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Interim Financial Report for the 2nd Quarter and 1st half of 2010

For the period from January 1, 2010 to June 30, 2010

Contents

Key Figures (unaudited)

€k	Q2 2010	Q2 2009	HY 2010	HY 2009
Revenues (A)	5,589	8,315	11,987	17,051
Subcontracting and Cost of Materials (B)	524	977	1,132	2,045
Gross Profit (A – B)	5,065	7,338	10,855	15,006
Gross Margin	90.6%	88.3%	90.6%	88.0%
Operating Income (EBIT)	(896)	(104)	(1,896)	726
Non-recurring Costs	544	902	544	1,425
EBIT after Non-recurring Costs	(1,440)	(1,006)	(2,440)	(699)
Operating Margin	n. a.	n. a.	n. a.	n. a.
Income Before Tax (EBT)	(1,540)	(1,136)	(2,640)	(959)
Profit Margin	n. a.	n. a.	n. a.	n. a.
Net Income	(1,540)	(1,011)	(2,640)	(834)
Net Income Margin	n. a.	n. a.	n. a.	n. a.
Operating Cash Flow	(589)	(1,098)	(1,552)	(1,198)
Number of Shares Outstanding	37,878,999	37,878,999	37,878,999	37,878,999
Earnings per Share (basic)	(0.04)	(0.03)	(0.07)	(0.02)
Earnings per Share (diluted)	(0.04)	(0.03)	(0.07)	(0.02)
Solvability (Equity / Total Assets)	44.8%	45.1%	44.8%	45.1%

To Our Shareholders

To Our Shareholders

Launch of Doublesix as New Division for Catalis

As previously reported, Kuju was one of the very first international development groups to spot the potential of downloadable, self-published games (DSP games). Whilst market estimates vary, the games software market in 2010 is approximately $ 35 billion world-wide, of which 72% is retail (meaning boxed product bought in stores), 26% is online games (including massive multiplayer games and mobile) and approximately 2% (less than $ 1 billion) are DSP games. However, the DSP sector is forecast to experience extremely rapid growth reaching some $ 10 billion by 2013. In contrast, the retail sector is forecast to decline by 25% to 2013. Kuju's response was to set up Doublesix, a dedicated studio to address the DSP market segment, in 2007.

Since its establishment, Doublesix has become a leader in the development and digital distribution of games across all the main downloadable platforms such as Xbox Live Arcade, PlayStation Network and PC distribution platforms such as Steam. An early example was the very successful production and self-publication of Burn Zombie Burn which was released on the PlayStation Network in March 2009.

In doing so Doublesix gained invaluable experience in how to fund, develop, publish and launch downloadable games. Doublesix now has considerable expertise in co-operating closely with the platform holders and in positioning and marketing such game offerings direct to consumers across the full life cycle of the game. Doublesix has therefore become a centre of excellence and is responsible for all such activities in the wider Catalis Group.

DSP games have the advantage of allowing developers to develop, sell and retain their own IP, as well as having better margins due to the shortened distribution chain. Since DSP games are cheaper to produce than boxed product (typically € 500-800k as opposed to € 15+m) they can be sold at price points of around € 8-15 (rather than a boxed product at € 60+). This is driving the rapid expansion of the DSP market as a much wider demographic is attracted into purchasing video games for the first time.

In order to emphasise the importance of the self-published games segment for the future strategy, Doublesix has been established as a new business division in Catalis and therefore now sits alongside sister divisions Kuju and Testronic. Nigel Robbins will drive Doublesix's development as a world class leader in its field with the provision of additional studio resources. Doublesix currently has a number of games in development based on a range of new and established IP and due for publication by Doublesix in the near future. Robbins will also continue to lead Kuju's growth strategy.

Second Quarter and First Half Results

Current trading in both Testronic and Kuju is profitable and Catalis Management expects both divisions to be profitable over the second half of 2010. However, the first half of the fiscal year 2010 was challenging. The first two quarters have historically always been relatively weak and though the general economic environment has developed more positively, customers demand for outsourcing services in some of our most important markets was still affected by the uncertain future development of consumer spending on home entertainment products. Against this background, our results in the first half year 2010 remained significantly below expectations.

In the first six months of the fiscal year 2010, revenues of Catalis Group were down 29.8% from € 17.1m in 2009 to € 12.0m. In light of a still difficult industry environment, both Testronic and Kuju experienced a slowdown of their businesses and respective revenues although the majority of the underperformance was in Kuju. The EBIT (operating profit) before non-recurring costs, decreased from € 0.7m to € -1.9m, due to reduced revenues. The non-recurring costs amounted to € 0.5m and were attributable to structural and organisational adjustments at Kuju. EBIT after these costs was € -2.4m (2009: € -0.7m). Earnings per share for the six months period amounted to € -0.07 compared € -0.02 for the first half of 2009.

Testronic has seen revenues for the second quarter of 2010 decrease from € 2.9m to € 2.7m. This represents a decrease of 6.9% which is due to the significant drop in DVD testing business. Testronic generated an EBIT before non-recurring costs of € -0.2m (2009: €0.0m). As there were no non-recurring costs incurred, EBIT after such costs was also € -0.2m (2009: €-0.8m). For the first six months of 2010, revenues at Testronic amounted to € 5.5m (2009: € 6.5m), a decrease of 15.4% from the previous year. Testronic's EBIT before non-recurring costs for the first half-year of 2010, amounted to € -0.2m (2009: € 0.4m). As there were no non-recurring costs incurred, EBIT after such costs was also € -0.2m (2009: € -0.4m).

