent)

Two of the Top-3 Food Exhibitions in China.



### **GIMT China**

One of the most important Machine Tool Exhibitions in South China.



### **CIOE**

No. 1 Optoelectronics Exhibition worldwide



## BMC's most important events



## BMC's most important events





## BMC's most important events





## The OOH Competition

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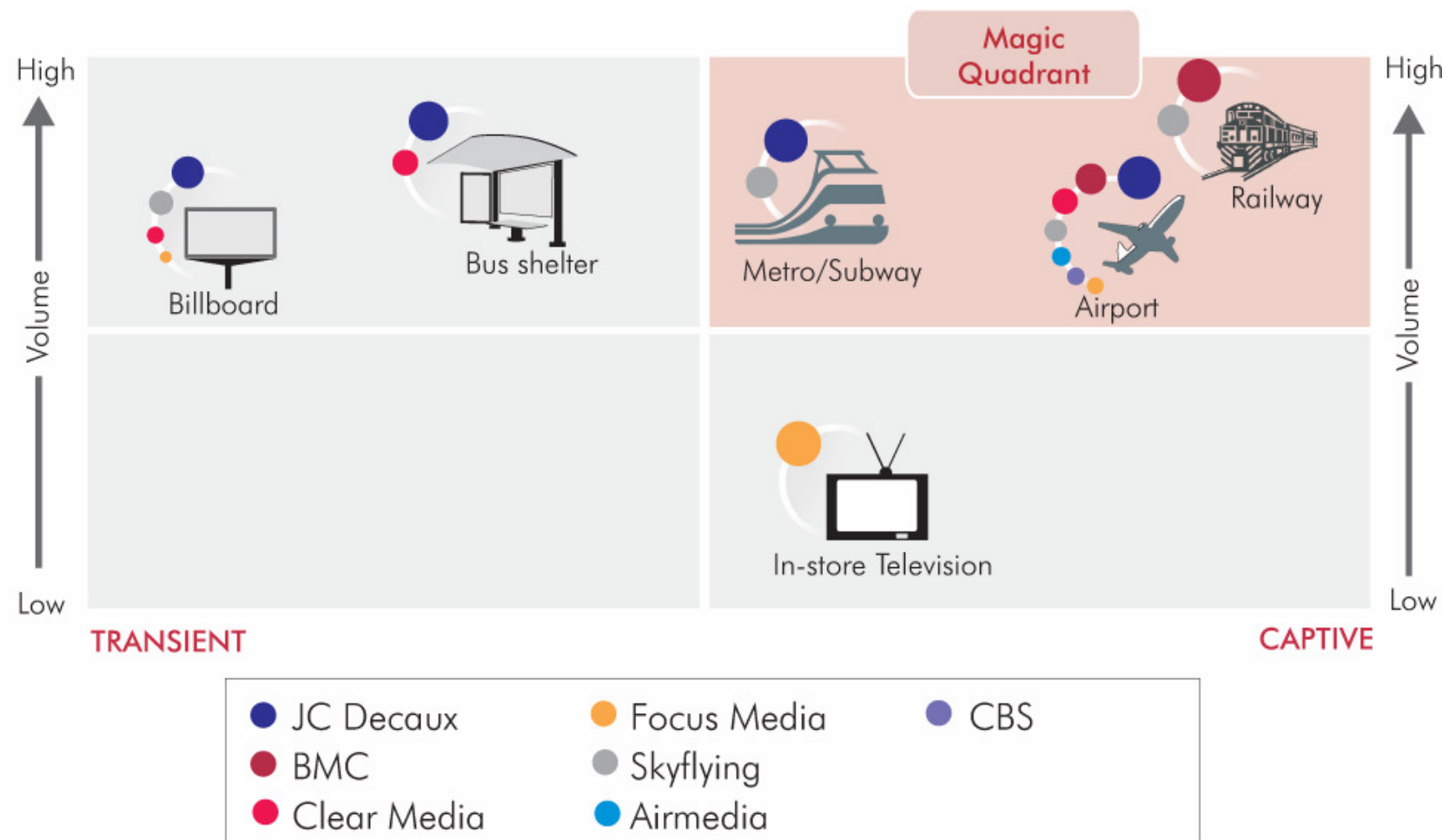
The outdoor advertising market in China is very fragmented. According to the China Advertising Association, there are around 60,000 outdoor advertising companies.

