

Interim Financial Report for the 2nd Quarter and 1st half of 2014

For the period from January 1, 2014 to June 30, 2014

Contents

Key Figures	3
To Our Shareholders	4
Introduction	5
Management Report	5
Condensed Consolidated Interim Financial Statements	17
Explanatory Notes and Accounting Principles	21
Forward-looking Statements	23

Key Figures (unaudited)

Results

€k	€ Tsd.	Q2/2014	Q2/2013	HY 2014	HY 2013
Revenues (A)	Umsatz (A)	7,218	7,373	13,915	14,211
Subcontracting and cost of materials (B)	Fremdkosten und Materialkosten (B)	493	681	1,255	1,352
Gross Profit (A – B)	Rohertrag (A – B)	6,725	6,692	12,660	12,859
Gross Margin	Rohertragsmarge	93.2%	90.7%	90.9%	90.4%
Operating Income/(expense) (EBIT)	Operatives Ergebnis (EBIT)	89	553	432	1,103
Operating Margin	Operative Marge	1.2%	7.5%	3.1%	7.8%
Non-recurring Costs	Einmalkosten	(997)	0	(997)	0
EBIT after Non-recurring Costs	EBIT nach Einmalkosten	(908)	553	(565)	1,103
Income Before Tax (EBT)	Ergebnis vor Steuern	(1,086)	353	(871)	762
Pre-tax Margin	Vorsteuermarge		4.9%		5.4%
Net Income/(loss)	Periodenergebnis	(1,103)	346	(888)	755
Net Income Margin	Marge	(15.3%)	4.7%	(6.4%)	5.3%
Operating Cash Flow	Operativer Cashflow	(298)	366	192	975

Share Information

Number of shares outstanding	Aktienanzahl	6,242,333	6,242,333	6,242,333	6,242,333
Earnings per Share € Cent (basic)	Ergebnis je Aktie € Cent (unverwässert)	(17.6)	5.5	(14.2)	12.1
Earnings per Share € Cent (diluted)	Ergebnis je Aktie € Cent (verwässert)	(15.1)	4.4	(12.1)	9.7

Balance Sheet

Solvability (Equity / Total Assets)	Solvabilität (Eigenkapital / Bilanzsumme)	33.5%	31.7%	33.5%	31.7%
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To Our Shareholders

Business as usual with the Catalis Group

It has been a steady first-half of trading with the Catalis Group. Revenues for the period amounted to € 13.9m (H1 2013: € 14.2m) and operating profits amounted to € 0.43m (2013: € 1.1m). These figures are a reflection of a transitional period for the group. Over the last few quarters, we have invested in long term growth opportunities for the Catalis group – focussing particularly on Testronic’s gaming business. These measures have, in the short-term, impacted our profitability, but I remain confident that the benefit of these investments will show through in subsequent reports.

Kuju concluding current roster of projects; long term investments into Testronic expected to provide sustainable growth

Our performance is driven by Catalis’ two operating divisions: Kuju Entertainment and Testronic Labs.

On first-half revenues of € 3.75m (H1 2013: € 4.39m), Kuju Entertainment generated an operating income (EBIT) of € 0.19m (H1 2013: € 0.79m). These results are representative of the fact that a number of Kuju’s development projects reached their conclusion during Q2 2014. Kuju has begun a number of new projects which will ramp up in scale over the coming months. Correspondingly, I expect Kuju will deliver a stronger performance over the second half of the year.

Testronic recorded a modest 7% year-on-year increase in first half revenues (H1 2014: € 10.12m, H1 2013: € 9.47m) and generated an operating income (EBIT) of € 0.53m (H1 2013: € 1.01m). Testronic has been a focus of investment for the group – we have taken on larger premises for our gaming business, and built a team of highly experienced executives to lead the next stage of growth for the business. The cost structure of Testronic’s business has increased accordingly. I strongly believe we can now deliver on our ambition of providing sustainable revenue growth, and that the profit margins of the business will improve.

Corporate developments

As announced in my previous Letter to Shareholders (Q1 2014), I am pleased to report that the Catalis Group secured a € 2m investment on the 7th May 2014, as a convertible loan from Vespa Capital – a UK-based private equity firm. The investment demonstrates a strong vote of confidence in the group’s long term growth potential. The investment has also gifted us with the significant experience and support of Nigel Hammond and Tom Chaloner. Their involvement as Non-Executive Directors on the Board has already had a positive impact on the ambitions of the group, and reinforced my confidence in our strategic course.

