

Regulatory Announcement

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Company	BKN International AG
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Press Release

12 May 2005

BKN International A.G.

("BKN" or "the Company")

Interim Results for the six months to 31 March 2005

BKN International A.G., a global animation company engaged in the distribution and marketing of animated children's television programmes and related consumer products, today reports its Interim Results for the six months ended 31 March 2005.

Highlights

- Turnover increased to €5.543 million, an increase of 101% from the €2.759 million in the first half of fiscal 2004
- Television revenues increased 143% to € 3.778 million from €1.555 million and consumer brands increased 47% to € 1.765 million from €1.204 million in the first half of fiscal 2004. The ratio between television and consumer brands sales is 68% to 32% and BKN expects a 60/40 balance for the full year
- Profit before tax increased 248% to €1.024 million from €294,000 in the first half of fiscal 2004
- Net income increased 250% to €1.024 million from €292,000 in the first half of fiscal 2004
- Earnings per share increased 133% to €0.07 per share from €0.03 per share in the first half of fiscal 2004
- EBITDA increased to €2.980 million or 82% from €1.641 million in the first half of fiscal 2004
- Cash generated from operations increased to €2.615 million or 322% from €620,000 in the first half of fiscal 2004

Commenting on the Results, Allen Bohbot, Chairman and Chief Executive Officer of BKN International AG, said: "The Company now has five major new properties in various phases of development and production including Legend of the Dragon (autumn 2005), Kong - King of Atlantis and Kong - the animated series (autumn 2005), Ali Baba and the Forty Thieves - the Lost Scimitar of Arabia (spring 2006), Shanghai Tiger (fall 2006) and Triple Threat from Outer Space (fall 2006).

“Major customers now include prestigious names such as Nickelodeon (Latin America), BBC (United Kingdom), Warner Brothers Home Entertainment (worldwide ex. US), Super RTL (Germany), RTVE (Spain), Cartoon Network (United Kingdom), Jetix (United States), ToonMax Media and Entertainment (China), Asian World Enterprises (worldwide) and GoodTimes Entertainment (United States).

“The visibility over the next 18-24 months is good and the outlook for BKN is strong.”

- Ends -

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Chairman and Chief Executive Officer's Statement

We are pleased to report our financial results for the half-year ended 31 March 2005 including a presentation on the current state of trading and outlook.

BKN International AG (“BKN” or the “Company”) was founded on 15 October 1999 and registered in Cologne on 26 November 1999. BKN is engaged in the distribution and marketing of animated children’s television programs and marketing of related consumer products (licensing and merchandising) in all forms. The Company is a global animation company that has been listed on the Deutsche Boerse of the Frankfurt Stock Exchange since March 2000 and the AIM segment of the London Stock Exchange since December 2003.

The group consists of BKN International AG, the parent company in Germany, with an operating trading company in the U.K. entitled BKN New Media Ltd, one principal trading company in the U.S. entitled BKN New Media, Inc and an operating trading company in Singapore entitled BKN New Media Pte Ltd.

The accompanying unaudited financial statements to this Consolidated Report of the

Management Board, presented in accordance with U.S. generally accepted accounting principles, reflect the actual results of operations, financial position and cash flows of the Company for the six month period ended 31 March, 2005 and the corresponding periods as shown. The Company intends to adopt International Accounting Standards beginning with the fiscal 2005 full year audit.

The Interim Announcement, which has been neither audited nor reviewed by the auditors, has been prepared on the basis of the accounting policies set out in the Annual Report and Accounts for the 12 month period ended 30 September 2004 which contained an unqualified auditor's report.

