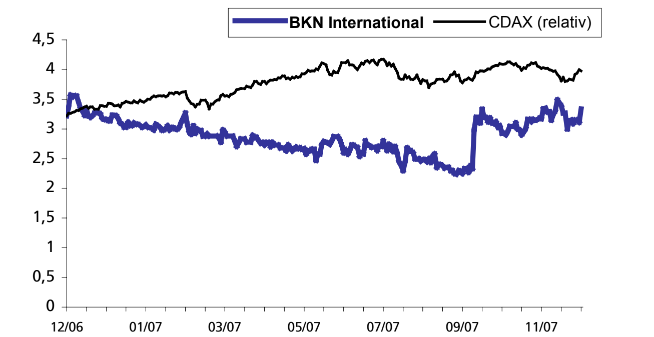
Hold (old: Hold) | **Risk:** high | **Price target: EUR 3,35**

Successful Fiscal Year 2006/2007

Bloomberg:	BKQ GY	Kurs:	EUR 3.34
Reuters:	BKQG.DE	CDAX:	699.97
ISIN:	DE0005290704		
Internet:	www.bknkids.com		
Segment:	General Standard		
Branche:	Entertainment/Media		



Share data: Bloomberg 03.12.2007 / Closing price

High / Low 52 W:	EUR 3.90 / EUR 2.00
Market cap.:	EUR 64.80 Mio.
No. of shares:	19.4 m.

Sharehold-	Free float	27.6%
	Charleville Investments	19.4%
	Gordon Group Holding LLC	16.2%
	Allianz Global Investors	8.9%
	Michael Jack Kugler	8.2%
	Credit Agricole	7.0%
	Allen Bohbot	6.5%
	Dalton	6.2%

Calendar:	AGM	February 14, 2008
	Figures H1 2007/2008	May 15, 2008

Analysis: SES Research
Date of publication: **04.12.2007**
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On 27 November, 2007, BKN International, a worldwide enterprise for the production and distribution of animated films, announced the financial results of the fiscal year 2006/2007. Thus, besides the sales figures the company showed the total operating performance. So far, the sales figures included the capitalised services of the company. For this reason, SES will adjust the sales figures for 2007 and the subsequent years by the capitalised services. The overall operating performance, which was shown in the previous publication as sales (analogous to the information of the company) are not subject to adjustment.

Fiscal Year 2006/2007

	reported	estimated	delta	previous year
Sales	**16.30**	**16.45**	-0.9%	12.6
EBITDA	**9.09**	**9.11**	-0.3%	6.2
Margin	*55.7%*	*55.4%*		*49.0%*
EBIT	**6.90**	**5.57**	23.9%	0.5
Margin	*42.3%*	*33.9%*		*3.8%*
Net Income	**5.02**	**4.09**	22.8%	4.5
Margin	*30.8%*	*24.8%*		*35.7%*
EpS	**0.26**	**0.21**	23.2%	0.29

EpS in €, other figures in €m

Table 1; source: company, SES Research

Sales (EUR 16.3 Mio.; SESe EUR 16.4 Mio.) and total operating performance (EUR 17.9 Mio.; SESe EUR 17.7 Mio.) increased by roughly 30% over the previous year period. The EBITDA climbed by 47% to EUR 9.1 Mio. (SESe: EUR 9.1 Mio.).

Although the EBITDA of EUR 9.1 m. exactly matches the estimated SES value, the reported EBIT clearly beats estimates (approximately EUR 1.3 m.).

Fiscal year ending	09/07	09/08e	09/09e	09/010e
Per Share figures in EUR, other figures in EURm, price: EUR 3.34				
Sales	16.3	20.2	22.6	25.1
Gross margin	*100.8%*	*99.6%*	*98.9%*	*98.0%*
EBITDA	9.1	12.0	13.4	14.8
EBITDA-margin	*55.8%*	*59.3%*	*59.2%*	*59.0%*
EBIT	6.9	6.9	7.2	8.0
EBIT-margin	*42.4%*	*34.2%*	*32.0%*	*31.8%*
Net Income	5.0	5.0	5.1	5.9
EpS	0.26	0.25	0.26	0.30
DPS	0.00	0.00	0.00	0.09
Dividend Yield	*0.0%*	*0.0%*	*0.0%*	*2.7%*
EV/Sales	4.97	4.01	3.58	3.23
EV/EBITDA	8.90	6.77	6.05	5.47
EV/EBIT	11.72	11.74	11.19	10.14
PER	12.85	13.36	12.85	11.13
ROCE	11.4%	10.2%	9.4%	9.7%
Adj. Free Cash Flow Yield	11.2%	14.6%	16.4%	18.1%

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Matthias Fritsch	+49-(0)40 3282-2696
Dr. James F. Jackson	+49-(0)40 3282-2664
Oliver Jürgens	+49-(0)40 3282-2666
Benjamin Kassen	+49-(0)40 3282-2630
Marina Konzog	+49-(0)40 3282-2669
Linn Lenné	+49-(0)40 3282-2695
Dirk Rosenfelder	+49-(0)40 3282-2692
Marco Schumann	+49-(0)40 3282-2665
Andreas Wessel	+49-(0)40 3282-2663
Sales Trading	
Oliver Merckel	+49-(0)40 3282-2634
Thekla Struve	+49-(0)40 3282-2668
Gudrun Bolsen	+49-(0)40 3282-2679
Nils Carstens	+49-(0)40 3282-2701
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Lower depreciation and amortisation in H2 (approximately EUR 0.64 m.; SESe: EUR 2 m.) were the main reason that the earnings estimates were beaten. Due to higher expectations for revenue from the existing rights, as well as extremely positive sales estimate for the new productions, BKN' depreciations were lower than expected by SES. However, the write offs should stand at a higher level in the following years:

- The capitalized services will increase by the own productions
- The expected revenues from the program assets should rather decrease due to the new HD technology

For these reasons our earnings estimates remain unchanged for the time being.

The sales growth (+30%) of the fiscal year 2006/2007 year resulted both from new productions, as well as existing rights. Furthermore, the revenues came from a broader international basis, with especially strong growth in Europe (+39%). Sales in the USA depressed (-7%) due to the weak dollar. From the perspective of SES, the main drivers of sales growth were:

- The expansion of program assets: the film catalog was extended to 82 titles and 2,035 episodes (previous year: 76 titles and 1,909 episodes)
- Successful new products: BKN has concluded production and distribution agreements for the new series "Zorro-Generation Z", "Dork Hunters from Outer Space"
- The development of new markets in Asia and Europe

For 2008 SES expects a continuation of growth in accordance the company's outlook. With the investment of the company's studios in London and Barcelona (High Definition content will be produced here exclusively), BKN wishes to play a pioneering role with the goal of being the premiere provider of HD content for children. The conversion of more channels to HD (100 in total in the United States by the end of 2007) should also provide a clear growth for the company.

For 2008, the pipeline for new productions is well-filled. The growth impulse should originate from the High Definition content area, and double-digit growth is possible. Consequently, we reiterate our estimates, and therefore the DCF-based price target of EUR 3.35. The rating is HOLD.