In the second quarter of 2010, Kuju generated revenues of € 2.9m (2009: € 5.4m), representing a decrease of 46.3%. EBIT before non-recurring costs, for the period amounted to € -0.5m (2009: € 0.2m). Including non-recurring costs of € 0.5m, resulting from structural and organisational adjustments, EBIT was € -1.0m (2009: € 0.1m). In the first six months of 2010, Kuju generated revenues of € 6.5m (2009: € 10.6m), representing a decrease of 38.7%. Kuju's EBIT before non-recurring costs for the first half of the fiscal year 2010 amounted to € -1.2m (2009: € 0.9m). Including non-recurring costs of € 0.5m, EBIT was € -1.7m (2009: € 0.3m).

Having appointed Nigel Robbins as the new CEO of Kuju in April and Seth Hallen as the new CEO of Testronic in July, we have found two renowned CEOs for our business divisions to give new impetus to our business development and to secure the continuation of our high quality service philosophy for the digital media and entertainment industry.

Overall, Testronic's first half year of 2010 was affected by the ongoing downturn in the US home entertainment business, especially in DVD testing. Testronic's European activities actually showed progress against 2009 with slightly improved revenues and profits however this was not enough to counteract the downturn in the US market. On the positive side of the home entertainment business, the Blu-ray segment continued its strong growth while the installed base of Blu-ray players is increasing as prices fall. Film studios are now putting out more of their back catalogue on Blu-ray to benefit from its growing popularity.

Testronic is benefitting from increased digital distribution and Blu-ray business, but the continuous drop in DVD production provides a significant pressure on the company in the short-term. Though DVD testing schedules are looking better for the second half of the year, pricing is an increasingly crucial issue in this business. However, towards the end of the second quarter, business started to pick up providing a positive sentiment for the coming third quarter.

Recent highlights for Testronic include:

- Continued growth in hardware and consultancy work with Dutch and German cable operators and various Digital TV customers
- Increasing work load in the area of digital distribution including for major Hollywood studios
- Good growth in games testing
- New customers include digital agencies, cable operators and video-streaming service providers
- Acceptance by influential trade bodies such as WiMedia Alliance, Digital Entertainment Group and Entertainment Supply Chain Academy
- Tested new motion controller for major games platform customer
- Launched 3D testing facilities in US and UK for both 3D Blu-ray and 3D games
- Seth Hallen appointed as new Testronic CEO

The market environment in the video games industry is still difficult. Publishers are generally still cautious when it comes to committing to big budget IPs and games in light of recent failures of certain flagship releases. Thus, some bright spots in video games software sales such as Red Dead Redemption cannot hide the fact that other big titles have disappointed at retail and total software and hardware sales were still challenging in key territories. Kuju itself suffered from the fact that a major development contract that was expected to be received in Q2 was cancelled by the publisher. This meant a sudden headcount reduction in that studio was required and resulted in costs which negatively affected the EBIT. Kuju's total headcount since the beginning of 2010 has been reduced by 35% to 184.

Consumer demand in this segment is generally focused on the big budget AAA titles for consoles on the one hand, and on downloadable games for consoles in addition to handheld devices such as iPhone and games on social network sites like Facebook. The mid-market for consoles has therefore experienced considerably less demand for new titles and reduced work for developers. This trend is confirmed by recent results from big players in the market, where Disney has seen a 74% increase in revenues of its Interactive Media unit for the third quarter on the back of higher self-published video game sales and Activision reported a more than 20% increase in sales from digital online channels in the second quarter.

Recent highlights for Kuju include:

- Completed four games all based on the well-known movies being Grease, Sorcerer's Apprentice, Top Gun and Aragorn's Quest (Lord of the Rings)
- Completed Geometry Wars, one of the first titles for the iPad
- Major critical and commercial success with the release two months ago of Art Academy for the Nintendo DS/DSi. The game debuted in third place on the Japanese All Formats Games Chart and has now sold 135,000 copies in Japan. Backed by a Europe-wide high profile TV advert campaign by Nintendo, sales in Europe are equally impressive. Since its launch in August these have reached 70,000 and are growing strongly each week with some retailers already selling out of stock. US launch is in October
- New development contracts have been signed in the last 6 weeks with Disney, Sega, 505 Games and a leading Japanese games company
- Kuju Entertainment was recently granted 3DS Developer status (for the new DS handheld device that operateds in 3D) by Nintendo following due dilligence visits by Nintendo to Kuju's Headstrong (London) and Zoe Mode (Brighton) studios
- First social game for Facebook called Cube Rats is now nearing completion
- Games in production include those using new Move motion controller from Sony
- Vatra named by the Japanese publisher Konami as developer on PS3 and Xbox360 of Silent Hill 8, the latest instalment from the popular multi-million dollar franchise
- Fabric, the recently completed internally developed game engine technology, is now being used to build a number of the current games in development
- Nigel Robbins appointed as new Kuju CEO

Outlook for Second Half 2010

In terms of business development in the third and fourth quarter, Testronic sees some opportunities in Europe and in the US but it expects a strong recovery of the markets to start next year. While the home entertainment business is currently heading to its seasonal peak and therefore business will pick up in the second half of the year it is unlikely that we will be able to recover the revenues that were lost in the first half year. Games testing will be well ahead of last year's figures. Software and hardware testing as well as consultancy are expected to move along well and hit their original budget.

As for Kuju, there is goodwill from publishers around the group of studios in the market, providing a sound foundation for future projects based on positive long-term relationships. Following the recent adjustments in headcount and reductions in other fixed costs as well as a refocusing of sales efforts, management expects to make a small profit for the second six months of the year and setting the foundations for a re-turn to material profit in 2011.