The Top Seven cover approx. 16% of the market.

- |   |   |
|---|---|
| <b>1. Tianjun Skyflying Media / BMC Group</b> | Combined Revenues 2008e* EUR 120-140 Mio. |
| <b>2. JCDecaux</b>                            | Revenues 2008e* EUR 110 Mio.              |
| <b>3. Clear Media</b>                         | Revenues 2008e* EUR 100 Mio.              |
| <b>4. CBS Outdoor</b>                         | Revenues 2008e* EUR 36 Mio.               |
| <b>5. Airmedia</b>                            | Revenues 2008e* EUR 34 Mio.               |

*\* BMC Estimates 2008e Outdoor Advertising Market EUR 3,4 Billion*

## Peer group positioning

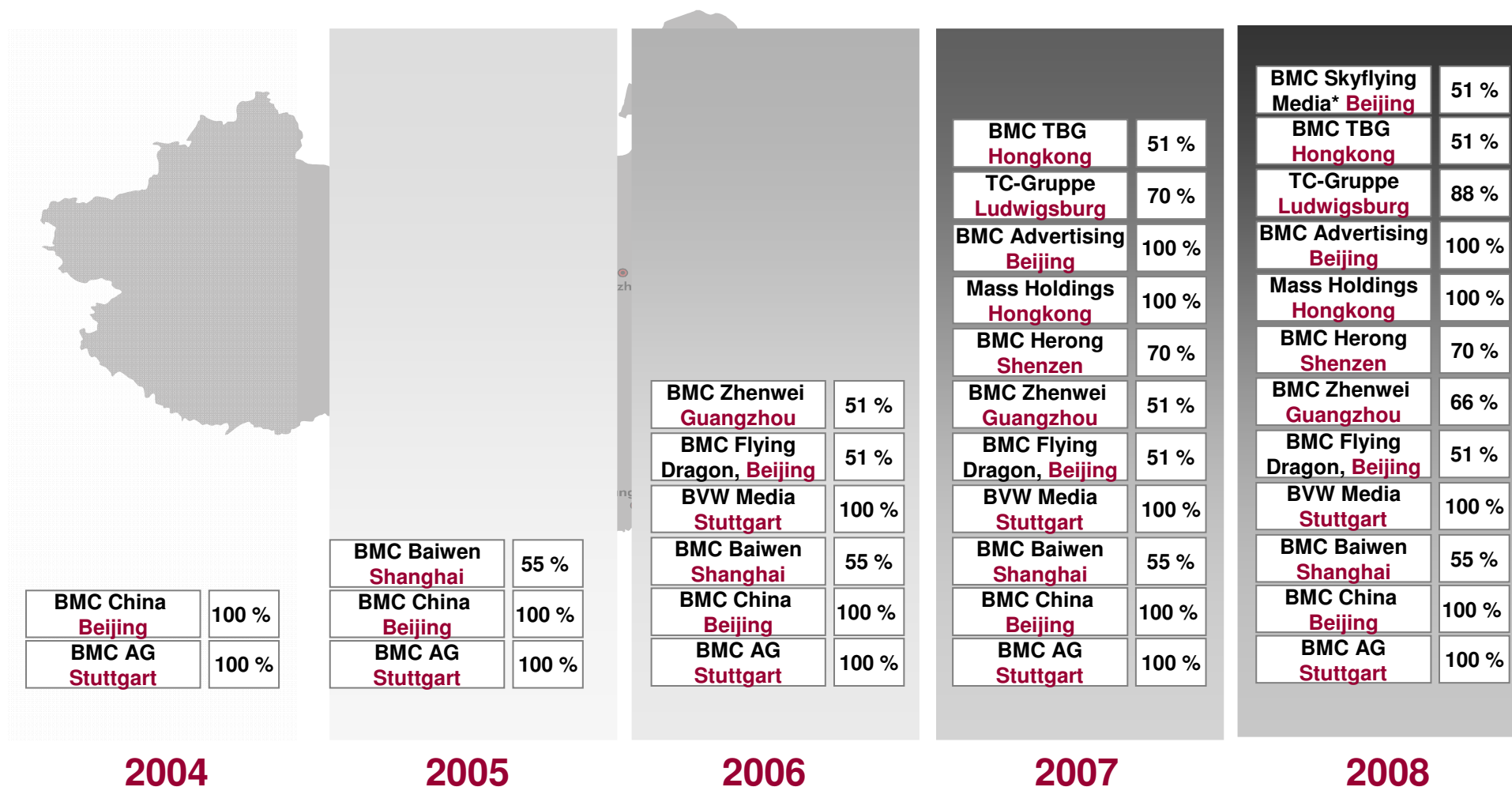


## New Biz: LOI BMC - Wall AG

- ▶ Wall AG, Berlin is a leading company within the market of street furniture with activities in 11 countries (turnover 152 EUR mn., 720 employees)
- ▶ LOI to create a JV in China in 2009
- ▶ Wall to deliver hardware, BMC to market advertising media



