

CATALIS SE

Interim Financial Report

For the period ending 30 June 2017

Catalis SE
INTERIM FINANCIAL REPORT

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Management Report

Catalis SE annual financial reporting is based on the International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated condensed interim financial statements for the six months ending 30th June 2017 are prepared as an update to the business report focusing on the current reporting period and do not include all the information and disclosures required in the Annual Report. It should be read in conjunction with the consolidated Annual Report 2016.

Publishing Division

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). During the six months ended 30 June 2017 the Publishing Division generated revenues of €3.2m (2016: €1.8m) and an operating profit of €0.3m (2016: loss of €0.9m).

The Publishing Division generated excellent growth during the first six months of 2017. This was primarily due to the successful release of *The Flame in the Flood* on PlayStation 4, and *Human: Fall Flat* on Xbox One and PlayStation. The Division continues to bolster relationships with key strategic partners resulting in our games featuring significantly in store and being included in new sales initiatives. This included high level flash sales of a number of games on the Steam PC store, and the inclusion of seven titles in Xbox's new 'Games Pass' subscription service. Our relationship with Limited Run Games continues with three releases in the first half of 2017 and a further six releases planned for the second half of the year. Commercial highlights include licensing games for distribution with Chinese partners and the activation of a number of new stores to carry our games, both current and back catalogue.

Testing 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 Testing Division generated revenue of €6.7m (2016:€7.7m) and operating profit of €0.5m (2016: €1.5m).

The Testing Division has had a challenging start to 2017 primarily due to project slippage from major clients as release dates on major titles push back into the second half of the year. The Film and TV sector is gaining momentum and signing new clients as a result of increased demand for file based and streaming content after the global shrinkage of the DVD marketplace over the past year impacted the business in 2016. The Testing Division has signed several significant new clients in the first half of the year in both the Games Testing and Film and TV Sector and expects to capitalise on these new clients in the second half of the year, which has typically been the stronger period for the Division in terms of revenue generation.

Corporate

On 8 May 2017 Catalis SE announced an initiative to issue a total of 45,000 new shares to enable Leo Capital 1 LLP to convert options into shares. Leo Capital 1 LLP, a shareholder of Catalis SE will exercise a total number of 45,000 options at the fixed strike price of €10.00, as defined in the underlying stock option agreement. To enable these options to be converted into shares Catalis SE will issue 45,000 shares.

Segmental information

Period ending 30 June 2017

	Testing Division €000's	Publishing Division €000's	Corporate €000's	Total €000's
Revenue	6,700	3,171	-	9,871
Adjusted EBIT*	494	282	(1,008)	(232)
Adjusted EBIT* %	7.4%	8.9%	-	(2.3%)

Period ending 30 June 2016

	Testing Division €000's	Publishing Division €000's	Corporate €000's	Total €000's
Revenue	7,740	1,821	-	9,561
Adjusted EBIT*	1,458	(888)	(686)	(116)
Adjusted EBIT* %	18.8%	(48.8%)	-	(1.2%)

* Adjusted EBIT is a non-GAAP measure. Adjusted EBIT is a company specific measure which excludes impairment of intangible fixed assets and goodwill plus expenses which are considered to be one off and non-recurring in nature.

Review of Earnings

In the six months ended 30 June 2017 (2016: six months ended 30 June 2016), total revenue from continuing operations amounted to €9.9m (2016: €9.6m). Total expenses amounted to €10.1m (2016: €10.0m), resulting in an operating loss of €0.2m (2016: €0.5m). After accounting for financial expenses of €0.4m (2016: €0.6m), the company's pre-tax result amounted to a loss of €0.6m (2016: €1.1m). Loss for the period amounted to €0.6m (2016: €1.1m) resulting in earnings per share of €-0.92 (2016: €-1.54) at the half year.

Review of Statement of Financial Position

Our objective is to operate with a strong balance sheet to protect the business and facilitate future growth. As at 30 June, 2017, total assets of Catalis Group amounted to €14.4m representing an increase of €0.4m from €14.0m at 31 December 2016. This was largely due to an increase in trade receivables offset by a reduction in cash balances. Our financing and liquidity position remained strong throughout the period. On the equity and liabilities side, the company's total equity was €4.0m (2016: €4.4m). Loans reduced by €0.4m reflecting our commitment to pay down debt and trade payable increased by €1.3m.

Review of Cash flow

The Group recognised an operating cash outflow of €0.1m (2016: €0.7m). This is mainly composed of the period's net loss of €0.6m, depreciation of intangible and tangible fixed assets of €0.6m and movements in working capital of €0.5m. Cash flows from investing activities amounted to an outflow of €0.6m (2016: €0.5m) and is attributable to the purchase of tangible and intangible fixed assets of €0.8m (2016: €0.5m) offset by the first tranche of the proceeds of the share issue (€0.4m). Cash flow from financing activities amounted to an outflow €0.5m (2016: inflow €0.1m) due to repayment of bank loans.

The company's total cash outflow in the first six months of 2017 amounted to €1.4m (2016: €1.4m) resulting in a closing cash balance of €0.8m (2016: €1.0m).

Employees

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.

At 30 June 2017, the number of employees was 345 (31 December 2016: 302). The total is composed of 328 (2016: 284) employees working in the Testing Division and 16 (2016: 17) in the Publishing Division as well as one employee (2016: 1) at Catalis SE.