In the first half year 2010, some of our markets were still affected by the impact of the 2009 economic downturn. However, towards the end of the second quarter we have seen business picking up in many of our markets and both of our business divisions have already returned to profitability in July. Therefore, though our overall first half year financial results were significantly below expectations, we expect better performance over the rest of the year as our markets are heading to their seasonal peaks and expect to post profits at the Group level for the second half of the fiscal year.

Yours sincerely

Jeremy Lewis (Executive Director)

Eindhoven, August 31, 2010


DYNAMIC

Management Report

Introduction

Catalis SE yearly financial reporting is based on the International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed consolidated interim reporting for the half-year ending June 30, 2010 is in accordance with IAS 34. Generally, the quarterly report 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 2009.

Management Report

Market & Industry Environment

Video Games

In the first half year of 2010, the market environment in the video games industry was still challenging. Publishers are generally still cautious when it comes to committing to big budget IPs and games in light of recent failures of certain flagship releases. Movie studios are also pulling back from a ready commitment to simultaneous movie conversions into games, and many studios are waiting to judge box office success before committing to video game development.

Thus, some bright spots in video games software sales such as Red Dead Redemption cannot hide the fact that other big titles have disappointed at retail and total software and hardware sales were still challenging in key territories.

In the US, total retail revenues in the industry were down 9% to $ 6.6bn. Hardware sales were down 16% to $ 2.1bn while software sales were reduced by 8% to $ 3.5bn. The accessories segment was up approx. 3% to $ 1.0bn. Five out of six months in the first half year have seen declines in revenues for the video games industry, which is partly due to significant cuts in prices and partly due to a reduced demand for new video game software.

In the UK, the games market has seen total revenues for the first six months of $ 1.4bn representing a decline of 16% against the previous year. Hardware sales were down 32% to $ 384m and software sales were reduced by 10% to $ 800m. According to industry experts, this development is due to UK consumers still facing economic uncertainty and looking for ways to save money. “UK consumers are also getting their gaming entertainment in a variety of ways. They are increasingly downloading video games from websites, and are playing games on their mobiles or through social networking sites – not only on consoles. This is proof that interactive entertainment is expanding way beyond its traditional boundaries.” says ELSPA general director Mike Rawlinson.

For Kuju, as an independent provider of video games development outsourcing services, the most recent developments signify continued challenges in this market environment. While people are spending more time on gaming, they spend less money on the purchase of new video games. This translates into reduced revenue expectations for video game publishers and therefore a cautious approach when it comes to the commissioning of new video game projects as well as pressure on margins.

On the positive side we have seen the announcement of new hardware platforms and the Nintendo 3DS was received very positively in the market. The reaction to the Sony Move and Microsoft Kinect created much interest in the industry.

Downloadable games, social games, browser games and mobile games are increasingly seen as an important part of the overall games landscape. Consequently, there is a lot of corporate activity and investments in social gaming companies, notably Disney has acquired the social gaming company Playdom for up to $ 763m.

Despite the continuing challenges in the traditional retail game market and as previously mentioned, the downloadable self-published games sector offers an exciting growth opportunity for established international developer groups like Kuju. Kuju was one of the very first groups to spot the potential of downloadable, self-published games (DSP games). Whilst market estimates vary, the games software market in 2010 is approximately $35 billion world-wide, of which 72% is retail (meaning boxed product bought in stores), 26% is on-line games (including massive multiplayer games and mobile) and approximately 2% (less than $1 billion) are DSP games. However, the DSP sector is forecast to experience extremely rapid growth reaching some $10 billion by 2013. In contrast, the retail sector is forecast to decline by 25% to 2013. Kuju’s response was to set up Doublesix, a dedicated studio to address the DSP market segment, in 2007.

DVD & Blu-ray

According to information from DEG (The Digital Entertainment Group) total US spending on home entertainment film products for the first six months of 2010 was down 3% from the previous year and amounted to $ 8.8bn. As in the previous quarters, the market has seen a significant drop in DVD sales and a booming Blu-ray segment that could still not compensate for the declining DVD sector while the digital distribution channels are continuously gaining importance. Digital distribution, including electronic sellthrough and video-on-demand, was up 23.1% from the previous year, now accounting for $ 1.1bn.

However, in the second quarter, the market has shown signs of a stabilisation, as consumer spending for home entertainment products in this period was only 0.7% down against the previous year.

Blu-ray discs showed significant growth, with sell-through being up 84% to $ 733m. In comparison, total packaged media sell-through, including DVD and Blu-ray discs, was down 7.1%. The combined total of Blu-ray disc sell-through and rental amounted to $ 982m. The total rental segment was down 4.9% in the first six months, mainly due to store closures by Movie Gallery. The rental market is now down to just under $ 3.0bn. Additionally, the installed base of Blu-ray disc playback devices has now risen to 19.4m units as the sales of Blu-ray disc hardware more than doubled in the first half year of 2010. This development is primarily driven by the continued downward pricing of the hardware, providing further upside potential for the Blu-ray segment in the future.

The ongoing sluggishness of the DVD market provides a dilemma for the film studios. On the one hand, they are seeing their revenue expectations going down on the other hand they feel the need to invest in the development of their digital distribution channels as the business is growing fast and gaining significantly more importance.

