

**Interim Financial Report for the 1<sup>st</sup> Quarter and First Three Months of 2014**  
For the period from January 1, 2014 to March 31, 2014

## **Contents**

Key Figures	3
To Our Shareholders	4
Introduction	6
Management Report	6
Condensed Consolidated Interim Financial Statements	17
Additional Information	20

**Key Figures (unaudited)**

€k	€ Tsd.	Q1/2014	Q1/2013
Revenues (A)	Umsatz (A)	6,697	7,022
Subcontracting and cost of materials (B)	Fremdkosten und Materialkosten (B)	762	664
Gross Profit (A – B)	Rohertrag (A – B)	5,935	6,358
Gross Margin	Rohertragsmarge	88.6%	90.5%
Operating Income (EBIT)	Operatives Ergebnis (EBIT)	343	550
Non-recurring Costs	Einmalkosten	-	-
EBIT after Non-recurring Costs	EBIT nach Einmalkosten	343	550
Operating Margin	Operative Marge	5.1%	7.8%
Income Before Tax (EBT)	Ergebnis vor Steuern	215	309
Pre-tax Margin	Vorsteueremarge		
Net Income	Periodenergebnis	215	309
Net Income Margin	Marge	3.2%	4.4%
Operating Cash Flow	Operativer Cashflow	490	609
Number of shares outstanding	Aktienanzahl	6,242,333	62,423,328
Earnings per Share € Cent (basic)	Ergebnis je Aktie (unverwässert)	3.4	5.0*
Earnings per Share € Cent (diluted)	Ergebnis je Aktie (verwässert)	2.4	5.0*
Solvability (Equity / Total Assets)	Solvabilität (Eigenkapital / Bilanzsumme)	37.9%	31.6%

\*The earnings per share 2013 are adjusted for the 10:1 reverse stock split in July 2013

## **To Our Shareholders**

### **Q1.2014 - A good, profitable quarter**

The Catalis Group have recorded a steady quarter of trading, recording revenues of € 6.70 m (Q1 2013: € 7.02 m) and an operating profit (EBIT) of € 0.34 m (Q1 2013: € 0.55 m). These figures are representative of the season – the first quarter is typically the softest period of trading for the group – yet our ability to maintain a good profit margin is testament to the hardwork and determination of my senior management team. Together, we have been working for over a year to reduce operational inefficiencies and improve profitability. These results vindicate our efforts and reinforce my confidence in the Catalis Group.

### **Steady performance, and a positive outlook for both Kuju Entertainment and Testronic Labs**

I am excited by the potential of the Kuju, our video games development business. Kuju delivered a good first quarter, recording revenues of € 1.9 m (Q1 2013: € 2.2 m) and EBIT of € 0.13 m (Q1 2013: €0.3 m). Whilst in comparison to 2013 this appears to be a soft start to the year, the results are in line with management expectations. Operationally, a number of projects reached their conclusion during the quarter, and revenues for the next wave of projects have not yet been recognised.

Consequently, my focus and optimism lies in a the full-year performance of the Kuju business – we have seven titles under development, and products such as Headstrong's Art Academy Pokémon will soon be hitting the shelves of stores worldwide. As such, development contract revenues may be supplemented by royalty revenues from products at retail. Strong royalty negotiations have been a cornerstone of my strategy, and I'm optimistic in their potential for the group's finances.

Testronic, our quality assurance business, delivered a respectable set of results for the first quarter. On revenues of € 4.7 m (Q1 2013: € 4.7 m), we made an operating profit (EBIT) of € 0.5 m (Q1 2013: € 0.5 m). These results are pleasing – during 2013, I focussed much of my attention on restructuring the operations of Testronic, appointing new management at all levels across the business, and reshaping our teams and our offices to build a leaner operation.

Through these changes, we have maintained our competitive edge and engineered a much more scalable business. I look to rapidly expand Testronic's operations over the coming quarters, and I am confident we can generate significantly improved profitability in this business.

### **Corporate developments**

I'm also pleased to report that on the 7th May 2014 we secured investment from Vespa Capital – a UK-based private equity firm. I have long been working to secure the financial future of the business, and the private placement of € 2 m, as a convertible loan, provides an exciting opportunity to accelerate the growth of the Kuju and Testronic businesses.

I am also pleased to welcome the nomination of Nigel Hammond and Tom Chaloner, as Non-Executive Directors to the board of the Catalis Group. They would bring a wealth of experience to the management, and would undoubtedly be instrumental in driving the future organic growth of the business.

