

## Regulatory Announcement

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**Company** [BKN International AG](#)  
**TIDM** BKN  
**Headline** Interim Results  
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BKN International AG  
 ("BKN" or the "Company")

Interim Results for the six months to 31 March 2007 (Record Earnings)

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 2007 with record net earnings for the Group (the Company and its subsidiaries).

These accounts have been prepared subject to all the International Financial Reporting Standards (IFRS) in force at 31 March 2007.

### Financial Highlights

In million € (except for EPS data)	1st Half 2007 -----	1st Half 2006 -----	
Turnover	8,13	7,18	+13 %
EBT	2,11	1,45	+45 %
Net income	1,90	1,42	+34 %
EPS	0,12	0,09	+34 %

### Financial Detail

- Turnover increased to €8.13 million (2006: €7.18 million), an increase of 13%
- Total expenses amounted to €5.47 million (2006: €5.48 million)
- Profit before tax increased 45% to €2.11 million (2006: €1.45 million)
- Net income increased 34% to €1.90 million (2006: €1.42 million)
- Earnings per share increased 34% to €0.12 per share (2006: €0.09 per share)
- Company invested €7.3 million in Film Rights in the period (2006: €7.9 million)
- Cash in hand increased to €6.231 million from €1.65 million at 30 September 2006
- Film Assets on the balance sheet rise by 16% or €5.7 million to €42.3 million since 30 September 2006
- Shareholder's equity increased 7% to €30.5 million from €28.64 million at 30 September 2006

### Activities

The Company is focused on 5 major areas and projects on a global scale:

- a. Legend of the Dragon - this property, now consisting of 39 episodes for global distribution, has now reached €9.8 million in turnover and continues with the launches of DVD and videogame releases in 2007 on PSP, PS2 and Nintendo Wii systems.
- b. Zorro: Generation Z - this property, consisting of 26 episodes plus a film will be delivered later this year and begin airing in 2008. Major broadcasters from Italy to Brasil have signed up.
- c. Dork Hunters from Outer Space - this property, consisting of 36 episodes plus a film will likewise as Zorro be delivered later this year and begin broadcasting in spring 2008. Major broadcasters from Germany to Russia have signed up and a master toy line from Character Group has been secured.
- d. Films - this list of great titles including Jungle Book - Rikki Tikki Tavi to the Rescue, A Christmas Carol - Scrooge's Ghostly Tales and The Prince and the Pauper - Double Trouble produced initially for direct-to-DVD distribution have created a new revenue stream, and steady monthly cash flow, for the Company.

- e. Catalogue - the Company now owns the 6th largest library of animation for global consumption with nearly 2,000 episodes providing the Company with a reliable and valuable perpetual asset.

#### New Venture

The recently formed BKN Home Entertainment division is establishing itself in the market as a quality and dependable supplier of animated films and TV series for home entertainment worldwide.

The division, which distributes under its own label in the United Kingdom, has signed a number of distribution contracts throughout the world with quality distributors that will maximise global sales of this collection.

Their key upcoming DVD release on 14 May in the UK, 15 May in Canada and 22 May in the USA is Jungle Book - Rikki Tikki Tavi to the Rescue. This will be distributed by all major customers including Wal-Mart, Asda and Woolworth's. The release will be supported by BKN with strong TV campaigns in all key markets.

In the last quarter, BKN will have multi-pack major releases, Zorro and Christmas titles in major markets.

#### Internet/New Media

BKN owns all of the digital and streaming rights to its major and core properties. In this fiscal period, approximately 5% of total turnover is derived from this area and we are working to expand this revenue source. Because BKN has chosen not to co-produce with third parties in the past, we own 100% of these properties including copyrights and trademarks and this is a major competitive advantage as we enter new and innovative forms of distribution.