Though reduced revenue expectations of film studios have caused a significant reduction of testing volume in the immediate term, the continuous growth of the Blu-ray segment, introduction of 3D in the home, and the growing digital distribution business provide some positive counterbalance to the reduced DVD-testing for Testronic's quality assurance services, at least in the mid-term.

Business Development

Segment Information

Testronic Labs

The quality assurance business of Catalis SE is the historical core business of the group and is operated through the company's subsidiary Testronic, which runs the entire quality assurance operations through its internationally located sites.

Testronic specialises in quality control of any content (video film, video game, music, software) for any communication medium (DVD, Blu-ray, CD, online, wireless) for all end devices, ranging from DVD and Blu-ray players, personal computers and mobile devices to video game consoles and much more. Testronic is the leading testing service provider active in both the film and game industries.

Generally, Testronic's first half year of 2010 was affected by the downturn in the US home entertainment business, especially in DVD testing. On the positive side, the Blu-ray segment continued its strong growth while the installed base of Blu-ray players is increasing as prices are going down. Film studios are now putting out more of their back catalogue on Blu-ray to benefit from its growing popularity. In addition, with increased testing hours over 2D Blu-ray, 3D Blu-ray promises to generate increased revenues over the next twelve months as more 3D titles are brought to market.

Testronic is benefitting from increased digital distribution and Blu-ray business, but the continuous drop in DVD testing provides a significant pressure on the company in the short-term. Though DVD testing schedules are looking better for the second half of the year, pricing is an increasingly crucial issue in this business as many competitors are struggling to generate cash flow. The same also holds true for the games testing business where there are competitive alternatives in India and Canada. However, towards the end of the second quarter, business started to pick up providing a positive sentiment for the coming third quarter when the volume of work is always moving up as a result of holiday titles that are scheduled to be launched throughout the holiday season in fall and winter.

However, Testronic has also seen some encouraging developments in the first six months. This applies especially to the hardware testing and consultancy space where the positive trend of the first quarter in the cable operator and Digital TV business continued also in the second quarter. Germany, Belgium and the Netherlands are markets where Testronic is working for several large cable TV companies.

The Belgium office of Testronic has made significant progress in its Digital TV business where it is testing Digital TV services as well as Digital TV tools based on test requirements as defined by Testronic and/or industry organisations.

The current testing contracts for Digital TV deliverance that have yielded significant revenues and profit for this business unit every month in the second quarter are the vindication of several years of steady expansion of the expertise and service offering seated in this department. Based on core skills in the Digital TV testing area and the use of an extensive test management database containing hundreds of testcases, Testronic has achieved success by offering bespoke testing solutions to meet the disparate needs of Digital TV operators.

A recent achievement is the collaboration with a major Dutch digital television cable distributor to set up a certification programme for CI+ devices on their network. CI+ is a common interface standard for connecting televisions to the cable operators network. Having begun work testing the operator's CI+ enabled Conditional Access modules we are now in a position to begin pitching complementary services to TV and set-top box manufacturers. Business development activity in this area has begun, having taken delivery of TVs from major providers who require this service.

Having established a compelling technical proposition and achieved almost complete coverage of the first target market, Germany, alongside existing Benelux clients, work is in progress to replicate this success elsewhere, whilst broadening the existing contracts to maximise revenues from these entrenched clients in the immediate term.

Testronic is also continuing its work with a major Hollywood Studio in testing all the content that is distributed through the studio's interactive website as well as with certain automotive makers in testing their in-car media devices. New customers acquired in the second quarter include a number of digital agencies, a major cable network in the US, GaiKai, a specialist for streaming video games in the US, Ubisoft, KochMedia and DevoTeam, an IT consulting company.

After having opened a 3D test lab in the US in the first quarter of 2010, Testronic has opened a 3D test lab for Blu-ray discs and a 3D test lab for games testing, both in the UK (Pinewood), in the second quarter. Moreover, Testronic began testing Hollywood's first 3D Blu-ray titles and continues to see growth in this area. This coincides with the fact, that Testronic has been awarded the status of an official BDA Test Centre for 3D.

Additionally, Testronic is providing testing services and QA consulting to several studios and other companies who are developing digital supply chain initiatives. Also, Testronic further developed its programme for testing a new motion controller for a major video game console producer and it also started testing of a new video games streaming technology. Although Testronic has been successful in acquiring a number of new customers, the company is currently doing an overhaul of its marketing and sales activities to make them even more efficient, more targeted and more aggressive in order to expand its business.

In summary, although overall the first half year was disappointing for Testronic, its Europe's results in terms of revenues and profits showed progress against 2009, however this was not enough to counteract the negative effect of the poor DVD testing business in the US, where revenues and earnings were significantly below budget.

Kuju Entertainment

The video games development business of Catalis SE is undertaken by our subsidiary Kuju, one of Europe's leading game developers. Kuju studios develop all genres of video games for a variety of consoles, PC and handheld platforms.

In the 1st quarter 2010, Kuju conducted a strategic review of its Asia-Pacific operations and concluded that it would no longer maintain a full service studio in the Philippines. The studio was closed in the course of the quarter. In the second quarter, the Zoë Mode London office was closed and the development teams were consolidated in Brighton. Additionally, Kuju conducted a realignment of its Headstrong studio. Part of the realignment included the appointment of DDM (Digital Development Management), the leading business development agency in the games industry, who are already representing Vatra Games, for the business development of the studio. These actions have led to the non-recurring costs.