### **A focus on future growth**

In the longer term, I remain very positive about the potential of the Catalis Group. Over the last two years, I have resolved numerous inefficiencies in the business, with the help of my strong and dedicated management team. We have built two strong brands, we have returned two businesses to profitability, and we continue to focus on growth opportunities in an ever-expanding market place. It is our strong belief that we are ideally placed to deliver sustainable growth, and excellent earnings performance.

Yours sincerely

Dominic Wheatley  
Chief Executive Officer

Eindhoven, May 19, 2014

## **Introduction**

Catalis SE yearly financial reporting is based on the International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated condensed interim reporting for the three months ending 31st March 31 2014 is prepared as an update of the business report focusing on the current reporting period and does not include all the information and disclosures required in the Annual Report. It should be read in conjunction with the consolidated Annual Report 2013.

## **Management Report**

### **Market & Industry Environment**

Our forte lies in our familiarity with our markets combined with our knowledge of global business requirements. Our company is growing sustainably, we are well positioned, and we have an excellent reputation as a specialist.

#### *Video Games Industry*

*The video game market continues to evolve particularly well.*

Sony's PlayStation 4 is maintaining its comfortable lead over the Xbox One, passing 7 million units sold after less than six months. Sony confirmed that figure as correct as of April 6, 2014, by which time 20.5 million units of PlayStation 4 software had also been sold. The console is now available in a total of 72 countries and regions all over the world. Quite recently, NPD Group has issued its March U.S. video game sales report, revealing a 28 percent drop in software sales (including PC) to \$432 million. Hardware, however, soared 78 percent on the strength of the new consoles, totaling \$395 million. Accessories were also up 4 percent to \$224 million. Overall, total industry sales increased 3 percent to \$1.03 billion. NPD noted that Sony's PlayStation 4 led hardware sales despite the Xbox One console exclusive Titanfall topping the games chart. Meanwhile, Microsoft announced that with Xbox One selling 311,000 units in March, the new console has passed 5 million units sold-in (shipped) to retail.

#### *Xbox One in China.*

When the Xbox One finally rolls out in Asian territories this September, almost a year after its western debut, all eyes will be on its performance in one key territory. Not Japan, but rather China; a late, and somewhat surprising, addition to Microsoft's launch plans. Yet in September, when Microsoft introduces Xbox One to the Chinese market, it will be the first platform holder to attempt such a launch for many years. Neither Nintendo nor Sony has shown any indication that they intend to bring their present home console platforms to China.

*The future of the new consoles is bright.*

International Data Corporation (IDC), a market research firm, predicts that Sony's PlayStation 4 will have the single biggest share of the market in 2016 with 51 million sold globally. Microsoft hasn't been faring quite as well, but IDC believes Xbox One will make a serious comeback, particularly in North America where it's forecasted to take the lead. This will be spurred on by unbundling Kinect, IDC said. The presumed unbundling of Kinect and Xbox One, which should facilitate rough price parity between it and the PS4, should lead to a spike in Xbox One sales; assuming the console and sensor are unbundled in 2015, IDC expects Xbox One to recover and emerge with the largest installed base of any console in North America by the end of 2016. It's clear that more and more games are being purchased digitally, and the good news is that digital sales will keep the industry healthy. Given current trends, more than 50 percent of total game and direct app/service spending across all consoles will come through digital channels by 2019.

*A recently published study comes to surprising conclusions.*

Men still outnumber women among the US gaming audience, but the gap is getting smaller, according to the Entertainment Software Association's latest Essential Facts pamphlet. According to the trade group's latest annual survey, 48 percent of US gamers are female, while 52 percent are male. That's the closest the two have been in at least a decade, and a far cry from 2006 and 2007, when the ESA found men made up 62 percent of the US gamer population, compared to women's 38 percent. The trade group also noted that women over the age of 18 make up 36 percent of the gamer population, more than double the 17 percent of the market made up of boys under the age of 18. As expected, gamers are also getting older.

### *DVD & Blu-ray*

#### *Q1 U.S. sales*

The first quarter of 2014 was marked by strong growth in digital revenue, with consumer spending on electronic sellthrough (EST) up 43% from the first quarter of 2013, thanks in large part to the growing tendency among studios to sell movies electronically two to three weeks before they come available on disc. EST will continue to grow, as studios step up their efforts to wean consumers from packaged media by releasing more and more titles on Digital HD anywhere from one to four weeks ahead of the DVD or Blu-ray Disc.

