Catalis

Annual Report 2012
Geschäftsbericht 2012

Catalis SE
Geldropseweg 26-28
5611 SJ Eindhoven
The Netherlands

Estimates and assessments

In making these financial reports, group management has made assessments, estimates and assumptions that affect the Group's reported accounts. These estimates and assumptions are based on what is known at the time the financial reports are presented, as well as historical experience and assumptions that the group management considers reasonable under the current circumstances. The conclusions drawn by group management form the basis for the reported values in the accounts. Actual future values, estimates and assessments in future financial reports during the coming financial year may differ from those in this report, due to changing environmental factors and new knowledge and experience.

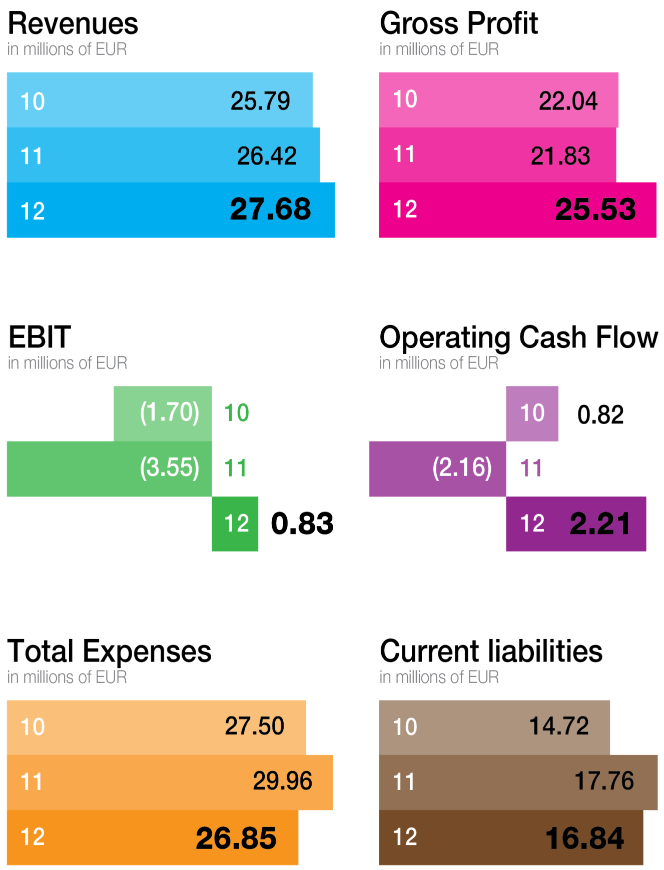
Contents

Delivering quality to the global entertainment and media marketplace.

Performance Highlights

“We are proud of the progress we made in 2012. We appointed new management, reduced our overheads, closed loss-making operations and grew our successful divisions. Catalis has refreshed momentum, and has once again turned a profit.”

Dominic Wheatley
Chief Executive Officer



Defintions:

Gross Profit: Revenues minus Subcontracting & Cost of materials

EBIT after non-recurring costs

Key Figures

Results

in millions of EUR		2011	2012
Revenues (A)	Umsatz (A)	26.415	27.683
Subcontracting & Cost of materials (B)	Fremdkosten und Materialkosten (B)	4.585	2.156
Gross profit (A – B)	Rohertrag (A – B)	21.830	25.527
Gross Marin	Rohertragsmarge	82.6%	92.2%
Non-recurring costs	Einmalkosten	(1.719)	(0.616)
EBIT after non-recurring costs	EBIT nach Einmalkosten	(3.548)	0.829
Profit / (loss) before tax	Ergebnis vor Steuern	(3.791)	0.102
Profit/ (loss) for the year	Periodenergebnis	(7.428)	0.105
Operating cash flow	Operativer Cashflow	(2.158)	2.214

Balance Sheet

in millions of EUR			
Total Assets	Aktiva Gesamt	25.385	24.853
Non-current assets	Anlagevermögen	17.312	17.013
Current assets	Umlaufvermögen	8.073	7.840
Equity	Eigenkapital	7.439	7.816
Current liabilities	Kurzfristige Verbindlichkeiten	17.756	16.841

Share information

Weighted average number of shares (basic)	Anzahl an ausgegebenen Aktien im Jahresdurchschnitt	43,047,000	60,647,000
Earnings per share (basic)	Ergebnis je Aktie (unverwässert)	EUR Cent (17.0)	EUR Cent 0.2
Earnings per share (diluted)	Ergebnis je Aktie (verwässert)	EUR Cent (17.0)	EUR Cent 0.2

Employees

in numbers			
Average Employees	Durchschnittliche Mitarbeiteranzahl	344	349

Ratios

EBIT* as % of revenue	EBIT* in % vom Umsatz	n.a.	3.0%
EBIT* as % of total assets	EBIT* in % von der Aktiva	n.a.	3.3%
Solvability (Equity / Total Assets)	Solvabilität (Eigenkapital / Aktiva)	29.3%	31.4%

*EBIT after non-recurring costs / EBIT nach Sondereinflüssen

Chief Executive's Statement

"After leading an ambitious restructuring programme, we have a more focussed and profitable organisation."

Dominic Wheatley
Chief Executive Officer

To our shareholders,

Since my appointment as Chief Executive Officer in June 2012, I have been committed to turning Catalis around. Significant progress has been made, and I am pleased to report that we have now returned to profitability, after three years of losses, recording an EBIT after non-recurring costs of Euro 829 k (2011: -Euro 3.55 m), on revenues of Euro 27.7 m (2011: Euro 26.4 m).

I am proud of everything we have achieved. Our decisive action has been successful: we have appointed new management, reduced our overheads, closed loss-making operations and grown our successful divisions. The tech and entertainment industries are rich with opportunity, and I firmly believe that Catalis is now well-positioned to benefit in future.

Operating under new management

Central to our turnaround has been the appointment of new management. During the year, I had great pleasure in welcoming Gary Bracey and Brett Morris to the management team. Gary joined as Commercial Director of Kuju in May 2012 and Brett took up the role of Group Financial Director of Catalis SE in June 2012. Both have had long and distinguished careers in the games and finance industries respectively, and are a refreshing and inspiring influence on the group. Their involvement, along with that of Peter Biewald (appointed 2011), has already helped to improve the culture, optimism and ambition of the group. This team shall undoubtedly be instrumental in driving growth over the coming months and years.

Significant restructuring to reduce corporate overheads and improve focus on successful divisions

To provide a strong base for expansion, we initiated a significant restructuring program during 2012. We scaled back the loss-making operations of DDP and Vatra (Kuju studio), realigned the management structure to support our most successful divisions, and relocated our UK operations to better exploit the synergies between Testronic and Kuju Entertainment. With annual efficiency savings expected to exceed Euro 2.0 million in 2013, the group will benefit from a significantly improved cash flow position.

Successful turnaround returned Catalis to profitability

At the core of Catalis, there are two strong and profitable businesses. In 2012, Kuju successfully released eight new console titles, including the critically acclaimed *Zumba Fitness Rush*, *Zumba Fitness Core*, and *Art Academy: Lessons for Everyone*, which achieved combined unit sales in excess of 3.5 million units. Testronic Labs, buoyed by unprecedented growth in its Games and Hardware testing divisions, achieved its highest ever revenues of Euro 16.2 m (2011: Euro 14.0m). I firmly believe that this is just the start – during 2012 both Kuju and Testronic recorded a full year net profit, and both businesses have excellent potential to deliver even greater returns in the future.

The road ahead – ambitions for 2013 and beyond

Whilst we operate in a challenging, rapidly changing environment, I believe there are significant opportunities ahead of us. The total value of the global media and entertainment market is expected to grow at approximately 6% pa to $ 2,120 billion in 2016[1], and I maintain that Catalis is well-placed to benefit from this uplift. Reflecting on our rapid turnaround, I am confident that the strategic direction we have chosen is sound, and we are more than capable to react rapidly and

[1] PriceWaterhouseCoopers (Outlook Report, 2012)

effectively to change. It is our ambition to outperform the overall media and entertainment market, and I am confident that Catalis will deliver excellent performance going forwards.

Thank you

I would like to take this opportunity to thank my fellow Directors, and all the staff of Catalis. It's been a challenging period, and it is testament to their hard work and dedication throughout 2012 that we have achieved this turnaround. I would also like to thank every one of our business partners and stakeholders for their continued support during these years of change.

The road ahead is onwards and upwards. I remain committed to the journey, and I look forward to sharing it with you all.

Dominic Wheatley

Chief Executive Officer

Eindhoven, June 17, 2013

Catalis SE has a single-tier board structure, with three Executive Directors…

1. Dominic Wheatley
CEO, Executive Director (55), Software Specialist

Dominic Wheatley (British citizen) is a high-profile veteran of the entertainment software business. He was formerly founder and CEO of Domark (subsequently Eidos Plc), publishers of the international hit-sellers Lara Croft: Tomb Raider and Championship Manager.

Dominic has held various directorships in publically owned companies, including StatPro PLC, Telecome Plus PLC and Highway Capital PLC and joined Catalis SE as Member on the Board of in early 2008. He took up the role of CEO in June 2012.

Currently active as Chairman of the Board of SocialGo PLC.

2. Peter Biewald
CFO, Executive Director (49), Banker

Peter Biewald (German citizen) started his career at Deutsche Bank, and has subsequently held a variety of senior financial roles at EON Group AG and Siemens AG. His most recent role was as Group CFO at Advanced Inflight Alliance AG, the quoted German media group, where he helped oversee the successful growth of that business.

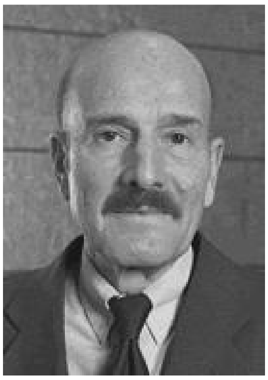
Peter has been CFO and Member on the Board since July 2012.

3. Nick Winks
CRO, Executive Director (65), Company Director

Nick Winks´s (British citizen) early career saw a variety of senior management roles including CEO of a listed group. He has worked with many businesses to bring about change in operating performance, cash generation and debt structures often as a hands-on Chief Recovery Officer or executive chairman.

Nick has been Chief Restructuring Officer (CRO) and Member on the Board since March 2013.

…and three Non-Executive Directors.



4. Dr Jens Bodenkamp
Chairman, Non-Executive Director (69), Graduate Physicist

Dr Bodenkamp (German citizen) has had a broad and varied career, gaining substantial experience in a range of technical and senior executive positions with Intel Corporation in the United States and Germany. He subsequently headed up Intel's European investment strategy, and served as Managing Director of ETF Group Deutschland GmbH. He is currently active as a Business Angel.

Jens is Board Member since 2008.

5. Dr Michael Hasenstab
Non-Executive Director (44), Graduate Business Economist

Dr Hasenstab (German citizen) joined Catalis SE in March 2002 and serves as a member of the Management Board. Prior to joining Catalis, Dr Hasenstab worked as an investment banker for BNP Paribas and Credit Suisse First Boston in London. He has extensive experience in financing technology, media and engineering companies.

Michael is Board Member since 2008.

Currently active as Member of the Management Board of The ACON Group SE and Managing Director of ACON Actienbank AG.

6. Robert Käß
Non-Executive Director (43), Business Economist

Robert Käß (German citizen) founded AdVal Capital Management AG in 1998, a Munich-based consulting company specialised in the field of finance. In his capacity as CEO of AdVal he invested in several technology companies and advised six companies on their way to IPO. He started his career as a management consultant with KPMG. Robert Käß holds a Master in Business Administration from LMU in Munich.

Robert is Board Member since 2008.

Currently active as Member of the Management Board of Navigator Equity Solutions SE and Managing Director of IT Competence Group SE.

Our businesses

Our businesses	**Kuju Entertainment** Kuju Entertainment has been creating top-rated games for over 15 years	**Testronic Labs** Testronic Labs is a leading provider of quality assurance, localisation services, compliance, and certification
Our operations	Kuju currently operates two award-winning video game development studios in the UK: Headstrong Games (London) and Zoë Mode (Brighton)	Operating from four global locations, Testronic Labs provides a broad spectrum of quality assurance services to the Video Games, Film, TV, Software and Hardware industries
Our reputation	Kuju is renowned for developing high value franchises, such as international bestsellers *Art Academy*, *Zumba Fitness*, and *SingIt!* Since our foundation in 1998, we have released over 100 games, generating estimated retail revenues in excess of $ 600 million	Testronic Labs is currently a pioneer company in DVD/Blu-ray testing and gained significant market share in Games and Hardware testing after these business lines achieved double digit growth during 2012
Our staff Average number of staff	109 employees	230 employees
Revenues* Contribution to Group Revenues	Euro 10,988 m -10.4% (2011: Euro 12,267 m)	Euro 16,163 m +15.8% (2011: Euro 13,954 m)
EBIT** Contribution to Group EBIT	Euro 0,920 m (2011: -Euro 157 k)	Euro 1,460 m (2011: Euro 0,916 m)

*Division Doublesix Digital Publishing (DDP) contributed revenues of Euro 0,532m resulting in total Group revenues of Euro 27,683m. **EBIT after non-recurring costs. EBIT DDP: Euro -0.035m; Corporate: Euro -1.516.

Our Clients & Memberships

Catalis is a leading outsourcing provider, developing and testing content for over 300 media and high tech companies.

The following gives an indication of the clients served by the Catalis Group:

Having worked directly with all major platform holders, Kuju has a wealth of experience in developing for all major console and handheld gaming devices, including next-generation consoles.

WiiU
3DS
3DS XL

Testronic maintains a competitive advantage from being recognised by influential trade bodies. During 2012, Testronic Labs gained acceptance to the Wireless Power Consortium (WPC), the Digital Entertainment Content Ecosystem (DECE) and became an accredited testor of SuperSpeed USB – further cementing its reputation as a world-leading centre for excellence in quality assurance.

USB
HDMI
Serial ATA
Bluray
Qi

"Our 2012 releases, *Zumba® Fitness Rush*, *Zumba® Fitness Core*, and *Art Academy: Lessons for Everyone*, achieved combined retail sales in excess of $ 80 million."

Dominic Wheatley
Chief Executive Officer, Kuju Entertainment

Kuju Entertainment Ltd.

In 2012, Kuju Entertainment had a strong performance, with profitability amounted to Euro 920k (2011: Euro -157k). Our development studios have undergone a significant restructuring, and the increased scrutiny on management, operations and efficiency has already proven fruitful. In particular, the strength of Kuju's order book is evidence of the success of the restructuring: at the end of 2012, both Headstrong and Zoë Mode had over Euro 10 m of contracts already booked for 2013.

Some key achievements of Kuju Entertainment in 2012:

- Zoë Mode continued its strong relationship with Majesco Entertainment, publishers of the internationally successful Zumba® video games franchise, and delivered two new titles for the series: *Zumba® Fitness Rush* and *Zumba® Fitness Core*. The Zumba franchise has now sold in excess of 8 million copies at retail.

- Headstrong successfully completed the development of *Art Academy: Lessons for Everyone*, the latest addition to Nintendo's internationally acclaimed *Art Academy* franchise. The game was widely commended, achieving a metacritic of 81%, and sold over 450,000 units in the first three months since release.

- A further five titles, developed for distribution across seven different major gaming platforms, were successfully completed during 2012. Our involvement with *Top Gun: Hard Lock*, *Crush 3D*, *Rabbids Rumble*, *Silent Hill: Downpour*, and *Haunt* demonstrate both the flexibility and technical expertise of the Kuju studios, in developing for console and digital markets.

Rabbids Rumble
November 2012
Ubisoft
3DS
Headstrong Games

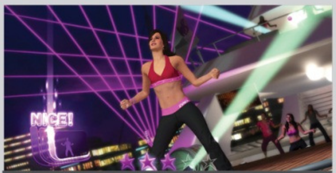
Zumba Fitness Core
November 2012
Majesco & 505 Games
Wii, XBox 360
Zoë Mode

New Art Academy
July 2012
Nintendo
3DS XL
Headstrong Games

Crush 3D
March 2012
Sega
3DS
Zoë Mode

Silent Hill: Downpour
March 2012
Konami
PS3, XBox 360
Vatra Games

Top Gun: Hard Lock
March 2012
505 Games
PS3, XBox 360, PC
Headstrong Games



Zumba Fitness Rush
February 2012
Majesco & 505 Games
XBox 360
Zoë Mode

Haunt
January 2012
NanaOn-Sha
XBLA/PSN
Zoë Mode

- A new division, Kuju Partners, was created to help independent games studios bring their titles to the market. The initiative is headed by Kuju's newly appointed Commercial Director, Gary Bracey, who has extensive experience in developing and publishing new games.

“By capitalising on growth opportunities, Testronic has surpassed expectations, delivered a YOY revenue increase of 15.8%, and EBIT contributions of Euro1.460m”

Gary Johnson
Chief Financial Officer, Testronic Labs

Testronic Labs

Testronic Labs achieved record revenues of Euro 16.2 million in 2012, far exceeding management expectations, and representing a year-on-year increase of 15.8%. The strong performance of Testronic is testament to their highly successful, fast-growing hardware and games testing business lines, which both achieved double digit growth in 2012.

The summary of Testronic’s operational highlights for the financial year ended 31 December 2012 is as follows:

- In January, The Wireless Power Consortium (WPC) recognised Testronic as the exclusive Qi Interoperability Lab. Qi is the global standard for wireless charging. Any product being submitted for Qi Certification will receive a final check on interoperability at Testronic’s Belgium facility.

- Testronic Labs was appointed the lead QA consultant to De Lijn, the operator of the national Flemish public transport system. The company is undertaking a major digital upgrade to their national network, and will ultimately require testing for approximately 21,000 digital devices on-board their transport fleet.

- In the UK, Testronic completed the expansion of their central London test facilities. In addition to larger office capacity, the relocation has helped to consolidate administrative resource between Testronic and Kuju; and has brought Testronic into closer proximity with a number of key clients.

- Testronic became a member of the Digital Entertainment Content Ecosystem (DECE). DECE is the cross-industry consortium responsible for developing UltraViolet – a technology widely and through its membership, Testronic positioned itself at the forefront of this emerging technology.

- In July, Testronic were appointed as an official certification test lab for SuperSpeed USB testing. Also known as “USB 3.0”, SuperSpeed USBs are gaining worldwide acceptance, and is being heavily promoted by major manufacturers including Microsoft, Intel and Hewlett Packard. Testronic Labs is the only European test lab authorised to provide certification-testing services for this technology.

Catalis SE

During 2012, the management of Catalis SE was bolstered by a number of new appointments. Both Mr Dominic Wheatley and Mr Peter Biewald joined as Executive Directors in July 2012. Together they bring a wealth of experience from the Games and Finance industries, and a determination to grow the company quickly and sustainably.

