

CATALIS SE

Interim Financial Report

For the period ending 30 June 2015

Catalis SE

INTERIM FINANCIAL REPORT

Key Figures	3
Letter to shareholders	4
Management Report	5
Condensed Consolidated Interim Financial Statements	11
Additional Information	14

Key Figures

All financial data for the quarter ended 30 June 2015 (Q2) and the six months ended 30 June 2015 (HY) is presented in Euros (€) and comply with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Results in millions of EUR		Q2 2015	Q2 2014	HY 2015	HY 2014
Revenue*	Umsatz	4.372	5.638	9.144	10.614
Subcontracting & materials*	Fremdkosten & Materialkosten	155	243	451	775
Gross profit*	Rohertrag	4.217	5.395	8.693	9.839
Gross margin*	Rohertragsmarge	96.4%	95.7%	95.1%	92.7%
Operating loss*	Betriebsergebnis	(180)	(1.034)	(228)	(966)
EBIT*	EBIT	2,679	(1,034)	2,631	(966)
Adjusted operating (loss)/profit*	Ergebnis vor Sondereinflüssen	(151)	(37)	(167)	31
Profit/(loss) before tax*	Ergebnis vor Steuern	2.687	(1.212)	2.390	(1.272)
(Loss)/profit of discontinued operations	Ergebnis aus nicht mehr fortgeführten Unternehmensbereichen	(35)	126	200	401
Profit/(loss) for the period	Periodenergebnis	2.645	(1.103)	2.580	(888)
Operating cash flow	Operativer Cashflow	-	-	(228)	192

Share information - € - cents**

EPS (basic)	Ergebnis je Aktie (unverwässert)	40.4	(17.6)	39.4	(14.2)
EPS (diluted)	Ergebnis je Aktie (verwässert)	34.9	(15.1)	34.1	(12.1)

Ratios

Equity ratio ***	Solvabilität	-	-	51.5%	33.5%
------------------	--------------	---	---	-------	-------

* From continuing operations

** Earnings per share (EPS) is based upon the number of shares outstanding of 6,552,333 (2014 – 6,242,333)

*** Equity ratio is defined as Equity/total assets

Letter to shareholders

Q2 - 2015

To our shareholders

The Catalis Group delivered revenues of €4.37m (Q2 2014: €5.64m) during Q2, with an operating loss from continuing operations coming in at €0.15m (Q2 2014: loss of €0.04m). Correspondingly, the half-year revenues were €9.14m (H1 2014: € 10.61m) and the operating loss from continuing operations was €0.17m (H1 2014: profit of €0.03m).

These results are softer than we would have hoped. Kuju in particular has been trading in the context of a difficult market. The second-half of the year is historically a stronger period for the group. We have taken decisive action to move the UK operation to lower-cost premises (which will take effect in Q3), and we are using the proceeds of the sale of Testronic Laboratories Belgium NV to make investment in our operating capabilities by upgrading our equipment and systems to benefit the long-term growth of the business whilst also reviewing other strategic investment opportunities that may include acquisitions or business combinations.

Trading and outlook of Kuju Entertainment and Testronic Laboratories

Financially, Kuju Entertainment – our video games development business – contributed revenues of €2.32m (H1 2014: €3.75m), with an EBIT of €0.16m (H1 2014: profit of €0.19m) to the group over the first six months of the year. Whilst revenues and EBIT are light, the business is operating sustainably. The studios are actively engaged on a number of work-for-hire contracts, which will continue into the coming quarters.

Testronic Laboratories – our quality assurance business – delivered a steady performance over the first half year, with revenues of €6.83m (H1 2014: €6.82m) and an EBIT of €0.42m (H1 2014: €0.13m). The Testronic business has historically been seasonal, with peak demand being felt over Q3 and Q4. We anticipate a similar trend this year.

Corporate developments

As I mentioned in my previous Letter to Shareholders, the Group completed the sale of Testronic Laboratories Belgium NV for a total consideration of €8.17m on 30 April 2015. The group realised a profit of €2.86m on its disposal. The impact of this sale is shown in the financial sections of this report. The disposal, whilst strategically sound, will affect the short term revenues and profits of the Group whilst we seek to replace them with new business.

I also previously announced the Board's decision to withdraw Catalis from its listing from the General Standard in Frankfurt in order to realize significant and material cost savings for the Group. On 28th January 2015, the Frankfurt Stock Exchange approved the withdrawal. Catalis SE's shares will continue to be listed on the General Standard until 27th July 2015 according to the Stock Exchange regulations. Thereafter, the shares will be listed in the Open Market. Also, we have completed a reverse stock split, details of which have been announced.

