# **CATALIS SE**

# **Interim Financial Report**

For the period ending 31 March 2015

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# CATALIS SE OVERVIEW

# **Key Figures**

All financial data for the quarter ended 31 March 2015 is presented in Euros (€) and comply with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

|   |                                      | 31 Mar          | 31 Mar         |
|---|--------------------------------------|-----------------|----------------|
| Results in millions of EUR                    |                                      | 2015            | 2014           |
| Revenue from continuing operations (A)        | Umsatz (A)                           | 6.689           | 6.697          |
| Subcontracting &                              | Fremdkosten &                        |                 |                |
| Cost of materials                             | Materialkosten (B)                   | 0.734           | 0.762          |
| Gross profit                                  | Rohertrag (A − B)                    | 5.955           | 5.935          |
| Gross margin                                  | Rohertragsmarge                      | 89.0%           | 88.6%          |
| Operating profit - EBIT                       | EBIT                                 | 0.069           | 0.343          |
| Profit before tax                             | Ergebnis vor Steuern                 | 0.863           | 0.215          |
| Profit for the year                           | Periodenergebnis                     | 0.860           | 0.215          |
| Operating cash (outflow)/inflow               | Operativer Cashflow                  | (0.199)         | 0.490          |
|   |                                      |                 |                |
| Balance Sheet in millions of EUR Total assets | Aktiva Gesamt                        | 25.257          | 24.047         |
|   |                                      |                 |                |
| Non-current assets                            | Anlagevermögen                       | 17.990<br>7.267 | 17.073         |
| Current assets                                | Umlaufvermögen                       | 9.225           | 6.974<br>9.144 |
| Equity  | Eigenkapital                         |                 |                |
| Current liabilities                           | Kurzfristige Verbindlichkeiten       | 13.406          | 10.587         |
| Non-current liabilities                       | Langfristige Verbindlichkeiten       | 2.626           | 4.316          |
| Share information                             |                                      |                 |                |
| Weighted average number of shares             | Anzahl an ausgegebenen Aktien im     |                 |                |
| (basic)                                       | Jahresdurchschnitt                   | 6,294,141       | 6,242,333      |
| Earnings per share (basic) - € cents          | Ergebnis je Aktie (unverwässert)     | 13.7            | 3.4            |
| Earnings per share (diluted) - € cents        | Ergebnis je Aktie (verwässert)       | 11.4            | 2.4            |
|   |                                      |                 |                |
| Employees                                     |                                      |                 |                |
| Number of Employees                           | Mitarbeiteranzahl                    | 502             | 367            |
| Ratios  |                                      |                 |                |
| EBIT as % of revenue                          | EBIT* in % vom Umsatz                | 1.0%            | 5.1%           |
| EBIT as % of total assets                     | EBIT* in % von der Aktiva            | 0.3%            | 1.4%           |
| Equity Ratio (Equity / Total Assets)          | Solvabilität (Eigenkapital / Aktiva) | 36.5%           | 37.9%          |
|   |                                      |                 |                |

#### Letter to shareholders - Q1 2015

#### To our shareholders

The Catalis Group delivered a performance comparable to that of the previous year. The group delivered revenues of € 6.69 m (Q1 2014: € 6.70 m) and a profit after tax of € 0.86 m (Q1 2014: € 0.22 m). The first quarter is often the softest period of trading for the group but we also found that certain areas of our business experienced weaker client demand than expected.

#### Trading and outlook of Kuju Entertainment and Testronic Laboratories

Kuju Entertainment – our video games development business, in the context of difficult trading conditions, recorded revenues of € 1.09 m (Q1 2014: € 1.88 m), and recorded a small loss, with an EBIT of -€ 0.02 m (Q1 2014: profit of € 0.13 m). Looking ahead to the full-year, Kuju remains positive on the industry outlook. The market for next-generation consoles has started to mature – an estimated 33 million next-generation consoles have now been sold worldwide – and Kuju remains in position to benefit from the demand for new content.

Testronic Laboratories – our quality assurance business – delivered a steady performance over the first quarter, with revenues of € 5.60 m (Q1 2014: € 4.74 m) and an EBIT of € 0.40 m (Q1 2014: € 0.47 m). This revenue growth is a trend the business expects to continue over the course of the year.