Notable highlights for Catalis SE from 2012 include:

- Full-year profit (Operating EBIT after non-recurring costs) of Euro 0.8 million – a marked turnaround when compared with the losses of Euro -3.5 million recorded in 2011.
- During 2012, Catalis completed two fundraisings. The combined gross proceeds from both placements yielded approximately Euro0.36 million- the fundraisings strengthened the company's capital base in order to foster future growth in particular in new businesses. At the end of 2012 the company`s share capital amounted to EUR 6,242,332.80 (2011: EUR 5,887,172.00) divided into 62,423,328 (2011: EUR 58,871,720) common shares at a nominal value of EUR 0.10 (2011: EUR 0.10) per share. The authorised share capital of the company amounted to Euro 17.5 million divided into 175 million common shares each having a nominal value of Euro 0.10 per share.

DDP

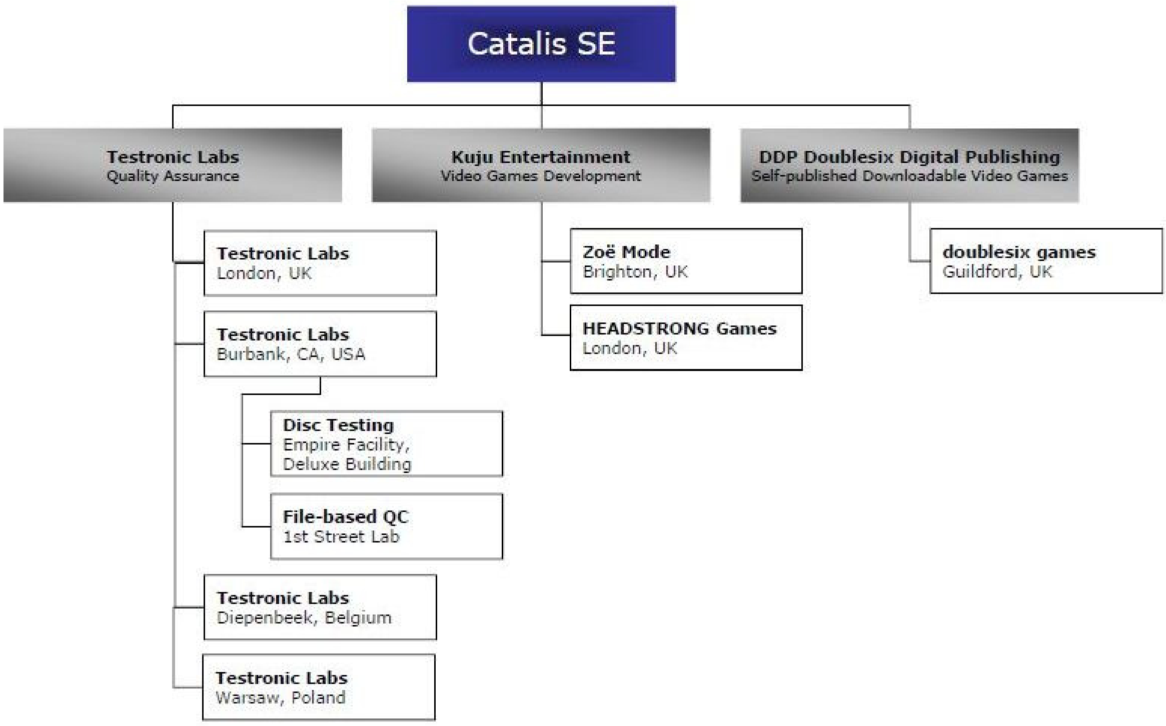
In 2012, it became apparent that the Doublesix Digital Publishing (DDP) business was no longer sustainable, and the operations of DDP were consequently reduced. The operating results were lower than expected. The accumulation of losses in the last few years prompted a re-think of our strategy. Catalis continues to benefit from the exploitation of Intellectual Properties (IP) that were developed by DDP, but new projects will not be pursued. At the moment, we will not generate any new business or transactions in the subsidiary. The number of DDP staff has been significantly reduced. The subsidiary was decommissioned. This should also assist in the positive shaping of operating results in the future.

Group Structure, Competition & Strategy

Structure

Catalis Group consists of the holding company Catalis SE and its wholly-owned operating subsidiaries. These operating entities are Testronic Labs and Kuju Entertainment with their respective subsidiaries.

The operating structure of Catalis Group looks as follows



Other non-operating (end of 2012) and intermediate holding companies have been excluded from the above chart.

Competition

The competitive landscape for the Catalis Group is complex, as we compete with different businesses across a wide range of product areas.

The group's business environment is competitive and we recognise that the actions of competitors or potential competitors may affect our business. In order to mitigate the effects of competition, we intend to maintain our international spread and sector diversity, build on our reputation and constantly seek to differentiate our services.

In some ways the competitive environment has eased during the past three years as the demanding market conditions have resulted in a lower number of competitors being still active in the market. However, competition has also become more intense, as the remaining market participants have become substantially more aggressive on pricing. Though pricing is not always the key criterion and

Catalis' operating units have successfully chosen to compete by quality and efficiency of their services rather than by pricing.

Strategy

Catalis is dedicated to delivering quality to the global entertainment and media marketplace. We strive to build a balanced portfolio of businesses that are, or can be, world-leading in their corresponding sectors.

An important element to this strategy is to remain at the leading edge of technological innovation. The Catalis Group places great focus on building strong relationships with manufacturers and platform holders, and is an active member in many industrial consortia and influential trade bodies. Keeping pace with the latest innovations has helped to build Catalis into a deft and nimble operation. Catalis is continuously evolving the scope of its services, serving to expand relationships with existing clients, and establish relationships with new clients.

Based on this strategy, Catalis is well positioned to benefit from the future growth potential of the digital media and entertainment industries. Catalis intends to continue adapting to the ongoing transitions in the industry, to help maintain, and grow, the demand for its services.

In addition to growth opportunities, Catalis' management has permanent focus on cost control, in order to generate attractive margins from its business.

The Stock & Corporate Governance

There has been uncertainty, and volatile stock prices the world over, influenced by the ongoing European sovereign debt crisis, measures by central banks, and concerns about the world economy. Despite strong operational performance, Catalis shares fell in value by 46% during 2012.

The Trading Year 2012

The past year, 2012, was a volatile one for stocks but investors overall were rewarded at the end with solid gains.

For 2012, the broad-based U.S. S&P 500 Index was up 13.4 percent, the technology-focused Nasdaq Composite gained 15.9 percent and the blue chip Dow Jones industrial average was up 7.3 percent. An average year in the U.S. stock market provides investors with a gain of 9.8 percent. Financial companies and stocks that rely on consumers spending on non-necessities did best. Financial stocks rose 25 percent, and consumer-discretionary companies climbed 20 percent.

Despite the problems in the Eurozone—competitive imbalances, large fiscal budget deficits, and too much debt—most stock markets within the region posted double-digit third and fourth quarter gains. The continent-wide Euro Stoxx index was up by more than 13 per cent in 2012, while Paris' CAC-40 index did even better, up 15 per cent. Germany's DAX Index had a great year, up more than 29 per cent. The main stock index of Switzerland went up by more than 14 per cent. One of the only major European exchanges to lose ground in 2012 was Spain, where the Ibex was off almost five per cent. Italy's Borsa Italiana was up almost eight per cent on the year.

Stocks in the Asia-Pacific region rallied despite concerns about sluggish growth in China and Japan, the world's second- and third-largest economies, respectively. The Bombay Stock Exchange (BSE) Sensex was up 24 per cent till the end of December 2012 from the start of the year. In China, the Hang Seng Index ended the year up 22.9 per cent and mainland stocks also ended a two-year losing streak, with the key Shanghai index advancing 3.17 per cent for the full year.

Catalis SE Stock

Catalis SE shares were first listed on the Frankfurt Stock Exchange in July 2000. The shares are traded on the Regulated Market (General Standard) section of the Frankfurt Stock Exchange as well as on XETRA and the Open Market of the Stuttgart, Munich, Berlin and Dusseldorf Stock Exchanges.

At the end of 2012, the Catalis SE share price on XETRA traded at Euro 0.07. The trading year's lowest share price was recorded at Euro 0.05 on October 25, 2012. The highest share price for the year was recorded at Euro 0.13 on January 10, 2012. At the end of the year 2012, Catalis SE's market capitalisation amounted to approximately Euro 4.4m. Despite strong operational performance, the share price performance for the year was -46.0%. However, in the first few weeks of 2013, Catalis' share price gained significantly.

Key Stock Figures (XETRA)

	2011	2012
Shares at end of year:	58,871,720	62,423,328
End of year Share Price:	Euro 0.13 per share	Euro 0.07 per share
Market Capitalisation at end of year:	Euro 7.65	Euro 4.37m
Year High:	Euro 0.34	Euro 0.13
Year Low:	Euro 0.10	Euro 0.05

Symbol:	XAE
WKN:	927093
ISIN:	NL0000233625
Stock Markets:	XETRA, Frankfurt, Stuttgart, Munich, Berlin, Düsseldorf
Segment:	General Standard

Shareholder Structure as of December 31, 2012

During the fiscal year 2012, the number of shares issued and outstanding was increased in two steps from 58,871,720 to 62,423,328. Of these shares, 22% are held by long-term investors and 78% are classified as free float.

Under the Dutch Major Holdings Disclosure Act, shareholdings of 10% or more in any Dutch company must be disclosed to the Netherlands Authority for the Financial Markets (AFM). According to the register kept by the AFM the following shareholders had disclosed that they owned between 10% and 15% of Catalis SE's total share capital:

- IFOS Internationale Fonds Service AG
- Navigator Equity Solutions SE

Investor Relations

Catalis SE's financial communication policy aims to deliver all essential information to all its target groups in unison. In accordance with the principle of equal treatment of all shareholders (fair disclosure), we publish all important information such as press releases and ad hoc disclosures, quarterly and financial reports, but also analysts' and consensus forecasts as well as company presentations from roadshows and investors' conferences on our website. Our company publishes an electronic newsletter informing all subscribers on the Group's latest news.

Catalis considers openness and transparent reporting to be a sound basis for positive share performance. Correspondingly, Catalis is committed to providing a high degree of transparency in its reporting and intends to maintain and improve its communication to investors in the future.

Directors' Dealings

Members of the Board – and related parties – are required by the Securities Trading Act (§ 15a WpHG -German Securities Trading Act-) to disclose any acquisition of shares of Catalis SE worth Euro 5,000 or more within a calendar year. Catalis is also obliged to disclose any such communication immediately. Six such notifications were published during 2012, and are included on our website at www.catalisgroup.com

Notifications Pursuant to Part 5.3.3 Section 5:38 Dutch Act on Financial Supervision

The Dutch Act on Financial Supervision imposes a duty to disclose percentage holdings in the capital and/or voting rights in the Company when such holdings reach, exceed or fall below the thresholds of 5, 10, 15, 20, 25, 30, 50 and 75 percent (as a result of an acquisition or divestment by an individual, or as a result of a change in the company's total number of voting rights or capital issues). We received no notifications pursuant to Section 5:38 by shareholders.

Notifications Pursuant to § 26a German WpHG

If a relevant increase or decrease in the total number of voting rights occurs, an issuer must disclose to the public the information. An issuer must, at the end of each calendar month during which an increase or decrease has occurred, disclose to the public: the total number of voting rights and capital in respect of each class of share which it issues (Section 26a WpHG). We have disclosed one Section 26a WpHG notice to the public in 2012

Corporate Governance

Catalis SE is a company organised under Dutch Law, and, as such, is subject to the revised Dutch Corporate Governance Code of 10 December 2008. Our Board Members have strived to comply with the guidelines laid down in the Code and will continue their efforts to do so. The Code applies to all companies whose registered offices are in the Netherlands and whose shares have been admitted to listing on a stock exchange. The Dutch Corporate Governance Code contains principles and best practice provisions that regulate relations between the management board, the supervisory board and the shareholders.

The principles may be regarded as reflecting the general views on good corporate governance, which enjoy wide support. A copy of the principles and best practice provisions of the Dutch Corporate Governance Code is available on the website www.commissiecorporategovernance.nl.

The Board

The Board of Catalis SE is a one-tier board, comprising Executive Directors and Non-Executive Directors. Directors shall be appointed by the general meeting in the capacity of Executive or Non-Executive Directors. Natural persons as well as legal persons may be Executive Directors. Only natural persons may be Non-Executive Directors.

The Board has ultimate responsibility for the management, general affairs, direction and performance of our business as a whole. The responsibility of the Directors is collective, taking into account their respective roles as Executive Director and Non-Executive Directors. The Executive Director has additional responsibility for the operation of our business as determined by the Board. In all cases of conflicts of interest between the company and a Director, the company shall be represented by one of the other Directors.

We achieve compliance of our board arrangements with the Dutch Corporate Governance Code, which is for the most part based on the customary two-tier structure in The Netherlands, by as far as is possible and practicable, applying the provisions of the Dutch Corporate Governance Code relating to members of a management board to our Executive Director and by applying the provisions relating to members of a supervisory board to our Non-Executive Directors. Management tasks not capable of delegation are performed by the Board as a whole.

Non-application

According to the Dutch Corporate Governance Code, non-application of best practice provisions is not in itself objectionable and indeed may even be justified by certain circumstances. Best practice provisions that are not applicable for Catalis SE are not further explained.

We apply all of the relevant provisions of the Code with the following deviations, explained below:

Best practice provision II.1.1, III.3.5, III.8

A Board Member shall be appointed for a maximum period of four years. In our opinion, this limitation makes no sense. The Dutch statutory provision shall apply instead.

Best practice provision II.1.2
The Board has formulated their business strategy (see Strategy) and objectives for the coming years. The objectives and financial parameters to be applied are not mentioned in detail in the annual accounts. This will be on the agenda in the future together with corporate social responsibility issues relevant to Catalis SE.

Best practice provision II.1.3 & II.1.4
The Board is well aware of the risks (see Risk Report) of the company's business and has a suitable internal risk and control system in place to manage these risks. The Executive Directors are discussing and assessing the company's management and control system with the Non-Executive Directors at least once per quarter and ensures that the identified risks are properly managed. Yet the system, also due to the size of the company, does not include all elements mentioned in this best practice provision (e.g. code of conduct).

Best practice provision II.1.7
Catalis SE has not formulated or published an explicit whistleblower policy. Yet, the Board holds, that there are no disadvantages for whistleblowers in the company.

Best practice provision II.1.8, III.8
The Dutch Corporate Governance Code recommends that a management board member may not be a member of the supervisory board of more than two listed companies. Nor may a management board member be the chairman of the supervisory board of a listed company. The Company is of the opinion that the number and type of the mandates in itself is not a sensible or appropriate criterion for excluding someone from holding the office of a Board member. The election proposals submitted to the annual shareholders' meeting are based primarily on the respective candidate's knowledge, ability and professional experience.

Best practice provision II.2.4
The Dutch Corporate Governance Code recommends that if options are granted to the Executive Director they shall, in any event, not be exercised in the first three years after the date of granting. The number of options to be granted shall be dependent on the achievement of challenging targets specified beforehand. In the current contracts with the Executive Directors other arrangements have been made. The contracts have not and will not be revised. In future contracts with Executive Directors this best practice provision will be taken into consideration. All legally required information regarding options is published in the Annual Report.

Best practice provision II.2.10 & II.2.11
According to the best practice provision II.2.10 and II.2.11 the supervisory board should have the power to adjust the value of the variable remuneration component of the managing directors downwards or upwards, if in the opinion of the supervisory board the value is an unfair result due to extraordinary circumstances. Also the supervisory board should have the power to recover any variable remuneration awarded on the basis of incorrect financial or other data. These provisions are based on the customary two-tier structure in The Netherlands. Because Catalis SE has a one-tier board it is mentioned in the articles of association that the remuneration of the Directors is determined by the general meeting. As a result of this the Non-Executive Directors do not have the power to adjust or to recover the variable remuneration. This is inherent to the fact that Catalis SE has a one-tier Board.

Best practice provision II.2.12, II.2.13, II.2.15 & III.5.10
The company has hitherto not drawn up a remuneration report. Catalis SE intends to apply this provision in the future. Because no remuneration report has been drawn up, no report is published on the company's website. All legally required information regarding remuneration is published in the Annual Report.

Best practice provision II.2.14
The Dutch Corporate Governance Code recommends that the main elements of the contract of the Executive Director with Catalis SE shall be made public after it has been concluded. The company has not and will not publish the main elements of the contract. All legally required information regarding the remuneration is published in the Annual Report.

Best practice provision III.1.1
The division and duties within the Board of Directors and the procedures are laid down in Terms of Reference. Hitherto the Terms of Reference are not posted on the company's website. Catalis SE intends to apply this provision in the future.

Best practice provision III.1.3
The Dutch Corporate Governance Code recommends that information about the current term of office about each supervisory board member shall be included in the report of the supervisory board. No information on this point in the Annual Report. The information will deliver no added value for the shareholders. Ever since its foundation, Catalis SE has attached great importance to open communication with shareholders and all interested parties. Shareholders can direct questions and suggestions to the Members of Board at any time. Specific information on the Board Members may be found at the website. The website http://www.catalisgroup.com provides comprehensive information in both German and English. Alongside the company's key figures and information about the Catalis share, the web site contains financial reports, press releases, ad-hoc news, as well as the profiles of the Board Members. Thus, it has been ensured that shareholders are provided with the relevant information.

Best practice provision III.2.1, III.2.2, III.2.3 & III.8.4
The Dutch Corporate Governance Code recommends that all Non-Executive Directors, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2. The Management Report shall state that best practice provision III.2.2 is fulfilled, and shall also state which Non-Executive Director is not considered to be independent, if any. At this moment this statement is not mentioned in the Management Report. Catalis SE intends to apply this provision in the future.

Best practice provision III.3.2, III.8
Normally at least one member of the Supervisory Board shall be a financial expert with knowledge and experience of financial administration and accounting for listed companies or other large legal entities. Catalis has a one-tier Board – Mr Peter Biewald (Diplom-Volkswirt), the Executive Board member- has gained longtime experience in senior positions in finance and accounting, for example as CFO of a listed company. Peter takes over the position of the financial expert.

Best practice provision III.3.5
The Dutch Corporate Governance Code recommends that a person may be appointed as a Non-Executive Director for a maximum of three four-year terms. According to the articles of association of Catalis SE a Non-Executive Director retiring by rotation can be reappointed immediately for the maximum period of three years. In the articles of association there is no maximum mentioned regarding the number of terms. The articles of association will not be modified because of this provision. If the articles of association ought to be modified in the future this best practice provision will be taken into consideration.

Best practice provision III.3.6
The Non-Executive Directors have, partly due to the size of the company, not drawn up a formal retirement schedule. Because no retirement schedule has been drawn up, no retirement schedule is posted on the company's website.

Best practice provision III.4.3 & III.4.4
The company has no company secretary and a vice chairman in place. Given the nature and the size of the company there is, at this moment, no need for such positions.

Best practice provision III.8.4
The majority of the members of the Management Board shall be Non-executive directors. After the last Extraordinary General Meeting of Shareholders, the Board consists of three Executive and three Non-Executive Members. The purpose of this provision is also fulfilled if the number of Executive and Non-Executive Directors is equal.

Best practice provision IV.3.3
As Catalis SE is a relatively small listed company, research reports are normally not covered by the analysts, as they usually specialize in big listed companies. Therefore, Catalis SE pays fees for research reports to be prepared and published. Catalis SE does not have any influence on the outcome of the research.