Yours sincerely

Dominic Wheatley

Chief Executive Officer

Amsterdam, 23 July, 2015

Management Report

Catalis SE yearly 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 2015 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 2014.



Our businesses	<p>Kuju Entertainment has been creating top-rated games for over 15 years</p>	<p>Testronic Laboratories is a leading provider of quality assurance, localisation services, compliance, and certification</p>
Our operations	<p>Kuju currently operates two award-winning video game development studios in the UK: Headstrong Games (London) and Zoë Mode (Brighton)</p>	<p>Operating from three global locations, providing a broad spectrum of quality assurance services to the Video Games, Film and TV industries</p>
Our reputation	<p>Kuju is renowned for developing high value franchises, such as international bestsellers <i>Art Academy</i>, <i>Zumba Fitness</i>, and <i>SingIt!</i> Since our foundation in 1998, we have released over 120 games, generating estimated retail revenues in excess of \$750 million</p>	<p>Testronic Laboratories is a pioneer company in the quality assurance sector, having provided testing services to the media industry for over 15 years. Over the past 2 years the group has experienced double digit revenue growth.</p>
Revenues* ¹	€2.312	€6.832m
Contribution to Group Revenues	25% (2014: €3.745m)	75% (2014: €6.816m)
Adjusted operating profit** ¹	€0.163m (2014: €0.187m)	€0.424m (2014: €0.131m)

¹ From continuing operations

* Revenue for the six months to 30 June 2015 (30 June 2014)

**Corporate operating profit: -€0.754m, resulting in Group operating profit of- €0.167, before non-recurring items.

Testronic Laboratories

Testronic Laboratories generated revenue from continuing operations of €6.8m, €16k better than the same period last year and EBIT before non-recurring costs €293k higher at €0.4m compared to €131k in 2014. On 30 April 2015 the Group announced the sale of Testronic Belgium for total consideration of €8.174m and realised a profit on the disposal of €2.859m. The Group expects future costs savings to positively impact the profitability of the business in the coming year as the lower cost base in Poland continues to be leveraged to service both new and existing clients in the games business.

Kuju Entertainment Limited

Kuju continues to face soft trading conditions and delivered a satisfactory performance in the first half of the year. The studios recorded revenues of €2.312m (2014: €3.745m). Kuju recorded EBIT of €0.163m (2014: €0.187m). Kuju has been impacted by a slow software market throughout 2014 and into 2015. Consumer spending was predominantly on new console hardware (such as the Xbox One and PlayStation 4), as opposed to buying new games. This trend has limited the royalty revenues from Kuju's recent releases. The games software market is expected to rebound over the course of 2015, and an uplift in the market should benefit Kuju in the future.

Corporate

On 30 April 2015 the board of directors announced the sale of Testronic Laboratories Belgium NV for a total consideration of €8.174m. €1m of the gross proceeds are being held for an agreed period in escrow in support of specific representations and warranties. The sale was agreed on a cash free, debt free basis. The board of directors approved the disposal as Testronic Laboratories Belgium NV operates in a very specific testing market and has limited interaction with the Group's other business lines.

€3m of the proceeds has been used to reduce the working capital facility with KBC Bank. The remaining cash will be invested in new business around the company's defined core business of providing services to media companies in particular around the games industry.

Segmental information

	Testing	Games	Corporate (non- operating)	Total	
	€000's	€000's	€000's	€000's	
Period ending 30 June 2015					
Revenue*	6,832	2,312	-	9,144	
Adjusted operating profit/(loss)*	424	163	(754)	(167)	
Operating profit/(loss) %	6.2%	7.1%	-	(1.8%)	
	Testing	Games	Corporate (non- operating)	Downloadable self-published games	Total
	€000's	€000's	€000's	€000's	€000's
Period ending 30 June 2014					
Revenue*	6,816	3,745	-	53	10,614
Adjusted operating profit(loss)*	131	187	(314)	27	31
Operating profit/(loss) %	1.9%	5.0%	-	-	0.3%

*Revenue and Adjusted operating profit are stated for continuing operations (excluding the results of Testronic Belgium) and before non-recurring items.