On the positive site, Kuju has completed the development of several games, including Grease on the Wii (Zoë Mode), Sorcerer's Apprentice (Headstrong), Aragorn's Quest (Headstrong) and Geometry Wars on iPad (D6; Kuju's first iPad title). Vatra Games has been announced as the developer of Konami's new title "Silent Hill 8" (working title) the eighth instalment of the popular multi-million dollar world-wide Silent Hill franchise. Silent Hill 8 is scheduled to launch on both the Sony PlayStation 3 and Microsoft Xbox 360 systems in 2011. Doublesix has been named as developer of the downloadable game "Top Gun" for Paramount Digital Entertainment.

Kuju achieved major critical and commercial success with the release two months ago of Art Academy for the Nintendo DS/DSi. The game debuted in third place on the Japanese All Formats Games Chart and has now sold 135,000 copies in Japan. Backed by a Europe-wide high profile TV advert campaign by Nintendo, sales in Europe are equally impressive. Since its launch in August these have reached 70,000 and are growing strongly each week with some retailers already selling out of stock. The US launch is in October.

Headstrong and Zoë Mode have signed further development agreements with major customers like Sega, Disney, 505 Games and a major Japanese games company. Zoë Mode has developed its first social network game, Cube Rats for Facebook, which is also nearing completion. Fabric, the recently completed internally developed game engine technology, is now being used to build a number of the current games in development.

Since its establishment, Doublesix has become a leader in the development and digital distribution of games across all the main downloadable platforms such as Xbox Live Arcade, PlayStation Network and PC distribution platforms such as Steam. An early example was the very successful production and self-publication of Burn Zombie Burn which was released on the PlayStation Network in March 2009.

In doing so Doublesix gained invaluable experience in how to fund, develop, publish and launch downloadable games. Doublesix now has considerable expertise in co-operating closely with the platform holders and in positioning and marketing such game offerings direct to consumers across the full life cycle of the game. Doublesix has therefore become a centre of excellence and is responsible for all such activities in the wider Catalis Group.

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In order to emphasise the importance of the self-published games segment for the future strategy, Doublesix has been established as a new business division in Catalis and therefore now sits alongside sister divisions Kuju and Testronic. Nigel Robbins will drive Doublesix's development as a world class leader in its field with the provision of additional studio resources. Doublesix currently has a number of self-published digital games in development, including a game based on one of the world's most popular TV game show franchises, a collaboration with a well-known entertainment retail chain, and an original IP co-developed in France and Japan.

Kuju experienced a challenging first half year. Subsequent actions were taken to rebalance the business and to reach break-even in the second half of the year. Following the changes in headcount and reductions in other fixed costs as well as a refocusing of sales efforts, the business is expected to break even for the second six months of the year.

Investments

Total investments in the first half year amounted to € 0.5m and were attributable to the purchase of property, plant and equipment.

At Testronic, total investments of € 0.2m comprised testing equipment for several 3D test labs and the company's Digital TV business.

At Kuju there were no significant investments in the purchase of property, plant and equipment. However, it has invested approx. € 0.2m in the development of Fabric, and there were some investments made in Doublesix, specifically the purchase of a licence for a world renowned TV game show format.

Development of Earnings, Financial and Asset Situation

Earnings Situation

Catalis Group

In the second quarter of 2010, total revenues of Catalis Group amounted to € 5.6m (2009: € 8.3m). This represents a decrease of 32.5% from the previous year. EBIT (operating result) before non-recurring costs for the reporting period amounted to € -0.9m (2009: € -0.1m). Non-recurring costs amounted to € 0.5m resulting from structural and organisational adjustments at Kuju. EBIT after these costs was € -1.4m (2009: € -1.0m) Taking into account a financial result, € -0.1m, the company's pre-tax result amounted to € -1.5m compared to € -1.1m in the previous year. Net income for the period amounted to € -1.5m (2009: € -1.0m). This equals earnings per share of € -0.04 (2009: € -0.03).

For the first six months of 2010, revenues of Catalis Group amounted to € 12.0m (2009: € 17.1m). This is a decrease of 29.8%. EBIT before non-recurring costs was down to € -1.9m (2009: € 0.7m). Non-recurring costs amounted to € 0.5m resulting from structural and organisational adjustments at Kuju. Including these costs, EBIT was € -2.4m (2009: € -0.7m). As the financial result improved from € -0.3m to € -0.2m, pre-tax earnings amounted to € -2.6m (2009: € -1.0m). Net income for the period amounted to € -2.6m (2009: € -0.8m). Earnings per share for the first half of the fiscal year 2010 amounted to € -0.07 (2009: € -0.02).

Testronic Laboratories

Testronic has seen revenues for the second quarter of 2010 decrease from € 2.9m to € 2.7m. This represents a decrease of 6.9% which is due to the significant drop in DVD testing business. Testronic generated an EBIT before non-recurring costs of € -0.2m (2009: €0.0m). As there were no non-recurring costs incurred, EBIT after such costs was also € -0.2m (2009: €-0.8m).

For the first six months of 2010, revenues at Testronic amounted to € 5.5m (2009: € 6.5m), a decrease of 15.4% from the previous year. Testronic's EBIT before non-recurring costs for the first half-year of 2010, amounted to € -0.2m (2009: € 0.4m). As there were no non-recurring costs incurred, EBIT after such costs was also € -0.2m (2009: € -0.4m).

Kuju Entertainment

In the second quarter of 2010, Kuju generated revenues of € 2.9m (2009: € 5.4m), representing a decrease of 46.3%. EBIT before non-recurring costs, for the period amounted to € -0.5m (2009: € 0.2m). Including non-recurring costs of € 0.5m, resulting from structural and organisational adjustments, EBIT was € -1.0m (2009: € 0.1m).