Best practice provision IV.3.11
The Dutch Corporate Governance Code recommends that Catalis SE provides a survey of all existing or potential anti-takeover measures in the annual report and indicates in what circumstances it is expected that these measures may be used. Hitherto no survey of all existing or potential anti-takeover measures has been carried out. Because no survey has been carried out, no indication of expected circumstances or expected measures , that may be used in these circumstances are mentioned in the Annual Report.

Catalis SE intends to apply this provision in the future.

Best practice provision IV.3.13
Catalis SE has formulated an outline policy on bilateral contacts with the shareholders.

Hitherto Catalis SE has not published this policy on its website. Catalis SE intends to apply this provision in the future.

Best practice provision V.3.3

Catalis SE has not assigned a specific internal auditor. The Management Board will review whether an internal auditor will be engaged in the future.

The Annual General Meeting

The organisation and carrying out of the Annual Shareholders’ Meeting takes place at Catalis SE’ s headquarters in Eindhoven, the Netherlands. The meeting is established in order to effectively and comprehensively inform all investors of the company’s business activity over the previous year as well as the company’s future plans.

In the run-up to the general meeting, shareholders are informed through the annual report about the developments in the previous fiscal year. Usually, all documents and information discussed during the Annual Shareholders’ Meeting are available for download on our website.

The general meetings may be held in Amsterdam, Utrecht, Schiphol Airport, Eindhoven, Maastricht, Beek (Limburg) or Venlo whenever a managing director considers a meeting necessary or one or more shareholders, representing in total at least ten percent of the issued capital, address a written request to the management board containing a complete and accurate statement of the subjects to be dealt with. The meeting shall be held in English or German language as specified in the announcement convening the general meeting. Announcements convening general meetings must be made by the management board. The meeting shall be announced no later than the forty-second day before the day of meeting, or if allowed by law on a shorter period at discretion of the management board. General meetings of shareholders are convened by means of an electronically published announcement by the company directly and permanently accessible up and until the general meeting.

For each general meeting of shareholders a record date will be applied, which will be the twenty-eighth day prior to the day of the meeting. The record date and the manner in which shareholders can register and exercise their rights themselves or by a written representative will be set out in the notice of meeting. Each shareholder and holder of depository receipts is authorised to attend the general meeting of shareholders and to address to meeting. Each share confers the right to cast one vote. A shareholder or his proxy will only be admitted to the meeting if he has notified the company of his intention to attend the meeting in writing at the address and by the date specified in the notice of meeting. The proxy is also required to produce written evidence of his mandate.

A general meeting is held every year, generally within six months after the end of the previous financial year. General meetings are chaired by a person appointed by the meeting. Minutes of the proceedings of every meeting are taken by a person nominated by the chairman.

Without prejudice to the provisions of Book 2 of the Netherlands Civil Code, resolutions of the general meeting are passed with an absolute majority of votes cast, unless the articles of association prescribe another majority.

A general meeting may resolve, with an absolute majority of votes cast, and if at least fifty percent (50%) of the issued capital is represented, to change the provisions of these articles of association, to effect a merger subject to the law with one or more other companies, or to divide or dissolve the company.

The provisions of the foregoing sentence are not applicable to resolutions passed by the general meeting on changing the articles of association, if and to the extent that less than half of the issued capital is represented at the general meeting in question, in which case the general meeting may only resolve to effect the change having legal validity with a majority of at least two thirds of the votes cast.

The announcement convening a new meeting must state that a resolution may be passed and why, independent of the portion of the capital represented at the meeting.

Extraordinary General Meeting of Shareholders, 21 June 2012
An Extraordinary General Meeting of Shareholders took place on June 21, 2012 at the company´s main office at Geldropseweg 26-28, 5611 SJ Eindhoven, The Netherlands and was held in the English language. The chairman of the meeting concluded that 10,000,833 shares were represented at this meeting representing approximately 16.99 % of total capital. All items of the agenda were approved unanimously by the attending shareholders. In particular, this includes the appointment of Mr. Dominic Wheatley as Executive Director and CEO, and the appointment of Mr. Peter Biewald as Executive Director and CFO, both with effect from 21 June 2012.

Annual Shareholders' Meeting, 26 October 2012
The statutory Annual Shareholders' Meeting for Catalis SE for the financial year 2011 took place on October 26, 2012 at the company´s main office and was held in the English language. The chairman of the meeting concluded that 3,799,898 shares were represented at this meeting representing approximately 6.1 % of total capital. All items of the agenda were approved unanimously by the attending shareholders. In particular, this includes the proposal to conduct a capital reduction. The implemented capital reduction in the business year 2012 led to an adjustment of the forwarded losses of the balance sheet.

Information according to Article 10 of the Takeover Directive Decree

The EU Takeover Directive lays down measures coordinating the laws, regulations, administrative provisions, codes of practice and other arrangements relating to takeover bids for the securities of companies governed by the laws of Member States, where all or some of those securities are admitted to trading on a regulated market. Takeover bid shall mean a public offer (other than by the offeree company itself) made to the holders of the securities of a company to acquire all or some of those securities, whether mandatory or voluntary, which follows or has as its objective the acquisition of control of the offeree company in accordance with national law;

The EU Takeover Directive requires that listed companies publish additional information providing insight into defensive structures and mechanisms which they apply. The relevant provision has been implemented into Netherlands law by means of a decree of April 5, 2006. Pursuant to this decree, Netherlands companies whose securities have been admitted to trading on a regulated market have to include information in their annual report which could be of importance for persons who are considering taking an interest in the company.

Pursuant to Article 10 of the Takeover Directive Decree, Catalis SE provides the following information:

Capital structure and stock rights
As at December 31, 2012, the company has ordinary shares only and does not have any special control rights. Each share in the company provides entitlement to the casting of one vote at the meeting of shareholders. There are no restrictions on the exercise of voting rights except for own shares held by the company or its subsidiaries.

Restriction of transferring shares or voting rights
The company has no limitation, in the terms of the Articles of Association or by contract, on the transfer of shares.

Duty to report interests in the company
Under the Dutch Major Holdings Disclosure Act, shareholdings of 10% or more in any Dutch company must be disclosed to the Netherlands Authority for the Financial Markets (AFM). According to the register kept by the AFM the following shareholders had disclosed that they owned more than 10% of Catalis SE's total share capital:

- IFOS Internationale Fonds Service AG
- Navigator Equity Solutions SE

Employee shares
The company has an employee share option plan. A detailed description is included in the notes to the financial statements (Notes 15, 16).

Shareholder agreements
The company is not aware of any shareholders agreements which may affect the transfer of shares or voting rights.

Governance structure
Catalis SE is a European Public Limited Company. The Board of Catalis SE is a one-tier board, comprising Executive Directors and Non-Executive Directors. Directors shall be appointed by the general meeting in the capacity of Executive or Non-Executive Directors. Natural persons as well as legal persons may be Executive Directors. The legal person who is executive Director shall appoint a natural person as a representative for the exercise of the powers in the board. Only natural persons may be Non-Executive Directors. Each Director may at all times be suspended and dismissed by the General Meeting. In the event of absence or inability of all Executive and/or Non-Executive Directors, the company will be temporarily managed by one or more persons, who will be appointed for that purpose.

The company is managed by the Executive Directors whose powers arise from legislation and regulations.

Generally, without prejudice to the provisions of Book 2 of the Netherlands Civil Code, resolutions of the General Meeting are passed with an absolute majority of votes cast, unless the Articles of Association prescribe another majority. A General Meeting may resolve, with an absolute majority of votes cast, and if at least fifty percent of the issued capital is represented, to change the provisions of the Articles of Association. The provisions of the foregoing sentence are not applicable to resolutions passed by the General Meeting on changing the Articles of Association, if and to the extent that less than half of the issued capital is represented at the General Meeting in question, in which case the General Meeting may only resolve to effect the change having legal validity with a majority of at least two thirds of the votes cast.

Change of control provisions
Other than with its main bank the company does not have significant contracts which include change of control clauses.

Management Report

Catalis SE has a one-tier Board, consisting of three Executive and three Non-executive Directors. The Executive Directors are charged with the day-to-day management of the company and the business connected with it, while the Non-Executive Directors supervise the management of the company.

Profile of the Board

Profiles of each director, and have been included in the Overview. (Pages 08-09) Particularly of note during 2012, were the following appointments:

- On 21 June 2012, the shareholders of Catalis SE have unanimously decided to appoint Mr. Dominic Wheatley as Executive Director and CEO and to appoint Mr. Peter Biewald as Executive Director and CFO of the company.
- On March 06, 2013, the shareholders of Catalis SE have unanimously decided to appoint Mr. Nick Winks as Executive Director and Chief Restructuring Officer.

As all six members of the Board have gained considerable experience in a number of national and international businesses throughout their professional careers, the Board holds it that the Board's composition meets the requirements of the Dutch Corporate Governance Code.

Meetings of the Board

The Board of the company held five plenary meetings in the fiscal year 2012.

The Non-executive Directors were in frequent written, e-mail and verbal contact with the Executive Director, regarding the financial situation and the business development of the company. At the meetings, the non-executive Board Members were informed and consulted about the activities and policies of Catalis SE.

Matters considered by the Board during the year included:

- Company strategy
- Main risks of the business
- Design and effectiveness of the internal risk management and control systems
- Changes in the risk management and control systems
- Development of the business and financial situation of the group
- 2011 Financial statements and audit
- M&A projects
- Employee stock option scheme
- Remuneration
- Board composition
- Corporate Governance
- Actual financials 2011
- Budget 2012

Conflict of Interest

During Fiscal Year 2012, there was one potential Conflict of Interest:

In August 2012, SocialGO plc entered into a distribution agreement with Catalis SE. SocialGO plc is a UK company that is listed on the Alternative Investment Market segment (AIM) of the London Stock Exchange. The company provides and develops software which allows customers to build their own online social presence. The details of the agreement are as follows:

- The Distribution Agreement sees Catalis SE acting as an agent for SocialGO plc, providing marketing, promotion and sales support, as well as financial and creative services to SocialGO.
- Under the terms of the Distribution Agreement, Catalis pays SocialGO a fee of £50,000 per month. Catalis receives the first £50,000 of revenue per month from the SocialGO platform, including existing revenues. Once total revenue for SocialGO products exceed the fee, additional gross revenues will be split 60:40 in favour of Catalis.
- The entire agreement can be terminated by either party on four months' notice.

At the time when that agreement was concluded, Mr Dominic Wheatley was Chairman of the Board to SocialGO plc, and Executive Director and Chief Executive Officer of Catalis SE. Catalis SE has complied with the best practice provisions II.3.2 to II.3.4 of the Dutch Corporate Governance Code.

There were no other potential conflicts of interest in fiscal year 2012 between the duties to the Group of the Board Members and their private interests or other duties.

Committees

As the Board of Catalis SE comprises only six members, the tasks of an audit committee, a remuneration committee and a selection and appointment committee were performed by the full Board in the course of their normal activities. This procedure is in line with provision III.5 of the Dutch Corporate Governance Code.

Audit committee tasks

The tasks of the audit committee were performed during the regular Board meetings for the purpose of approval of the quarterly results 2012 and the results for the full fiscal year 2011 and 2012. The Board had a thorough discussion about the development of the financial results and the reasons therefore. Also, the Board discussed the risks for the future development of the company's financial situation and the measures to handle these risks. After these discussions, the Board is convinced that risks are adequately prioritised by the Executive Directors and that the Executive Directors follows a reasonable approach in controlling and handling such risks.

Discussed were the financial statements, main audit and accounting issues, internal risk management and controls, developments in law and regulations as well as a statement to the audit and auditor's independence.

Based on the Board's discussions and the opinion of the independent auditors of BDO Audit & Assurance B.V., the Board holds it that all relevant issues regarding the company's financial statements for the fiscal year 2012 have been taken care of properly.

Remuneration committee tasks

According to the company's remuneration policy, the Non-executive Directors will regularly review the remuneration package to ensure that it meets the remuneration principles in both composition and amount.

The tasks of a remuneration committee were performed by the Board in the course of the regular Board meetings. As a part of these discussions, the Board has also decided on the bonus payments for the fiscal year 2011 and 2012. An overview of the Board's remuneration can be found in Note 27 to the Consolidated Financial Statements.

The remuneration package of the Board of Catalis SE is divided in the remuneration package for the Executive Directors and the remuneration package for Non-executive Directors.

Renumeration for Executive Directors
The remuneration policy of the company is designed to attract qualified people with both, the necessary skills and background for the position of an Executive Director. Additionally, it is sufficiently challenging to ensure and extend the focus on performance and long-term growth in the value of the company, to motivate the Executive Director and to retain him if he performs well.

The remuneration package for Executive Directors consists of three main elements:

- a base salary
- a variable bonus
- stock options

The variable elements of the remuneration package are closely linked to the achievement of reasonable performance objectives.

Renumeration for Non-Executive Directors
Non-Executive Directors receive a fixed base salary only, determined by the general meeting of shareholders of the company.

For the Board:

Dr. Jens Bodenkamp

Eindhoven, The Netherlands

June 17, 2013

Global business environment

According to World Economic Outlook (January 2013), the global growth is projected to increase during 2013, as the factors underlying soft global activity are expected to subside.

Policy actions have lowered acute crisis risks in the Euro area and the United States. But in the euro area, the return to recovery after a protracted contraction is delayed. While Japan has slid into recession, stimulus is expected to boost growth in the near term. At the same time, policies have supported a modest growth pickup in some emerging market economies, although others continue to struggle with weak external demand and domestic bottlenecks.

Growth in the United States is forecast to average 2 percent in 2013. In particular, a supportive financial market environment and the turnaround in the housing market have helped to improve household balance sheets and should underpin firmer consumption growth in 2013.

The near-term outlook for the Euro area has been revised downward, even though progress in national adjustment and a strengthened EU-wide policy response to the euro area crisis reduced tail risks and improved financial conditions for sovereigns in the periphery. Activity is now expected to contract by 0.2 percent in 2013 instead of expanding by 0.2 percent. This reflects delays in the transmission of lower sovereign spreads and improved bank liquidity to private sector borrowing conditions, and still-high uncertainty about the ultimate resolution of the crisis despite recent progress. Growth in emerging market and developing economies is on track to build to 5.5 percent in 2013. Nevertheless, growth is not projected to rebound to the high rates recorded in 2010–11.

Industry development

DVD and Blu-ray

The past year has been a successful one. Total U.S. consumer spending on home entertainment topped $18 billion for the year. The industry's highest margin businesses, Blu-ray Disc, electronic sell-through (EST), and video on demand (VOD), continued to grow during every quarter of the year.

Amongst other highlights for 2012, Blu-ray Disc spending rose nearly 10% for the year, with spending on Blu-ray catalogue titles jumping 25%. Consumers are now making Blu-ray Disc players integral to their consumer home entertainment experience. The number of Blu-ray homes continues to steadily grow, climbing 7% for the year (including BD set-tops, PS3s and HTiBs.) Total household penetration of all Blu-ray-compatible devices now stands at close to 51 million US homes. U.S. consumers also increasingly purchased their entertainment via EST. Spending on EST climbed 35% compared to 2011. Total digital distribution spending, EST and VOD combined, grew 28% for the same period. Total digital now accounts for nearly 30% of the domestic home video market, up from 19% compared to 2011.

In the UK, the figures published by the British Video Association show a massive rise of 49% in viewers' spend on digital video entertainment during 2012. Digital now accounts for almost 22% of the UK's £2.3+ billion video entertainment market. Nevertheless, the video entertainment market is still dominated by the purchase and rental of DVD and Blu-ray Discs. Physical discs took over 78% of all 2012 consumer expenditure, accounting for more than £1.8 billion of the total £2.3 billion video market. The high definition Blu-ray format also showed growth; its value share of the 2012 Top 10 titles was 29% compared to 24% in 2011, over 20% higher. More people than ever before are now enjoying the Blu-ray experience, as sales in 2012 of Blu-ray Discs rose by 8.9% in volume compared to 2011. Sales of Blu-ray Discs increased their share of the Top 10 Films in 2012 to 30.1% compared with 25.8% in 2011 and, with over 4,800 titles of all genres now available on Blu-ray Disc, there is no shortage of choice.

2012 also saw Blu-ray player sales continue to rise up 8.3% with more 3D BD (Blu-ray Disc) players being purchased than standard Blu-ray models. With over 2 million 3DTVs now in UK homes there has also been a substantial rise in 3D Blu-ray Disc sales, up 188% on the previous year, as audiences enjoy viewing more quality 3D content. In the 3D homevideo segment, the US continues to make up the largest market for Blu-ray 3D (BD 3D), equivalent to 51% of global BD 3D spending. And while both value and volume for traditional physical video are decreasing, BD 3D is an exception to the trend, with forecasts showing strong growth even out to 2016. Spending by US consumers on the medium is up 94% this year from 2011 levels, to $220 million, with BD 3D unit sales set to climb 105%, to 9.9 million units.

3D penetration is dependent on households upgrading to 3D TVs as well as 3D BD players and the associated 3D glasses. 3D features are becoming a standard on high-end HDTV sets and BD players in the forecast period to 2016, resulting in a growing segment of households in developed markets being ripe for 3D movies viewing.

In just over a year since its launch, more than 9 million UltraViolet accounts have been created, more than double the number as of June 2012. UltraViolet is a free, cloud-based digital rights collection that gives greater flexibility with how and where the user watches the purchased movies and TV shows. There are already 8,500+ UltraViolet-enabled titles available from nine major content providers.

The U.S. and UK top selling home entertainment titles released in 2012 at the year end were the titles Avengers, Dark Knight Rises and Twilight Saga: Breaking Dawn - Part 1.

Video Games

U.S. Consumers spent $14.8 billion on video game content in 2012, a decline of 9%, according to The NPD Group. Breaking down the 2012 spending, NPD says that consumers spent $7.09 billion on physical video game and PC game software, a 21% drop from 2011, and $5.92 billion on digital games (full game and add-on content downloads, subscriptions, mobile games and social network games), a 16% increase. An additional $1.79 billion came from spending on used and rented games. Total spending in 2011 amounted to $16.34 billion, NPD says. The increase in digital game spending in 2012 wasn't enough to offset decreased physical game spending. More generally, NPD finds that nearly half of game sales were of the top 10 most popular games, a 12% jump over last year - people still buy the blockbusters.

The Entertainment Retailers Association has reported that UK digital entertainment sales for 2012 set a new record of £1.033 billion, with games making up £552 million of the total. That £552 million represents more than half of the sales, and shows a 7.7 per cent increase on last year's £512.9 million. The majority of the impressive total was generated by online and social games and purchases of DLC through consoles, but the report also points out sales of physical games at retail are down 26.4 per cent and there's been an overall decline in the entertainment market.

There are several factors contributing to this, not the least of which is a quick shift to digital entertainment. Game players are spending less in stores, and spending more on their phones, tablets, computers, and the digital storefronts on their consoles. But there's another invisible threat: what analysts are calling "gamer fatigue," as the current generation of video game consoles comes toward the end of its lifespan, and players anxiously await what's next.