#### Customers

The Company continues to expand its customer base, in all formats and venues, including such prestigious names as the BBC and GMTV in the UK, Disney/Jetix in the USA, CBC in Canada, Super RTL and RTL 2 in Germany, Mediaset and RAI in Italy, TV Espanola in Spain, Nickelodeon in Latin America, UTV in India, Promus in China, RAI in Italy, as well as Grand Toys, Planeta DeAgostini, The Game Factory and Warner Home Entertainment worldwide to name a few.

#### Financial Restructuring

As a result of the recent financial restructuring at the start of 2007, the Group has reduced the average net interest payable on its debt from 9.2% to 7.9% as well as significantly reducing the potential dilution from its convertible bonds from 22% to under 11%. The Group would also wish to reduce this further in the next 12 months by the continued repayment of such convertible bonds still remaining outstanding.

#### Amortisation Policy

The Group has a steady and consistent amortisation policy. The programming assets are capitalised at cost and the book value is then subjected each year to a value test involving discounting methods to establish the expected net cash revenues for the next three years of each program. This produces an amortisation schedule where the write off of the film assets mirrors the revenues and it is typical to write off 70% of a program within the first three years. However, all programs must be completely written off within nine years of delivery regardless of any future income stream expected.

#### Outlook

Allen Bohbot, Group CEO states "These record earnings for the first half of fiscal 2007, on top of record earnings recently published for full year 2006, have given the Company a sound foundation and confidence in the business. Europe, North America, Asia, Latin America and Africa/Middle East are all contributing to turnover and we expect each of our operating subsidiaries to be profitable in fiscal 2007. We believe that our key product offerings will lead to strong revenues for the balance of 2007 and into 2008 and 2009."

Wayne Mowat, Group CFO, adds "Our costs are under control, our people are professional and our vendors are proven and established. Our film rights are conservatively valued on the balance sheet and we feel confident to reach future goals."

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

	As at 31 March 2007	As at 30 Sept 2006
	-----	-----
<b>Assets</b>		
<b>A. Fixed and Intangible assets</b>		
-----		
1. Intangible Assets	42,318	36,591
2. Fixed Assets	122	127
	-----	-----

	42,440	36,718
B. Other Long term assets		
-----		
1. Other Assets	209	223
2. Deferred taxes	2,209	2,209
3. Deferred financing costs	879	738
	-----	-----
	3,297	3,170
C. Current assets		
-----		
1. Accounts receivable, trade	3,220	1,496
2. Other current assets	315	789
3. Cash and Cash equivalents	6,231	1,648
	-----	-----
	9,766	3,933
	-----	-----
	55,503	43,821
	=====	=====
Liabilities		
A. Shareholders Equity		
-----		
1. Common Stock	15,718	15,718
2. Additional paid in capital	8,286	8,286
3. Other comprehensive income	63	136
4. Retained earnings	6,395	4,495
	-----	-----
	30,462	28,635
B. Long term liabilities		
1. Bonds	6,381	12,604
2. Bank loans	17,000	0
3. Deferred tax liability	441	441
4. Deferred long term liabilities	11	14
	-----	-----
	23,833	13,059
C. Short term liabilities		
-----		
1. Accrued expenses	331	961
2. Accounts payable, trade	692	1,166
3. Taxes payable	185	0
	-----	-----
	1,208	2,127
	-----	-----
	55,503	43,821
	=====	=====

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

	Six Months to date	
	31 Mar 2007	31 Mar 2006
	-----	-----
Revenues		
Television	3,649	4,202
Consumer Brands	3,904	2,422
Production / Other	573	554
	-----	-----
Total Revenues	8,126	7,178
	-----	-----
Expenses		
Depreciation amortisation and Goodwill	1,545	2,004
Producer fees and other direct operating costs	434	612
Salaries and employee benefits	1,594	1,253
General and administrative	1,898	1,610
	-----	-----
Total expenses	5,471	5,479
	-----	-----
Other Income/ (Expenses)		
Interest cost	579	246
Exceptional costs	(35)	0
	-----	-----
Income/(loss) before provision for income tax	2,111	1,453
Provision for tax	211	37
	-----	-----
Net income	1,900	1,416
EBITDA	4,235	3,703
Earnings per share	0.12	0.09
Basic number of shares	15,717,566	15,717,566

Number of employees including Directors at the end of the period	38	33
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The Company employs, at its London studio and at suppliers in India and China, more than 100 artists to produce its films and series.