In the first six months of 2010, Kuju generated revenues of € 6.5m (2009: € 10.6m), representing a decrease of 38.7%. Kuju's EBIT before non-recurring costs for the first half of the fiscal year 2010 amounted to € -1.2m (2009: € 0.9m). Including non-recurring costs of € 0.5m, resulting from structural and organisational adjustments, EBIT was € -1.7m (2009: € 0.3m).

Financial Situation

Cash flow

In the first six months of the fiscal year 2010, Catalis SE generated an operating cash flow of € -1.6m (2009: € -1.2m). This is mainly composed of the period's net income € -2.6m, depreciation of tangible fixed assets € 0.6m, a decrease in current assets € 0.2 m and an increase in current liabilities € 0.2m.

Cash flow from investing activities amounted to € -0.5m (2009: € -1.0m) and is attributable to the purchase of property, plant & equipment resulting from testing equipment and for the development of Fabric.

Cash flow from financing activities amounted to € 0.0m (2009: € 0.9m).

Taking into account effects from currency translation, the company's total cash flow in the first six months of 2010 amounted to € -1.5m (2009: € -1.1m), resulting in a net cash position at the end of the reporting period of € -1.5m.

Due to the low cash position, all cash ratios for the Group are substantially below their target values. Nonetheless, Catalis Group has managed cash prudently and is still within its facilities.

Asset Situation

Balance Sheet

As of June 30, 2010, total assets of Catalis SE amounted to € 26.8m. This is a slight decrease from the € 27.7m at December 31, 2009.

The company's fixed assets decreased slightly to € 18.9m (2009: € 19.1m). This is mainly due to reduced property, plant & equipment, now amounting to € 2.1m (2009: € 2.2m).

Current assets also decreased from € 8.6m at the end of 2009 to € 7.9m at the end of June 2010. This is mainly due to reduced other current assets (€ 4.0m vs. € 4.4m) while trade receivables were up from € 2.8m to € 3.0m. Cash and cash equivalents were down from € 1.1m to € 0.6m.

On the equity and liabilities side, the company's total equity decreased from € 14.1m to € 12.0m. This equals € 0.32 per share (2009: € 0.37), based on the number of shares outstanding of 37,878,999 (2009: 37,878,999). This reflects mainly the negative income for the period.

Long term liabilities were stable at € 0.2m.

Current liabilities increased from € 13.4m to € 14.6m. Here, trade and other payables were down from € 3.8m to € 3.7m and the bank overdraft increased to € 2.1m (2009: € 1.1m), while liabilities from taxes and social securities were up from € 0.6m to € 1.4m.

Employees

As of June 30, 2010, there were 367 (31.12.2009: 408) permanent employees working for Catalis Group. The total is composed of 203 (31.12.2009: 212) employees working at Testronic and 162 (31.12.2009: 194) at Kuju as well as two employees (31.12.2009: 2) at Catalis SE.

In general, the permanent work force of both Testronic and Kuju has been reduced significantly over the past quarters with the intention to have a highly flexible work force with minimal fixed costs. As Kuju had to cope with remarkable excess capacity in the first half year 2010, the work force has been further reduced. We expect employee numbers at the end of the fiscal year 2010 to be lower.

Supplementary Report

On July 01, 2010, Catalis SE announced that its subsidiary Testronic, has appointed Seth Hallen to the post of CEO. He takes over from Neil Goodall who is stepping down from the business.

Hallen was formerly the President of Testronic in the US and now assumes the role of CEO of Testronic. He will focus on the continued development of all business lines and operations of Testronic world-wide.

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 2009. The report is available for download on our corporate website at 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 June 30, 2010 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 June 30, 2010 and of the development and performance during the first six months of the fiscal year 2010 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.

Directors' Holdings

As of June 30, 2010, the following number of shares and options is held by the directors of the company:

Shareholder	No. of Shares	Options	Controlled by	Function
Jens Bodenkamp	89,167	0	Jens Bodenkamp	Chairman of the Board
Jeremy Lewis	177,235	1,100,000	Jeremy Lewis	Executive Director
Dr. Michael Hasenstab	50,000	0	Dr. Michael Hasenstab	Non-Executive Director
Robert Kaess	50,000	0	Robert Kaess	Non-Executive Director
Dominic Wheatley	50,000	0	Dominic Wheatley	Non-Executive Director

Audit Statement

The semi-annual financial report for the six months ended June 30, 2010, consists of the condensed consolidated semi-annual financial statements, the semi-annual management report and responsibility statement by the company's Board of Directors. The information in this semi-annual report is unaudited. Our group auditor has neither performed an audit nor a review of these financial statements.

Forecast Report

In July 2010, the International Monetary Fund (IMF) published its new World Economic Outlook. Principally, the IMF points out that the global economic recovery is proceeding better than expected, which is mainly due to strong growth in Asia while many of the advanced economies are significantly lagging behind.

There are still a number of risks to the further economic development, especially in the advanced economies, including high unemployment rates, the pending restoration of a stable financial sector and the need for consolidation of public household debt. New turbulence in the financial markets is signalling a drop in confidence about fiscal sustainability, policy responses and future growth prospects, which holds especially true for the Euro area.

In terms of business development in the third and fourth quarter, Testronic sees some opportunities in Europe and in the US but it expects a strong recovery of the markets to start next year. While the home entertainment business is currently heading to its seasonal peak and therefore business will pick up in the second half of the year it is unlikely that we will be able to recover the revenues that were lost in the first half year. Games testing will be well ahead of last year's figures. Software and hardware testing as well as consultancy are expected to move along well and hit their original budget.