The new Wii U console had a somewhat disappointing launch, and did not reach 1 million units before the beginning of 2013. Total sales now stand at 890,000 units with 462,000 of those having been added in December 2012. Nintendo has cut forecasts for its consoles, expecting to sell 4 million Wii U units by the end of March 2013 - down from a prediction of 5.5 million units. It also said it projected 3DS sales to hit 15 million rather than 17.5 million and dropped DS expectations from 2.5 million to 2.3 million.

Mobile games continue to vie with social games as the hottest sector of the video game industry and that trend shows no sign of waning. More people are playing mobile games: more than 4 in 10 (44%) of adults play at least one mobile game in a month – an increase of 29% compared to just a year ago.

The games that were very strong performers in 2012 included Call of Duty Black Ops 2, Halo 4, Assassin's Creed III and Just Dance 4.

On February 20, 2013, Sony unveiled the new console Playstation 4 (PS4) - this has been long-awaited. The PS4 is going to be an incredibly developer-friendly platform, with an architecture that's more familiar and easier to get up and running on than any console before it, and it's going to be an incredibly gamer-friendly platform, taking away barriers between the player and the game which had existed on PS3. Furthermore, the user will have the ability to take a full-fledged console game off the television and onto a mobile device (PS Vita). At the very end of the event, Sony revealed a vague launch window for the console — “Holiday 2013.” Whether that means October or December 2013 remains to be seen, but at least there’s confirmation that the PS4 will launch this year. Wedbush analyst Michael Pachter recently predicted that Sony would price the PS4 around $400 or possibly as high as $449.

According to a new report from investment banking services company Digi-Capital, revenue from online and mobile games will soon make up more than 50 percent of global video game revenue -- and this shift will be dominated by Asia and Europe. As it stands, revenue from this rapidly growing sector is currently around $31 billion for the 2012 fiscal year, making up 49 percent of all revenue from video games during the year. However, by 2016 Digi-Capital believes that online and mobile games will make up 57 percent of global revenue from video games -- roughly $48 billion of a total $83 billion. And by 2015, the company expects Asia and Europe to take 87 percent of all worldwide revenue from mobile and online games, with Asia in particular accounting for more than half.

The British government will begin a tax relief program for game developers starting this April 2013. The UK's finance ministry will offer one of the most generous tax reliefs for game development in the world for so called "culturally British video games." Essentially, games are deemed "British" based on a points scale determined by a simple test. Of the 16 points required to pass, the biggest points are awarded if a game "is set in the United Kingdom or another EEA state," whether the lead characters in a game are British, if the game depicts "a British story," and if the majority of in-game dialogue is recorded in English. We are convinced that the tax relief program will support Kuju in its work. The studios of Kuju are all located in the UK.

Segment information

Financial Overview of Divisions

Business segments	Testronic		Kuju		DDP		Corporate		Total	
Euro k	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Revenues	16,163	13,954	10,988	12,267	532	194		-	27,683	26,415
Subcontracting and costs of materials	1,347	3,184	766	1,401	43	-			2,156	4,585
Gross Profit	14,816	10,770	10,222	10,866	489	194			25,527	21,830
Personnel Costs	9,177	6,279	7,331	8,269	14	1,153	546	388	17,068	16,089
Depreciation/ impairment	514	517	138	399	340	1,536		-	992	2,452
General & Administration	3,665	3,058	1,833	2,355	170	480	927	943	6,638	6,836
Elimination non-recurring	91	0	141	0	0	(1,719)	384	0	616	(1,719)
Operating Income (EBIT) before Non-recurring Costs	**1,551**	**916**	**1,061**	**(157)**	**(35)**	**(1,257)**	**(1,132)**	**(1,331)**	**1,445**	**(1,829)**
Non-recurring Costs	91	0	141	0	0	1,719	384	0	616	1,719
Operating Income (EBIT) after Non-recurring Costs	**1,460**	**916**	**920**	**(157)**	**(35)**	**(2,976)**	**(1,516)**	**(1,331)**	**829**	**(3,548)**

Testronic Labs

2012 was another extraordinarily good year for Testronic. Fuelled by double-digit growth in Games, Digital TV and Software, Testronic achieved record revenues of Euro 16.2 million, equivalent to a year-on-year increase of 15%.

An ambitious growth programme yields significant results

The growth in revenues has been part of an ambitious long-term growth programme for Testronic, and the initiative is already bearing fruit. Foremost, the ongoing emphasis on sales and marketing lead to the acquisition of 30 new clients, helped to up-scale existing client contracts, and generated a number of excellent leads. A summary of significant achievements is given below

Games

Games Testing revenues from 2012 were up 60% when compared with 2011. In large part, this is due to decisive strategic actions to pursue opportunities in mobile and online gaming. This burgeoning market segment, does not suffer from the same seasonality as boxed-product games, hence provides a reliable, year-round revenue stream. Having successfully completed a trial with the world's leading social and mobile games developer and publisher, Testronic is extremely well placed to benefit from ongoing growth in this segment. Office relocations in London and Poland have provided the operational capacity to accommodate this potential.

Digital Television

To the benefit of Testronic, the distribution of television has experienced significant changes over the last few years. Increasingly, consumers are using the internet and "over-the-top" technology to access their movies and television content. Testronic established an early market presence, has grown the division by 32% in 2012 when compared with 2011, and is currently pursuing a potential contract with a major UK Digital TV provider. The positive trend is likely to continue in 2013.

Software

The Software testing business also posted strong full-year revenues, showing an increase of 19% on 2011. Particularly successful has been the ongoing De Lijn project, for which Testronic was appointed lead QA consultant. Testronic will continue its involvement in the project, which involves a multi-million euro project upgrade to the national Flemish public transport system, right through to its completion in DATE.

Film & TV

The Film & TV business has long been the backbone of Testronic's revenue, and continues to support a strong, and loyal customer base. During 2012, Testronic became a member of the influential cross-industry consortium DECE (the Digital Entertainment Content Ecosystem). DECE is responsible for the development of UltraViolet technology – widely considered the future of this market. Through its membership, Testronic is positioned at the forefront of this emerging technology.

Further ambitions and opportunities

Further to the successes of 2012, there remain a number of growth opportunities that continue to focus and drive Testronic's progress. Testronic continues to evolve and expand its service offerings in line with the changing requirements of its customers, and has taken decisive strategic actions to enter emerging market sectors with high-growth potential. In particular, Testronic recently announced an exclusive collaboration agreement with Player Research, a UK-based User Experience (UX) company. Player Research provides valuable recommendations for improving the experience of playing a video game, based on sophisticated biometric analyses. The service has already received significant interest and demand, and a state-of-the-art UX lab will be opened in Testronic's US headquarters later in 2013.

The ambitious growth plan for Testronic Labs is gaining momentum, and is clearly demonstrating significant progress. The success of the results attained in 2012 lend credibility and confidence to Testronic's performance, and lay the foundation for significant growth in 2013.

Kuju

A significant turnaround was achieved in Kuju Entertainment's operations during 2012 – a result focussing on high quality production values in the core work-for-hire business. The successful implementation of this initiative resulted in a contribution of Euro 920 k to Group profitability for the 2012 financial year, and provides an excellent opportunity to generate significant royalty income for the company.

Management highlights

Central to the turnaround has been the appointment of new management. Dominic Wheatley and Gary Bracey, both highly-respected games industry veterans, took up roles as CEO and Commercial Director respectively. Together, they bring a wealth of industry contacts and combined top-level experience of over 47 years. Their stewardship, complimented by the appointment of Brett Morris to CFO of Kuju Entertainment, has leant greater rigour and scrutiny to the company's internal operations, and numerous efficiency measures have already been achieved.

Operational performance

The most significant management action was the decision to close the loss-making operations of Vatra Games in September 2012. It became apparent that the Vatra studio was no longer sustainable, and the closure has already had a significant impact on reducing the group overheads. The full effects of cost reductions are likely to be realised in 2013. This decisive action has also provided the opportunity for Kuju to place better focus on its UK operations: Headstrong Games and Zoë Mode.

Headstrong Games successfully completed the development of Art Academy: Lessons for Everyone – the latest addition to Nintendo's internationally acclaimed Art Academy franchise. The game was widely commended, achieving a metacritic of 81%, and sold over 450,000 units in the first three months following release.

During 2012, Zoë Mode continued its strong relationship with Majesco Entertainment, delivering two new titles to the Zumba® series: Zumba® Fitness Rush and Zumba® Fitness Core. The products developed by Zoë Mode have proved hugely popular at retail, and franchise sales now exceed 8 million units.

The five titles, Top Gun: Hard Lock, Crush 3D, Rabbids Rumble, Silent Hill: Downpour and Haunt were also developed by the Kuju studios during the course of the fiscal year. These projects contributed a significant proportion to the group revenues, whilst maintaining strong relations with high-profile publishers and reinforcing Kuju's reputation as a developer with technical and creative excellence.

Strong pipeline of new projects & growth opportunities

Kuju, and the wider video games industry, finds itself in a strong position for future growth. The impending release of next-generation consoles is fuelling refreshed excitement and investment in the industry, and the positive reception to Kuju's recent releases has contributed to strong demand for our development services. At the end of 2012, Euro 10 m-worth of development contracts had already been booked for 2013, and further lucrative royalty deals agreed.

The restructuring of Kuju Entertainment during 2012 has strengthened Kuju's industry presence, improved the operational performance of the company, and opened up superior royalty income opportunities. It is believed that Kuju is well positioned for future growth.

Research and Development

The Group is continuing to invest in a new product pipeline while sharpening the focus and effectiveness of the product development process. We seek to meet customers' needs through a consistent commitment to product innovation using in-house R&D and partnerships. In general, we have a strong pipeline of new product launches planned during the fiscal year 2013. These will be spread across the key product groups.

Investments

Total investments in tangible fixed assets in the fiscal year 2012 amounted to Euro 0.8m and were mainly attributable to the purchase of property, plant and equipment.

There are no principal future investments on which the management bodies have already made firm commitment. Thus, the management expects the Group's total capital expenditure to be stable at the 2012 level.

Development of Earnings, Assets and Financial Situation

All financial data for the 2012 business year has been calculated in Euros (Euro) and comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Earnings situation

Sales Development

In the fiscal year 2012, Catalis Group generated total sales of Euro 27.68m (previous year: Euro 26.41m). Thereof, Euro 16.16m (2011: Euro 13.95m) were attributable to Testronic (quality assurance), Euro 10.99m (2011: Euro 12.27m) were attributable to Kuju (video games development) and Euro 0.53m were attributable to DDP (self-published games, 2011: Euro 0.19m).

Subcontracting and cost of materials amounted to Euro 2.12m (2011: Euro 4.59m).

The group's gross profit (total revenues minus subcontracting and cost of materials) amounted to Euro 25.53m in 2012 (2011: Euro 21.83m), representing an increase of 16.95% from the previous year.

Earnings Development

In the fiscal year 2012, the group's operating income (EBIT) before non-recurring costs amounted to Euro 1.45m (2011: Euro 1.83m). Taking into account the non-recurring costs of Euro 0.62m (2011: Euro 1.7m), the group's operating income was Euro 0.83m (2011: Euro -3.55m). Non-recurring costs are unusual charges, expenses, or a loss that is unlikely to occur again in the normal course of a business.

Testronic´s profit from operations amounted Euro 1.46m (2011: Euro 0.92m), while Kuju generated Euro 0.92m (2011: Euro -0.16m) and DDP contributed with Euro -0.04m (2011: Euro -2.98m).

The earnings situation is illustrated in the following table:

Euro k	**2012**	**2011**
Total income	27,683	26,415
Subcontracting and cost of materials	(2,156)	(4,585)
Gross profit	25,527	21,830
Operating costs	24,085	(23,659)
Operating income (EBIT) before non-recurring costs	**1,445**	**(1,829)**
Non-recurring costs	(616)	
Corporate	(384)	
Kuju	(141)	-
DDP	-	(1,719)
Testronic	(91)	-
Operating income (EBIT) after non-recurring costs	**829**	**(3,548)**

This pleasing development in the financial year 2012 is chiefly related to the excellent results achieved at Testronic and Kuju. Also the rationalization programs carried out at DDP produced significant improvements, leading to almost breakeven earnings. The implemented cost measures (scaled back operations of DDP, management restructuring, office relocations of Kuju and Testronic) in 2012 led to Euro 2.38m cost savings across the group.

The depreciation of fixed assets decreased from Euro 0.9m in 2011 to Euro 0.7m in 2012. The amortisation on intangible assets was lower (2012: Euro 0.34m, 2011: Euro 0.48m). The group's financial income for the fiscal year 2012 amounted to Euro -0.7m (2011: Euro -0.2m). Taking into account this financial income, the pre-tax income amounted to Euro 0.1m (2011: Euro -3.8m). The adjustment of deferred taxes amounted to Euro +0.00m. Therefore, income for the period (after tax) amounted to Euro 0.11m (2010: Euro -7.43m). This equals earnings per share of Euro Cent 0.2 (2011: Euro Cent -17.0).

Asset Situation

Balance Sheet

As of December 31, 2012, Catalis Group's balance sheet total amounted to Euro 24.9m. In comparison with the previous year's total of Euro 25.4m, this represents a slightly decrease.

The group's fixed assets decreased from Euro 17.3m to Euro 17.0m resulting from a lower valuation of the intangible assets (2011:Euro 1.0m, 2012: Euro 0.6m). Current assets of Catalis Group amounted to Euro 7.8m (2011: Euro 8.1m) which is a decrease of 2.9% based on the reduction of other current assets (Note 7).

In terms of equity and liabilities, the group's total shareholder equity increased to Euro 7.8m (2011: Euro 7.4m). Based on the number of 62,423,328 shares outstanding at the end of the fiscal year, shareholder's equity amounted to Euro 0.13 per share (2011: Euro 0.13 per share). In 2012 total equity represents 31.4% of the balance sheet total (2011: 29.3%).

Deferred tax liabilities remained unchanged (2011: Euro 0.2m, 2012: Euro 0.2m). Current liabilities decreased to Euro 16.8m (2011: Euro 17.8m). Here, bank overdraft decreased from Euro 1.7m to Euro 0.7m, while trade and other payables increased from Euro 5.5m to Euro 5.6m. The KBC loan was partly repaid in 2012, with a positive effect on the current liabilities as mentioned above., Euro

Financial Situation

Cash Flow

In the fiscal year 2012, Catalis Group generated an operating cash flow of Euro 2.2m (2011: Euro -2.2m). Compared to the previous year the change mainly results from the profit after tax and an increase in working capital. Cash flow from investing activities amounted to Euro -0.8m (2011: Euro -2.7m) and is attributable to reduced additions of intangible and tangible assets. Cash flow from financing activities amounted to Euro -0.6m (2011: Euro 5.2m). The proceeds of the capital increases in 2012 led to Euro 0.3m. Additionally, the net effect of currency translation in cash and cash equivalents amounted to Euro -0.2m (2011: Euro -0.5m). Thus, the company's total net increase in cash and cash equivalents in the fiscal year 2012 amounted to Euro 0.6m (2011: Euro -0.2m), resulting in a net cash position at the end of the reporting period of Euro 1.4m (2011: Euro 0.8m).

Employees

Our growth over the past year is a direct result of the dedication, passion and hard work of our people. We know that if we look after our staff, they will look after our customers. Work can be a large part of our lives so our people deserve an employer who cares. We believe in providing our employees with opportunities to develop their talent and to contribute to the business in which they work.

The average numbers of permanent employees for the fiscal year 2012 was 349 (previous year 344 employees) of which 230 were employed at Testronic (2011: 194), 109 at Kuju (2011: 117) and 9 at DDP (2011: 17 employees). Catalis Holding had one employee (2011: 3).

Supplementary Report

Extraordinary General Meeting of Shareholders, 06 March 2013

On March 06, 2013, an Extraordinary General Meeting of Shareholders took place at the company`s main office. In total, 6.08% of the company´s share capital was represented at the meeting. The only item of the agenda (nomination of Mr Nick Winks as CRO) was approved unanimously by the attending shareholders.

Short term Credit Facility converted into Term Loan

Effective March 18th, 2013 KBC Bank converted the short term credit facility with Catalis SE amounting to Euro 8.6 m into a term loan maturing 31.12.2015. This new structure is very much appreciated as it provides longer term security about the funding of the company.

Stock Options

Catalis SE issued in total 1,550,000 new stock options of which 1,150,000 are dedicated to senior management. The exercise price of such options is fixed at Euro 1.00.

Risk Report

Catalis Group is a worldwide outsourcing service provider for the digital media and entertainment industry. The Group's focus is on quality assurance and video games development services for its customers in the home entertainment and consumer electronics space.

As a service provider, Catalis is always dependent on the demand for services from its customers which in turn is subject to the general economic environment and consumer demand for their respective products. Apart from these general risks that exist in company's business environment, Catalis is also subjected to other risks which have been summarised below. These risks have the potential to impact our business, revenues, profits, assets, liquidity and capital resources adversely. There may be risks which are unknown or which are presently judged not to be significant but later prove to be significant.

Risk of substantial changes in trends and technologies

A major risk for all of Catalis' business activities lies predominately with consumer interest and demand. Building on the development in the media and entertainment industry, we depend on the developments of these industries' driving forces. Technological changes and variations in end user behavioural patterns represent a risk as well as an opportunity for our business. Therefore, a material change or downturn in the pattern of the whole media and entertainment industry is a substantial risk for our business. Substantial changes in trends and consumer behaviour might lead to a significant weakening in demand for some of our clients' products and in turn reduce their demand for our services. Technological changes may affect both the production and distribution processes in the industry and result in a significant change of demand for our services, some services might even become obsolete, demand for new services not yet developed, changes in the competitive environment or changes in the attainable margins. Such changes can have significant effects on the asset, financial and earnings situation of Catalis.

Our continued investment in delivering new and innovative products and solutions to our customers will continue to place increasing demands on our existing supply chain and systems infrastructure. There is a risk that our infrastructure will lack the necessary scalability, flexibility and resilience to support its successful execution. The Group depends on the availability of its facilities (both in-house and outsourced) and the performance, reliability and availability of its information technology and communications systems. Any damage or denial of access to these systems could disrupt operations.

Quality and reputation risks

For Catalis as a service provider it is crucial to deliver high quality services just to stay in business. It has a number of highly qualified competitors in its markets and therefore a substantial reduction or lack of quality in its services may cause significant cancellations and losses of orders. Moreover, Catalis might lose its strong reputation in the market and be eliminated from future pitches for new projects. This may have adverse effects on the asset, financial and earnings situation of Catalis.

Clients rely on the Group's integrity and probity. The Group has policies and procedures in place to manage this risk to the extent possible, which include conduct of business rules, procedures for employee hiring and the taking on of new business. Maintaining a positive reputation for the Group is of vital importance to ensure the smooth operation of the existing business and to protect profitability.

Competition and pricing risks

Catalis is facing a number of different competitors in its respective markets. Though these markets are driven by quality, reputation, skills, capacity and barriers to market entry are therefore relatively high. Intensified competition for available orders might result in more aggressive pricing behaviour in the markets and harm Catalis' margins. Competition might also provide opportunities for customers to put pressure on margins.