State of Trading and Outlook

New Film Projects

- Peter Jackson, Director of the Lord of the Rings trilogy, has announced that his next project will be a remake of the famous King Kong, produced by Universal Studios ("Universal"). The release date is expected to be in December 2005 and it is anticipated that it will be a major Christmas feature. BKN owns an animated version of King Kong and has reached deals with Warner Brothers Home Entertainment for worldwide distribution except the United States and with GoodTimes Entertainment exclusively for the United States to distribute the *Kong-King of Atlantis* feature on DVD effective Autumn 2005, thereby taking advantage of the "buzz" created by the Universal theatrical feature.
- *Legend of the Dragon* has been well received by the market and sales in the 2004 financial year achieved approximately €3.5 million, ahead of the budgeted €2.6 million. Sales to date have equalled total production costs and, therefore, the property has generated revenue to cover the production costs within 12 months of delivery. BKN owns all intellectual property rights, globally and in perpetuity, and management is excited about the upcoming market launch on television, DVD and in the shops in late 2005/early 2006.
- The Company has commenced production on a feature film entitled *Ali Baba and the Forty Thieves – The Lost Scimitar of Arabia*. This animated direct-to-DVD film is scheduled to be completed this year with the marketing launch planned for Spring 2006.
- *Shanghai Tiger* was recently launched at the MIP Convention in Cannes. The Company aims to launch this property when it is completed in September 2006.
- *Triple Threat from Outer Space* will be unveiled at the New York Licensing Show in June 2005. It is planned to be completed and launched in September 2006.

Asian and Chinese Strategy

- The Company believes that it has a real opportunity to expand its business operations in Asia and is of the opinion that the strength and quality of its titles, coupled with its management expertise, will allow it to create meaningful revenues and new properties for global distribution. The Company further believes that the Asian markets have been underserved by large Western media companies and wants to be at the forefront of what it believes will be an industry expansion in the near future.
- The Company has chosen Singapore as its hub because it believes it is likely to provide effective copyright protection and because it has a pro-Western approach. The Company believes that Asia and, within 12-24 months, mainland China will be major markets for its products. The recently announced memorandum of understanding with ToonMax TV, the leading children's TV network in China should add a great deal of value to the Company over the next 5 to 10 years. The Company intends to produce new series and to distribute the existing catalogue series in China, as well as to have an option to acquire an equity stake in ToonMax TV at an appropriate time.
- *Legend of the Dragon* has already been licensed in such key markets as India, Singapore, Indonesia, Malaysia and China and the Directors anticipate signing further licence agreements in the near future.
- Recently the Company entered into a co-production contract with Dream Forest Animation Pte Ltd, a Singapore based production company, to provide production services on the *Shanghai Tiger* property. This will be the first production of the Company that will take place, in part, in Singapore

Key Customers

The Company works internationally with major broadcasters, video distributors and third party licensees. Some examples include:

Customer Name	Medium	Property
Nickelodeon Latin America	Television	Legend of the Dragon
BBC United Kingdom	Television	Legend of the Dragon, UBOS
Warner Bros Home Entertainment Worldwide	Video	Kong: King of Atlantis
Super RTL Germany	Television	Legend of the Dragon Kong: King of Atlantis

		Ali Baba and the Forty Thieves
GoodTimes Entertainment U.S	Video	Kong: King of Atlantis
RTVE Spain	Television	Legend of the Dragon UBOS
Planeta Spain	PC games and mobile phone games	Legend of the Dragon
Asian World Enterprises Worldwide	Master Toy	Legend of the Dragon
Hasbro Inc. Worldwide	Video Now (portable video player)	Legend of the Dragon
Cartoon Network U.K.	Television	Kong: The Animated Series Kong: King of Atlantis
Jetix USA	Television	Kong: The Animated Series Kong: King of Atlantis

Key Properties

The Company has many diversified properties, including a substantial back catalogue of over 50 titles and more than 1,500 episodes. As such, it is not dependent on any single property. Examples of the most recent titles and those in production or to be produced include:

- | | |
|----------------------------------|------------------------------|
| • Legend of the Dragon | Fall 2005 marketing launch |
| • Kong: King of Atlantis | Fall 2005 marketing launch |
| • Ali Baba and the Forty Thieves | Spring 2006 marketing launch |
| • Shanghai Tiger | Fall 2006 marketing launch |
| • Triple Threat from Outer Space | Fall 2006 marketing launch |

Outlook

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| <ul style="list-style-type: none"> • Our balance sheet is strong, costs are well under control, the intellectual property asset is steady and management is optimistic that fiscal 2005 and 2006 will continue to yield positive operating financial results. • The Company is experiencing a period of growth and profitability. The markets are steadily improving and the Company's products have been well received. |
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Allen Bohbot
Chairman & CEO
BKN International AG
12 May 2005