Discs sales — which for the past several years appeared to be stabilizing — were off 13.7%, to \$1.82 billion from \$2.1 billion in the first quarter of 2013. When all distribution channels are factored in, total consumer spending on home entertainment during the first quarter of 2014, according to DEG (The Digital Entertainment Group), was \$4.53 billion, down 3.8% from the \$4.71 billion consumers spent in the first quarter of 2013. By comparison, the box office value of titles that came to video during that period was off 3.5%.

The DEG also communicated sales of theatrical new releases to home entertainment jumped 83% in the first quarter compared with the same period last year, while the number of Blu-ray Disc households continues to grow, with 4.2 million additional players sold in the first three months of 2014. Total household penetration of all Blu-ray compatible devices now stands at nearly 75 million U.S. homes. Furthermore, the interest in cloud-based storage of movies continues to rise, with more than 17 million registered UltraViolet accounts — up 2 million from 15 million accounts at the end of 2013.

#### *Video apps are essential for TV viewing*

According to a recent survey, seventy-five percent of connected-TV app users said video apps are essential to their TV viewing, according to new data from The NPD Group. Another 63% said TV Everywhere apps (TV Everywhere allows subscribers to watch programming on their smartphone or tablet, from virtually anywhere) from their pay-TV operators was important to them. Among current and prospective connected TV app users, which include owners of Blu-ray Disc players, 48% said being able to find new apps impacts the device they prefer to use on their TV. Netflix, YouTube and TV Everywhere ranked among the most popular apps on connected TVs, according to more than 3,800 U.S. consumers, aged 18 years or older, who took part in the first-quarter online survey.

### *Digital Television*

#### *4KTV - 2014 will be a breakthrough year for Ultra-HD*

Despite a 3% decline in global demand for televisions, shipments of ultra-high-definition 4KTVs are expected to total 1.9 million units in 2013, rising nearly 700% to 12.7 million units in 2014, according to new research from the NPD Group (research firm). Ultra-HDTVs offer four times the resolution of 1080p HDTVs. The decreased pixel size of Ultra-HD TVs is supposed to improve picture clarity.

China accounts for 87% of 4KTV units in 2013, dropping only slightly to 78% of units in 2014. This means that 4KTV shipments within China will lead all other regions combined by a factor of three in 2014. As a result, 4KTV average prices are expected to fall below \$1,000 in China during 2014, while the worldwide average remains over \$1,100 and close to \$2,000 in North America. NPD said consumer demand for TVs improved slightly from the 6% decline in 2012. Total TV shipments should grow about 1% in 2014 to 229 million units, with LCD TV shipments rising to 220 million, or 96% of overall units. Plasma and CRT-TV shipments are declining rapidly, ending by 2016.

*40 percent of U.S consumers would buy a 4K TV in the next two years*

Regarding interest in Ultra HD TV, a U.S. survey found growing consumer confidence, with 18 percent looking forward to buying an Ultra HD TV over the next 12 months despite a lack of content and streaming outlets. Furthermore, twenty-five percent of consumers intend to purchase a connected TV in the next 12 months, and another 11 percent intend to replace an existing connected TV, while 12 percent plan to purchase a tablet. The number of TV-centric connected devices will surpass the entire world population of those over 15 by next year and should surpass the world's population by 2017, according to industry estimates.

## **Business Development**

### **Segment Information**

#### **Testronic**

Testronic Laboratories is a leading provider of quality assurance, localisation services, compliance and certification. Operating from four global locations, Testronic provides a broad spectrum of quality assurance services to the Games, Film, TV, Software and Hardware industries.

#### **Business Headlines**

- First quarter 2014 was another good quarter for Testronic, with Testronic generating €4.7m of revenue
- A strong q1 profit result (EBIT) amounting to € 0.5m
- Forecast for gaming tests is very promising
- We are anticipating a strong growth in revenue and income for the whole fiscal year 2014

#### **Headlines from Testronic's business lines**

##### *Intensified cooperation with UltraViolet*

Since January 2014, Testronic works closely with the Digital Entertainment Content Ecosystem (DECE) to provide testing services for UltraViolet implementations. DECE is the cross-industry consortium responsible for creating and operating UltraViolet. Testronic has extensive experience in UltraViolet testing, working closely with DECE to support testing of UltraViolet functionality as part of DECE's interoperability testing and compliance verification programs. Testronic has been testing UltraViolet content, players, and web portals for more than a year, and will offer expanded services to its member companies directly. UltraViolet is based on open, licensable specifications and is designed by DECE to create a viable, global digital marketplace. At the moment more than 17 million registered UltraViolet accounts exist – up 2 million from 15 million accounts at the end of 2013.