#### **Corporate developments**

At a corporate level, the Group disposed of Testronic Laboratories Belgium NV on 30 April 2015. The decision to sell Testronic Laboratories Belgium NV was borne out of a previously announced strategic review, conducted in late 2014, which concluded that the specialized testing business in Belgium had little interaction or business overlap with the wider Catalis SE Group. € 1 m of the gross proceeds will be held for a period in escrow in support of specific representations and warranties; € 3 m of the proceeds from the transaction will be used to repay the working capital facility with KBC Bank; and the remaining proceeds from the transaction will be invested in the core operations of the Group. The disposal of Testronic Laboratories Belgium NV will be accounted for in the second quarter of 2015 and reported upon in Interim Report for the six months to 30<sup>th</sup> June 2015.

From the same strategic review, the board also concluded it should withdraw its listing from the General Standard in Frankfurt in order to realize significant and material cost savings for the Group. On 28<sup>th</sup> January 2015, the Frankfurt Stock Exchange approved the withdrawal. Catalis SE's shares will continue to be listed on the General Standard until 27<sup>th</sup> July 2015 according to the Stock Exchange regulations. Thereafter, the shares will be listed on the Open Market.

Yours sincerely

**Dominic Wheatley** Chief Executive Officer Eindhoven, 19 May, 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 three months ending 31st March 31 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.

|   | KUJU  | Testronic   |
|---|---|---|
| Our businesses                          | Kuju Entertainment  Kuju Entertainment has been creating top-rated games for over 15 years  | Testronic Laboratories Testronic Laboratories is a leading provider of quality assurance, localisation services, compliance, and certification  |
| Our operations                          | Kuju currently operates two<br>award-winning video game<br>development studios in the UK:<br>Headstrong Games (London)<br>and Zoë Mode (Brighton)   | Operating from four global locations, Testronic Laboratories provides a broad spectrum of quality assurance services to the Video Games, Film, TV, Software and Hardware industries   |
| Our reputation                          | Kuju is renowned for developing high value franchises, such as international bestsellers  Art Academy, Zumba Fitness, and Singlt! Since our foundation in 1998, we have released over 120 games, generating estimated retail revenues in excess of \$ 750 million | 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. |
| Revenues Contribution to Group Revenues | € 1.086m<br>16% (2014: € 1.880m)  | € 5.603m<br>84% (2014: €4.740m)   |
| EBIT*                                   | -€ 0.017m<br>(2014: € 0.133m)   | € 0.400m<br>(2014: € 0.466m)  |

<sup>\*</sup>Corporate EBIT: -€ 0.314m, resulting in Group EBIT of €0.069.

#### **Testronic Laboratories**

Testronic Laboratories generated revenue of €5.6m, €0.9m better than the same period last year although EBIT was €0.066m lower at €0.4m compared to €0.466m in Q1 2014. 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 is 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 quarter. The studios recorded revenues of € 1.086m (Q1 2014: € 1.880m). The EBIT of the business line was weakened by prevailing market conditions and Kuju recorded an EBIT of -€ 0.017m (2014: profit of €0.133m). Financially, Kuju has been impacted by a slow software market throughout 2014 and into the early part of 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 -subsequent event**

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 will be held for an agreed period in escrow in support of specific representations and warranties. During the quarter ended 31 March 2015, Testronic Laboratories Belgium NV generated revenues of €1.917m and an operating profit before non-recurring cost of €0.085m. 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. The disposal of Testronic Laboratories Belgium NV will be accounted for in the second quarter of 2015 and reported upon in Interim Report for the six months to 30<sup>th</sup> June 2015.

€3m of the proceeds will be 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   |                 |
|--------------------------------------|-------------------|-----------------|--|---|-----------------|
| Period ending 31 March 2015          | €000's            | €000′s          | €000's                                 | €000′s  |                 |
| Revenue from external customers      | 5,603             | 1,086           | -                                      | 6,689   |                 |
| EBIT                                 | 400               | (17)            | (314)                                  | 69  |                 |
| EBIT %                               | 7.1%              | (1.6%)          | -                                      | 1.0%  |                 |
|                                      |                   |                 |  |   |                 |
|                                      | Tosting           | Gamas           | Cornorato                              | Downloadable self                               |                 |
|                                      | Testing<br>€000's | Games<br>€000's | Corporate<br>(non-operating)<br>€000's | Downloadable self-<br>published games<br>€000's | Total<br>€000's |
| Revenue from external customers      | · ·               |                 | (non-operating)                        | published games                                 |                 |
| Revenue from external customers EBIT | €000′s            | €000′s          | (non-operating)<br>€000's              | published games<br>€000's                       | €000's          |

#### **Review of Earnings**

In the first quarter of 2015, total revenues of Catalis Group amounted to € 6.7m (2014: € 6.7m). Total expenses amounted to €6.6m, resulting in an EBIT of €0.069m (2014: €0.3m). After accounting for financial income of €0.8m, the company's pre-tax result amounted to € 0.9m. Exchange gains of €0.9m were recognised as a result of the retranslation of goodwill denominated in sterling and net income for the period amounted to € 0.9m (2014: € 0.2m). This equals earnings per share of € Cent 13.7 (2014: € Cent 3.4)

#### Testronic Laboratories

Testronic has seen revenues for the first quarter of 2015 grow by 18% to €5.6m. Testronic generated an EBIT after non-recurring costs of €0.4m (2014: € 0.5m).