Committed to growth

It’s fair to say that the group’s first-half performance has been steady but not exceptional. The first half is traditionally the weakest period for the group, but we still delivered a sturdy and profitable performance whilst transitioning to a new operating model. In the context of reviewing all operations and business lines of the group we are also analysing all strategic options for the individual business units in order to focus and further optimise our performance. Over the full year, I have strong belief that the investments we have made into the business will start to bear fruit. Knowing my management team share my dedication and determination, I have every confidence that the group will deliver a strong full-year performance.

Yours sincerely

Dominic Wheatley
Chief Executive Officer

Waalre, August 29, 2014

Introduction

Catalis SE yearly financial reporting is based on the International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated condensed interim reporting for the half-year ending June 30, 2014 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 2013.

Management Report

Market & Industry Environment

Video Games Industry

Things are looking up!

Following a big jump in US video game retail sales in May, The NPD Group has released its report for June, and much like the previous month, sales were up thanks to continued hardware success and two big games. Total industry revenues jumped 24 percent to \$736.4 million while hardware climbed an incredible 106 percent to \$292.7 million.

The 106 percent increase in hardware sales (vs. June 2013) was lifted entirely by console hardware sales, which were up by over 200 percent. Combined sales of Xbox One and PS4 are over 80 percent higher than the combined totals for Xbox 360 and PS3 - an indication of the strength of the start of this new console generation. Software, meanwhile, dipped three percent to \$286.8 million, and accessories were essentially flat at \$156.9 million. While unit sales of launch titles in June 2014 declined 67 percent when compared to June 2013 launch title sales, there was a 47 percent increase in unit sales for games that launched across the second quarter of 2014 (April - June) when compared to the same time period in 2013.

Mobile and online games are on the advance

Experts expect mobile and online games to account for 60 percent of worldwide revenues within three years. By 2017, mobile and online games could push worldwide gaming software revenues to \$100 billion. That's according to Digi-Capital's latest Global Games Investment Review report, which said the mobile/online game market could make up a whopping 60 percent (\$60 billion) of that total thanks to a compound annual growth rate of nearly 24 percent since 2011.

And furthermore, the research has shown that nearly 85 per cent of the top 50 grossing apps on Apple and Android stores across the world are games. A survey of Android's Google Play store and Apple's App Store in the UK, the US, Canada, Germany, France, Spain and Italy revealed the overwhelming dominance of games. The data showed that 84.9 per cent of the 700 apps covered by the study were games, with the next nearest category, social networking, accounting for just 4.1 per cent. "The app economy is, for now at least, a games economy," the report stated.

New markets evolve – China and South America

While Microsoft has said that it will launch Xbox One in China later this year, Sony has been quiet on its plans for bringing PlayStation 4 to China. Now the company has set in motion plans to bring its PlayStation hardware to the country. The Chinese government recently released the standards that would allow game consoles – banned since 2000 – to go on sale in the country. Since then, the big console manufacturers have been putting together their plans for China.

According to a new report from Superdata, the digital games market in Brazil has entered a cooling period after seeing big growth for a number of years. The research firm does expect Brazil's online games market to total \$1.5 billion in 2014 and to reach \$1.6 billion by 2017, but it's slowing down while other countries in the Latin American market have been picking up steam. Mexico and Argentina, Superdata confirmed, are beginning to make their mark. Brazil accounts for about 34 percent of regional revenues, while Mexico is at 22 percent and Argentina is at 14 percent. Furthermore, the average monthly spend of digital gamers tends to be ten percent higher in these other countries.

Kuju's studios are situated in the UK. And that's good.

A new survey has showed overwhelming approval for the UK's tax incentives, which were approved by the European Commission in March this year. In a survey of more than 400 European developers and industry professionals, 47 per cent saw the tax incentives available in the UK as the best in Europe. And the margin of victory was impressive, with Finland, France, Germany, and the Netherlands all placing a joint second on 9.5 per cent of the vote. In 2013 the UK game development sector contributed more than £1 billion to the country's GDP – £1.02 billion to be exact – a healthy improvement from its £947 million contribution the previous year.

DVD & Blu-ray

The high performance of the entertainment industry in the first six months of 2014 is mainly due to the positive impact of new technologies and a greater use of these new technologies by consumers. The figures expected for 2014 are promising.

Figures just released by the British Video Association show that the value of the British video entertainment market increased in the first half of 2014. Consumer expenditure on all video entertainment reached more than £993 million, up 8.2% compared with the first half of 2013. Sales value increased across both physical and digital formats, with consumer purchases of physical discs growing by 2.5% from £616.8 million to £632.5 million in the first half of 2014 compared with the same period in 2013, led by Blu-ray, whose value grew strongly by 37% to £117.2 million. The value of entertainment spend on downloading and streaming from digital video services, provided by IHS Screen Digest, increased by 42.9% in the same period to £228.1 million in the first six months.