Consolidated Balance Sheet

(in thousands of €)

	As at 31 March 2005	As at 30 Sept 2004
Assets:		
Current Assets:		
Cash and cash equivalents	474	2,220
Accounts receivable, trade	2,265	1,870
Receivable from related party	0	-
Work in progress	0	-
Taxes receivable	43	15
Other current assets	1,744	1,722
Deferred charges	316	342
Total Current Assets	4,842	6,169
Property, equipment and leasehold improvements, net	72	70
Programming rights	18,656	16,056
Other intangible assets, net	0	-
Goodwill, net	0	-
Non current deferred tax asset	0	-
Other non current assets	217	218
Total Assets	23,787	22,513
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	808	201
Accrued expenses	700	1,012
Bank overdraft and other loans	0	-
Taxes payable	0	-
Other current liabilities	0	-
Advanced payments	0	-
Total Current Liabilities	1,508	1,213
Long Term Payables	5,022	5,025
Total Long Term Liabilities	5,022	5,025
Stockholders' Equity:		
Common Stock (no par value)	15,012	15,012
Additional paid-in capital	70,102	70,418
Retained earnings	(69,006)	(70,696)
Net income for the period	1,024	1,690
Other comprehensive income/(loss)	125	121
Total Stockholders' Equity	17,257	16,275
Total Liabilities and Stockholders' Equity	23,787	22,513

Consolidated Statements of Operations

(in thousands of €)

	Six months to 31 Mar 2005	Six months to 31 Mar 2004
Revenues		
Television - Catalogue	3,778	1,555
Consumer Brands - Catalogue	1,765	1,204
Total Revenues	5,543	2,759
Expenses		
Depreciation amortisation and Goodwill	1,714	1,280
Producer fees and other direct operating costs	65	32
Salaries and employee benefits	812	343
General and administrative	2,047	743
Less capitalised costs	(361)	-
Total Expenses	4,277	2,398
Operating Income (Loss)	1,266	361
Other Income / (Expenses)		
Interest income / (costs)	(120)	(123)
Miscellaneous / Extraordinary income / (expense)	(122)	56
Income / (Loss) before provision for income tax	1,024	294
Provision for income tax	-	2
Net income / (Loss)	1,024	292
Net Income per share (Basic)	0.07	0.03
Weighted average shares in issue (Basic)	15,012,487	11,693,369
Number of employees	24	16

Consolidated Statements of Cash Flows

(in thousands of €)

	Six months to 31 Mar 2005	Six months to 31 Mar 2004
Net Income	1,024	292
Depreciation and amortisation	1,714	1,280
Accounts receivable	(395)	140
Work in Progress	0	100
Tax receivable	(28)	8
Other current assets	(22)	(139)
Other non-current assets	1	59
Accounts payable	607	(739)
Accrued expenses and reserves	(312)	(410)
Taxes payable	0	29
Deferred charges	26	0
Long term payables operating activities	0	0
Other current liabilities	0	0
Net cash generated by operating activities	2,615	620
Cash flow from investing activities		
Programming rights	(4,306)	(3,931)
Property, equipment and leasehold improvement	(16)	(42)
Other intangible assets	0	(48)
Net cash used in investing activities	(4,322)	(4,021)
Cash flow from financing activities		
Proceeds from issuance of share capital	(46)	5,279
Short term debt	0	1,070
Long term payable financing activity	(3)	(1,679)
Comprehensive income/(loss)	10	120
Net cash provided by financing activities	(39)	4,790
Net increase/(decrease) in cash and cash equivalents	(1,746)	1,389
Cash and cash equivalents at beginning of period	2,220	26
Cash and cash equivalents at end of period	474	1,415

Copies of the interim financial statement have been posted at the Company's website (www.bknkids.com) and at the website of the Deutsche Boerse. Further copies are available from the Company's Registered Office in Germany at Im Mediapark 8 50670 Koln Germany and in the United Kingdom at BKN New Media Ltd 77 Kingsway London WC2B 6SR.

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