##### *New Operations Director*

Testronic announced in January that Chris Rowley has joined the company to oversee their rapidly expanding video games business line of testing services. Chris is an industry veteran with a wealth of experience specifically related to video game certification and QA, having spent time during his career with Codemasters, Sony Computer Entertainment, Eidos, and 2K Games before joining Testronic from Electronic Arts where he held a succession of senior positions over the last five and a half years. Testronic has recently seen fourfold growth in both functionality and localisation testing for an increasing number of clients. Staff numbers rose to above 400 in 2013 and that is expected to increase significantly in 2014.

#### **In closing**

As ever, our success is built on the stability and effectiveness of our management across the company. They performed well in challenging economic conditions. The year ahead looks no less challenging but Testronic is well prepared and has further opportunities for growth.

We will constantly ask ourselves where there are new business segments that are opening up as a result of customers' needs and problems and that we have to address. In 2014, we will strive to build on our track record of delivering new projects. And we will continue to use a clear set of strategic themes to guide decisions about investment and technology.

## **Kuju**

Kuju is a subsidiary of Catalis SE, and has been creating top-rated games for over 15 years. Since foundation, Kuju have built over 120 video games across all genres, for all major console and handheld platforms, and have established a reputation as one of Europe's leading game developers.

### **Business Headlines**

- Kuju studios are currently working on seven console projectsKuju's Pokémon Art Academy expects significant exposure upon release
- First quarter 2014 revenues amounted to € 1.9m of revenue, generating profits (EBIT) of € 0.1m
- Strong royalty deals in place, present opportunities for significant back-end royalties.

### **Headstrong Games prepares for the imminent release of Pokémon Art Academy**

The Art Academy franchise has long been one of Kuju's most successful products, selling in excess of 3 million units at retail. The franchise was originally conceived, and continues to be developed, by Headstrong Games, Kuju's London-based studio. The latest contribution to the franchise: Pokémon Art Academy, is scheduled for release on 4th July 2014, and has already been the subject of significant hype and excitement with both consumers and the industry press. With further exposure expected upon release, Kuju remains confident in the potential of Pokémon Art Academy at retail.

### **Operational report from Kuju's development studios**

In addition to Pokémon Art Academy, Kuju holds a healthy order book of development projects. Kuju studios are currently working on seven console projects, and development of these projects has largely proceeded without concern. Project delivery is on-target with operational objectives. Further, with strong royalty deals in place, there is the opportunity for significant back-end revenues upon release of each title.

Kuju also has a number of strong prospects for new business. Through the late part of 2013 and early part of 2014, the industry has been buoyed by the successful launch of next-generation consoles such as Microsoft's Xbox One, Sony's Playstation 4; and by the emergence of Virtual Reality technologies, such as the Oculus Rift. Kuju gives equal attention to pursuing work-for-hire opportunities, as to developing its own, original game concepts. A number of games are currently out for tender with major international publishers, and further concepts and opportunities are being actively pursued.

### **In closing**

Kuju has made good progress on its projects this quarter, and continues to maintain strong relationships with major console publishers. In the wider industry, early-stage sales figures indicate a positive outlook for both the current- and next-generation console markets. Not only does this give optimism for the commercial potential of Kuju's products, such as Pokémon Art Academy, but it lends confidence to Kuju's market positioning as a leading console developer.

## Investments

Innovative technology provides ways for Catalis to stand apart from its competitors. It helps our current businesses perform, and it makes future businesses possible. In 2014, we will continue to focus strongly on technologies that support our various businesses.

R&D spending has been stepped up over the last years, to a level that will allow us to sustainably support the business strategy requirements for product development. Total investments in the first three months of the fiscal year amounted to € 0.1m and were attributable to the purchase of property, plant and equipment.

## Development of Earnings, Financial and Asset Situation

### Earnings Situation

#### *Catalis Group*

The disciplined execution of our strategy, underpinned by the operating principles – focus on customers, balanced financial metrics, proactive risk management and disciplined capital allocation – has continued to drive both our profitable growth and cash generation.