In general, more people watch movies and TV shows on DVD and Blu-ray Disc. The number of consumers renting discs at kiosks and video stores is identical to the number of people watching on a subscription video-on-demand services, according to new data from The NPD Group. In the past 12 months, 44% of U.S. consumers purchased a movie on DVD or Blu-ray. Another 25% rented from a kiosk; 14% from pay-per-view channel; 5% bought a digital copy of a movie, and just 4% bought a digital copy of a TV show.

Digital spending in the U.S. is expected to account for 43% of all entertainment and media spending in 2017, up from 31% in 2013. Overall spending on filmed entertainment, which includes physical and theatrical, will increase at a compound annual growth rate of 3.4%. The U.S. remains the largest entertainment and media market, growing at 4.8% and reaching \$632 billion in 2017, from \$499 billion in 2013.

New technologies will present new challenges. Sony and Panasonic announced they will jointly develop a next-generation disc with recording capacity of at least 300GB by the end of 2015. Both companies have previously developed products based on the Blu-ray Disc format, leveraging the strengths of optical discs. However, both Sony and Panasonic recognise that optical discs will need to accommodate much larger volumes of storage in years to come given the expected future growth in the archive market. While this joint announcement makes no specific reference to Blu-ray discs' single-layer 25GB and dual-layer 50GB capacity, these developments will have a bearing on the necessity to augment the Blu-ray disc storage to accommodate 4K video content. This will open up a large number of opportunities to us.

Another important issue is UltraViolet. By 2018, active UltraViolet accounts could exceed 65 million worldwide - up from the estimated 6 to 8 million at present and depending on the action from key holdouts the base could reach as high as 108 million, according to ABI Research. The North American and European regions will continue to offer the most market potential for UV, but as retailers and content holders extend the business model from purchases (EST) to include rentals (TVOD) the opportunities should expand. Since March 2013, Testronic Labs is a member of the Digital Entertainment Content Ecosystem (DECE). DECE is the cross-industry consortium responsible for developing UltraViolet. Testronic Labs contributes to the specification and the definition of the testing and certification for UltraViolet.

Digital Television

In a recent report that underscores a separate study by The Diffusion Group, IHS suggests that UHD TV pricing remains too high to gain meaningful share. UHD TV shipments share reached 5% among the top 13 LCD brands in May, up from 4% in April, 3% in March and 2% in February. While the UHD TV market increases at a glacial pace, shipments this year are projected to grow to 14.5 million units, up from 2 million in 2013. China is the world's largest consumer TV market, and its trends can be extended to other major consumer electronics territories in the world, according to IHS. Among UHD TV makers in May, the Chinese had the largest proportion of UHD TV shipments in relation to total LCD TVs, at 9%; followed by the South Koreans at 5% and by Japan at 2%.

Flat-panel television sales overall amounted to 18.1 million units in May, down 6.4% from April but up 7% from the same time a year ago. Of the total, LCD TVs — including UHD sets — accounted for 17.4 million units. Indeed, by year-end, UHD shipments are forecast to reach 15.2 million units, up from 3.1 million units in 2013, accounting for 6% of the total LCD TV panel market this year. Panels 60-inches or larger will be the sales drivers, expected to take 27% of the total UHD panel space.

Business Development

Segment Information

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 consoles, PC and handheld platforms.

Business Headlines

- Kuju studios are reaching the closing stages in the development of current console projects, with public releases scheduled for Fall and Festive periods
- Release of Pokémon Art Academy was number one selling title in Japan, on release
- Strong royalty deals in place, presents opportunity for significant back-end royalties
- A new roster of projects currently in the early-stages of development, and project teams expected to build as projects progress.

Half year results were steady for Kuju

During the second quarter, Kuju generated revenues of € 1.9m (Q2 2013: € 2.1m), and contributed operating profits (EBIT) of € 0.05m to the group (Q2 2013: € 0.5m). These results contributed to first-half revenues of € 3.7m (H1 2013: € 4.4m) and operating profit (EBIT) of € 0.19m (H1 2013: € 0.79m). These results reflect the fact that during the first two quarters, Kuju has been concluding a number of its existing development projects. Work on the next wave of projects is just beginning, and is expected to build momentum over the coming months.

