

CATALIS SE

ANNUAL REPORT 2016

**CATALIS SE
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Delivering quality to the global entertainment and media marketplace.

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CATALIS SE BOARD REPORT

The Catalis Group is comprised of Catalis SE (the 'Company') as the ultimate parent company of two divisions: Testronic Laboratories (Testing Division) and Curve Digital Entertainment (Publishing Division). The Testing Division provides quality assurance services to the computer games and entertainment markets and operates from offices in the US, UK, and Poland. The Publishing Division is based in the UK and comprises a publisher of independent console and PC games (Curve Digital), a development studio for third party games (Kuju Limited), and a mobile game (Crack Attack).

Overview

2016 has been a year of transition for the Group. Each Division has laid down strong foundations to identify, develop and enhance new business lines, refocusing the Group to capitalise on new opportunities and hiring expert, experienced employees in both the executive management and operations teams. The Group has continued to reduce external debt levels and whilst this restricted our growth rates in the current year it provides us with a strong platform for growth in 2017 and beyond.

The strategic acquisition of Curve Digital Entertainment and the formation of the Publishing Division in 2016 provides the cornerstone for our objective of creating major a UK video games publisher and the Board expects significant growth in revenues during 2017 and beyond as this new Division becomes well established in the marketplace. Within the Testing Division, growth in the Games testing segment was offset by shrinkage in the Film and TV sector in 2016 due to lower DVD sales in the global market. In 2017 the Group expects to see further growth in the Games segment and the increase in demand for file based and streaming content will positively impact the Film and TV sector, which is now gaining momentum as a result of strategic investment in new equipment and the hiring of specialised staff in 2016.

Strategy

The Group is dedicated to deliver quality services to the global entertainment and media marketplace. In addition, the Publishing Division is committed to investing in and delivering exciting, innovative and interactive entertainment for the global market. We strive to build a balanced portfolio of businesses that are world-leading in their respective sectors.

An important element to this strategy is to remain at the leading edge of technological innovation. The Catalis Group places great focus on building strong relationships with manufacturers and platform holders, and is an active member in key industry trade bodies. Keeping pace with the latest innovations has helped to build the Group into a deft and nimble operation. The Group is continuously evolving the scope of its services, expand relationships with existing clients, and establishing relationships with new clients.

As a result of this, the Group is well positioned to benefit from the future growth potential of the digital media and entertainment industries. The Group intends to continue adapting to the ongoing transitions in the industry, to help maintain, and grow, the demand for its services. Continued investment in games in the Publishing Division will drive revenue growth and deliver value to our shareholders. In addition to growth opportunities, management has permanent focus on cost control to maximise the margin generated from the business.

Catalis SE

In January 2016 the Board of Directors announced the acquisition of Curve Digital Publishing Limited, a UK based publisher and developer. This is a strategic acquisition and enables the Group to not only offset the decline in work for hire opportunities seen in 2016 but gives the Group the platform for significant growth