Competition and intellectual property risks

In the development and distribution of video games, Catalis competes with a large number of other publishers. The Group's success in this segment depends on the Group's ability to exploit and protect its intellectual property throughout the world. Domestic and foreign laws promoting or limiting intellectual property rights may have significant impacts on the Group's operations in this field. In some foreign countries preventing unauthorized use of the Group's intellectual properties can be difficult even in countries with substantial legal protections. In addition, the Group's activities that rely on the exploitation of intellectual property are subject to the risk of challenges by third parties claiming infringement of their proprietary rights.

Personnel risks

The performance of the company's services depends to a great extent on the special knowledge and qualification of its management and employees. If the company is not able to attract the necessary highly qualified staff or to maintain the quality of its existing staff through continuous training and skill enhancements, the company might lose its ability to deliver on its service obligations.

Operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people activities, systems or external events. Operational risks are managed through a combination of effective, relevant and proportional control processes and experienced managers who are alert to the risks involved in the business they process.

Capacity risks

The performance of Catalis' services is limited by its technological and personnel capacity. It is common in the company's markets that customers are specifying minimum requirements that service providers have to meet in order to be able to compete for a new project. Such minimum requirements sometimes result in substantial investments without a guarantee of winning the order. Also, if there should be a significant rise in customers' minimum requirements this will either cause the company to make some substantial investments to stay in the business or to be excluded from competition for certain projects. This may have adverse effects on the asset, financial and earnings situation of Catalis.

Security risks

Risk that a serious security breach or incident occurs within the Group that is directly attributable to the actions of one of our employees or the failure of related processes and/or training.

Judgement and assumptions

The Group prepares its consolidated financial statements in accordance with IFRS as issued by the IASB and IFRS as adopted by the European Union, the application of which often requires judgements to be made by management when formulating the Group's financial position and results. In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group should it later be determined that a different choice would be more appropriate.

Credit risk and default risk

The credit risk faced by the Group consists of counterparty credit risk. The company could lose money if the counterparty to a contract, does not make timely payments or honor its obligation. The Group is exposed to counterparty risk in respect of cash deposits held with financial institutions. The vast majority of the Group's cash deposits are held with highly rated clearing banks and settlement organisations. We may be subject to reduced availability of financing because our bank counterparties are unable to honour their commitments when required to deliver funds that they have committed to lend when requested. Limited ability to borrow additional funds may also reduce the Groups ability to respond to competitive and industry pressures, or opportunities.

Exchange rate fluctuations

The company's accounts are denominated in Euro. Certain of the investments of the company may be in currencies other than the Euro, such as the GBP. Similarly, certain expenses of the company, including organizational and operating expenses and the fees of directors and service providers, have and will continue to be incurred in currencies other than the Euro. Accordingly, the company is at risk and potentially liable for any gain or loss incurred as a result of exchange rate fluctuation, when such investments are realised or when such expenses are paid. Thus, shareholders – indirectly – bear the risk of exchange rate fluctuations.

Economic conditions

The group's business operations are sensitive to economic conditions and in particular to levels of consumer spending. Any delay in economic recovery could affect consumer expenditure and therefore our revenue.

Trading risks

Substantial risks are involved in the trading of securities. Market movements can be volatile and are difficult to predict. Politics, recession, inflation, employment levels, trade policies, international events, war and other unforeseen events can also have a significant impact on the price of securities.

Regulatory Compliance

The Group must comply with regulatory requirements in relation to employment, competition and environmental issues, pensions and taxation legislation. Failure to do so could lead to financial penalties or reputational damage. The geographic, political and cultural diversity of the markets in which we operate exposes us to wide ranging and complex legal and regulatory frameworks. There is a danger that we do not understand the risks associated with either existing or proposed changes to legislative requirements across the jurisdictions in which we operate. The Group also faces the risk that changes in applicable laws and regulations could have a serious adverse impact on the business.

Going Concern

The subsidiaries of Catalis SE are dependent for their working capital on funds provided by Catalis SE. Catalis SE has provided an undertaking that it will continue to make available such funds as needed by an individual subsidiary and, in particular, will not seek repayment of the amounts currently made available unless the subsidiary has the resources to make such repayments. This should enable each subsidiary to continue in operational existence and to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the management boards of the subsidiaries acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, management are not aware that Catalis SE will not continue to be able to provide such support. The management boards of the subsidiaries have produced budgets and cash flow forecasts which have been used by Catalis SE to forecast cash flows for the Group. The management boards of the subsidiaries have produced budgets and cash flow forecasts which have been used by Catalis SE to forecast cash flows for the Group.

These forecasts are themselves reliant on the continuation of Group banking facilities. In March 2013 the total bank facility amounting to Euro 8.6m with KBC Bank, the company’s only credit provider, was extended until 31.12.2015. The bank’s decision was based on the company’s 5 year plan including a clearly defined repayment schedule for the debt. As of the balance sheet date 2012, Catalis SE did fulfil the solvency ratio defined in the credit contract with KBC Bank but did not fulfil the existing debt / EBIT ratio defined in the credit contract. The covenants are calculated and reviewed on an annual basis. The bank is fully aware of this fact and expressed to waive such covenant in written form in the context of the renewed credit contract by applying the covenant as of 31.12.2013 only.

Based on the aforementioned, the extended credit facility until end of 2015 and a business plan which shows rising revenues and profits as well as the company's ability to meet the agreed upon repayment schedule for the debt, management is of the opinion that the going concern assumption is justified.

Internal Control

Catalis's internal Risk Management and Control System is designed to avoid or mitigate rather than to eliminate the risks associated with the realization of Catalis's strategic, operational, financial, compliance, regulatory and financial reporting objectives. The Board of Directors is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group including those risks relating to social, ethical and environmental matters. Catalis has implemented appropriate strategies to deal with each significant risk that has been identified. These strategies include internal controls, insurance and specialised treasury instruments.

With due observance of the limitations that are inevitably inherent in any risk management and internal control system, we have not identified any matters indicating that our internal risk management and control systems did not provide reasonable assurance that our financial reports are free of material misstatement and that these systems were adequate and effective in 2012. The phrase „reasonable assurance“, is taken to mean the level of assurance that would be provided by a director acting with due care under the given circumstances. To fulfil our responsibilities, we systematically enhance the Company's internal risk management and control processes where necessary, with regard to its strategic, operational, compliance and financial (reporting) risks during the year 2012.

The set of procedures involving the internal risk management and control systems, and the related findings, recommendations and measures have been discussed with the Board and the independent external auditor.

Corporate Governance Declaration

This declaration is included pursuant to Article 2a of the Decree regarding further stipulations for the content of annual reports dated 1 January 2010 (the ‘Decree’). For the statements in this declaration as understood in Articles 3, 3a and 3b of the Decree please see the relevant sections of this annual report. The following should be understood to be insertions into and repetitions of these statements:

■ The shareholders’ equity structure of the company (page 16);

■ Compliance with the provisions and best practice principles of the Code (page 21-25 ‘Corporate Governance’);

■ The most important characteristics of the management and control systems in connection with the Group’s financial reporting process (page 46 ‘Internal control’);

■ The functioning of the Shareholders’ Meeting and its primary authorities and the rights of shareholders and how they can be exercised (page 26-27 ‘Annual General Meeting’ and page 28 ‘Governance structure’);

■ The composition and functioning of the Board of Management (page 21‘Corporate Governance Subtitle Board’ and page 30-32 ‘Management Report’);

■ The composition and functioning of the Committees (page 31-32’Committees’);

■ The regulations regarding the appointment and replacement of members of the Board of Management (page 26-27 ‘Annual General Meeting and page 21 ‘Corporate Governance Subtitle Board’);

■ The regulations related to amendment of the Company’s Articles of Association (page 26-27 ‘Annual General Meeting’);

■ The authorisations of the members of the Board of Management in respect of the possibility to issue or purchase shares (page 26-27 ‘Annual General Meeting’ and ‘page 28-29 ‘Information according to Article 10 of the Takeover Directive Decree’, subtitle ‘Governance structure’);

■ The change of control stipulations in major contracts (page 29 ‘Information according to Article 10 of the Takeover Directive Decree’, subtitle Change of control provisions).

Management Statement

We declare, based on Article 5.25c Wet op het financieel toezicht (Wft), that to the best of our knowledge and in accordance with the applicable reporting principles:

• the consolidated financial statements of 2012 give a true and fair view of the assets, liabilities, the financial position and comprehensive income of Catalis and its consolidated operations; and

• the management report includes a fair review of the position as per 31 December 2012 and of the development and performance during 2012 of Catalis SE and its related participations of which the data have been included in the financial statements, together with a description of the relevant risks of which the Catalis Group is being confronted.

Eindhoven, June 17, 2013

The Board of Directors:

Dr. Jens Bodenkamp (Chairman, Non-Executive)

Dominic Wheatley (CEO, Executive)

Peter Biewald (CFO, Executive)

Nick Winks (CRO, Executive)

Dr. Michael Hasenstab (Non-Executive)

Robert Kaess (Non-Executive)

Forecast Report

Global growth is projected to increase during 2013, as the factors underlying soft global activity are expected to subside. If crisis risks do not materialize and financial conditions continue to improve, global growth could be stronger than projected. However, downside risks remain significant, including renewed setbacks in the euro area and risks of excessive near-term fiscal consolidation in the United States.

Catalis Group expects more success in the concerned target markets and sectors.

World Blu-ray discs market is forecast to reach 6.6 billion units by the year 2017. With growing popularity of high-definition televisions and falling BD player prices, the Blu-ray discs market will continue to grow strongly in future years. The growth of Blu-ray disc media has been inextricably linked to the growth of consumer entertainment, especially in the area of movies, as these discs provide massive storage capacity needed for high definition movies. Sony's PS4 and Microsoft's next Xbox will both be launched by the end of the year. Demand for the video games industry will remain strong, as consumers increasingly adopt new consoles and games. Furthermore, the market for video games will extend beyond young males, as more women and consumers of all ages turn to the industry for entertainment. Revenue growth will continue to be bolstered by new technologies and online games, with more systems providing internet connectivity.

Catalis is well positioned in its business fields and we are expecting to participate in the above mentioned growth.

In 2012 we have introduced a number of measures that have had a positive impact on our cost structure. And in this year too, we intend to further adapt our structures to the constantly changing market conditions as a continuation of our commitment to strict cost discipline. Over 2013 we aim to improve long term affordability by continuing to develop and implement better ways to respond to demand, ensuring investment is prudent, and reducing our own costs through business efficiency and effectiveness improvements.

For this reason we expect EBIT to increase in 2013 and 2014 to levels over those for the year under review. Catalis SE expects to achieve revenues in the range of Euro 29-32 million and EBIT of Euro 1.8 – 2.2 million in its fiscal year 2013.

Financial Information

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CATALIS SE
as at December 31, 2012
(in thousands of euros)

	Note	Consolidated December 31, 2012	Consolidated December 31, 2011
ASSETS			
Non-current assets			
Intangible assets	3	586	997
Goodwill	4	14,455	14,331
Property, plant and equipment	5	1,776	1,794
Deferred tax assets	21	196	190
Total non-current assets		17,013	17,312
Current assets			
Trade receivables	6	4,401	4,035
Tax and social securities		186	222
Income tax		90	87
Other current assets	7	1,787	2,929
Cash and cash equivalents	8	1,376	800
Total current assets		7,840	8,073
Total assets		24,853	25,385
EQUITY AND LIABILITIES			
Equity			
Share capital	9	6,242	5,887
Share premium	9	19,349	19,384
Share based payments	14	438	406
Currency differences		(3,516)	(3,436)
Accumulated deficit		(14,697)	(14,802)
Total equity		7,816	7,439
Liabilities			
Non-current liabilities			
Deferred tax liabilities	21	196	190
Total non-current liabilities		196	190
Current liabilities			
Current loans	10	8,731	8,625
Bank overdraft	11	688	1,722
Trade and other payables	12	5,627	5,465
Taxes and social securities		1,353	1,295
Income tax		52	52
Provisions	13	390	597
Total current liabilities		16,841	17,756
Total equity and liabilities		24,853	25,385

CONSOLIDATED STATEMENT OF INCOME CATALIS SE
for the year ended December 31, 2012
(in thousands of euros)

	Note	2012	2011
Total revenues	17	27,683	26,415
Subcontracting and cost of materials		2,156	4,585
Personnel costs	18	17,068	16,089
Depreciation fixed assets	5	652	847
Amortisation by intangible fixed assets	3	340	484
Impairment intangible assets	3	259	1,122
General and administration	19	6,379	6,836
Total expenses		**26,854**	**29,963**
Profit/(loss) from operations		**829**	**(3,548)**
Interest income		-	5
Interest expense		(585)	(389)
Other financial income		(16)	(95)
Currency differences		(126)	236
Total financial income	20	(727)	(243)
Profit/(loss) before tax		**102**	**(3,791)**
Income tax	21	3	(3,637)
PROFIT FOR THE YEAR		**105**	**(7,428)**
Earnings per share in cent	27		
Basic		0.17	(17.0)
Diluted		0.17	(17.0)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME CATALIS SE

for the year ended December 31, 2012

(in thousands of euros)

	Note	**2012**	**2011**
NET PROFIT FOR THE YEAR		**105**	**(7,428)**
Exchange differences on translating foreign operations		(80)	(241)
Other comprehensive income for the year, net of tax		(80)	(241)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**25**	**(7,669)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CATALIS SE

for the year ended December 31, 2012

(in thousands of euros)

	Note	Share capital	Share premium	Share based payments	Currency differences	Accumulated deficit	Total Equity
Balance at January 1, 2011		**3,788**	**18,808**	**379**	**(3,195)**	**(7,374)**	**12,406**
Issue of share capital	9	2,099	576	-	-	-	2,675
Share based transactions	14	-	-	27	-	-	27
Total comprehensive income for the year		-	-	-	(241)	(7,428)	**(7,669)**
Balance at December 31, 2011		**5,887**	**19,384**	**406**	**(3,436)**	**(14,802)**	**7,439**
Issue of share capital	**9**	**355**	**-**	**-**	**-**	**-**	**355**
Cost of share capital	**14**	**(35)**	**-**	**-**	**-**	**-**	**(35)**
Share based transactions		**-**	**-**	**32**	**-**	**-**	**32**
Total comprehensive income for the year		**-**	**-**	**-**	**(80)**	**105**	**25**
Balance at December 31, 2012		**6,242**	**19,349**	**438**	**(3,516)**	**(14,697)**	**7,816**

CONSOLIDATED CASH FLOW STATEMENT CATALIS SE
for the year ended December 31, 2012
(in thousands of euros)

	Notes	2012	2011
Cash flow from operating activities			
Profit/(loss) after tax		105	(7,428)
Adjustments to reconcile profit after tax to net cash provided by operating activities			
Depreciation, amortisation and impairment	3,4,5	1,251	2,453
Change in provisions	13	(207)	597
Share based payment	14	32	27
Interest expense	20	585	384
Income taxes	21	3	3,637
Decrease / (Increase) in other current assets		812	(1,455)
Increase / (decrease) in current liabilities		222	(52)
Cash generated from operations		2,802	(1,837)
Interest received	20	-	5
Interest paid	20	(585)	(389)
Income tax received / (paid)		(3)	63
Net cash generated from operating activities		2,214	(2,158)
Cash flow from investing activities			
Additions of intangible assets	3	(170)	(1,682)
(Purchase)/sale of property, plant and equipment, net	5	(665)	(1,030)
Net cash used in investing activities		(835)	(2,712)
Cash flow from financing activities			
(Decrease)/ Increase of long term loans and overdraft	10	(928)	2,526
Proceeds from issue of share capital net of issue costs	9	320	2,675
Net cash funded / used in financing activities		(608)	5,201
Net effect of currency translation in cash and cash equivalents		(195)	(496)
Net increase in cash and cash equivalents		576	(165)
Cash and cash equivalents at beginning of year		800	965
Cash and cash equivalents at end of year	8	1,376	800

Prior year adjustment of financing activities

To enable a direct comparison with 2011 figures we adjusted the presentation of the financing activities and cash and cash equivalents. While in 2011 cash and cash equivalents also had included the usage of overdraft we now separated the overdraft and present the movements in long term loans and overdraft separately.

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION CATALIS SE

for the years ended December 31, 2012 and 2011

(all amounts are in thousands of euros, unless otherwise indicated)

1. General

Catalis SE (“the Company”) and its wholly owned subsidiaries (together “Catalis” or “the Group”) provides testing services for the media industry and the design and development of interactive computer games for personal computers and video games consoles. The average number of employees of the Group was 349 and 350 in 2012 and 2011 respectively. The office of Catalis is located at Geldropseweg 26-28, Eindhoven, The Netherlands. Catalis SE was incorporated on March 24, 2000. With respect to the Company profit and loss account of Catalis SE use has been made of the exemption under Article 2:402 of Book 2 of the Netherlands Civil Code. For events after balance sheet date please refer to the ‘other information’ section in this annual report.

The consolidated financial statements of Catalis SE for the year ended December 31, 2012 were authorized for issue in accordance with a resolution of the (non) executive Board on June 04, 2013.

2. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements are prepared in euros, rounded to the nearest thousand. The financial statements have been drawn up on the basis of historical cost, with the exception of certain financial assets, which are measured at fair value.

New standards and interpretations, which became effective in 2012, did not have a material impact on Catalis’ consolidated financial statements.

The IASB and IFRIC have issued new standards, amendments to existing standards and interpretations, some of which are not yet effective or have not yet been endorsed by the European Union. Catalis SE has introduced standards and interpretations that became effective in 2012. The adoption of these standards and interpretations did not have a material effect on the group's financial performance or position.

The amendment to IAS 24, 'Related Party Transactions', clarifies the definitions of a related party.

The amendment to IAS 32, 'Financial Instruments: Presentation', alters the definition of a financial liability and enables the classification of certain rights issues, options and warrants as equity instruments.

The amendment to IFRIC 14, 'Prepayments of a Minimum Funding Requirement', addresses the interaction between minimum funding requirements and early payments to cover such requirements.

The IASB's annual improvement projects resulted in minor amendments to several existing standards. These amendments were implemented on their respective effective dates. The adoption of the amendments above had no material effect on Catalis financial position or performance.

The following new standards and amendments to existing standards are not yet applied by Catalis.

IFRS 7, 'Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements', requires additional disclosures about financial assets that have been transferred but not derecognized. Furthermore, the amendment requires disclosures about continuing involvement in derecognized assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011 and has no impact on Catalis financial position or performance because it only affects disclosures.

IFRS 9, 'Financial Instruments: Classification and Measurement', applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard represents the first phase in the work of the IASB to replace IAS 39. Since the standard has not yet been endorsed by the European Union.

IFRS 10, 'Consolidated Financial Statements', establishes a single control model that applies to all entities, including special purpose entities. Management will have to determine which entities meet the new criteria for control and therefore have to be consolidated. The standard becomes effective for annual periods beginning on or after 1 January 2013 but has not yet been endorsed by the European Union.

IFRS 11, 'Joint Arrangements', removes the option to apply proportionate consolidation for joint ventures and mandates the use of the equity method for jointly controlled entities that meet the definition of a joint venture. The introduction of this new standard will not change Catalis financial position. The standard becomes effective for annual periods beginning on or after 1 January 2013 but has not yet been endorsed by the European Union, which means that its introduction may be delayed.