Pokémon Art Academy tops the Japanese Charts on release

Prior to its launch, Pokémon Art Academy had long been the subject of significant hype and excitement from both consumers and the industry press. So on release day in Japan (4th July 2014) it was no surprise that the title instantly rose to number one in the charts, outselling the likes of Mario Kart 8 and Pro Evolution Soccer. The title has also benefitted from widespread critical acclaim, achieving a positive Metacritic of 76 out of a possible 100. With a further release in America scheduled for 24th October 2014, Kuju remains confident in the game's longevity at retail.

Further releases lined up for Fall and Festive periods

Kuju has concluded a number of other projects in recent weeks – including various projects with iconic international franchises. The titles are scheduled for release over the Fall and Festive periods, later this year. With strong royalty deals in place, there is the potential for significant back-end royalties.

A healthy pipeline of opportunities

From a business development perspective, Kuju continues to pursue work-for-hire opportunities, in tandem with generating its own original game concepts. A number of work-for-hire contracts have already been secured, and projects are progressing according to schedule.

A number of new game ideas are currently out for tender with major international publishers. Kuju is optimistic these opportunities will bear fruit.

In closing

Kuju is making good progress on closing its current developments, and is building up as the next wave of contracts come through. The critical success of Pokémon Art Academy is a prime example of Kuju's ability to deliver high quality console titles with mass-market appeal. Projects like these give Kuju a strong market presence, and the business development team will look to leverage this reputation to secure further projects over the coming months.

Testronic Laboratories

Testronic Labs is a leading provider of quality assurance, localisation services, compliance, and certification. Operating from four global locations, Testronic Labs provides a broad spectrum of quality assurance services to the Games, Film, TV, Software and Hardware industries.

Business Headlines

- Testronic delivers revenue growth of 7% during a traditionally weak season
- Continued investment into growth opportunities
- Testronic launches a new service offering: SmartSupport™ – a customer service offering for games companies
- Expecting uplift in trading over the coming months, as businesses enter their peak season

Testronic Labs delivers modest revenue growth, during a traditionally weak season

In the second quarter Testronic generated revenues of € 5.5m (Q2 2013: € 4.8m) – representing a year-on-year increase of 14.5% - and generated an EBIT of € 0.07m (Q2 2013: € 0.5m). For the first six months of 2014, revenues at Testronic amounted to € 10.1m (H1 2013: € 9.5m), an increase of 7% from the previous year. Testronic's EBIT for the first half-year of 2014, amounted to € 0.5m (H1 2013: € 1.0m) – a decrease year-on-year, but a reflection of the transitional period in which Testronic currently sits.

Continued investment in Games testing provides a strong platform for growth

Following the announcement in Q2 2013 that Testronic were opening a new office in Poland, Testronic has continued to invest in their games business. The games industry presents an attractive sector for growth: in 2013 the industry had an estimated value of \$70 billion; by 2017, analysts such as Tim Merel of Digi Capital expect the industry to be worth as much as \$100 billion – representing a CAGR of 10%. The new site has three times the capacity of the previous location, and new highly-experienced management have been appointed to drive the growth of the operation. With a strong roster of clients already being served out of Poland, the premises are already profitable. Management intend to build revenues and profitability from both new and existing client relationships.

New product offering: SmartSupport™ to complement existing games business

During Q2, Testronic added a new product to its catalogue of service offerings. SmartSupport™ is a bespoke customer service product, designed for the games industry. Increasingly, publishers are releasing titles with a "Games as a Service" (GaaS) business model. Correspondingly, gamers will play a game for a period of years, rather than a few short hours. Providing a comprehensive support service, to help gamers over the lifetime of the product is increasingly important – SmartSupport™ is intended to provide that offering, and complement Testronic's existing games products.

SmartSupport™ is headed up by Mr Jamie McLellan, an experienced senior manager, with over 20 years' experience of customer service. Jamie joined Testronic from previous senior roles at EA and Vodafone.

Forecasting improved performance for the second half

The second half is traditionally the strongest period of trading for Testronic Labs. Our business lines are well set further growth in the second half of 2014, both from existing clients and from potential new clients. A number of large projects have already been secured – at an operational level, the business has already begun to build in preparation for the increase in work-load.

In closing

Testronic recorded a good, and steady first-half performance. Testronic has enjoyed a consistent growth trajectory over previous years, and the business remains on track to continue this trend. With investment into Testronic's Polish operation, and new business lines, there is potential that this growth may accelerate. The direction of the business leaves us with an optimistic outlook.

Investments

Total investments in the first half year amounted to € 0.2m and were attributable to the purchase of property, plant and equipment mostly in new equipment for the testing teams.

