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UK Smaller Companies**Sector: Media****BKN International****Interim results summary****26 April 2007**

BKN's interim results were slightly ahead of our expectations. The group's major titles, particularly Dork Hunters from Outer Space, have performed well and the continued growth of BKN's animated catalogue is generating increased sales and steady cash flow. The company is continuing to diversify its portfolio and its delivery formats in addition to widening its customer base. As such, we anticipate further progress over the second half of the year.

Year end	Turnover	EBITDA	PTP	EPS	DPS	PER	Dividend
Sept	€m	€m	€m	€	€	x	Yield
HI 2006A	7.2	3.7	1.5	0.09	0.0	N/A	0.0%
FY 2006A	13.9	6.2	4.1	0.29	0.0	9.6	0.0%
HI 2007A	8.1	4.2	2.1	0.12	0.0	N/A	0.0%
FY 2007E	17.5	9.5	5.3	0.31	0.0	8.9	0.0%
FY 2008E	21.2	12.3	6.3	0.36	0.0	7.8	0.0%

Price (p) 195p**Price (€) €2.79**

Ticker (AIM)	BKN
Ticker (Frankfurt)	BKQ-DE
Market cap (€m)	43.9
Shares in issue (m)	15.7
12m high (p)	252.5
12m low (p)	165.0
12m high (€)	3.75
12m low (€)	2.38

Major Shareholders	% Holding
Gordon Group	20.05%
Charville Investments	24.00%
Allianz Dresdner	9.90%
Jack Kugler	8.55%
Allen Bohbot	8.05%
Cominvest	4.93%
Cheuvreux	4.98%

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- Record interim sales of €8.1m represented a 13% increase on the comparable period in 2006. Margins also improved as a result of a reduced depreciation charge and the group reported a pre-tax profit of €2.1m, up nearly 43% on last year.
- BKN will deliver its major new titles, Zorro: Generation Z and Dork Hunters from Outer Space in Q4. These will begin airing in spring 2008. Nevertheless BKN continues to generate revenue from more established titles, such as Legend of the Dragon, which has generated a cumulative €9.8m of sales over the last four years.
- The group's Classic Collection of feature length animated titles has also performed well in HI and BKN is continuing to roll out new titles over the rest of the current year. BKN has also continued to generate steady revenue from catalogue sales in HI and the group now owns the world's sixth largest animated library.
- The group has formed BKN Home Entertainment in order to establish the company as a global supplier of animated films and TV series for home entertainment. From mid-May, BKN will distribute its first title to major customers in the UK, US and Canada through major customers including Wal-Mart, Asda and Woolworths. In Q4, BKN will also distribute Zorro and Christmas related titles.
- BKN owns all of the digital and internet streaming rights to its portfolio in perpetuity although only 5% of its interim revenue was derived from this area. BKN has identified the increasing value of the huge market for digital downloads and we are confident that the group will formulate a long term strategy in the near future.
- BKN is successfully diversifying its business, opening new potential revenues streams whilst continuing to grow sales and profits from its expanding portfolio. The group has also established a truly international customer base. Given that we anticipate further progress in H2, we believe that the current rating does not reflect BKN's growth potential.

HansonWesthouse acts as nominated adviser and broker to BKN International and is paid fees for these services

Please read the important information at the end of this report

Interim results summary

Six months ending March	Reported HI 2007A	HW forecast HI 2007E	Reported HI 2006A	06-07 % Change
Turnover (€m)	8.1	8.0	7.2	+13.2%
EBITDA (€m)	4.2	4.0	3.7	+13.4%
Pre-tax profit (€m)	2.1	1.9	1.45	+42.9%
EPS (€)	0.12	0.11	0.09	+33.3%

BKN's record interim results were slightly ahead of our expectations. Sales improved by over 13% to €8.1m in the six months to March 2007 and pre-tax profit, excluding a small exceptional gain of €35,000, increased by nearly 43% to €2.1m. EPS was €0.12 per share in HI, a 33% increase on the previous year.

The results were also driven buy a reduction in the group's depreciation charge from €2.0m in 2006 to approximately €1.5m in 2007. This was as a result of a recent independent valuation of BKN's catalogue which valued the group's portfolio at €108m – more than two and a half times its current book value. This revaluation has enabled BKN to instigate a less aggressive amortisation schedule going forward.

The group invested €7.3m in film rights over the first six months of the year, compared to €7.9m in the comparable period of 2006 and the balance sheet is strong with film assets valued at €42.3m compared to €36.6m at the end of September 2006.