IFRS 12, 'Disclosure of Involvement with Other Entities', provides disclosure requirements with respect to interests in subsidiaries, joint arrangements, associates and structured entities. It is the complement of the two new standards discussed in the preceding paragraphs and will become effective at the same time as these standards.

IFRS 13, 'Fair Value Measurement', becomes the single source of guidance in IFRS for all fair value measurements. The standard becomes effective for annual periods beginning on or after 1 January 2013 but has not yet been endorsed by the European Union, which means that its introduction may be delayed. The impact of this standard on Catalis financial position and performance is being assessed but is not expected to be material because the standard further clarifies requirements that already exist.

New IFRIC interpretations are not expected to have a material effect on the consolidated financial statements.

Going concern

The management boards of the subsidiaries have produced budgets and cash flow forecasts which have been used by Catalis SE to forecast cash flows for the Group. These forecasts are themselves reliant on the continuation of Group banking facilities. In March 2013 the total bank facility amounting to Euro 8.6m with KBC Bank, the Company’s only credit provider, was extended until 31 December 2015. The bank’s decision was based on the Company’s 5 year plan including a clearly defined repayment schedule for the debt. As of the balance sheet date 2012, Catalis SE did fulfil the solvency ratio defined in the credit contract with KBC Bank but did not fulfil the existing debt / EBIT ratio defined in the credit contract. The covenants are calculated and reviewed on an annual basis. The bank is fully aware of this fact and expressed to waive such covenant in written form in the context of the renewed credit contract by applying the covenant as of 31 December 2013 only.

Based on the aforementioned, the extended credit facility until end of 2015 and a business plan which shows rising revenues and profits as well as the company's ability to meet the agreed upon repayment schedule for the debt, management is of the opinion that the going concern assumption is justified.

Basis of Consolidation

The financial statements comprise those of the parent company and its subsidiaries. Subsidiaries which are directly or indirectly controlled by the Group are consolidated. Control is achieved where the parent company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of the subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition, or up to the effective date of disposal, as appropriate. Entities which are acquired and are controlled, but where the intention is that they will be held for a period less than twelve months and are actively managed as such, are recorded as assets held for sale.

The consolidated financial statements are based on the financial statements of the individual companies which have been drawn up using standardised group accounting policies. All companies in the group have the same reporting date of 31 December. All significant intercompany transactions and balances between group entities are eliminated on consolidation.

At the end of 2012 Catalis SE held the following direct and indirect participations, all consolidated.
Details of the subsidiaries which have been consolidated in the group financial statements at
31 December 2012 are as follows:

Name of subsidiary	Country of incorporation (registration)	Ownership %	Voting rights %	Principal activity
Testronic Laboratories SE	The Netherlands	100	100	Intermediate Holding
International Quality Control Inc.	USA	100	100	Testing
Aerostream Corporation Inc.	USA	100	100	Testing
Testronic Laboratories Ltd	UK	100	100	Testing
Testline Ltd.	UK	100	100	Dormant
Testronic SpZoo	Poland	100	100	Testing
Testronic Laboratories N.V.	Belgium	100	100	Testing
Kuju Group SE	The Netherlands	100	100	Intermediate Holding
Catalis Development Services Ltd.	UK	100	100	Intermediate Holding
Kuju Plc.	UK	100	100	Intermediate Holding
Zoe Mode Entertainment Ltd.	UK	100	100	Games development
Kuju Entertainment Ltd.	UK	100	100	Games development
Nik Nak Games Ltd.	UK	100	100	Dormant
Kuju Brno s.r.o.	Czech Republic	100	100	Games development
Simis Ltd.	UK	100	100	Dormant
Headstrong Games Ltd.	UK	100	100	Games development
Kuju Sheffield Ltd.	UK	100	100	Dormant
Kuju Manila Inc.	Philippines	100	100	Dormant
Kuju America Inc.	USA	100	100	Games development
Doublesix Digital Publishing B.V.	The Netherlands	100	100	Intermediate Holding
Doublesix Digital Publishing Ltd.	UK	100	100	Downloadable self published games

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs are charged to the profit and loss account. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Foreign Currencies

Catalis SE has designated the Euro as its reporting currency, due to the fact that the company is listed at the Frankfurt stock market and the majority of its shareholders have its habitat in the Euro region.

Each entity of the group records transactions and balance sheet items in its functional currency. Transactions denominated in currency other than the functional currency are recorded at the spot exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in a currency other than the functional currency of the entity are translated at the closing rates. Exchange rates resulting from the settlement of these transactions and from the translation of monetary items are recognized in the income statement.

Non – monetary assets denominated in a currency other than the functional currency continue to be translated against the rate of initial recognition and will not result in exchange difference.

On consolidation the balance sheet of subsidiaries whose functional currency is not the Euro (Euro) are translated into Euro at the closing rate. The income statements of these entities are translated into Euro at the average rates for the relevant period. Goodwill paid on acquisition is recorded in the functional currency of the acquired entity. Exchange differences from the translation of the net investment in entities with a functional currency other than the euro are recorded in equity (translation reserve). The same applies to exchange differences arsing from borrowings and other financial instruments in so far as they hedge the currency risk related to the net investment. On disposal of an entity with a functional currency other than the Euro the cumulative exchange differences relating to the translation of the net investment is recognized in the income statement.

The currency exchange rates that were used in drawing up the consolidated statements are listed below for the most important currencies:

	Exchange rate at balance sheet date		Average exchange rate	
	2012	2011	2012	2011
1 Pound sterling =	Euro 1.22	Euro 1.19	Euro 1.23	Euro 1.15
1 US dollar =	Euro 0.76	Euro 0.77	Euro 0.78	Euro 0.72

Impairment

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. For the developed downloadable self-published games, the group performs an impairment test two times a year. The assets are tested per game and cash flows are based on expectations on the number of sales per game.

Use of estimates in the preparation of the financial statements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the income statement in the period in which they become known.

Judgements and assumptions

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

- Impairment of Goodwill

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a 'value in use' amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to determine a suitable discount rate in order to calculate the present value of those cash flows. Further details are contained in section Goodwill.

- Deferred tax assets
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in section Income taxes.

- Income taxes
The Company is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide liability for income tax and the valuation of deferred income tax assets. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, this will impact the income tax position and deferred income tax assets and liabilities in the applicable period.

- Share –based payments
Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (‘equity-settled transactions’).

-Accrued and deferred income/ revenue recognition
Revenue of different type of transactions is recognised according to revenue recognition policy (page 69). Some of these transactions require the Company´s management judgement and assumptions as to when projects milestones will be achieved and accepted and how many units of games will be sold in a defined period of time to make a decision of if and how much revenue might be recognised or if income has to be accrued/ deferred.

Distinction between current and non-current

An asset (liability) is classified as current when it is expected to be realized (settled) within 12 months after the balance sheet date.

As of the balance sheet date 2012, Catalis SE did fulfil the solvency ratio defined in the credit contract with KBC Bank but did not fulfil the existing debt / EBIT ratio defined in the credit contract. The covenants are calculated and reviewed on an annual basis. The bank is fully aware of this fact and waived such covenant in written form in the context of the renewed credit contract by applying this convenant next time as of 31 December2013. The total credit facility now amounts to Euro 8.6 m and matures 31. December 2015. The parties agreed upon a repayment of Euro 2.0 m in 2013 the remaining balance being repaid over the next years ending with a balance of Euro 3 m as of 31 December.2015. Nevertheless this agreement, concluded in March 2013, needs to be treated as a post balance sheet event and therefore the full 8.6 m is presented as a current loan.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition the benchmark treatment is that intangible assets should be carried at cost less any amortisation and impairment losses. The amortisation method reflects the systematic allocation of the depreciable amount of intangible assets over its useful life.If that pattern cannot be determined reliably, the straight-line method is used. Subsequent expenditure on an intangible asset after its purchase or completion are recognised as an expense when it is incurred, unless, in accordance with IAS 38, it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and the expenditure can be measured and attributed to the asset reliably.

Internally generated intangible assets will be amortised at a degressive basis. The expected useful lives vary from 2 to 3 years. Acquired client lists amortisation is computed on a degressive basis (reflects the pattern of benefits) over the estimated useful live of 5 years and a discount rate of 11.6% has been used for the calculation of the degressive basis. The client list is now fully amortised.

Currently, the useful lives of all intangible assets are (except for goodwill) estimated finite.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred. Where the recognition criteria are met, development expenditure (for downloadable self-published games are these mainly hourly rates) is capitalised and amortised over its useful live from the moment the product is launched commercially. The recognition criteria are : The feasibility to complete the asset to enable the sale of the asset which is the task of the teams working on such games as well as completing the games in a defined period of time to bring it to the market at a predefined point in time.

The ability to sell the asset as the assets are intended to be sold and not for internal use; capability to generate future economic benefits; Catalis SE created its downloadable self – publish games based on user requirements and markets requirements to ensure that a market is out to look for and pay for such downloadable games. The cost for the development of games are comprised of software and hardware to enable the creation of new games and the manpower to work on such developments, all input cost/ expenditures can be measured reliable.The carrying amount of assets arising from development expenditures is reviewed for impairment at each balance sheet date or earlier upon indication of impairment. Any impairment losses are recorded in the income statement.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset. Goodwill is tested for impairment on an annual basis in respect of the cash generating unit to which the goodwill attaches. If the recoverable amount of the cash generating unit is less than the carrying amount of the investment, the impairment to the related goodwill is recognised in the profit and loss account.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the balance sheet. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The economic life of goodwill has been determined as indefinite.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is computed on a straight-line basis over the estimated useful lives. When assets are sold or retired, their cost and accumulated depreciation are eliminated for the accounts and any gain or loss resulting from their disposal is included in the income statement.

The rates used to write off the cost, less the residual value over useful economic lives of the various categories of tangible fixed assets are as follows:

- Buildings & Machinery: 15% - 33%
- Fixtures & Fittings: 14% - 25%
- Other fixed assets: 20% - 50%

Other financial assets

Loans and long-term receivables are measured at fair value upon initial recognition and subsequently at amortized cost, if necessary after deduction of a value adjustment for bad debts. The proceeds from these assets and the gain or loss upon their disposal are recognized in the income statement.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Leases, where the group has substantially all the risks and rewards of ownership, are classified as finance leases.

Assets held under finance lease are recognised as assets of the Group at their fair value or, if lower the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability of the lessor is included in the balance sheet as finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating lease are not recognised on the groups balance sheet, but are charged to income on a straight-line basis over the term of relevant lease.

Trade and other receivables

Trade receivables are stated at their amortised cost less any provisions for doubtful debts.

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

As soon as individual trade accounts receivable can no longer be collected in the normal way and are expected to result in a loss, they are designated as doubtful trade accounts receivable and valued at the expected collectible amounts. They are written off when they are deemed to be uncollectible because of bankruptcy or other forms of receivership of the debtors. The allowance for the risk of non-collection of trade accounts receivable takes into account average historical losses.

Financial instruments

Financial assets and financial liabilities are initially recorded at fair value (plus any directly attributable transactions costs where applicable). For those financial instruments that are not subsequently held at fair value, the group assesses whether there is any objective evidence of impairment at each balance sheet date. If a market for a financial asset or liability is not active or if equity instruments are not listed, the Group establishes fair value by using valuation techniques.

Financial assets are recognised when the Group has the rights to future economic benefits. Financial assets are derecognised when the right to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is a present obligation to deliver cash or other financial assets. Financial liabilities are derecognised when they are extinguished (discharged, cancelled or expired).

All purchases and sales of financial assets are recognised on the trade date, this is the date that the Group has a commitment to purchase the asset.

Interest income and expenses are recorded on the effective interest basis. Dividends received for these investments are allocated to the income statement when the Group has the right to receive them. In 2012 the Group did not receive any dividends.

The classification depends on the purpose of the financial instrument. Management decides on the classification on initial recognition and evaluates this classification on each reporting date. In these financial statements all financial assets are classified as “loans and receivables”. The Company’s only financial assets are loans, payables and receivables which are measured at their nominal value respectively their expected repayment amount.

Loans and receivables are non-listed financial assets (other than derivatives), with fixed or determinable repayment dates. They are presented as current assets, unless they have a maturity date more than 12 months after the balance sheet date, in which case they are classified as non-current assets.

After initial measurement loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

In the context of the credit facility agreement between Catalis SE and KBC bank the company entered into a “factoring agreement”. However the nature of such agreement, which is part of the credit contract with KBC, is considered by management to be an additional security agreement for KBC. This agreement does not provide any additional liquidity to Catalis SE and therefore there is no risk for Catalis SE at all if such “factoring agreement” would be withdrawn or cancelled. The reason is the fact that every amount factored by KBC reduces the overall credit facility with KBC by the same amount. Such factoring agreement has been terminated as part of the renewed and extended credit contract entered into March 2013.

Risk assumptions

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Financial risk management objectives

The management of the Company monitors and manages the financial risks relating to the operations of the Group by management reports. These risks mainly include credit risk, price risk, interest risk and currency risk.

The Group uses derivative financial instruments to hedge these risk exposures if appropriate from time to time. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

There has been no change to the Group’s exposure to credit risk and interest risks.

Interest rate risk

Catalis Group's interest rate risk policy is aimed at minimizing the interest rate risks associated with the financing of the Company and thus at the same time optimizing the net interest costs.

The Group is exposed to interest rate risk on a limited basis. The average interest of all loans is based on Euribor added with 4.5%. An increase of the interest rate with 1 percent point would mean a decrease of the profit before tax by Euro 80,000 (2011: Euro 95,000).

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counter parties.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed.
The Group does not have any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics as the Group's mayor clients are international concerns which are well rated entities like the providers of consoles. Concentration of credit risk did exceed 10% of gross monetary assets at balance sheet date.

As of December 31, 2012, the Company had accounts receivable from five major customers that accounted for 25% of total accounts receivable (2011: 50%). During the year ended December 31, 2012, revenues from these five major customers accounted for 44% of total revenues (2011: 51%). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	At December 31	
	2012	2011
Current assets and receivables	6,464	7,273
Cash and cash equivalents	1,376	800

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close market positions. Due to the dynamic nature of the business, treasury activities require a certain amount of flexibility. Group management monitors the liquidity position on a weekly basis.

The management boards of the subsidiaries have produced budgets and cash flow forecasts which have been used by Catalis SE to forecast cash flows for the Group for the next twelve months. These forecasts are themselves reliant on the continuation of Group banking facilities which are extended until 31 December 2015. Should the cash flows fall below those forecast, the management boards are aware that the parent Catalis SE can, if required, seek to raise further funds by public share issues within 6 – 12 weeks.

Over the years Catalis achieved to establish a stable shareholders base, also underpinned by the fact that the major shareholders have been faithful supporters of the company for years. Based on the fact that the major shareholders would support the company also in the future as they consider their investment being a strategic long term investment, the management was and is confident that with the support of such strategic investors the issuing of shares is always a serious option and tool to increase the company's liquidity if deemed necessary. However, there is no guarantee that these shareholders will provide their support also in future right issues.

Floating-rate, financial lease and short-term monetary liabilities analyzed by maturity are summarized in the following table. The maturities presented in the following table provide an appropriate understanding of the timing of the cash flows related and amounts are not expected to differ from those reported. Financial assets are not linked to financial liabilities in order to meet cash outflows on these liabilities.

2012	Floating-rate borrowings	Short-term monetary liabilities	Interest payments	Total cash out
Within 1 year	8,731	7,558	525	16,814
Within 1 to 3 years	-	-	-	-
More than 5 years	-	-	-	-
Total	8,731	7,558	525	16,814

As disclosed on page 63 we expect the Euro 7.1 million to be paid after one year.

2011	Floating-rate borrowings	Short-term monetary liabilities	Interest payments	Total cash out
Within 1 year	4,845	7,410	704	12,959
Within 1 to 3 years		-	-	-
More than 5 years	3,780	-	-	3,780
Total	8,625	7,410	704	16,739

Price risk

The Group does not hold any equity investments at balance date.

Currency risk

The Group is exposed to currency risks due to exchange rate fluctuations in connection with the activities denominated in foreign currencies and other foreign currency transactions. The currency risks mentioned exist in particular with respect to the exchange rate between the US dollar, British Pound sterling and the Euro. Risks in connection with other foreign currencies are only of minor significance.

Hedging activities took place from time to time to mitigate these risks regarding the operational cash flow . The currency risks are limited by entering into currency forward contracts. At December 31, 2012 and 2011 there were no outstanding hedging contract obligations.

In order to determine the effect of exchange rate changes deemed possible as at the balance sheet date, the effect of a change in the exchange rate of the US dollar and the British Pound sterling by 10% would have no material effect on either profit or equity.

Forward foreign exchange contracts

It is the Policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts and to manage the risk associated with anticipated operational cash flow for a period of 12 months. At year-end there were no outstanding contracts.

Bank balances and cash

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments which are readily available. Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

The cash flow statement provides an explanation of the changes in cash and cash equivalents. It is prepared on the basis of a comparison of the balance sheet as at January 1 and December 31. Changes that do not involve cash flows, such as changes in exchange rates, amortisation, depreciation, impairment losses and transfers to other balance sheet items, are eliminated. Changes in working capital due to acquisition or disposal of consolidated companies are included under investing activities. All changes in the cash flow statement can be tracked back to the detailed statements of changes for the balance sheet items concerned.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal repayments and amortisations.

Loans

Loans are recognised initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Trade payables

Trade payables are initially stated at fair value and subsequently stated at their amortised cost.

Provisions

A provision is recognised when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Equity

Currency differences
The Currency Reserve is intended for reflection of translation differences arising from the translation of net investments in foreign subsidiaries (including long term monetary items in foreign entities).

Dividend
Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Share based payments
The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

Revenue Recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

As the company generates revenues from different areas and deal structures the recognition of such revenues slightly differs. In Kuju, the game development area the recognition of revenue is based on the percentage of completion method. Revenue is recognized in the accounting periods in which the services are rendered. Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity. Revenues from project related business usually are dependent of the accomplishment of milestones and the acceptance and approval by the client. Revenues are recognised step by step while remaining future revenue is accrued.
Revenue from the rendering of services like testing of games or hardware are recognised when the outcome of the transaction can be estimated reliably and is based on the percentage of completion method . Often the revenue is based on the volume of produced hours.
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

Royalty income is recognised in income on an accrual basis in accordance with the substance of the relevant agreements. Depending on the individual contract royalty income is generated either on a fixed amount per unit sold or as a percentage per unit sold.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Defined Contribution Plans

The Group sponsors defined contribution plans based on local practices and regulations. The plans cover full-time employees and provide for contributions ranging from 0% to 5% of salary. The Group's contributions relating to defined contribution plans are charged to income in the year to which they relate.

Share-based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

The cost of equity-settled transactions with employees, for awards granted after 7 November 2002, is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external value using an appropriate pricing model, further details of which are given in Note 14.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘the vesting date’). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Income taxes

Current income tax

Current income tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Not recognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same tax authority.

Operating segments

The Company's operating segment information is based on existing management information which can be identified in the Company's internal reporting and internal controls, testing (quality assurance) and games development under assignment of third parties.