Review of Earnings

In the six months ended 30 June 2015 (2014: six months ended 30 June 2014), total revenue on continuing operations of the Group amounted to €9.1m (2014: €10.6m). Total expenses amounted to €9.4m (2014: €11.6m), resulting in an operating loss €0.2m (2014: loss of €0.966m). The disposal of the Testronic Belgium business resulted in a profit of €2.9m and non-recurring costs related to reorganisation costs amounted to €0.06m (2014: €0.997m). After accounting for financial expenses of €0.241m (2014: €0.306m), the company's pre-tax result amounted to €2.39m (2014: loss of €1.272m). Results attributable to discontinued operations were €0.2m (2014: €0.4m) resulting in earnings per share of € Cent 39.4 (2014: € Cent -14.2) at the half year.

Testronic Laboratories

Revenue for the half year was €6.8m, the same as last year but the continued leverage of the low cost Poland operation resulted in operating profits that were €0.293m higher than 2014 at €0.424m. This is stated before reorganisation costs of €0.061m.

Kuju Entertainment

Revenue for the half year was €1.4m lower than last year and operating profit was €0.024m lower than last year due to tighter cost control at €0.163m (2014: €0.187).

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 of 30 June, 2015, total assets of Catalis Group amounted to €21.4m representing a decrease of €3.1m from €24.5m at December 31, 2014. This was largely due to the disposal of the assets of Testronic Belgium NV and the goodwill associated with the business.

Current assets decreased slightly from €7.465m at the end of 2014 to €7.452m at the end of June 2015 with a reduction in trade receivables offset by the recognition of €1.0m of deferred consideration related to the disposal of Testronic Belgium and increased cash balance resulting from the disposal.

Our financing and liquidity position remained strong throughout the period. On the equity and liabilities side, the company's total equity was €11.0m (2014: €8.4m).

Bank loans and overdrafts reduced by €3.4m in the first six months as the working capital facility with KBC bank was settled after the disposal of Testronic Belgium and cash at bank was €1.4m higher than December 2014. Trade and other payables were also lower as result of the disposal.

Review of Cash flow

The Group recognised an operating cash inflow of €0.068m (2014: inflow of €0.441m). This is mainly composed of the period's net loss excluding the sale of Belgium (€0.3m), depreciation of tangible fixed assets (€0.259m) and movements in working capital of €0.163m.

Cash flows from investing activities amounted to €5.935m (2014: outflow €0.234m) and is attributable to the purchase of tangible and intangible fixed assets of €0.171m (2014: €0.234m) offset by the cash proceeds (net of disposal costs) relating to the sale of Belgium (€6.1m). Cash flow from financing activities amounted to an outflow €3.4m (2014: inflow €0.817m) mainly driven by the redemption of the overdrafts and repayment of the long-term loans.

The company's total cash inflow in the first six months of 2015 amounted to €1.4m (2014: inflow of €0.158m) resulting in a closing cash balance of €2.7m (2014: €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.

As of June 30, 2015, there were 371 (31.12.2014: 514) permanent employees working for Catalis Group. The total is composed of 342 (2014: 479) employees working at Testronic and 28 (2014: 34) at Kuju as well as one employee (2014: 1) at Catalis SE.

Forecast Report

Following the disposal of Testronic Belgium NV the group expects that the results of the continuing operations of the Group for the current financial year will be broadly in line with the prior year.

Directors Holdings

As of June 30, 2015, the following number of shares and options are held by the directors of the company:

Shareholder*	No. of Shares	Options	Function
Dominic Wheatley	227,510	550,000	Executive Director/CEO
Brett Morris	-	200,000	Executive Director/CFO
Peter Biewald	22,643	-	Non-Executive Director
Nick Winks	10,000	-	Non-Executive Director
Tom Chaloner	-	-	Non-Executive Director
Nigel Hammond	-	-	Non-Executive Director

As at 31 December 2014, Leo Capital 1 LLP held 1,574,527 and 800,000 options and a convertible loan note carrying 1,000,000 options. Nigel Hammond and Tom Chaloner are partners of Vespa Capital (UK) Limited, Leo Capital 1 LLP's parent company.

**All shareholdings are under the control of the shareholder unless specified otherwise*

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 2014. 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 30th June 2015, 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 2015 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 2015 and of the development and performance during the first three months of the fiscal year 2015 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.