Development of Earnings, Financial and Asset Situation

Earnings Situation

Catalis Group

In the second quarter of 2014, total revenues of Catalis Group amounted to € 7.2m (2013: € 7.4m). This represents a slight decrease of 2.7% from the previous year. EBIT amounted to € 0.1m (2013: € 0.6m). Taking into account the non-recurring cost resulting from the transaction in May 2014 of € -1.0m, the company's pre-tax result amounted to € -1.1m compared to € 0.4m in the previous year. Net income for the period amounted to € -1.1m (2013: € 0.3m) as well. This equals earnings per share of € Cent -15.1 (2013: € Cent 4.4) on a fully diluted basis.

In the first six months of the fiscal year 2014, revenues of Catalis Group were down to € 13.9m (2013: € 14.2m) representing a decrease of 2.1%. The EBIT decreased from € 1.1m to € 0.4m. The non-recurring costs related to the transaction in May 2014 amounted to € -1.0 m taking pre-tax earnings to € -0.9m (2013: € 0.8m). Net income for the period amounted to € -0.9m (2013: € 0.8m). Earnings per share for the first half of the fiscal year 2014 amounted to € Cent -12.1 (2013: € Cent 9.7) on a fully diluted basis.

Testronic Laboratories

In the second quarter Testronic generated revenues of € 5.5m (2013: € 4.8m), representing an increase of 14.5%. Testronic generated an EBIT of € 0.07m (2013: € 0.5m).

For the first six months of 2014, revenues at Testronic amounted to € 10.1m (2013: € 9.5m), an increase of 7.0% from the previous year. Testronic's EBIT for the first half-year of 2014, amounted to € 0.5m (2013: € 1.0m).

Kuju Entertainment

In the second quarter Kuju generated revenues of € 1.9m (2013: € 2.1m). EBIT for Q2 showed a profit and amounted to € 0.05m (2013: € 0.5m). For the first six months of 2014 revenues at Kuju amounted to € 3.7m (2013: € 4.4m), representing a decrease of 16.0%. Kuju's EBIT amounted to € 0.2m (2013: € 0.8m).

Segment reporting

The following table illustrates information about the reportable segments:

Six months to June 2014, €k	Testing	WFH Games	DDP	Corporate	Total
Revenues from external customers	10,117	3,745	53	-	13,915
Operating profit (EBIT)	532	187	27	(314)	432
Non-recurring costs	-	-	-	(997)	(997)
EBIT after non-recurring costs	532	187	27	(1,311)	(565)
EBIT margin % before non recurring costs	5.3%	1.5%	50.9%	-	3.1%

Six months to June 2013, €k	Testing	WFH Games	DDP	Corporate	Total
Revenues from external customers	9,467	4,389	389	-	14,211
Operating profit (EBIT)	1,005	785	47	(734)	1,103
EBIT	1,005	785	47	(734)	1,103
EBIT margin %	10.6%	17.9%	12.1%	-	7.8%

Financial Situation

Cash flow

In the first six months of the fiscal year 2014, Catalis SE generated an operating cash flow of € 0.2m (2013: € 1.0m). This is mainly composed of the period's net loss of € 0.9m being offset by movements in working capital and depreciation.

Cash flow from investing activities amounted to an outflow of € 0.2m (2013: € 0.3m) and is attributable to the purchase of property, plant & equipment as well as additions of intangible assets.

Cash flow from financing activities amounted to an inflow of € 0.8m (2013: outflow of € 0.6m) which reflected the recognition of the convertible loan note and the repayments made during the year to KBC bank in accordance with long term loan arrangement.

The company's net cash inflow in the first six months of 2014 amounted to € 0.2m (2013: € 0.0m), resulting in a net cash position at the end of the reporting period of € 1.0m (2013: € 1.4m).

Asset Situation

Balance Sheet

As of June 30, 2014, total assets of Catalis SE amounted to € 23.7m a decrease of €0.5m compared to December 31, 2013.

Current assets decreased to € 6.7m at the end of June 2014 (31.12.2013: € 7.2m) as a result of improved cash collection combined with lower revenues in the second quarter. Trade receivables were €0.6m lower, off-set by an increase in cash and cash equivalents of €0.2m.

The company's non-current assets were the same as December 31, 2013 at € 17.0m (2013: € 17.0m).

On the equity and liabilities side, the company's total equity amounted to € 7.9m (31.12.2013: € 8.9m) which represents € 1.26 per share (31.12.2013: € 1.43), based on the number of shares outstanding of 6,242,333 (31.12.2013: 6,242,333).