# Consolidated Companies of BMC Group



## Q3/YTD results 2008

in TEUR

**Q3 2008**

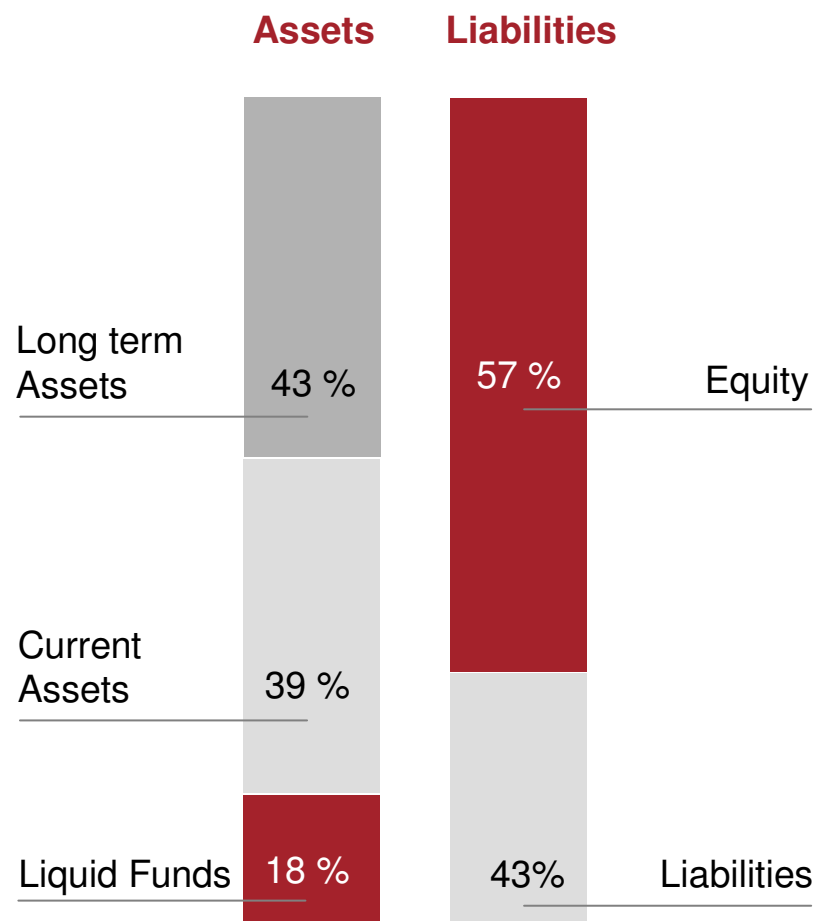
**Q3 2007**

**YTD 2008**

**YTD 2007**

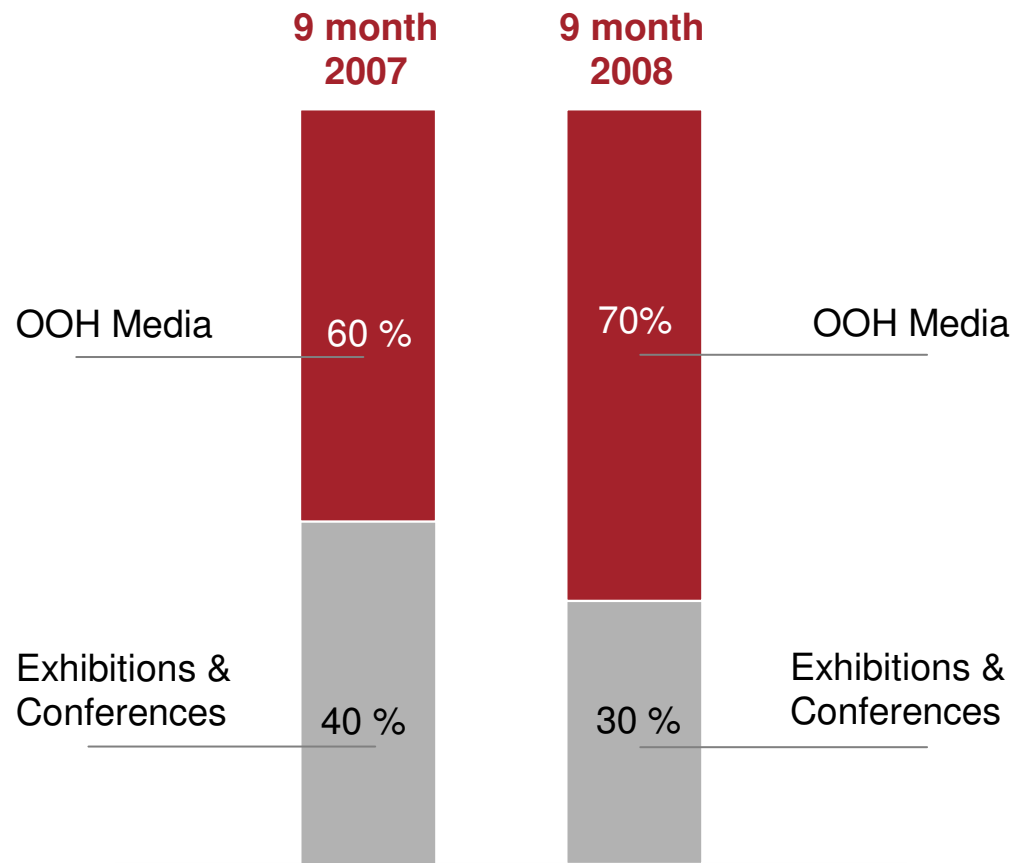
<b>Revenues</b>	<b>9,760.5</b>	<b>8,036.8</b>	<b>20,548.1</b>	<b>16,009.5</b>
Increase in inventory	983.6	277.4	1,824.5	331.8
Operative expenses	-7,511.5	-5,427.2	-16,124.2	-13,130.1
<b>Gross margin</b>	<b>3,232.6</b>	<b>2,887.0</b>	<b>6,248.4</b>	<b>3,211.2</b>
Personal expenses	-1,586.7	-1,357.4	-4,574.8	-3,315.4
Depreciation	-235.1	-163.4	- 755.0	-695.9
Other income	553.7	52.8	1,629.5	136.4
Other expenses	-1,408.3	-1,278.3	- 4,086.2	-3,478.1
Financial result	-52.3	-36.1	191.9	119.5
<b>Earnings before tax</b>	<b>503.9</b>	<b>104.6</b>	<b>-1,346.2</b>	<b>-4,022.3</b>
Corporate tax	-133.6	107.6	-28.6	297.3
<b>Net result</b>	<b>370.3</b>	<b>212.2</b>	<b>-1,374.8</b>	<b>-3,725.0</b>

## Balance sheet as of September 30, 2008



**EUR 40.99 mn.**

## Revenue analysis



## Challenges and Outlook

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### **“Managing growth and acquisition opportunities, financial constraints and the unknown short-term effects of the global financial crisis”**

BMC's established business continues to grow 20-25% p.a.

The strong position of BMC in OOH-Media and Exhibitions offers various interesting M&A opportunities

Financing via capital market difficult – alternatives under review (e.g. LOI Wall AG)

Short term impact of global financial crisis unclear – BMC reacts proactively by reducing break-even levels in 2009

Turnover 2008E: EUR 30-35 mn, Net loss +/- 1 Mio

Business Media China 2009: double-digit growth and profitable



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