In the first quarter of 2014, total revenues of Catalis Group amounted to € 6.7m (2013: € 7.0m). This represents a decrease of 4.3% from the previous year. Non-recurring costs amounted to € 0.0m, resulting in an EBIT (operating result) of € 0.3m (2013: € 0.6m). Taking into account a financial result of € -0.1m, the company's pre-tax result amounted to € 0.2m. Net income for the period amounted to € 0.2m (2013: € 0.3m). This equals earnings per share of € Cent 3.4 (2013: € Cent 0.5, adjusted for reverse stock split € Cent 5.0).

#### *Testronic*

Testronic has seen revenues for the first quarter of 2014 unchanged at the level of € 4.7m. Testronic generated an EBIT after non-recurring costs of € 0.5m (2013: € 0.5m).

#### *Kuju*

In the first quarter of 2014, Kuju generated revenues of € 1.9m (2013: € 2.2m), representing a decrease of 13.6%. EBIT for the period showed a profit and amounted to € 0.1m (2013: € 0.3m).

## Pro-forma Segment Overview

€k	Testronic	Kuju	DDP	Corporate	Total
<b>Three Months to March 2014</b>					
Revenues	4,740	1,880	77	-	6,697
Operating profit (EBIT)	466	133	(24)	(232)	343
EBIT Margin	9.8%	7.1%	n.a	n.a	5.1%

€k	Testronic	Kuju	DDP	Corporate	Total
<b>Three Months to March 2013</b>					
Revenues	4,663	2,246	113	-	7,022
Operating profit (EBIT)	541	335	42	(368)	550
EBIT Margin	11.6%	14.9%	37.2	n.a.	7.8%

## Financial Situation

### *Cash flow*

Looking ahead, our first goal is to improve our competitive financial performance, increasing the value we obtain from the capital entrusted to us by our shareholders. Catalis Group generated an operating cash flow of € 0.49m (2013: € 0.61m). This is mainly composed of the period's net income (€ 0.22m) and the depreciation of tangible fixed assets / amortisation of intangible assets (€ 0.19m).

Cash flow from investing activities amounted to € -0.37m (2013: € -0.22m) and is attributable to the purchase of property, plant & equipment as well as additions of intangible assets.

Cash flow from financing activities amounted to € -0.60m (2013: € -0.24m) mainly driven by the redemption of long-term loans.

The company's total cash flow in the first three months of 2014 amounted to € -0.35m (2013: € 0.04m). The reduction is mainly due to the repayment of the long term debt and the purchase of property, plant & equipment.

## Asset Situation

### Balance Sheet

Our policy is to operate with a strong balance sheet to protect the business and facilitate future growth. As of March 31, 2014, total assets of Catalis Group amounted to € 24.05m. This is a slightly decrease from the € 24.22m at December 31, 2013.

The company's non-current assets were unchanged at € 17.07m (31.12.2013: € 17.03m).

Current assets decreased also slightly from € 7.20m at the end of 2013 to € 7.00m at the end of March 2014. This is mainly due to reduced cash and cash equivalents (€ 0.86m vs. € 0.52m) - other current assets increased at the same time from € 2.07m to € 2.40 m.

Our financing and liquidity position also remained strong throughout the period. On the equity and liabilities side, the company's total equity was nearly unchanged at € 9.14m (31.12.2013: € 8.93m). This equals € Cent 3.4 per share (2013: € Cent 0.5), based on the number of shares outstanding of 6,242,333 (2013: 62,423,328).

Long term liabilities went down to € 4.92m from € 4.32m in 2013. This is mainly attributable to the decrease of long-term debt to € 4.10m (2013: € 4.70m).

Current liabilities increased from € 10.38 to € 10.59m mainly driven by trade and other payables, which went up from € 5.58m to € 6.62m. Taxes and other payable decreased from € 1.54m to € 0.67m.

## **Employees**

People are key to achieving business objectives. Our performance reflects the expertise, hard work and commitment of our people. We are investing more than ever in our people, making sure they have the skills and support they need to better serve our customers.

As of March 31, 2014, there were 367 (31.12.2013: 319) permanent employees working for Catalis Group. The total is composed of 291 (2013: 259) employees working at Testronic and 75 (2013: 59) at Kuju as well as one employee (2013: 1) at Catalis SE.