On 7th May 2014 Catalis SE announced the terms of a private placement of unsecured convertible loan notes with a principal nominal value of € 2.0m and a final maturity on 31st March 2019 to Leo Capital 1 LLP, a limited liability partnership wholly owned by funds managed by Vespa Capital. Catalis SE announced its intention to use the proceeds from the convertible loan notes to finance further future organic growth of the Catalis Group. Following approval by the shareholders of the necessary exclusion of pre-emptive rights in the next Annual General Meeting of Catalis SE, the loan notes will be initially convertible into 1,000,000 new, ordinary bearer shares of Catalis SE.

Long term liabilities increased by € 1.0m to € 5.9m (2013: € 4.9m). This comprised the proceeds from the private placement described above offset by repayments of the loan from KBC bank. Current liabilities decreased by € 0.5m, from € 10.4m at December 31, 2013 to € 9.9m at June 30, 2014.

Further details of this transaction can be found by visiting the Catalis SE website at www.catalisgroup.com

Employees

As of June 30, 2014, there were 309 (2013: 347) permanent employees working for Catalis Group. The total is composed of 251 (2013: 241) employees working at Testronic and 57 (2013: 105) at Kuju as well as one (2013: 1) employee at Catalis SE.

In general, the permanent work force of 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. This was also achieved by hiring staff with highly flexible freelancing contracts. The number of freelancers in Catalis Group is about 250.

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 2013. 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, 2014 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, 2014 and of the development and performance during the first six months of the fiscal year 2014 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, 2014, the following number of shares and options is held by the directors of the company:

Shareholder	No. of Shares	Options	Controlled by	Function
Dominic Wheatley	177,510	500,000	Dominic Wheatley	Executive Director, Chief Executive Officer
Brett Morris			Brett Morris	Executive Director, Finance Director
Nigel Hammond			Nigel Hammond	Non-Executive Director
Tom Chaloner			Tom Chaloner	Non-Executive Director
Nick Winks	10,000		Nick Winks	Non-Executive Director
Peter Biewald	10,000	60,000	Peter Biewald	Non-Executive Director

Audit Statement

The semi-annual financial report for the six months ended June 30, 2014, 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 2014, the International Monetary Fund (IMF) published its current World Economic Outlook (WEO) Update. The global growth projection for 2014 has been marked down by 0.3 percent to 3.4 percent, reflecting both the legacy of the weak first quarter, particularly in the United States, and a less optimistic outlook for several emerging markets. With somewhat stronger growth expected in some advanced economies next year, the global growth projection for 2015 remains at 4 percent.

Downside risks remain a concern. Increased geopolitical risks could lead to sharply higher oil prices. Financial market risks include higher-than-expected U.S. long-term rates and a reversal of recent risk spread and volatility compression. Global growth could be weaker for longer, given the lack of robust momentum in advanced economies despite very low interest rates and the easing of other brakes to the recovery. In some major emerging market economies, the negative growth effects of supply-side constraints and the tightening of financial conditions over the past year could be more protracted.

Financial conditions have eased since the April 2014 WEO was released. Long-term interest rates in advanced economies have declined further, in part reflecting expectations of a lower neutral policy rate over the medium term; indicators of expected price volatility have declined as well, and equity prices have strengthened. With euro area inflation in April below expectations, the European Central Bank cut its policy rate and deployed other easing measures at its June meeting. In this environment, capital flows to emerging market economies have recovered despite generally weaker activity, bond spreads for emerging market sovereigns have declined, and exchange rates and equity prices have stabilized or even strengthened in some of these economies.

Leading indicators point to the global recovery regaining strength in the second half of 2014. This is consistent with the view that the unexpected weakness in the first quarters was in large part temporary, because the impact of factors such as harsh winter weather and inventory correction will disappear and policies have already responded to weaker growth, including in China. Moreover, key drivers supporting the recovery identified in the April 2014 WEO remain in place, including moderating fiscal consolidation and highly accommodative monetary policy in most advanced economies. Nevertheless, some of the demand weakness in the first quarter appears to be more persistent, especially in investment globally, and is expected to result in lower global growth in 2014 compared with that predicted in the April 2014 WEO.

In spite of all the above side effects and risks, during the first half of our financial year we made further progress in implementing our strategies. We are pleased with the development of the first six months. Against the backdrop of challenging market conditions, our results for the quarter and the first six months are within the range targeted by us as part of our annual forecast. A further improvement in absolute numbers is anticipated in Q3 and Q4. We are assuming that our growth will continue in the second half of 2014 and are reiterating our forecast for the year based on our results to date.

Catalis confirms the guidance of revenues up from € 27.7m in 2013 to between € 29m and € 32m and an EBIT from € 2.1m to € 2.5m.