Forecast Report

Our corporate earnings are expected to further develop in the current environment to build upon the solid foundation established during the period. The Publishing Division continues to invest to provide a pipeline of new high quality titles for release in 2017 and beyond and it continues to benefit from its growing back catalogue. The Publishing Division's flexible contractor based model makes it ideally placed to take advantage of opportunities in the Division's developing fields of Augmented and Virtual Reality.

The Testing Division is reporting a promising pipeline of business from both new and existing customers in the second half of the year.

The Group is confident for 2017 and expects to achieve revenue growth in line with expectations.

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 2016. The report is available for download on our corporate website at www.catalisgroup.com in the investor relations / financial publications section.

Audit Statement

The interim financial report for the six months ended 30 June 2017, 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.

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 30 June 2017 give a true and fair view of the assets and 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 30 June 2017 and of the development and performance during the first six months of the fiscal year 2017 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.

LA Waalre, 3 August, 2017

The Board of Directors:

Dominic Wheatley

Executive / Chief Executive Officer

CATALIS SE
CONDENSED FINANCIAL STATEMENTS - UNAUDITED
CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDING 30 JUNE 2017

	YTD 2017 €000's	YTD 2016 €000's
REVENUES	9,871	9,561
Subcontracting materials	426	634
Personnel costs	6,003	6,449
Depreciation of fixed assets	647	574
General and administration	3,027	2,392
Total expenses	10,103	10,049
Operating loss	(232)	(488)
Interest expense	(182)	(180)
Other financial expense	(57)	(54)
Currency differences	(174)	(373)
Total financial expense	(413)	(607)
Loss before tax	(645)	(1,095)
Income tax	(2)	11
LOSS FOR THE PERIOD ATTRIBUTABLE TO CONTINUING OPERATIONS	(647)	(1,084)
PROFIT ATTRIBUTABLE TO DISCONTINUED OPERATIONS	-	4
LOSS FOR THE PERIOD	(647)	(1,080)
EPS (€) attributable to shareholders:		
Basic	(0.92)	(1.54)
Diluted	(0.92)	(1.54)
Adjusted EBIT*:	(232)	(116)
Non-recurring items:		
Reorganisation costs	-	(372)
Operating loss	(232)	(488)

* Adjusted EBIT is a non-GAAP measure. Adjusted EBIT is a company specific measure which excludes impairment of intangible fixed assets and goodwill plus expenses which are considered to be one off and non-recurring in nature.

CATALIS SE
CONDENSED FINANCIAL STATEMENTS - UNAUDITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	30 June 2017 €000's	31 Dec 2016 €000's
ASSETS		
Non-current assets		
Goodwill	4,547	4,547
Intangible assets	1,355	1,173
Property, plant and equipment	1,270	1,253
Other financial fixed assets	461	468
	<u>7,633</u>	<u>7,441</u>
Current assets		
Trade receivables	3,735	2,192
Tax and social security	127	291
Income tax	82	82
Other current assets	2,000	1,789
Cash and cash equivalents	778	2,174
	<u>6,722</u>	<u>6,528</u>
Total assets	<u>14,355</u>	<u>13,969</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	735	700
Share premium	20,343	20,028
Share based payments	757	757
Other reserve	145	145
Legal reserve	898	898
Cumulative translation differences	(3,642)	(3,630)
Accumulated deficit	(15,189)	(14,542)
Total equity	<u>4,047</u>	<u>4,356</u>
LIABILITIES		
Non-current liabilities		
Non-current loans	2,373	2,266
	<u>2,373</u>	<u>2,266</u>
Current liabilities		
Current loans	1,073	1,493
Trade and other payables	5,769	4,410
Deferred consideration	-	60
Taxes and social security	595	874
Income tax	66	66
Provisions	432	444
	<u>7,935</u>	<u>7,347</u>
Total equity and liabilities	<u>14,355</u>	<u>13,969</u>

CATALIS SE
CONDENSED FINANCIAL STATEMENTS - UNAUDITED
CONSOLIDATED CASHFLOW STATEMENT AS AT 30 JUNE 2017

	30 June 2017 €000's	30 June 2016 €000's
Cash flow from operating activities		
Loss after tax from continuing operations	(647)	(1,084)
<i>Adjustments to reconcile profit after tax to net cash provided by operating activities</i>		
Depreciation and amortisation	647	574
Interest expense	239	234
Income taxes	2	(11)
Gain on disposal of subsidiary undertakings	-	-
Translation differences	174	373
Decrease in other current assets	(1,710)	(185)
Increase/(decrease) in current liabilities	1,243	(646)
Cash used by operations	(52)	(745)
Interest paid	(132)	(136)
Income tax paid	(2)	54
Net cash used by operating activities	(186)	(827)
Cash flow from investing activities		
Additions of intangible assets	(609)	(186)
Purchase of property, plant and equipment, net	(245)	(303)
Issue of share capital	350	-
Payment of deferred consideration	(60)	-
Acquisition of subsidiary undertakings, net of cash	-	(476)
Disposal of subsidiary undertaking, net of cash	-	500
Net cash used in investing activities	(564)	(465)
Cash flow from financing activities		
Repayment of bank loans and overdrafts	(409)	134
Decrease in finance leases	(52)	(76)
Net cash (used in)/generated by financing activities	(461)	58
Net effect of currency translation	(185)	(202)
Net decrease in cash and cash equivalents	(1,396)	(1,436)
Cash and cash equivalents at beginning of year	2,174	2,445
Cash and cash equivalents at end of year	778	1,009

CATALIS SE
CONDENSED FINANCIAL STATEMENTS - UNAUDITED
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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