As for Kuju, there is goodwill from publishers around the group of studios in the market, providing a sound foundation for future projects based on positive long-term relationships. Following the recent adjustments in headcount and reductions in other fixed costs as well as a refocusing of sales efforts, management expects to make a small profit for the second six months of the year and setting the foundations for a return to material profit in 2011.

In the first half year 2010, some of our markets were still affected by the impact of the 2009 economic downturn. However, towards the end of the second quarter we have seen business picking up in many of our markets and both of our business divisions have already returned to profitability in July. Therefore, though our overall first half year financial results were significantly below expectations, we expect better performance over the rest of the year as our markets are heading to their seasonal peaks and expect to post profits at the Group level for the second half of the fiscal year.

Financial Information

Financial Information

Condensed Consolidated Statement of Financial Position of Catalis Group (unaudited) as of June 30, 2010 and December 31, 2009

€k	30.06.2010	31.12.2009
ASSETS		
Current Assets		
Cash and cash equivalents	633	1,100
Trade receivables	3,012	2,817
Income tax receivable	284	284
Other current assets	3,967	4,366
Total Current Assets	**7,896**	**8,567**
Non-Current Assets		
Intangible assets	89	129
Goodwill	13,461	13,461
Property, plant and equipment at cost - net	2,078	2,246
Deferred tax	3,312	3,312
Total Non-Current Assets	**18,940**	**19,148**
TOTAL ASSETS	**26,836**	**27,715**
LIABILITES & EQUITY		
Current Liabilities		
Trade and other payables	3,666	3,779
Taxes and social securities	1,426	595
Income tax payable	34	109
Provisions	1,242	1,242
Bank overdraft	2,118	1,084
Loans	5,980	6,420
Finance lease	150	186
Total Current Liabilities	**14,616**	**13,415**
Non-Curent Liabilities		
Finance lease obligation	91	91
Deferred tax liability	96	96
Total Non-Current Liabilities	**187**	**187**
Total Equity	**12,033**	**14,113**
TOTAL LIABILITIES & EQUITY	**26,836**	**27,715**

Condensed Consolidated Income Statement of Catalis Group (unaudited) for the periods ended June 30, 2010 and June 30, 2009

€k	Q2 2010	Q2 2009	HY 2010	HY 2009
Revenues	5,589	8,315	11,987	17,051
Other income	-	-	-	-
Total revenues	**5,589**	**8,315**	**11,987**	**17,051**
Subcontracting and cost of materials	524	977	1,132	2,045
Personnel costs	4,748	5,504	9,584	11,403
Depreciation fixed assets	306	362	637	697
Amortisation intangible assets	20	24	40	48
General and administration	1,431	2,454	3,034	3,557
Total expenses	**7,029**	**9,321**	**14,427**	**17,750**
Profit/(loss) from operations	**(1,440)**	**(1,006)**	**(2,440)**	**(699)**
Interest income	-	-	-	-
Interest expense	(75)	(130)	(165)	(260)
Currency translation differences	(25)	-	(35)	-
Total financial income	**(100)**	**(130)**	**(200)**	**(260)**
Profit/(loss) before tax	**(1,540)**	**(1,136)**	**(2,640)**	**(959)**
Income tax	0	125	0	125
PROFIT FOR THE PERIOD	**(1,540)**	**(1,011)**	**(2,640)**	**(834)**
Earnings per share				
Basic				
Diluted	(0,04)	(0,03)	(0,07)	(0,02)
	(0,04)	(0,03)	(0,07)	(0,02)

Condensed consolidated statement of comprehensive income for the periods ended June 30, 2010 and June 30, 2009 (in thousands of euros)

€k	HY 2010	HY 2009
Profit/(loss) for the period	(2,640)	(834)
Foreign exchange translation differences	520	109
Total comprehensive income for the period	**(2,120)**	**(725)**
Attributable to non-controlling interests	**0**	**0**
Attributable to shareholders of Catalis SE	**(2,120)**	**725**

Condensed consolidated statement of changes in equity of Catalis Group (unaudited)

€k	Share capital	Share premium	Share based payments	Currency differences	Accumulated deficit	Total Equity
Balance at January 01, 2009	**2,689**	**18,540**	**779**	**(4,362)**	**(5,162)**	**12,484**
Issue of share capital	1,099	268				1,367
Share based transactions			(413)		438	25
Total comprehensive income for the year				516	(279)	237
Balance at December 31, 2009	**3,788**	**18,808**	**366**	**(3,846)**	**(5,003)**	**14,113**
Issue of share capital						
Share based transactions			40			40
Total comprehensive income for the period				520	(2,640)	(2,120)
Balance at June 30, 2010	**3,788**	**18,808**	**406**	**(3,326)**	**(7,643)**	**12,033**

Condensed Consolidated Cash Flow Statement of Catalis Group (unaudited) for the periods ended June 30, 2010 and June 30, 2009

€k	HY 2010	HY 2009
Cash Flow from operating activities		
Income for the period	(2,640)	(834)
Depreciation of tangible fixed assets	637	697
Amortisation intangible assets	40	48
Increase/(decrease) share based payment	40	0
(Increase)/decrease current assets	204	(1,424)
Increase/(decrease) current liabilities	167	440
(Increase)/decrease in deferred taxes	0	(125)
Net cash (used in) / provided by operating activities	**(1,552)**	**(1,198)**
Cash Flow from investing activities		
Purchase of property, plant & equipment	(469)	(964)
Net Cash (used in) / provided by investing actitivies	**(469)**	**(964)**
Cash Flow from financing activities		
Proceeds from issuance of share capital	0	1,349
Increase/(decrease) of long term debt	0	(404)
Net Cash (used in) / provided by financing activities	**0**	**945**
Net effect of currency translation in cash and cash equivalents	**520**	**109**
Net Increase in cash and cash equivalents	**(1,501)**	**(1,108)**
Cash and cash equivalents at beginning of year	**16**	**178**
Cash and cash equivalents at end of period	**(1,485)**	**(930)**

Explanatory Notes and Accounting Principles

Reporting entity

Catalis SE is a public limited liability company incorporated and domiciled in the Netherlands and listed on the regulated market segment of the Frankfurt Stock Exchange.

