

08 May 2008

**BKN International AG**

**(“BKN” or the “Company”)**

**Interim Results for the six months to 31 March 2008 (Record Earnings)  
plus announcement of new €16 million (\$25 million) debt facility**

BKN, a global animation company engaged in the distribution and marketing of animated children’s television programmes and related consumer products, that has been listed on the Deutsche Boerse of the Frankfurt Stock Exchange since March 2000 and quoted on the AIM market of the London Stock Exchange since December 2003, today reports its Interim Results for the six months ended 31 March 2008 with record net earnings for the Group (being the Company and its subsidiaries).

***Financial Highlights***

	<u>1<sup>st</sup> Half 2008</u>	<u>1<sup>st</sup> Half 2007</u>	
Total Sales	€ 8.2 m	€ 7.6 m	+9%
EBT	€ 2.9 m	€ 2.1 m	+35%
Net income	€ 2.4 m	€ 1.9 m	+28%
EPS	€ 0.125	€ 0.121	+3.3%
EBITDA	€ 6.1 m	€ 4.2 m	+44%
Net Cash generated by operating activities	€ 4.6 m	€ 1.1 m	+330%

***Financial Detail***

- Total Sales increased 9% to €8.2 million (2007: €7.6 million). Total Gross Income increased 7% to €8.7 million (2007: €8.1 million).
- Total expenses amounted to €5.1 million (2007: €5.4 million).
- Profit before tax increased 35% to €2.9 million (2007: €2.1 million).
- Net income increased 28% to €2.4 million (2007: €1.9 million).
- Earnings per share increased 3.3% to €0.125 per share (2007: €0.121 per share). This is based on the capital increase and the dilution thereof in July 2007.
- EBITDA increased 44% to €6.1 million (2007: €4.2 million).
- Net cash generated by operating activities increased 330% to €4.6 million (2007: €1.1 million).
- The Group invested €9.6 million in Film Rights in the period (2007: €7.3 million). We continue to invest in strengthening our catalogue.
- Film Assets on the balance sheet rise by 13% or €7.2 million to €60.9 million since 30 September 2007.
- Shareholder’s equity increased 5% to €43.9 million from €41.7 million at 30 September 2007.

### ***New Digital High Definition Studio***

The Group has expanded its production operations in London and Barcelona and is producing all new series in all digital, high definition animation. The Group plans to bring its Cologne operations online in the second half of 2008.

The Management believes that the market is converting from analogue or standard definition to digital or high definition. In the United States, many channels have already converted and most will do so by February 2009. In Europe, most of the countries are working towards a 2010 or 2011 date with the United Kingdom committing to do so prior to the next summer Olympics.

While it has now become common for major films, sporting events and news to be broadcast on high definition, this is not the case in the animation space where most of the key players have yet to make the investment required to be able to produce in high definition. The Group believes that major players such as Disney in the United States and Nelvana in Canada have been committed and are successfully integrating the technology required to produce animation in high definition, few companies in Europe have made this commitment.

In July 2007, the Company raised equity funding via a capital increase and has invested in an all digital high definition studio in London and Barcelona and has recently announced plans to expand its Cologne operation accordingly. We believe that this leadership role will give us a competitive advantage, not only in the near term as we deliver two major series in high definition in 2009, but in the long term when all major broadcast channels convert to high definition and yet the supply from our competition does not meet the demand.

The first two properties to be produced in high definition are *Pocket Penguin Adventures*<sup>™</sup> and *Stone Age*<sup>™</sup>.

### ***Zorro: Generation Z<sup>®</sup> and Dork Hunters from Outer Space<sup>®</sup>***

The Group is launching the properties recently completed including *Zorro: Generation Z<sup>®</sup>* and *Dork Hunters from Outer Space<sup>®</sup>* into most key markets of the world in fall 2008 on the back of the toy lines by Gulliver and Character Group respectively.

The Company has recently announced a number of new broadcasters on board for the *Zorro: Generation Z<sup>®</sup>* property including Telecinco and TVE in Spain, POP Channel in the United Kingdom, ATV in Hong Kong, Star TV in Greece, SABC in South Africa, MBC and Falcon Films in UAE and Middle East, Foxtel in Australia, Record TV in Brasil, Mediaset in Italy, Telemundo in the US and CTC in Russia.

The anchor broadcasters for the *Dork Hunters from Outer Space<sup>®</sup>* property include GMTV in the United Kingdom, RTL2 in Germany, CTC in Russia and Network TEN in Australia as the Group plans for Season I to be broadcast in 2008 and Season II to launch in fall 2009. GMTV has committed to broadcast the series in both years.

Gulliver will be launching action figures, toy vehicles and accessories for *Zorro: Generation Z<sup>®</sup>*, while Character Group will be launching figures, vehicles and plush for *Dork Hunters from Outer Space<sup>®</sup>* for Christmas 2008.