#### Kuju Entertainment

In the first quarter of 2015, Kuju generated revenues of €1.1m (2014: €1.8m), representing a decrease of 42%. EBIT for the period showed a loss and amounted to €0.017m (2014: profit of € 0.1m).

#### **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 March 31, 2015, total assets of Catalis Group amounted to € 25.3m representing an increase of €0.2m from € 24.5m at December 31, 2014.

The company's non-current assets were increased to €18.0m (31.12.2014: € 17.1m), attributable to the retranslation of sterling dominated goodwill balances. Current assets decreased slightly from € 7.5m at the end of 2014 to € 7.3m at the end of March 2015. This is mainly due to reduced trade receivables (€4.2m vs. €4.5m).

Our financing and liquidity position remained strong throughout the period. On the equity and liabilities side, the company's total equity was €9.2m (31.12.2014: €8.4m). This equals € Cent 13.4 per share (2014: € Cent 3.4), based on the number of shares outstanding of 6,294,141 (2014: 6,242,333).

Long term liabilities increased to €2.6m from €2.5m in 2014, attributable to the movement in interest on the long-term loans. Current liabilities decreased from €13.7 to € 13.4m mainly driven by a reduction in the tax and social security balances, off set by an increase in the bank overdraft.

#### **Review of Cash flow**

The Group recognised an operating cash outflow of €0.2m (2014: inflow of €0.5m). This is mainly composed of the period's net income (€0.9m) and the depreciation of tangible fixed assets / amortisation of intangible assets (€ 0.16m) and non cash currency translation gains of €1.1m.

The Cash outflow from investing activities amounted to €0.11m (2014: €0.374m) and is attributable to the purchase of property, plant & equipment. Cash flow from financing activities amounted to an inflow €0.3m (2014: outflow €0.600m) mainly driven by the redemption of long-term loans and an increase in the bank overdraft.

The company's total cash inflow in the first three months of 2015 amounted to €0.056m (2014: outflow of €0.345m) resulting in a closing cash balance of €1.389m

#### **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 March 31, 2015, there were 502 (31.12.2014: 514) permanent employees working for Catalis Group. The total is composed of 465 (2014: 479) employees working at Testronic and 36 (2014: 34) at Kuju as well as one employee (2014: 1) at Catalis SE.

#### **Forecast Report**

The Group remains confident for 2015 and expects to achieve revenue growth in the region of 10% compared to the prior year and to achieve an operating profit margin in the region of 10% compared to 6% in the prior year to be achieved by continued focus on cost efficiencies and taking advantage of the expected growth in the games market worldwide that the Group is well placed to take advantage of.

#### **Directors Holdings**

As of March 31, 2015, the following number of shares and options is 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    | 30,000        | -       | 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 shares 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.

#### **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 <a href="https://www.catalisgroup.com">www.catalisgroup.com</a> in the investor relations / financial publications section.

<sup>\*</sup>All shareholdings are under the control of the shareholder unless specified otherwise

#### **Audit Statement**

The interim financial report for the three months ended 31st March 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 31 March 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 31 March 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.

Eindhoven, May 19, 2015

The Board of Directors:

Dominic Wheatley
Executive / Chief Executive Officer

# CATALIS SE CONDENSED FINANCIAL STATEMENTS - UNAUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED 31 MARCH 2015

|  | 31 Mar | 31 Mar |
|--|--------|--------|
|  | 2015   | 2014   |
|  | €000's | €000's |
| TOTAL REVENUES   | 6,689  | 6,697  |
| Subcontracting and cost of materials                           | 734    | 762    |
| Personnel costs  | 4,544  | 4,369  |
| Depreciation of fixed assets                                   | 162    | 188    |
| General and administration                                     |        |        |
|  | 1,180  | 1,035  |
| Total expenses   | 6,620  | 6,354  |
| Operating profit   | 69     | 343    |
| Interest expense   | (207)  | (128)  |
| Other financial expense  | (70)   | -      |
| Currency differences   | 1,071  | -      |
| Total financial income/(expense)                               | 794    | (128)  |
| Profit/(loss) before tax                                       | 863    | 215    |
| Income tax   | (3)    | -      |
| PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS               | 860    | 215    |
| Earnings per share (in EUR cents) attributable to shareholders |        |        |
| Basic  | 13.7   | 3.4    |
| Diluted  | 11.4   | 2.4    |
|  |        |        |