BKN also restructured its banking facilities at the beginning of 2007 and reduced the average net interest payable on its debt from 9.2% to 7.9%. In addition, the management repaid its most expensive convertible bond and reduced the potential dilution from 22% to only 11%. Net debt at the end of the period was approximately €17.2m. However, BKN had cash on hand of over €6.2m at the end of HI compared to €1.65m at the end of the full year 2006.

Activities update

BKN's major titles have performed well in the first half of the year. Legend of the Dragon has been established for over three years and now consists of 39 episodes for global distribution. It has generated €9.8m of sales for the group since it was developed and BKN is keen to maintain this momentum with a DVD launch and videogame releases for PSP, PS2 and Nintendo Wii in 2007.

Dork Hunters from Outer Space consists of 36 episodes and will be delivered in the second half of the financial year. This series will be broadcast in spring 2008 and major broadcasters such as GMTV in the UK and RTL 2 in Germany have been signed up. In addition, BKN has signed a pan-European contract with Character Group to distribute 'master toy' products from late summer 2008.

New title, Zorro: Generation Z, consisting of 26 episodes, will also be delivered in the autumn of the current year with airing beginning in spring 2008. BKN has signed up major broadcasters in Italy and Brazil in line with the company's strategy of targeting Mediterranean and South American markets.

BKN's Classic Collection of feature length animated DVDs including Jungle Book, A Christmas Carol and the Three Musketeers have also performed well in HI. With BKN producing approximately one title per month, this new revenue stream has provided steady monthly cash flow for the group in the first half of the year. We anticipate that this will continue in H2 as the company continues to release new titles.

BKN has continued to generate steady revenue from catalogue sales in HI and the group now owns the world's sixth largest animated library for global consumption with nearly 2,000 episodes. The company is continuing to grow this asset organically and we expect BKN's back catalogue to continue to generate cash flow for the foreseeable future.

New Venture

The group formed BKN Home Entertainment in HI in order to establish the company as a global supplier of animated films and TV series for home entertainment. This business division distributes titles under its own label in the UK and has signed a number of contracts with overseas distributors in order to maximise global sales and generate steady cash flow.

From mid-May, BKN will distribute Jungle Book – Riki Tiki Tavi to the Rescue to major customers in the UK, US and Canada through major customers including Wal-Mart, Asda and Woolworths. BKN will support this sales push with TV campaigns in all of its targeted territories. In Q4 of the current year, BKN will also distribute mutli-pack releases of Zorro and Christmas titles in its major markets.

Internet and new media

BKN owns all of the digital and internet streaming rights to its portfolio although only 5% of its revenue is derived from this area. BKN has identified the increasing value of the potentially huge market for digital downloads and video streaming. However, the group has not yet fully committed to entering into long term licences with third parties until it is able to assess the true value of the digital rights to its properties on an international scale. Nevertheless, BKN holds the copyrights and trademarks to all of its titles in perpetuity and we are confident that the management will formulate a long term strategy in the near future.

BKN has already signed an agreement with NASDAQ-listed Digital Music Group to handle all USA and Canada digital rights for all current and upcoming BKN films and series. At present, this deal provides BKN with a significant share of receipts for its entire catalogue excluding Dork Hunters and Zorro, although we expect that these titles will soon also be available for digital download.

Outlook

These results demonstrate that BKN is successfully diversifying its business, opening new potential revenues streams and widening its customer base whilst continuing to grow sales and profits from its expanding portfolio. The group has established a very solid customer base with the BBC and GMTV in the UK, Disney/Jetix in the US, CBC in Canada, Super RTL and RTL 2 in Germany. In addition, BKN has a truly global footprint with TV Espanola in Spain, Nickelodeon in Latin America, UTV in India, Promus in China and RAI in Italy amongst BKN's overseas customers.

We feel that the expansion of BKN's portfolio and the diversifying mediums for the delivery of product will enable the group to continue to grow the business over the next two years and beyond. We remain comfortable with our forecasts for the full year given that BKN will deliver its two latest titles: Zorro and Dork Hunters to customers in September, ahead of the year end.

As a result of BKN's growth prospects, the company looks inexpensive compared to its UK peers. BKN is trading on a 2007 PER of less than 9x. This compares very favourably to Entertainment Rights on more than 17x and DIC Entertainment which is expected to be loss making in 2007.

Management	Position
Allen Bohbot	Chairman and CEO
Wayne Mowat	Chief Financial Officer

Supervisory Board

Karl Benetz
Robert Paff
Michael J Kugler

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