Consolidated Statements of Cash Flows  
(in thousands of €)

	Six Months to 31 March 2007	Six Months to 31 March 2006
	-----	-----
Cash flow from Operations		
Net Income	1,900	1,416
Depreciation and amortization	1,545	2,004
	-----	-----
	3,445	3,420
Changes in Operating assets and liabilities		
Accounts receivable	(1,724)	1,163
Tax receivable	185	0
Other current assets	474	350
Other long term assets	14	(29)
Deferred financing costs	(141)	(435)
Accounts payable , trade	(474)	44
Accruals	(630)	(249)
Other liabilities	(76)	(4)
	-----	-----
Net cash generated by operating activities	1,073	4,260
Cash flow from investing activities		
Intangible Assets/Programming rights	(7,251)	(7,911)
Property, equipment, and leasehold improvement	(16)	(40)
	-----	-----
Net cash used in investing activities	(7,267)	(7,951)
Cash flow from financing activities		
Bank overdraft and other loans	17,000	0
Convertible bond	(6,223)	5,681
Purchase of own shares	0	(425)
Comprehensive income/(loss)	0	94
	-----	-----
Net cash provided by financing activities	10,777	5,350
Net increase/(decrease) in cash and cash equivalents	4,583	1,659
Cash and cash equivalents at beginning of period	1,648	384
	-----	-----
Cash and cash equivalents at end of period	6,231	2,043
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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 Im Mediapark 8, 50670 Koln Germany and in the United Kingdom at BKN New Media Ltd, 77 Kingsway, London WC2B 6SR.

Enquiries:

BKN International AG Allen Bohbot, Chief Executive Officer <a href="mailto:allen.bohbot@bknkids.com">allen.bohbot@bknkids.com</a>	Tel: +44 (0)207 269 8683
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Wayne Mowat, Chief Financial Officer <a href="mailto:wayne.mowat@bknkids.com">wayne.mowat@bknkids.com</a>	Tel: +44 (0)207 269 8687
-----	
Sascha Ziemann, Finance Manager <a href="mailto:sascha.ziemann@bknkids.com">sascha.ziemann@bknkids.com</a>	Tel: +49 221 5540 5190
-----	
Martina Michels <a href="mailto:Martina.michels@bknkids.com">Martina.michels@bknkids.com</a>	Tel: +49 221 5540 5191
-----	
Laura Tapias, Managing Director <a href="mailto:laura.tapias@bknkids.com">laura.tapias@bknkids.com</a>	Tel: +34 93 368 18 00
-----	
Nicola Andrews, Managing Director <a href="mailto:Nicola.andrews@bknkids.com">Nicola.andrews@bknkids.com</a>	Tel: +44 (0)207 269 8677
-----	
Matthew Graham-Clare, Managing Director <a href="mailto:matthew.graham-clare@bknkids.com">matthew.graham-clare@bknkids.com</a>	Tel: +44 (0)207 269 8678
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<a href="http://www.bknkids.com">www.bknkids.com</a>	
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Nominated Adviser & UK Broker:

Hanson Westhouse Limited

Louis Castro / Richard Baty  
louis.castro@hansonwesthouse.com  
richard.baty@hansonwesthouse.com

Tel: +44 (0)20 7601 6100

Seydler AG in Germany

Henriette Domhardt  
henriette.domhardt@cbseydler.com  
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Designated Sponsor

Tel: +49 69-92054-137

Notes to editors:

About BKN:

BKN International AG is a global animation company 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 80 countries and territories in the children's programming market.

The Company's Film Library includes:

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

- Ends -

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