The Group will be hosting a major event at The New York Licensing Show on 10 June 2008.

## ***Film Catalogue***

The Group's film catalogue now stands at 88 titles and 2,069 episodes. The Management believe that this is the sixth largest worldwide for global exploitation.

The back catalogue continues to deliver 58% of total sales. Notable revenue earners from the back catalogue include *Legend of the Dragon* (produced in 2005) which delivered approximately €1.6 million in the period, *Scruff* (acquired in 2004) and *Kong: The Animated Series* (produced in 2000) which each generated revenues of over €1.0 million in the period.

## ***Internet and New Media***

The market continues to grow for streaming and downloading and is expected to make meaningful contributions in the years ahead. BKN is poised to benefit in that it is an owner of intellectual properties and therefore owns such rights globally.

At present, the contribution in terms of revenues is not meaningful to the enterprise and is estimated to be between 5% - 7.5% of annual sales.

## ***Bank Financing***

The Company signed a new debt facility with Commerzbank AG valued at €16 million (\$25 million). The Company will repay current outstanding lines to the bank and use the balance of the proceeds for production and general working capital. The new facility carries a cost of EURIBOR +1.75% and an origination fee of 1.50%, a substantial improvement over previously issued convertible bonds that carried more onerous interest costs and fees.

This new facility gives the Group ample liquidity to run its business and implement its productions.

## ***Currency Impact***

The Group benefits from a natural hedge against currency fluctuations as some of its costs, and revenues are denominated in Sterling and US Dollars. During the period, it is estimated that the Group recorded a net loss on foreign currency movements of approximately €110,000 as the Euro strengthened against both Sterling and the US Dollar.

The Group continues to look to minimize its foreign currency exposure and, as the proportion of Euro denominated costs increase, we are endeavouring to sign most of our sales contracts in Euros. While Latin America and Asia continue to favour US Dollars, we have been successful recently in signing Euro sales and are making this a priority.

## ***The Management and Supervisor Boards, Key Talent***

Both Boards, and all key managers, remain in place and constant since the 31 March 2007 Annual Report.

In the period, the Group has made a conscious effort to expand its licensing and merchandising business and has hired several talented managers in London and Barcelona. The London operation, in part due to its signing of the master toy line with Character Group and major broadcast deal with GMTV in the UK, is taking the lead in managing the Dork

Hunters from Outer Space intellectual property. The Barcelona operation, in part due to its signing of the master toy line with Gulliver and major broadcast deals with Telecinco, TVE and Mediaset, is taking the lead in managing the *Zorro: Generation Z* intellectual properties.

Accordingly, the Group appointed David Recasens, from Cromosoma, as Vice President, Licensing & Merchandising and promoted Irene Civico to Licensing & Merchandising Manager in the Barcelona office. In London, Jackie Ferguson, recruited from Entertainment Rights, looks after the United Kingdom and Ireland while Jane Kennedy, previously of 4Kids Entertainment, looks after international agents and licensees.

The Spanish operation reports to Laura Tapias, while the London operation reports to Nicola Andrews, both Managing Directors.

### ***Stock Options***

In the first half of fiscal 2008, the Supervisory Board authorized the issuance of 626,620 new stock options to the Management Board at an average price of €2.97.

### ***Outlook***

Allen Bohbot, Group CEO states 'These record earnings for the first half of fiscal 2008, on top of record earnings recently published for full year 2007, prove that our business model as an owner of intellectual properties is right. While there can be no guarantee that the financial or economic slowdown in various parts of the world do not negatively impact our second half 2008 and full year 2009 results, we remain confident that our new product offerings and established infrastructure will yield good results in the future.'

Wayne Mowat, Group CFO, adds 'Our costs remain under control and our film rights are conservatively valued on the balance sheet. We feel positive about the recently instituted credit facilities with Commerzbank in Cologne and that we have the financial resources to achieve our plans.'