Condensed Consolidated Statement of Financial Position of Catalis Group
As of June 30, 2014 and December 31, 2013 (in thousands of euros) **unaudited**

ASSETS	AKTIVA	30/06/2014	31/12/2013
Current Assets	Kurzfristige Vermögensgegenstände		
Cash and cash equivalents	Liquide Mittel	1,022	864
Trade receivables	Forderungen aus LuL	3,482	4,120
Income tax receivable	Steuerforderungen	63	78
Other current assets	Andere	2,128	2,134
Total Current Assets	Kurzfr. Vermögensgegenstände gesamt	6,695	7,196
Non-Current Assets	Langfristige Vermögensgegenstände		
Intangible assets	Immaterielle Vermögenswerte	606	667
Goodwill	Firmenwerte	14,474	14,172
Property, plant and equipment at cost - net	Sachanlagen	1,722	1,970
Deferred tax	Latente Steuern	216	216
Total Non-Current Assets	Langfr. Vermögensgegenstände gesamt	17,018	17,025
TOTAL ASSETS	AKTIVA gesamt	23,713	24,221
LIABILITIES & EQUITY	PASSIVA		
Current Liabilities	Kurzfristige Verbindlichkeiten		
Trade and other payables	Verbindlichkeiten aus LuL	5,284	5,532
Taxes and social securities	Steuern und Sozialversicherungen	1,630	1,539
Income tax payable	Verbindlichkeiten aus Ertragssteuern	58	38
Provisions	Rückstellungen	139	347
Bank overdraft	Kurzfristige Bankverbindlichkeiten	342	476
Finance Leases	Finanzierungsleasing	31	44
Current Loans	Kurzfristige Darlehen	2,400	2,400
Total Current Liabilities	Kurzfr. Verbindlichkeiten gesamt	9,884	10,376
Non-Current Liabilities	Langfristige Verbindlichkeiten		
Deferred tax liability	Latente Steuern	216	216
Long-Term Debt	Langfristige Bankverbindlichkeiten	5,664	4,700
Total Non-Current Liabilities	Langfrist. Verbindlichkeiten gesamt	5,880	4,916
Total Equity	Eigenkapital gesamt	7,950	8,928
TOTAL LIABILITIES & EQUITY	PASSIVA gesamt	23,714	24,220

Condensed Consolidated Income Statement of Catalis Group (unaudited)

For the periods ended June 30, 2014 and June 30, 2013 (in thousands of euros)

€k	T€	Q2 2014	Q2 2013	HY 2014	HY 2013
Total revenues	Gesamteinnahmen	7,218	7,373	13,915	14,211
Subcontracting and cost of materials	Fremd- und Materialkosten	493	681	1,255	1,352
Personnel costs	Personalkosten	5,247	4,525	9,616	8,802
Depreciation fixed assets	Abschreibungen auf Sachanlagen	189	187	377	356
Amortisation intangible assets	Abschreibungen immaterieller Vermögensgegenstände	-	-	-	21
General and administration	Allgemeine Verwaltungskosten	1,200	1,427	2,235	2,577
Total expenses	Kosten gesamt	7,129	6,820	13,483	13,108
Profit/(loss) from operations before non-recurring items	Operativer Gewinn/(Verlust)	89	553	432	1,103
Non-recurring items	Ausserordentliches Ergebnis	(997)	-	(997)	-
Profit/(loss) from operations	Operativer Gewinn/(Verlust)	(908)	553	(565)	1,103
Interest income	Zinseinnahmen	28	(16)	28	(60)
Interest expense	Zinsaufwendungen	(245)	(146)	(373)	(251)
Currency translation differences	Währungsdifferenzen	39	(34)	39	(26)
Currency Options	Währungsoptionen	-	(4)	-	(4)
Total financial income/(expense)	Finanzergebnis gesamt	(178)	(200)	(306)	(341)
Income tax	Ertragsteuern	(17)	(7)	(17)	(7)
PROFIT/(LOSS) FOR THE YEAR	Ergebnis	(1,103)	346	(888)	755
Earnings per share € Cent	Ergebnis je Aktie € Cent				
Basic	Unverwässert	(17.6)	5.5	(14.2)	12.1
Diluted	Verwässert	(15.1)	4.4	(12.1)	9.7

Condensed Consolidated Statement of Comprehensive Income (unaudited)

For the periods ended June 30, 2014 and June 30, 2013 (in thousands of euros)