Geographical information is reported based on the revenue for the country where the customer is located.

Non-allocated revenues and costs are shown as a separate segment and contain corporate overheads, corporate project costs and all other items that cannot be allocated.

Segment reporting reflects the Company's management and internal reporting structure and the same accounting policies that are applied for these consolidated financial statements are also applied by the operating segments.

Contingencies

Contingent liabilities are not recognised in the financial statements. Only in the case of a high probability that those contingencies become effective are they recognised. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Only once such contingency is considered remote it will not be disclosed. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

3. Intangible assets

The movements in intangible assets in 2012 are as follows:

	Client lists	Downloadable self-published games	Total
Cost			
Cost at January 1	438	2,630	3,068
Additions	-	170	170
Currency differences	-	66	66
Cost at December 31	438	2,866	3,304
Accumulated amortisation			
Accumulated amortisation and impairment at Jan 1	(438)	(1,633)	(2,071)
Amortisation by intangible fixed assets	-	(340)	(340)
Impairment losses	-	(259)	(259)
Currency differences	-	(48)	(48)
Accumulated amortisation December 31	(438)	(2,280)	(2,718)
Net book value	-	586	586

The movements in intangible assets in 2011 are as follows:

	Client lists	Downloadable self-published games	Total
Cost			
Cost at January 1	438	931	1,369
Additions	-	1,682	1,682
Currency differences	-	17	17
Cost at December 31	438	2,630	3,068
Accumulated amortisation			
Accumulated amortisation and impairment at Jan 1	(369)	(94)	(463)
Amortisation by intangible fixed assets	(70)	(414)	(484)
Impairment losses	-	(1,122)	(1,122)
Currency differences	1	(3)	(2)
Accumulated amortisation December 31	(438)	(1,633)	(2,071)
Net book value	-	997	997

As of 2010 Catalis SE started the development of downloadable self-published games. This development is recognized as internally generated intangible assets and is expected to generate net cash inflows for Catalis SE.

Once complete the games are offered for sale to consumers through the popular digital distribution networks of Microsoft, Sony and others. In most instances Catalis SE are able to take the game straight to market and therefore the total gross revenues from the sale of the product flow directly and immediately to the company removing the role of the intermediary publisher who has traditionally been able to retain the majority of the gross profit margin earned on such sales. In 2012 and 2011 lower sales expectations for such games have led to an impairment of capitalised development costs. Amortisation commences upon completion of the development.

4. Goodwill

The movements in goodwill are as follows:

	At December 31	
	2012	2011
Cost		
Cost at January 1	15,766	15,540
Currency differences	124	226
Accumulated cost at December 31	15,890	15,766
Accumulated impairment		
Accumulated impairment at January 1	1,435	1,435
Impairment for the year	-	-
Accumulated impairment at December 31	1,435	1,435
Net book value	14,455	14,331

The recoverable values of the goodwill allocated to cash generating units have been determined based on past experience and on a value in use calculation. The key assumptions on which management made the predictions are expected margins, costs and revenue projections. This approach is valid for all cash generating units. Referring to the goodwill allocated to the individual cash generating units an impairment test has been performed based on the discounted cash flow method using budgets for a five year period prepared by management. The weighted average cost of capital is 12.05% for 5 useful years. This is in line with research covering Catalis SE using an weighted average cost of capital of 11,9 – 12,9 %.. A growth rate of 2% has been assumed for the cash flow of all cash generating units only after the five year period. This assumption is identical for all cash generating units. As a result no impairment turned out to be necessary. The key assumptions in the cash flow projections relate to the expected margins, costs and the related revenue projections for the cash generating units.
A decrease of the underlying revenues used for calculations of 10% for each cash generating unit doesn't result in any impairment. This is the same for an increase of the WACC percentage of one percent point.

The aggregate carrying amounts of goodwill allocated to each cash-generating unit are as follows:

	At December 31	
	2012	2011
Kuju	7,329	7,149
Testronic Europe	4,013	4,005
Testronic USA	3,113	3,177
Total	14,455	14,331

5. Property, Plant and Equipment

The movement in property, plant and equipment in 2012 is as follows:

	Buildings & Machinery	Furniture and fittings	Other fixed assets	Total
Cost				
Cost at January 1	6,378	753	502	7,633
Additions	528	68	33	629
Currency differences	55	10	(8)	57
Disposals	(1,430)	23	-	(1,453)
Cost at December 31	5,531	808	527	6,866
Accumulated Depreciation				
Accumulated depreciation at January 1	(4,916)	(588)	(335)	(5,839)
Depreciation for the year	(503)	(69)	(80)	(652)
Currency differences	(47)	(9)	4	(52)
Disposals / investments	1,430	23	-	1,453
Accumulated depreciation at December 31	(4,036)	(643)	(411)	(5,090)
Net book value	1,495	165	116	1,776

The movement in property, plant and equipment in 2011 is as follows:

	Buildings & Machinery	Furniture and fittings	Other fixed assets	Total
Cost				
Cost at January 1	5,596	894	465	6,955
Additions	972	37	28	1,037
Currency differences	72	4	9	85
Disposals	(262)	(182)	-	(444)
Cost at December 31	6,378	753	502	7,633
Accumulated Depreciation				
Accumulated depreciation at January 1	(4,485)	(646)	(226)	(5,357)
Depreciation for the year	(633)	(115)	(99)	(847)
Currency differences	(56)	(6)	(10)	(72)
Disposals/ investments	258	179	-	437
Accumulated depreciation at December 31	(4,916)	(588)	(335)	(5,839)
Net book value	1,462	165	167	1,794

6. Trade Receivables

Trade receivables include the following:

	At December 31	
	2012	2011
Accounts receivable	4,455	4,108
Less: provision for doubtful accounts	(54)	(73)
Total trade receivables	4,401	4,035

Debtors are dominated in 2012 by the currencies as following 34% in EUR, 20% in USD and 46% in GBP (in 2011 32% EUR, 32% USD and 36% GBP).

The movement in the provision for doubtful accounts is as follows:

	At December 31	
	2012	2011
Provision for doubtful accounts at January 1	73	35
Usage	(47)	-
Addition	28	38
Provision for doubtful accounts at December 31	54	73

With respect to trade accounts receivable that are neither impaired nor past due, there are no indications that the debtors will not meet their payment obligations.

In %	2012	2011
Neither past due nor impaired	66%	77%
1 – 29 days overdue	22%	11%
30 or more days overdue	12%	12%
	100%	100%

7. Other Current Assets

Other current assets include the following:

	At December 31	
	2012	2011
Other receivables and prepaid expenses	1,787	2,929
Total other current assets	1,787	2,929

The total other assets include an amount of Euro 100k from the agreement with Social GO, a related party. From time to time management may become involved in disputes which may result in the receipt of monies from 3rd parties. As at December 2012 the directors were not aware of any unresolved disputes of this nature.

8. Cash and Cash Equivalents

Cash and cash equivalents comprise bank balances and cash and are immediately available. The carrying amount of these assets approximates their fair value.

9. Share Capital

The authorised share capital of the Company amounts to Euro 17.5 million divided into 175 million common shares each having a nominal value of euro 0.10 per share. As of 31.12.2012 62.42 million shares were issued and outstanding and 58.87 million in 2011.

Movements in share capital:

	Shares (thousands)		Amount (thousands)	
	2012	2011	2012	2011
Common Shares Issued and paid-in				
January 1	58,871	37,879	5,887	3,788
Additions	3,552	20,992	355	2,099
December 31	62,423	58,871	6,242	5,887

In 2012 3,552 new shares for a offering price of 10 cent/ share have been issued in the course of a right issue. Share premium relates to the additional capital paid-in-surplus. Share based payments includes the fair value of vested employee obligations based on equity instruments as explained in Note 14.

The currency differences reserve is due to translation of assets, liabilities, income and expenses of subsidiaries with a functional currency which is different from the reporting currency. The currency differences reserve is not distributable.

10. Current loans

The credit facility with KBC Bank has been renewed and extended until March 15th, 2015. The interest rate is fixed when a drawdown is requested on the basis of the interest prevailing on the interbank market plus a fixed margin of 4.5 % per annum for the first year and will be reduced according to the company's ability to achieve certain leverage ratios. To secure the commitments to the bank Catalis has established an equitable mortgage granted by Catalis Development Services Ltd. over 80% of the registered shares of Kuju Plc., Testronic Laboratories SE has established a pledge of 80% of the shares of Testronic Laboratories N.V. and has established a pledge on the receivables of Testronic Laboratories N.V. in the amount of Euro 550,000. Furthermore, Catalis SE pledged the shares of Kuju SE , Testronics SE and DDP BV. Catalis also has pledged the major assets of Catalis SE Group. The previous factoring agreements which also helped to secure the commitments to the bank will be terminated in the second quarter of 2013. In 2012 the terms and conditions of the factoring agreements were according to standard market conditions providing 85% of the relevant invoiced amount as immediate payment.

Amounts are according to the particular loan contracts due within the following periods:

	At December 31	
	2012	2011
Within one year (Current)	8,731	8,625
In the second and third years	-	-
More than five years	-	-
Total	8,731	8,625

As of the balance sheet date 2012, Catalis SE did not fulfil the existing debt / EBIT ratio regarding the loan agreement with the KBC Bank. The bank waived this covenant in written form in the context of the new credit agreement. Catalis SE Group agreed upon to repay Euro 2.5 m out of the entire credit facility of Euro 8.6 m until 31 December 2013 leaving a credit amount of Euro 7.1 m open to be repaid over the next years. Until the end of the credit facility's current term another Euro 4.8 m will be repaid by monthly installments.

11. Bank Overdrafts

As per December 31, 2012 and 2011 the Group has provided the same securities as those mentioned in the item loans. The maximum credit line amounts to Euro 2.6m at December 31, 2012. Under then renewed credit facility the overdraft facility will be part of the the facility amounting to Euro 8.6 m.

12. Trade and Other Payables

Trade and other payables include the following:

	At December 31	
	2012	2011
Accounts payable trade	1,788	1,855
Accrued expenses	3,839	3,610
Total trade and other payables	5,627	5,465

13. Provisions

	Provisions
Balance at 31 December 2011	597
Provisions made during the year	390
Amounts used	(597)
Balance at 31 December 2012	390
Current	390
Non-current	-

The provision at the end of 2012 relates to a reorganisation and head office closure costs of a games development studio. We expect this provision to be used during 2013.

At the year end 2011 the Directors conducted a review of the games under development and concluded that one game would not be taken to the market. As a result of this decision, DDP was obliged to deliver the game under a signed contract. As a result the Company made a provision for onerous contracts relating to the project. The provision represented the present value of the future payments that the Company is obligated to make under non-cancellable onerous contracts The provision was fully utilised in the year 2012.

14. Employee Benefits Obligations

Defined Contribution Plan

The group sponsors defined contribution plans for its employees based on the local practices and regulations in the United States of America, the United Kingdom, Poland and Belgium. These plans require employer contributions up to 5% of annual salary.

Defined contribution obligations were not significant as of December 2012 and 2011, respectively. These obligations are presented under other payables.

Share Option Plan

Catalis' policy for the remuneration of the key employees has as an objective to attract and retain high quality people and motivate them towards excellent performance, in accordance with Catalis' strategic and financial goals. The remuneration package consists of a base salary and a long-term incentive, currently in the form of stock options. Long-term incentives are linked to long-term drivers and sustained shareholder value creation. The following stock options are equity-settled share-based payment transactions in accordance with IFRS 2. There have been no cancellations or modifications to the plan during 2011 and 2012.

Movements in the year

The following table illustrates the number and exercise prices of, and movements in, share options during the year, as well as the grant date and the term of the option:

Tranche	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Grant date	January 8, 2009	May 31, 2010	May 31, 2010	August 31, 2010	January 1, 2011	October 21, 2011	August 30, 2012	August 13, 2012
Granted stock options	1,100,00	474,500	39,000	34,500	185,000	400,000	500,000	1,000,000
Term of the option	4.2 years	10 years	5 years	10 years	8.4 years	2.8 years	5 years	5 years
Exercise price (Euro)	0.27	0.27	0.27	0.27	0.27	0.27	0.10	0.10
Outstanding 1 January 2012	700,000	226,000	26,000	34,500	185,000	400,000	-	-
Granted during the year	-	-	-	-	-		500,000	1,000,000
Forfeited during the year	700,000	113,000	13,000	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-	-	-
Outstanding 31 December 2012	-	113,000	13,000	34,500	185,000	400,000	500,000	1,000,000
Exercisable 31 December 2012	-	-	13,000	-	-	133,333	500,000	1,000,000

Tranche 4 was completely forfeited in 2012 Tranche 2 in 2011,, Tranche 1 in 2010 and Tranche 3 in 2009.

Term of the option

The remaining term of the stock options as of December 31, 2012 is as follows:

	Grant date	End of term	Remaining term (yrs)
Tranche 4	January 8, 2009	March 31, 2013	0
Tranche 5	May 31, 2010	June 1, 2020	7.4
Tranche 6	May 31, 2010	June 1, 2015	3.4
Tranche 7	August 31, 2010	September 1, 2020	7.7
Tranche 8	January 1, 2011	May 1, 2020	7,4
Tranche 9	October 21, 2011	October 21, 2014	1.8
Tranche 10	August 13, 2012	August 13, 2017	4.6
Tranche 11	August 30, 2012	August 30, 2017	4.7

Vesting conditions

Any option granted under the stock option plan shall be exercisable and the rights there under shall vest at such times and under such conditions as determined by the board at the time of grant, and as shall be permissible under the terms of the plan. For the options granted in 2006, 2009, 2010, 2011 and 2012 different vesting schedules apply:

Tranche 4

- 366,667 options (1/3) will vest on 31 December 2009,
- 366,667 options (1/3) will vest on 31 December 2010,
- 366,667 options (1/3) will vest on 31 December 2011.

These options can be exercised at any time after the options are vested.

Tranche 5

- 158,167 options (1/3) will vest on 1 June 2013,
- 158,167 options (1/3) will vest on 1 June 2014,
- 158,167 options (1/3) will vest on 1 June 2015.

The options can be exercised at any time after the options are vested.

Tranche 6

- all of the 39,000 options will vest on 1 January 2011,

The options can be exercised at any time after the options are vested.

Tranche 7

- 11,500 options (1/3) will vest on 1 September 2013,
- 11,500 options (1/3) will vest on 1 September 2014,
- 11,500 options (1/3) will vest on 1 September 2015.

The options can be exercised at any time after the options are vested .

Tranche 8

- 61,667 options (1/3) will vest on 2 January 2014;
- 61,667 options (1/3) will vest on 2 January 2015;
- 61,667 options (1/3) will vest on 2 January 2016.

The options can be exercised at any time after the options are vested .

Tranche 9

- 133,333 options (1/3) will vest on 22 October 2012;
- 133,333 options (1/3) will vest on 22 October 2013;
- 133,333 options (1/3) will vest on 22 October 2014.

The options can be exercised at any time after the options are vested .

Tranche 10

- 1,000,000 options (100%) vest immediately on 13. August 2012.

Tranche 11

- 500,000 options (100%) vest immediately on 30. August 2012.

In the event of termination of an optionee's continuous status as an employee during the first three years of the term of the option agreement running from the date of the grant of the option, any options issued in 2006 which have not been exercised at that moment shall terminate. In the event of termination of the continuous status as an employee at a point in time after the first three years, the optionee may exercise the options to the extent exercisable on the date of termination, provided that such exercise must occur within six months after the date of such termination, but no event later than the date of expiration of the terms of this option. To the extent that the optionee was not entitled to exercise the option at the date of such termination, or does not exercise such option, the option shall terminate.

In the event of termination of an option holder's continuous status as an employee, the option holder shall be entitled to exercise unexercised options, which were issued, to the extent such options are exercisable at the date of termination of the option holder’s continuous status as an employee, provided that such exercise must occur within six months from the date of termination but in no event later than the date of expiration of the terms of this option as set forth in the option agreement. To the extent that the option holder was not entitled to exercise the option at the date of termination of continuous status as an employee or does not exercise such options within the time specified herein, the options shall lapse.

Valuation model and input parameters

The fair value of the stock options is measured using a binomial option pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the plan for at the measurement date:

Tranche	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Share price on the measurement date (Euro)	0.31	0.19	0.19	0.15	0.22	0.19	0.08	0.06
Life of the option on the grant date (years)	4.23	10.00	5.00	10.00	9.42	3.00	5.00	5.00
Exercise price (Euro)	0.27	0.27	0.27	0.27	0.27	0.27	0.10	0.10
Expected dividend yield (%)	-	-	-	-	-	-	-	-
Risk-free interest rate (%)	2.84	2.93	1.82	2.34	2.22	1.22	0.82	0.76
Expected volatility of the share price (%)	48.53	75.52	60.06	75.15	75.56	76.43	76.16	75.84
Option value (Euro)	0.10-0.13	0.09 – 0.11	0.03	0.06 – 0.08	0.11-0.13	0.05-0.08	0.01	0.01

For the stock option valuation the contractual life of the options and the possibility of early exercised was considered in the binomial model.

The risk-free interest rate is the implied yield currently available on German government issues, with a remaining term equal to the term of the options.

The future volatility for the lives of the options was estimated based on historical volatilities also considering the management's expectation of future market trends (see table above).

The expense resulting from the share based payment transactions is recognized during the vesting period on a pro rata-basis with a corresponding increase in equity. Furthermore, the amount recognized is based on the best available estimate of the number of equity instruments expected to vest and is revised, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates.
The expense recognised during 2012 and 2011 is shown in the following table:

Euro k	2012	2011
Expense arising from equity-settled share-based payment transactions	32	27
Expense arising from cash-settled share-based payment transactions	-	-
Total expense arising from share-based payment transactions	32	27

Share based compensation for Management

In 2011 Tranche 9 has been issued for the benefit of Peter Biewald, group CFO. According to the table above the 400,000 options have an exercise price of 27 cent per share and a three year vesting period. The life time of such options is three years.

In August 2012 two further tranches (10 and 11) of option have been issued.
Tranche 11 (see also table above) comprises of 500,000 options dedicated to the group CEO Dominic Wheatley. The exercise price of such options is 10 cent per share and the life time of such options is 5 years. They vest immediately. Tranche 10 has been issued to investors.

15. Other Options

Background
In order to improve relationships with suppliers, business partners and clients the group from time to time enters into option and other agreements which provide certain incentives for such partners and help to strengthen such relationships. There are no other options outstanding at December 31, 2012.

16. Operating segments

2012

The following table illustrates information about the reportable segments:

	Testing	Games	Downloadable self-published games	Corporate	Total
Revenue from external customers	16,163	10,988	532	-	27,683
Interest expense	22	8	-	555	585
Personnel costs	9,177	7,331	14	546	17,068
Depreciation and amortisation	514	138	340	-	992
Impairment loss	-	-	259	-	259
Profit/(loss) from operations	1,460	920	(35)	(1,516)	829
Reportable segment assets	6,194	10,340	740	7,579	24,853
Income tax (expense) or income	(69)	72	-	-	3
Reportable segment liabilities	3,503	3,505	780	9,249	17,037

The geographical information of revenues and non-current assets is as follows:

	Revenues	Non-current assets
UK	17,272	8,439
Europe other	5,137	7,849
United States	5,274	725
Total	27,683	17,013

Revenues and non-current assets are attributed to countries on the basis of the Catalis group's location.