The condensed consolidated interim financial statements of Catalis SE as at and for the six months period ended June 30, 2010 include the company and its subsidiaries (together called the “Group”).

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at December 31, 2009, which have been prepared in accordance with IFRS adopted by the EU. The condensed consolidated interim financial statements have not been reviewed nor audited by our external auditor.

These condensed consolidated interim financial statements have been prepared by the Executive Board of Directors on August 31, 2010. The Board of Directors gave permission for publication of the condensed consolidated financial statements on August 31, 2010.

Significant accounting policies

Except as described below the accounting policies as applied in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as and for the year ended December 31, 2009.

Non-GAAP Measures

In our financial reporting we use certain measures that are not recognised under IFRS or other generally accepted accounting principles (GAAP). We do this because we believe that these measures are useful to investors and other users of our financial statements in helping them to understand underlying business performance. This applies especially to the declaration of non-recurring costs in the profit and loss statement for the second quarter and the first half-year of 2010. For the first six months, these costs totalled € 0.5m and were attributable to structural and organisational adjustments at Kuju.

Estimates

The preparation of these condensed consolidated interim financial statements requires the Group to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimated and judgements.

Management reassessed the main estimates used in these condensed interim financial statements and except as described in these notes there are no material changes in this reporting period with respect to the significant judgements made by management in applying Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2009 financial statements.

Management also reassessed the goodwill impairment analysis which did not lead to an impairment of goodwill as per June 30, 2010.

Tax consequences of the loss in the first half year are not valued as deferred tax assets, due to the fact that it is currently uncertain whether they will be recognized by the foreign tax authorities.

Seasonality

The Group’s activities are not impacted by seasonal patterns.

Financial risk management

Due to the recent financial crisis the credit risk policies have been under scrutiny. Thus far, no significant increases in credit risk appeared.

Legal claims

From time to time and in the ordinary course of its business the Company may disagree with a client on the creative development of a project and occasionally these situations can lead to contractual disputes that need to be resolved as part of a legal process. Such disputes may result in the payment of monies to 3rd parties, the receipt of monies by the Company from 3rd parties, or in some circumstances, both. The Management Board has reviewed with their advisors the status of all such unresolved disputes at 30 June 2010 and they have provided fully for their estimate of the total maximum likely liability of the Company and sum receivable by the Company in respect of all such matters. These sums are included within “Other receivables” and “Provisions”.

In accordance with the provisions of FRS 12 the Directors do not believe that it is appropriate to disclose any further details of the unresolved disputes at 30 June 2010 as in their opinion such further disclosure could prejudice seriously the Company’s position.

Segment reporting

The following table illustrates information about the reportable segments:

€k	Testing	Games	Corporate	Total
Half-year 2010				
Revenues from external customers	5,477	6,510	0	11,987
Operating profit (EBIT)	-222	-1,174	-500	-1,896
Non-recurring costs	0	544	0	544
EBIT after non-recurring costs	-222	-1,718	-500	-2,440
Half-year 2009				
Revenues from external customers	6,460	10,591	0	17,051
Operating profit (EBIT)	418	910	-602	726
Non-recurring costs	792	633	0	1,425
EBIT after non-recurring costs	-374	277	-602	-699

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2009.

Share capital issuance

There has been no issuance of shares in the first six months of 2010.

Loans

The average interest rate is the Euribor added with 1.25-1.5%. As of January 30, 2008 the loans have to be repaid in half year instalments of € 440k. The loans mature in 2012.

As of the balance sheet date 2009, Catalis SE did not fulfil the existing debt / EBIT ratio regarding the loan agreement with the KBC Bank. As, on the balance sheet date, the financing facility therefore was not guaranteed for a period of at least one year, the syndicated loan is recognised on the balance sheet under current liabilities. On April 16, 2010, an agreement was reached with the KBC Bank to waive the covenant breach and to continue the existing loan facilities on largely the same terms as before. The covenant tests will be re-applied as before on receipt of the audited consolidated financial statements 2010.

Investments

Investments in the reporting period were attributable to the purchase of property, plant & equipment resulting from replacement investments and testing equipment.

Related parties

There have been no significant related party transactions in the first six months of 2010.

Subsequent events

On July 01, 2010, Catalis SE announced that its subsidiary Testronic, has appointed Seth Hallen to the post of CEO. He takes over from Neil Goodall who is stepping down from the business.

Hallen was formerly the President of Testronic in the US and now assumes the role of CEO of Testronic. He will focus on the continued development of all business lines and operations of Testronic world-wide.

Eindhoven, August 31, 2010

The Board of Directors:

Dr. Jens Bodenkamp (Chairman, Non-Executive)
Jeremy Lewis (Executive)
Dr. Michael Hasenstab (Non-Executive)
Robert Kaess (Non-Executive)
Dominic Wheatley (Non-Executive)

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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