**Consolidated Balance Sheet**  
(in thousands of €)

	As at 31 Mar 2008	As at 30 Sept 2007	
<b>Assets</b>			
<b>A. Fixed and intangible assets</b>			
1. Intangible assets	60,857	53,668	
2. Fixed assets	369	108	
	61,226		53,776
<b>B. Other long term assets</b>			
1. Other assets	213	213	
2. Deferred taxes	2,400	2,500	
3. Deferred financing costs	437	486	
	3,050		3,199
<b>C. Current assets</b>			
1. Stocks	9	12	
2. Accounts receivable, trade	2,695	2,196	
3. Other current assets	236	309	
4. Own shares	532	773	
5. Cash and cash equivalents	35	1,413	
	3,507		4,703
	<u>67,783</u>		<u>61,678</u>
<b>Liabilities</b>			
<b>A. Shareholders equity</b>			
1. Common stock	19,400	19,400	
2. Additional paid in capital	12,824	12,824	
3. Reserve for own shares	455	773	
4. Other comprehensive income	(245)	(28)	
4. Retained earnings	11,483	8,742	
	43,917		41,711
<b>B. Long term liabilities</b>			
1. Bonds	1,050	1,050	
2. Loans	20,156	16,500	
3. Deferred tax liability	617	607	
4. Deferred long term liabilities	3	7	
	21,826		18,162
<b>C. Short term liabilities</b>			
1. Accrued expenses	1,313	1,189	
2. Accounts payable, trade	701	581	
3. Taxes payable	26	35	
	2,040		1,805
	<u>67,783</u>		<u>61,678</u>

**Consolidated Statements of Operations**  
(in thousands of € except share data and number of employees)

	<b>Six Months to</b>	
	<b>31 Mar 2008</b>	<b>31 Mar 2007</b>
<b>Revenues</b>		
Television	4,072	3,649
Consumer Brands	4,124	3,904
<b>Total sales</b>	<b>8,196</b>	<b>7,553</b>
Other Income	532	573
<b>Total Gross Income</b>	<b>8,728</b>	<b>8,126</b>
<b>Expenses</b>		
Depreciation amortisation and Goodwill	2,463	1,545
Producer fees and other direct operating costs	22	434
Salaries and employee benefits	1,505	1,594
Other Expenses	1,088	1,863
<b>Total expenses</b>	<b>5,078</b>	<b>5,436</b>
Interest cost	792	579
<b>Income before provision for income tax</b>	<b>2,858</b>	<b>2,111</b>
Provision for tax	436	211
<b>Net income</b>	<b>2,422</b>	<b>1,900</b>
EBITDA	6,113	4,235
Earnings per share (Euro cent per share)	12.5	12.1
Basic number of shares	19,400,170	15,717,566
Number of employees including Directors at the end of the period	35	38

The Group employs, at its London and Barcelona studios, approximately 65 freelance artists to produce its films and series.

**Consolidated Statements of Cash Flows**  
(in thousands of €)

	<b>Six Months to</b>	
	<b>31 Mar 2008</b>	<b>31 Mar 2007</b>
<b>Cash flow from Operations</b>		
Net Income	2,422	1,900
Depreciation and amortization	2,463	1,545
Deferred Taxes	112	0
	4,997	3,445
<b>Changes in Operating assets and liabilities</b>		
Accounts receivable	(499)	(1,724)
Tax receivable/payable	26	185
Stocks	3	0
Other current assets	52	474
Other long term assets	0	14
Deferred financing costs	49	(141)
Accounts payable , trade	120	(474)
Accruals	124	(630)
Other	(256)	(76)
	<b>4,616</b>	<b>1,073</b>
<b>Cash flow from investing activities</b>		
Intangible Assets/Programming rights	(9,570)	(7,251)
Property, equipment, and leasehold improvement	(321)	(16)
	<b>(9,891)</b>	<b>(7,267)</b>
<b>Cash flow from financing activities</b>		
Bank overdraft and other loans	3,656	17,000
Convertible bond	0	(6,223)
Purchase of own shares	241	0
	<b>3,897</b>	<b>10,777</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,378)</b>	<b>4,583</b>
Cash and cash equivalents at beginning of period	1,413	1,648
<b>Cash and cash equivalents at end of period</b>	<b>35</b>	<b>6,231</b>

Copies of the interim financial statement have been posted at the Company's website ([www.bknkids.com](http://www.bknkids.com)) and at the website of the Deutsche Boerse. Further copies are available from the Company's Registered Office in Germany at Gustav-Heinemann-Ufer 56, 50968 Cologne, and in the United Kingdom at BKN New Media Ltd, 77 Kingsway, London WC2B 6SR.

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**BKN International AG**

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**Notes to editors:**

**About BKN:**

BKN International AG is a global animation group engaged in the distribution and marketing of animated children's television programmes and the marketing of related consumer products (licensing and merchandising) in all forms. BKN has worked on numerous successful animation projects.

The Company is currently listed on the Deutsche Bourse and AIM and it operates all over the world. BKN has successfully negotiated distribution deals in over 90 countries and territories in the children's programming market.

The Group's Film Library includes:

- Legend of the Dragon<sup>®</sup>
- Kong: The Animated Series
- Kong: King of Atlantis
- Kong II: Return to the Jungle
- A Christmas Carol
- Robin Hood
- Zorro: Generation Z<sup>®</sup>
- Roswell Conspiracies
- Dork Hunters from Outer Space<sup>®</sup>
- Jungle Book

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