# CATALIS SE CONDENSED FINANCIAL STATEMENTS - UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

|                                    | 31 Mar<br>2015                        | 31 Dec<br>2014 |
|------------------------------------|---------------------------------------|----------------|
| ASSETS                             | 2013                                  | 2014           |
| Non-current assets                 |                                       |                |
| Goodwill                           | 16,015                                | 15,058         |
| Intangible assets                  | 430                                   | 366            |
| Property, plant and equipment      | 1,333                                 | 1,440          |
| Deferred tax assets                | 212                                   | 212            |
|                                    | 17,990                                | 17,076         |
| Current assets                     | · · · · · · · · · · · · · · · · · · · |                |
| Trade receivables                  | 4,234                                 | 4,527          |
| Tax and social security            | -                                     | 57             |
| Income tax                         | 71                                    | 71             |
| Other current assets               | 1,573                                 | 1,474          |
| Cash and cash equivalents          | 1,389                                 | 1,336          |
|                                    | 7,267                                 | 7,465          |
| Total assets                       | 25,257                                | 24,541         |
|                                    |                                       |                |
| EQUITY AND LIABILITIES             |                                       |                |
| EQUITY                             |                                       |                |
| Share capital                      | 656                                   | 656            |
| Share premium                      | 19,623                                | 19,623         |
| Share based payments               | 737                                   | 737            |
| Other reserve                      | 145                                   | 737            |
| Cumulative translation differences | (3,679)                               | (3,679)        |
| Accumulated deficit                | (3,073)                               | (3,073)        |
| Accountance deficit                | (8,257)                               | (9,097)        |
| Total equity                       | 9,225                                 | 8,240          |
| LIABILITIES                        |                                       |                |
| Non-current liabilities            |                                       |                |
| Non-current loans                  | 2,414                                 | 2,384          |
| Deferred tax liabilities           | 212                                   | 212            |
| Deferred tax habilities            | 2,626                                 | 2,596          |
| Current liabilities                | _,0_0                                 | _,550          |
| Current loans                      | 2,625                                 | 2,950          |
| Bank overdraft                     | 3,538                                 | 2,988          |
| Trade and other payables           | 5,919                                 | 5,981          |
| Taxes and social security          | 1,240                                 | 1,704          |
| Income tax                         | 41                                    | 41             |
| Provisions                         | 43                                    | 41             |
|                                    | 13,406                                | 13,705         |
| Total equity and liabilities       | 25,257                                | 24,541         |
| • •                                |                                       |                |

# CATALIS SE CONDENSED FINANCIAL STATEMENTS - UNAUDITED CONSOLIDATED CASHFLOW STATEMENT AS AT 31 MARCH 2015

|   | 31 Mar  | 31 Mar |
|---|---------|--------|
|   | 2015    | 2014   |
|   | €000′s  | €000′s |
| Cash flow from operating activities   |         |        |
| Profit after tax  | 860     | 215    |
| Adjustments to reconcile profit after tax to net cash provided by operating activities: |         |        |
| Depreciation, amortisation and impairment   | 162     | 188    |
| Currency differences  | (1,071) | -      |
| Interest expense  | 277     | 128    |
| Income taxes  | 3       | -      |
| Decrease/(increase) in other current assets   | 320     | (123)  |
| (Decrease)/increase in current liabilities  | (583)   | 170    |
| Cash generated from operations  | (32)    | 578    |
| Interest paid   | (167)   | (88)   |
| Net cash generated from operating activities  | (199)   | 490    |
| Cash flow from investing activities   |         |        |
| Additions of intangible assets  | -       | (93)   |
| Purchase of property, plant and equipment, net  | (119)   | (281)  |
| Net cash used in investing activities   | (119)   | (374)  |
| Cash flow from financing activities   |         |        |
| Increase/(decrease) of short term loans and overdrafts                                  | 264     | -      |
| Decrease of long term loans   | -       | (600)  |
| Decrease in finance leases  | (4)     |        |
| Net cash funded / used in financing activities  | 260     | (600)  |
| Net effect of currency translation in cash and cash equivalents                         | 111     | 139    |
| Net increase/(decrease) in cash and cash equivalents                                    | 53      | (345)  |
| Cash and cash equivalents at beginning of year  | 1,336   | 864    |
| Cash and cash equivalents at end of year  | 1,389   | 519    |

# CATALIS SE CONDENSED FINANCIAL STATEMENTS - UNAUDITED ADDTIONAL 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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