## **Supplementary Report**

On May 07, 2014, the previous major shareholder Navigator Equity Solution SE announced that it has concluded a sale and transfer contract with Leo Capital 1 LLP, a limited liability partnership wholly owned by funds managed by Vespa Capital. The subject-matter of the contract was the sale of all held Catalis SE shares and share options. Therefore the Non-Executive Board members of Catalis SE, Mr. Robert Käß, Mr. Michael Hasenstab and Mr. Jens Bodenkamp, resigned as Members of the Board with immediate effect.

To reflect the new shareholder structure of Catalis SE. Mr. Nigel Hammond and Mr. Tom Chaloner, both representing Vespa Capital, were nominated as provisional Non-Executive Board Members of Catalis SE on a preliminary basis until the next general meeting.

Cost related to the transaction amounting to € 0.85m will impact financials for the second quarter and the profit for the full year 2014. Cost of € 0.56m are attributable to the termination and the subsequent prepayment of service contracts. Cost of € 0.29m are attributable to legal and brokerage fees. The effects on financials will be disclosed in our report for the second quarter.

In addition, the Board of Directors resolved at the same day to offer under the terms of a private placement unsecured convertible loan notes with a principal nominal value of EUR 2,000,000 and a final maturity on March 31st, 2019 to Leo Capital 1 LLP. Following the approval by the shareholders of the necessary exclusion of pre-emptive rights in the next general meeting of the Company, the loan notes will be initially convertible into 1,000,000 new, ordinary bearer shares of Catalis SE.

## **Risk Report**

Within the scope of its operating activities in a variety of markets, Catalis SE is exposed to various risks connected with technological, entrepreneurial and investment transactions. A full risk report can be found in our Annual Report for the fiscal year 2013. The report is available for download on our corporate website at [www.catalisgroup.com](http://www.catalisgroup.com) in the investor relations / financial publications section.

## **Management Statement**

We declare, pursuant to section 5:25d of the Wet op het financieel toezicht (Wft), that to the best of our knowledge and in accordance with the applicable reporting principles:

- the condensed consolidated interim financial statements as of 31<sup>st</sup> March 2014 give a true and fair view of the assets, liabilities, the financial position and the profit and loss of Catalis SE and its consolidated operations; and
- the management report includes a true and fair review of the position as per 31<sup>st</sup> March 2014 and of the development and performance during the first three months of the fiscal year 2014 of Catalis SE and its related participations of which the data have been included in the financial statements, together with a true and fair presentation of the expected future developments.

Eindhoven, May 19, 2014

The Board of Directors:

Dominic Wheatley (Executive / Chief Executive Officer)

Peter Biewald (Executive / Chief Financial Officer)

Nick Winks (Executive / Chief Restructuring Officer)

## **Directors' Holdings**

As of March 31, 2014, the following number of shares and options is held by the directors of the company:

Shareholder	No. of Shares	Options	Controlled by	Function
Dominic Wheatley	177,510	500,000	Dominic Wheatley	Executive Director / CEO
Peter Biewald	10,000	60,000	Peter Biewald	Executive Director / CFO
Nick Winks	10,000	0	Nick Winks	Executive Director / Chief Restructuring Officer
Michael Hasenstab	5,000	0	Michael Hasenstab	Non-Executive Director
Robert Käss	5,000	0	Robert Käs	Non-Executive Director
Jens Bodenkamp	0	0	Jens Bodenkamp	Non-Executive Director

## **Audit Statement**

The interim financial report for the three months ended 31st March 2014, consists of the condensed consolidated interim financial statements, the interim management report and responsibility statement by the company's Board of Directors. The information in this interim report is unaudited. Our group auditor has neither performed an audit nor a review of these financial statements.

## **Forecast Report**

According to the International Monetary Fund (IMF), global activity has broadly strengthened and is expected to improve further in 2014–15, with much of the impetus coming from advanced economies. Inflation in these economies, however, has undershot projections, reflecting still-large output gaps and recent commodity price declines.

Activity in many emerging market economies has disappointed in a less favorable external financial environment, although they continue to contribute more than two-thirds of global growth. Looking ahead, global growth is projected to strengthen from 3 percent in 2013 to 3.6 percent in 2014 and 3.9 percent in 2015. In advanced economies, growth is expected to increase to about 2¼ percent in 2014–15, an improvement of about 1 percentage point compared with 2013. Key drivers are a reduction in fiscal tightening, except in Japan, and still highly accommodative monetary conditions.