Amsterdam, July 23, 2015

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 2015

	Q2 2015 €000's	Q2 2014 €000's	YTD Q2 2015 €000's	YTD Q2 2014 €000's
TOTAL REVENUES	4,372	5,638	9,144	10,614
Subcontracting materials	155	243	451	775
Personnel costs	3,426	4,138	6,718	7,367
Depreciation of fixed assets	134	153	259	305
General and administration	837	2,138	1,944	3,133
Total expenses	4,552	6,672	9,372	11,580
Operating profit/(loss)	(180)	(1,034)	(228)	(966)
Adjusted operating profit/(loss):	(151)	(37)	(167)	31
Non-recurring items:				
Reorganisation costs	(29)	(997)	(61)	(997)
Operating loss	(180)	(1,034)	(228)	(966)
Profit on disposal of subsidiary	2,859	-	2,859	-
Interest expense	(91)	(217)	(298)	(345)
Other financial expense	(30)	-	(100)	-
Currency differences	129	39	157	39
Total financial income/(expense)	8	(178)	(241)	(306)
Profit/(loss) before tax	2,687	(1,212)	2,390	(1,272)
Income tax	(7)	(17)	(10)	(17)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO CONTINUING OPERATIONS	2,680	(1,229)	2,380	(1,289)
(LOSS)/PROFIT ATTRIBUTABLE TO DISCONTINUED OPERATIONS	(35)	126	200	401
PROFIT/(LOSS) FOR THE PERIOD	2,645	(1,103)	2,580	(888)
EPS (€ - cents) attributable to shareholders:				
Basic	40.4	(17.6)	39.4	(14.2)
Diluted	34.9	(15.1)	34.1	(12.1)

CATALIS SE
CONDENSED FINANCIAL STATEMENTS - UNAUDITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	30 June 2015 €000's	31 Dec 2014 €000's
ASSETS		
Non-current assets		
Goodwill	12,452	15,058
Intangible assets	423	366
Property, plant and equipment	901	1,440
Deferred tax assets	212	212
	<u>13,988</u>	<u>17,076</u>
Current assets		
Trade receivables	2,417	4,527
Tax and social security	-	57
Income tax	71	71
Other current assets	2,224	1,474
Cash and cash equivalents	2,740	1,336
	<u>7,452</u>	<u>7,465</u>
Total assets	<u>21,440</u>	<u>24,541</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	656	656
Share premium	19,623	19,623
Share based payments	737	737
Other reserve	145	145
Cumulative translation differences	(3,577)	(3,679)
Accumulated deficit	(6,537)	(9,117)
Total equity	<u>11,047</u>	<u>8,365</u>
LIABILITIES		
Non-current liabilities		
Non-current loans	3,904	2,259
Deferred tax liabilities	212	212
	<u>4,116</u>	<u>2,471</u>
Current liabilities		
Current loans	900	2,950
Bank overdraft	-	2,988
Trade and other payables	4,916	5,981
Taxes and social security	375	1,704
Income tax	41	41
Provisions	45	41
	<u>6,277</u>	<u>13,705</u>
Total equity and liabilities	<u>21,440</u>	<u>24,541</u>

CATALIS SE
CONDENSED FINANCIAL STATEMENTS - UNAUDITED
CONSOLIDATED CASHFLOW STATEMENT AS AT 30 JUNE 2015

	30 Jun 2015 €000's	30 Jun 2014 €000's
Profit after tax	2,580	(888)
Adjustments to reconcile profit after tax to net cash provided by operating activities:		
Depreciation, amortisation and impairment	259	377
Currency differences	(157)	-
Share based payments	-	24
Interest expense	398	-
Income taxes	10	-
Profit on disposal of subsidiary	(2,859)	-
Decrease/(increase) in other current assets	413	788
(Decrease)/increase in current liabilities	(576)	140
Cash generated from operations	68	441
Interest paid	(286)	(267)
Income tax paid	(10)	18
Net cash (used)/generated from operating activities	(228)	192
Cash flow from investing activities		
Disposal of subsidiaries net of disposal costs	6,106	-
Additions of intangible assets	(57)	(83)
Purchase of property, plant and equipment, net	(114)	(151)
Net cash generated /(used) in investing activities	5,935	(234)
Cash flow from financing activities		
Decrease of short term loans and overdrafts	(2,946)	-
(Decrease)/Increase of long term loans	(450)	830
Decrease in finance leases	(9)	(13)
Net cash (used)/generated by financing activities	(3,405)	817
Net effect of currency translation in cash and cash equivalents	(898)	(617)
Net increase in cash and cash equivalents	1,404	158
Cash and cash equivalents at beginning of year	1,336	864
Cash and cash equivalents at end of year	2,740	1,022

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

Issuer:
Catalis SE
Laan van Diepenvoorde 3
5582 LA Waalre
Netherlands
t: +31 (0) 40 213 59 30
f: +31 (0) 40 213 56 04