€k		HY 2014	HY 2013
Profit (loss) for the period	Periodenergebnis	(888)	1,103
Foreign exchange translation differences	Währungsdifferenzen aus der Umrechnung ausländischer Geschäftsaktivitäten	(115)	-
Total comprehensive income/ (expense) for the period	Gesamterfolg im Geschäftsjahr	(1,003)	1,103
Attributable to non-controlling interests	Davon entfallen auf nicht beherrschende Anteile	-	-
Attributable to shareholders of Catalis SE	Anteil der Aktionäre der Catalis SE	(1,003)	1,103

Condensed Consolidated Cash Flow Statement of Catalis Group (unaudited)
For the six-months period ended June 30, 2014 and 2013 (in thousands of euros)

€k	T€	HY 2014	HY 2013
Cash Flow from operating activities	Kapitalfluss aus betrieblicher Tätigkeit		
Net Income/(loss)	Periodenergebnis	(888)	755
Depreciation of tangible fixed assets and amortisation intangible assets	Abschreibungen auf Anlagevermögen and Abschreibungen von immateriellen Firmenwerten	377	377
Decrease in provisions	Zunahme/(Abnahme) von Rückstellungen	(208)	(284)
Share based payment	(Zunahme)/Abnahme von Share based payment	24	23
(Increase)/decrease current assets	(Zunahme)/Abnahme von kurzfristigen Vermögensgegenständen	788	(195)
Increase/(decrease) current liabilities	Zunahme/(Abnahme) von kurzfristigen Verbindlichkeiten	348	614
Increase/(decrease) in deferred taxes	Zunahme/(Abnahme) latenter Steuern	-	(6)
Interest received	Erhaltene Zinsen	28	-
Interest paid	Gezahlte Zinsen	(295)	(309)
Income tax paid	Gezahlte Ertragssteuern	18	-
Net cash (used in) / provided by operating activities	Aus betrieblicher Tätigkeit erwirtschaftete Zahlungsmittel	192	975
Cash Flow from investing activities	Kapitalfluss aus Investitionen		
Purchase of property, plant & equipment	Zahlungen für Sachanlagen	(151)	(313)
Additions of intangible assets	Zahlungen für immaterielle Vermögenswerte	(83)	-
Net Cash (used in) / provided by investing activities	Aus Investitionstätigkeit erwirtschaftete Zahlungsmittel	(234)	(313)
Cash Flow from financing activities	Kapitalfluss aus Finanzierungstätigkeit		
Payment for share issue costs	Zahlungen für Aktenausgabekosten	-	(5)
Reduction of long term loans and overdraft	Rückzahlung von Darlehen	(1,334)	(531)
Increase in convertible loan	Zufluss aus Wandeldarlehn	2,164	-
Finance Leases	Finanzierungsleasing	(13)	(14)
Net Cash (used in) / provided by financing activities	Aus Finanzierungstätigkeit erwirtschaftete Zahlungsmittel	817	(550)
Net effect of currency translation		(617)	(106)
Net Increase in cash and cash equivalents	Veränderung der liquiden Mittel	158	6
Cash and cash equivalents at beginning of year	Liquide Mittel zu Beginn der Periode	864	1,376
Cash and cash equivalents at end of period	Liquide Mittel am Ende der Periode	1,022	1,382

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, 2014 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, 2013, 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 29, 2014. The Board of Directors gave permission for publication of the condensed consolidated financial statements on August 29, 2014.

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, 2013.

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.

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 2013 financial statements.

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.

Segment reporting

The following table illustrates information about the reportable segments:

Six months to June 2014, €k	Testing	WFH Games	DDP	Corporate	Total
Revenues from external customers	10,117	3,745	53	-	13,915
Operating profit (EBIT)	532	187	27	(314)	432
Non-recurring costs	-	-	-	(997)	(997)
EBIT after non-recurring costs	532	187	27	(1,311)	(565)
EBIT margin % before non-recurring costs	5.3%	1.5%	50.9%	-	3.1%

Six months to June 2013, €k	Testing	WFH Games	DDP	Corporate	Total
Revenues from external customers	9,467	4,389	389	0	14,211
Operating profit (EBIT)	1,005	785	47	(734)	1,103
Non-recurring costs	0	0	0	0	0
EBIT after non-recurring costs	1,005	785	47	(734)	1,103
EBIT margin %	10.6%	17.9%	12.1%	-	7.8%

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss.

Investments

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

Related parties

There have been no significant related party transactions in the first six months of 2014.

Waalre, August 29, 2014

The Board of Directors:

Peter Biewald (Chairman, Non-Executive)
Dominic Wheatley (Executive)
Brett Morris (Executive)
Nigel Hammond (Non-Executive)
Nick Winks (Non-Executive)
Tom Chaloner (Non-Executive)

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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