Growth will be strongest in the United States at about 2¾ percent. Growth is projected to be positive but varied in the euro area: stronger in the core, but weaker in countries with high debt. The global recovery is still fragile despite improved prospects, and significant downside risks - both old and new - remain. The combination of large public debt stocks and the absence of medium-term adjustment plans that include specific measures and strong entitlement reforms is the main factor behind important medium-term fiscal risks in advanced economies, including in the United States.

We had a successful start in the current year and our performance strengthens our confidence for the full year 2014. Catalis SE will continue to forge ahead on its chosen course. We remain confident about the performance of our business and expect that this trend will continue.

At the beginning of this year the share price continued its upward course. Happily, this reflects the changed - and in our opinion more realistic - assessment by the capital markets of our future developments. We believe our strategy of improving customer service, transforming our cost base and investing for the future will continue to deliver long-term value for our shareholders.

Against the outlook, given in February, the expected EBIT for 2014 will amount about EUR 1.65 million. This is caused by the cost effects related to the transaction described in the supplementary report. The target revenue forecast of EUR 31.5 million for 2014 stays unchanged.

**Condensed Consolidated Statement of Financial Position of Catalis Group (unaudited)**  
As of 31<sup>st</sup> March 2014 and 31<sup>st</sup> December 2013 (in thousands of euros)

		31.12.2013	31.03.2014
<b>ASSETS</b>	<b>AKTIVA</b>		
<b>Current Assets</b>	<b>Kurzfristige Vermögensgegenstände</b>		
Cash and cash equivalents	Liquide Mittel	864	519
Trade receivables	Forderungen aus LuL	4,120	4,002
Tax and social securities	Forderungen aus Steuern und Sozialversicherungen	69	-
Income tax receivable	Ertragssteuerforderungen	78	49
Other current assets	Andere	2,065	2,404
<b>Total Current Assets</b>	<b>Kurzfr. Vermögensgegenstände gesamt</b>	<b>7,196</b>	<b>6,974</b>
<b>Non-Current Assets</b>	<b>Langfristige Vermögensgegenstände</b>		
Intangible assets	Immaterielle Vermögensgegenstände	667	760
Goodwill	Firmenwerte	14,172	14,257
Property, plant and equipment	Sachanlagen	1,970	1,840
Deferred tax	latente Steuern	216	216
Other non-current assets/ investments	Andere	-	-
<b>Total Non-Current Assets</b>	<b>Langfr. Vermögensgegenstände gesamt</b>	<b>17,025</b>	<b>17,073</b>
<b>TOTAL ASSETS</b>	<b>AKTIVA gesamt</b>	<b>24,221</b>	<b>24,047</b>
<b>LIABILITES &amp; EQUITY</b>	<b>PASSIVA</b>		
<b>Current Liabilities</b>	<b>Kurzfristige Verbindlichkeiten</b>		
Trade and other payables	Verbindlichkeiten aus LuL	5,576	6,616
Taxes and social securities	Steuern und Sozialversicherungen	1,539	673
Income tax payable	Verbindlichkeiten aus Ertragssteuern	38	61
Provisions	Rückstellungen	347	361
Bank overdraft	kurzfristige Bankverbindlichkeiten	476	476
Loans	Darlehen	2,400	2,400
Other liabilities	Sonstige Verbindlichkeiten	-	-
<b>Total Current Liabilities</b>	<b>Kurzfr. Verbindlichkeiten gesamt</b>	<b>10,376</b>	<b>10,587</b>
<b>Non-Curent Liabilities</b>	<b>Langfristige Bankverbindlichkeiten</b>		
Long-Term Debt	Langfristige Bankverbindlichkeiten	4,700	4,100
Deferred tax liability	latente Steuern	216	216
<b>Total Non-Current Liabilities</b>	<b>Langfr. Verbindlichkeiten gesamt</b>	<b>4,916</b>	<b>4,316</b>
<b>Total Equity</b>	<b>Eigenkapital gesamt</b>	<b>8,929</b>	<b>9,144</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>PASSIVA gesamt</b>	<b>24,221</b>	<b>24,047</b>

**Condensed Consolidated Income Statement of Catalis Group (unaudited)**  
For the period ended 31<sup>st</sup> March 2014 and 31<sup>st</sup> March 2013 (in thousands of euros)

	Q1 2014	Q1 2013
Revenues	6,697	7,022
<b>Total revenues</b>	<b>6,697</b>	<b>7,022</b>
Subcontracting and cost of materials	762	664
Personnel costs	4,369	4,337
Depreciation fixed assets	188	169
Amortisation intangible assets	-	-
Impairment of goodwill	-	-
General and administration	1,035	1,302
<b>Total expenses</b>	<b>6,354</b>	<b>6,472</b>
<b>Profit/ loss from operations</b>	<b>343</b>	<b>550</b>
Interest income	-	-
Interest expense	(128)	(149)
Currency translation difference	-	(92)
<b>Total financial income</b>	<b>(128)</b>	<b>(241)</b>
Income tax	-	-
<b>Profit for the period</b>	<b>215</b>	<b>309</b>

**Condensed Consolidated Cash Flow Statement of Catalis Group (unaudited)**  
For the period ended 31<sup>st</sup> March 2014 and 31<sup>st</sup> March 2013 (in thousands of euros)

€k	T€	31.3.2014	31.3.2013
<b>Cash Flow from operating Activities</b>	<b>Kapitalfluss aus betrieblicher Tätigkeit</b>		
Net Income	Periodenergebnis	215	309
Depreciation of tangible fixed assets and Amortisation intangible assets	Abschreibungen auf Anlagevermögen und Abschreibungen von immateriellen Firmenwerte	188	190
Increase/(decrease) Interest P&L	Zunahme/(Abnahme) Zinsen P&L	128	149
Increase/(decrease) provisions	Zunahme/(Abnahme) von Rückstellungen	-	(581)
(Increase)/decrease current assets	(Zunahme)/Abnahme von kurzfristigen Vermögensgegenständen	(123)	743
(Increase)/decrease share based payment	(Zunahme)/Abnahme von Share based payment	-	12
Increase/(decrease) current liabilities	Zunahme/(Abnahme) von kurzfristigen Verbindlichkeiten	170	(102)
Increase/(decrease) Interest	Zunahme/(Abnahme) aus Zinsen	(88)	(150)
Increase/(decrease) in deferred taxes	Zunahme/(Abnahme) latenter Steuern	-	39
<b>Net cash (used in) / provided by operating activities</b>	<b>Aus betrieblicher Tätigkeit erwirtschaftete Zahlungsmittel</b>	<b>490</b>	<b>609</b>
<b>Cash Flow from investing activities</b>	<b>Kapitalfluss aus Investitionen</b>		
Purchase of property, plant & equipment	Erwerb von Sachanlagen	(93)	(73)
Additions of intangible assets	Zugänge immaterieller Vermögensgegenstände	(281)	(143)
<b>Net Cash (used in) / provided by investing activities</b>	<b>Aus Investitionstätigkeit erwirtschaftete Zahlungsmittel</b>	<b>(374)</b>	<b>(216)</b>
<b>Cash Flow from financing activities</b>	<b>Kapitalfluss aus Finanzierungstätigkeit</b>		
Proceeds from issuance of share capital	Zuflüsse aus der Ausgabe von Aktien	-	-
Increase/(decrease) of long term debt	Zunahme/(Abnahme) langfristiger Finanzverbindlichkeiten	(600)	(229)
Increase/(decrease) finance leases	Zunahme/(Abnahme) Finanzierungsleasing	-	(7)
<b>Net Cash (used in) / provided by financing activities</b>	<b>Aus Finanzierungstätigkeit erwirtschaftete Zahlungsmittel</b>	<b>(600)</b>	<b>(236)</b>
<b>Net effect of currency translation in cash and cash equivalents</b>	<b>Wechselkursbedingte Änderungen der Zahlungsmittel und Zahlungsmitteläquivalente</b>	139	(114)
<b>Net Increase in cash and cash equivalents</b>	<b>Veränderung der liquiden Mittel</b>	<b>(345)</b>	<b>43</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>Liquide Mittel zu Beginn der Periode</b>	<b>864</b>	<b>1,183</b>
<b>Cash and cash equivalents at end of period</b>	<b>Liquide Mittel am Ende der Periode</b>	<b>519</b>	<b>1,226</b>

## **Additional information**

### **Forward-looking Statements**

This report contains forward-looking statements. These statements are based on current expectations, estimates and projections of Catalis SE management and information currently available to the company. The statements involve certain risks and uncertainties that are difficult to predict and therefore Catalis SE does not guarantee that its expectations will be realized. Furthermore, Catalis SE has no obligation to update the statements contained in this report.

### **Imprint**

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