2011

The following table illustrates information about the reportable segments:

	Testing	Games	Downloadable self-published games	Corporate	Total
Revenue from external customers	13,954	12,267	194	-	26,415
Interest revenue	-	5	-	-	5
Interest expense	19	64	3	303	389
Personnel costs	6,279	8,269	1,153	388	16,089
Depreciation and amortisation	517	399	414	-	1,330
Impairment loss	-	-	1,122	-	1,122
Profit/(loss) from operations	916	(157)	(2,976)	(1,331)	(3,548)
Reportable segment assets	6,056	10,865	1,277	7,167	25,385
Income tax (expense) or income	(693)	(1,187)	(111)	(1,646)	(3,637)
Reportable segment liabilities	3,306	3,178	1,708	9,754	17,946

The geographical information of revenues and non-current assets is as follows:

	Revenues	Non-current assets
UK	16,821	8,811
Europe other	4,290	7,676
United States	5.304	825
Total	26,415	17,312

Revenues and non-current assets are attributed to countries on the basis of the Catalis group's location.

During the year ended December 31, 2012, revenues from five major customers accounted for 44% of total revenues (2011: 51%). One of these customers relates to the testing segment and four relate to the gaming segment.

17. Revenue

Revenues are summarised as follows:

	2012	2011
Testing and inspecting services	16,163	13,954
Game development	10,988	12,267
Downloadable self-published game development	532	194
Total revenue	27,683	26,415

Games development includes an amount of Euro 737k, regarding royalties (2011: Euro 228 k).

18. Personnel costs

Personnel expenses are summarised as follows:

	2012	2011
Wages and salaries	15,572	14,380
Share based payments	32	27
Pension costs	141	144
Social expenses	1,156	1,263
Other expenses	167	275
Total personnel expenses	17,068	16,089

The average number of employees for the year was:

	2012	2011
The Netherlands	1	2
Poland	36	41
Belgium	47	49
United Kingdom	182	157
United States	50	56
Czech Republic	33	45
Total average number of employees	349	350

19. General and administration

General and administration expanses can be summarised as follows:

	2012	2011
Housing and communication	1,280	1,231
Advisory and legal costs	1,247	1,437
Sales and marketing	682	581
Operating lease payments	969	1,442
Other	2,201	2,145
Total G&A expenses	6,379	6,836

R&D expenditures for the fiscal year 2012 amounted Euro 0 (2011: Euro 0).

20. Financial income

Financial income comprises the following:

	2012	2011
Interest expense	(585)	(389)
Interest income	0	5
Other financial income and expenses	(16)	(95)
Currency differences	(126)	236
Total financial income – net	(727)	(243)

21. Income Taxes

Major components of income tax expense for the years ended December 31, 2012 and 2011 are:

	2012	2011
Current tax	5	(3)
Impairment of previous years recognized losses	-	(3,175)
Utilisation of recognized losses	-	(368)
Accelerated depreciation	6	(109)
Timing difference client list	-	18
Other	(8)	-
Deferred tax	(2)	(3,634)
Total tax result	**3**	**(3,637)**

Reconciliation between tax expense and the product of the accounting result multiplied by the statutory tax rate (25%) of The Netherlands for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
o Accounting result before tax	102	(3,791)
Tax at statutory rate (nominal)	(26)	948
Lower / (higher) nominal tax rates foreign subsidiaries	(21)	82
Recognition of previous year unrecognized losses	169	-
Unrecognized current year losses	(125)	(1,033)
Utilisation/impairment of previously recognized losses	-	(3,543)
Accelerated depreciation	6	(109)
Timing difference client list	-	18
Total tax result	**3**	**(3,637)**

Movements in deferred tax assets are as follows:

	2012	2011
Balance as of January 1,	190	3,742
Movements through comprehensive income		
Adjustment of previous years recognized losses	-	(3,175)
Compensation of recognized losses	-	(368)
Translation difference	6	(9)
Balance as of December 31,	**196**	**190**

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Due to a history of losses, management derecognized capitalized unused tax losses in 2011. Catalis SE is in a profit situation in 2012. Nevertheless due to the short profitable period and the type of business, a conservative standpoint by Catalis SE is taken to not reverse the recorded impairments. We recognised tax losses only up to the same amount as tax liabilities.

After the processing of the 2012 tax result, the tax losses currently amount to approximately Euro 26.3 million(2011: Euro 26.7 million), of which Euro 8.1 million can be allocated to Catalis SE (expires in the period 2015-2019). Euro 13.3 million can be allocated to several UK based companies and Euro 4.9 million to US based companies. The UK losses have an unlimited time frame of compensation while in the Netherlands the time frame for compensation is nine years, in the US it is longer than 10 years.

Movements in deferred tax liabilities are as follows:

	2012	2011
Balance as of January 1,	190	102
Movements through comprehensive income		
Addition due to accelerated depreciation	6	88
Balance as of December 31,	**196**	**190**

Tax effects relating to each component of other comprehensive income:

	2012		2011	
	Before tax	Net-of-tax	Before tax	Net-of-tax
Exchange differences on translating foreign operations	(80)	(80)	(241)	(241)
Other comprehensive income	(80)	(80)	(241)	(241)

22. Leases

The Company and its subsidiaries have various operating lease agreements for machinery, offices and other facilities. Future minimum lease payments as per December 31, 2012 under non-cancellable operating lease are as follows:

	2012	2011
Within 1 year	666	439
1 year through 5 years	1,300	891
After 5 years	92	258
Total future minimum lease payments	2,058	1,588

During the year ended December 31, 2012 Euro 969k was recognized as an expense in the income statement in respect of operating leases (2011: Euro 1,442k).

23. Contingent Liabilities

Various legal actions and claims may be asserted in the future against the Group companies from litigations and claims incident to the ordinary course of business. These mainly include matters relating to warranties and infringement on intellectual property rights. Related risks have been analysed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, management believes that no material liabilities are likely to result.

24. Related party transactions

The parties affiliated to the group, of which Catalis SE is the parent company, may be divided into: group companies, members of the (non) executive Board and other related parties.
A list of the group companies may be found in the note 'Basis of the consolidation'. Transactions among group companies are eliminated in the consolidation and no further notes are provided on them here.

For the remuneration of the members of the (non) executive Board reference is made to note 27.

The following related parties can be identified:

Ascendo Management GmbH:	relative of management
Acon Aktienbank AG	relative of management
Hi7seas GmbH:	relative of management
Ideal Partners Ltd:	relative of management
SocialGo PLC:	relative of management

The following transactions (in kEuro) were carried out with related parties:

	2012	2011
Purchase of services		
Ascendo Management GmbH, consultancy fee	66	92
Acon Aktienbank AG, consultancyfee	55	193
Hi7seas GmbH	-	-
Ideal partners Ltd., consultancy fee	49	14
SocialGo PLC	223	-

The following amounts in kEuro were outstanding with related parties:

	2012	2011
Ascendo Management GmbH, consultancy fee	16	-
Acon Aktienbank AG, consultancyfee	4	
Hi7seas GmbH	-	-
Ideal partners Ltd., consultancy fee		
SocialGo PLC	223	-

Regarding "Social Go" a provision against the Social Go receivable of kEuro 123 has been established.

25. Business combinations

There have been no acquisitions in 2012 and 2011.

26. Emoluments of the (Non) Executive Board and key management

Directors' total remuneration approximated Euro 565k in 2012 and Euro 264k in 2011 respectively.

	2012		**2011**	
kEuro	Fixed fee	Bonus and costs	Fixed fee	Bonus and costs
Dominic Wheatley	148	-	5	-
Jens Bodenkamp	8	-	8	-
Robert Kaess	5	-	5	-
Michael Hasenstab	5	-	5	-
Peter Biewald	175	20	35	-
Jeremy Lewis (resigned 2012)	112	38	203	-
Otto Dauer (resigned 2012)	44	10	3	-

Members of the Board had no compensation in 2012 and 2011 for the following:
- post-employment benefits
- other long-term benefits
- termination benefits.

In 2012 Members of the Board received compensation in form of share based payments according to note 14.

Shares and options held by members of the Board as at 31 December 2012:

		No. of shares	**No. of options**
Dominic Wheatley	Executive member	2,275,101	500,000
Peter Biewald	Executive member	100,000	400,000
Jens Bodenkamp	Non executive member	89,167	
Michael Hasenstab	Non executive member	50,000	
Robert Kaess	Non executive member	50,000	
Otto Dauer (resigned 2012)	Executive member	500,000	
Jeremy Lewis (resigned 2012)	Executive member	249,735	-

Shares and options held by members of the Board as at 31 December 2011:

		No. of shares	No. of options
Jeremy Lewis	Executive member	249,735	700,000
Jens Bodenkamp	Non executive member	89,167	
Michael Hasenstab	Non executive member	50,000	
Robert Kaess	Non executive member	50,000	
Dominic Wheatley	Non executive member	737,142	
Otto Dauer	Non executive member	350,000	

27. Earnings per Share

Basic earnings per share are calculated by dividing the net profit for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net result attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive common shares from supposed exercise of all "in the money" share options. The number of common shares is the weighted average number of common shares plus the weighted average number of common shares which would be issued on the conversion of all the dilutive potential common shares into common shares. Share options are deemed to have been converted into common shares on the date when the options were granted.

	For the year ended 2012		
	Income (Eurok)	**Weighted Average Number of Shares (thousands)**	**Earning Per Share Amount (cent)**
Basic Earnings per Share	105	60,647	0.17
Add: Bonus shares	-	-	-
Diluted Earnings per Share	**105**	**60,647**	**0.17**

	For the year ended 2011		
	Income (Eurok)	**Weighted Average Number of Shares (thousands)**	**Earning Per Share Amount (cent)**
Basic Earnings per Share	(7,428)	43,047	(17.0)
Add: Bonus shares	-	-	-
Diluted Earnings per Share	**(7,428)**	**43,047**	**(17.0)**

During 2011 and 2012 the average stock market exchange price was lower than the exercise prices of the outstanding stock option contracts. Therefore all stock option contracts were out of the money and are not recognised in the dilutive calculations.

Eindhoven, June 17, 2013
Management Board:

Dominic Wheatley	**Executive member**
Peter Biewald	**Executive member**
Jens Bodenkamp	**Non executive member**
Michael Hasenstab	**Non executive member**
Robert Kaess	**Non executive member**
Nick Winks	**Executive member**

COMPANY-ONLY STATEMENT OF FINANCIAL POSITION CATALIS SE
as at December 31, 2012
after appropriation of net profit
(in thousands of euros)

	Note	December 31, 2012	December 31, 2011
ASSETS			
Non-current assets			
Goodwill	31	7,126	7,182
Investment in group companies	32	-	-
Loans – group	33	10,200	9,675
Deferred tax	34	-	-
Total non-current assets		17,326	16,857
Current assets			
Receivables – group	35	5,567	5,597
Other current assets	36	166	67
Cash and cash equivalents	37	71	9
Total current assets		5,804	5,673
Total assets		23,130	22,530
LIABILITIES AND EQUITY			
Equity	38		
Share capital		6,242	5,887
Share premium		19,349	19,384
Share based payments		438	406
Currency differences		(3,516)	(3,436)
Accumulated deficit		(14,697)	(14,802)
Total equity		7,816	7,439
Provision for subsidiaries	39	3,743	3,465
Current liabilities			
Bank overdrafts		-	1,250
Loans	40	8,731	8,325
Liabilities-group	41	2,472	1,809
Trade and other payables	42	368	242
Total current liabilities		11,571	11,626
Total equity and liabilities		23,130	22,530

COMPANY-ONLY STATEMENT OF INCOME CATALIS SE
for the years ended December 31, 2012 and 2011
(in thousands of euros)

	Note	2012	2011
Result after taxes	45	621	(118)
Result subsidiaries after tax		(516)	(7,310)
Net Profit		**105**	**(7,428)**

NOTES TO COMPANY-ONLY FINANCIAL STATEMENTS CATALIS SE
for the years ended December 31, 2012 and 2011
(in thousands of euros)

29. General

The description of the Company's activities and the Group structure, as included in the notes to the consolidated financial statements, also apply to the Company-only financial statements. The company only financial statements form part of the financial statements 2012 of Catalis SE. For events after balance sheet date please refer to the 'other information' section in this annual report.

30. Summary of Significant Accounting Policies

The company financial statements have been prepared in accordance with accounting principles generally accepted in The Netherlands. Catalis SE makes use of the option offered in Article 2:362 (8) of the Netherlands Civil Code. This means that the principles for the valuation of assets and liabilities and the determination of the result of the company-only financial statements of Catalis SE are equal to those of the consolidated financial statements. Investments in subsidiaries are accounted for in accordance with the equity method.

Going concern

The management boards of the subsidiaries have produced budgets and cash flow forecasts which have been used by Catalis SE to forecast cash flows for the Group.
These forecasts are themselves reliant on the continuation of Group banking facilities. In March 2013 the total bank facility amounting to Euro 8.6m with KBC Bank, the company's only credit provider, was extended until 31.December2015. The bank's decision was based on the company's 5 year plan including a clearly defined repayment schedule for the debt. As of the balance sheet date 2012, Catalis SE did fulfil the solvency ratio defined in the credit contract with KBC Bank but did not fulfil the existing debt / EBIT ratio defined in the credit contract. The covenants are calculated and reviewed on an annual basis. The bank is fully aware of this fact and expressed to waive such covenant in written form in the context of the renewed credit contract by applying the covenant as of 31. December2013 only.

Based on the aforementioned, the extended credit facility until end of 2015 and a business plan which shows rising revenues and profits as well as the company's ability to meet the agreed upon repayment schedule for the debt, management is of the opinion that the going concern assumption is justified.

31. Goodwill

The movements in goodwill are solely involved through currency differences with non euro origin.

As at balance sheet date, the company assessed the recoverable amount of goodwill, and determined that goodwill was not subject to impairment. The recoverable amount of the cash generating unit (Testronic) is determined based on a value in use calculations which uses cash flow projections based on financial budgets approved by the directors covering a five-year period (including a terminal value), and a discount rate of 12.05% per annum. The Board believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Further information regarding goodwill may be found in note 4 to the consolidated financial statements.

32. Investment in Group Companies

The movement in the investment in group companies as follows:

	2012	2011
Book value at January 1	-	259
Income from subsidiaries	(516)	(7,310)
Share based payments		-
Provision for negative equity	538	7,610
Currency differences	(22)	(559)
Book value at December 31	-	-

Negative equity values of group companies are balanced with receivables on those group companies, if additional provisions are required these are presented under provisions. This results in a provision for investments in group companies of Euro 3.743m as of December 31, 2012 and Euro 3.465m as of December 31 2011. See also note 39.

33. Loans - group

Since 2007 a loan of Euro 7,000,000 was granted to Catalis Development Services Ltd.
The interest rate amounts to 7.5% a year. Including the accrued interest the loan values at Euro 10.200 m as of December 31, 2012 (2011: Euro 9.675 m).

34. Deferred tax

Deferred tax assets mainly relate to future benefits from tax loss carry forward in The Netherlands, to the extent that it is likely that these benefits will occur. Movements in deferred tax assets are as follows:

	2012	2011
Balance as of January 1,	-	1,646
Movements in deferred tax assets through income	-	(1,646)
Balance as of December 31,	-	-

Notes on the deferred tax assets may be found in section 22 of the notes to the consolidated financial statements.

35. Receivables - group

Intercompany group receivables comprise of several current accounts.

36. Other current assets

Other current assets mainly consist of prepaid costs.

37. Cash and cash equivalents

Cash and cash equivalents comprise of several bank balances. The carrying amount of these assets approximates their fair value.

38. Equity

Notes on the equity may be found in note 9 of the notes to the consolidated financial statements.

39. Provisions for subsidiaries

A provision for subsidiaries is made for the negative equity value of investments, after netting with receivables on the subsidiaries, as far as Catalis SE guarantees the subsidiaries' obligations. See also note 32.

Movement in the provision for subsidiaries is as follows:

	2012	2011
Book value at January 1	3,465	278
Provision for negative equity	6,455	7,610
Deducted from receivables of the subsidiaries	(6,177)	(4,423)
Book value at December 31	3,743	3,465

40. Loans

Notes on the long and short term debt may be found in section 10 of the notes to the consolidated financial statements.

41. Liabilities – group

Intercompany group liabilities comprise of several current accounts.

42. Trade and other payables

Trade and other payables relate to several accrued costs.

43. Personnel

During the reporting year, the company employed 1employees (2011: 2).

44. Audit fees

Included are audit fees of Euro 110,000 (2011: Euro 39,000) for the audit of the financial statements.

45. Related parties

Included in the profit after taxes is an amount of Euro 1.9m (2011: 2.1m) regarding charged licence fees and management fees to subsidiaries.

46. Emoluments of the (Non) Executive Board and key management

Directors' total remuneration approximated Euro 565k in 2012 and Euro 264k in 2011 respectively.

	2012		2011	
	Fixed fee	Bonus and costs	Fixed fee	Bonus and costs
Dominic Wheatley	148	-	5	-
Jens Bodenkamp	8	-	8	-
Robert Kaess	5	-	5	-
Michael Hasenstab	5	-	5	-
Peter Biewald	175	20	35	-
Otto Dauer (resigned 2012)	112	38	3	-
Jeremy Lewis (resigned 2012)	44	10	203	-

Shares and options held by members of the Board as at 31 December 2012:

		No. of shares	No. of options
Dominic Wheatley	Executive member	2,275,101	500.000
Peter Biewald	Executive member	100,000	400.000
Jens Bodenkamp	Non executive member	89,167	
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Robert Kaess	Non executive member	50,000	
Jeremy Lewis (resigned 2012)	Executive member	249,735	
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Shares and options held by members of the Board as at 31 December 2011:

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Michael Hasenstab	Non executive member	50,000	
Robert Kaess	Non executive member	50,000	
Dominic Wheatley	Non executive member	737,142	
Otto Dauer	Non executive member	350,000	

OTHER INFORMATION

Appropriation of Net Profit after Taxes

The Articles of Association of the company provide that the appropriation of the profit after taxes for the year is decided upon at the Annual General Meeting of Shareholders. Awaiting the decision by the shareholders, the net profit for the year is added to the accumulated profit. At the Annual Shareholders' Meeting, the management of Catalis SE will recommend the allocation of Euro 0.1m of the after tax performance into the retained earnings of the company.

Events after the balance date

On March 06, 2013, the Extraordinary General Meeting of shareholders has approved unanimously the nomination of Mr Nick Winks as Executive Director and CRO of Catalis SE.

On March 18th Catalis SE and KBC Bank entered into a renewed credit facility agreement under which the group's credit facility amounting to Euro 8.6m will be extended until 31 December 2015.

7. ADDITIONAL INFORMATION

Auditors' Report

Independent auditor's report

To: the General Meeting of Shareholders and the Management of Catalis SE

Report on the financial statements

We have audited the accompanying financial statements 2012 of Catalis SE, Eindhoven. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2012 the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Catalis SE as at 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amstelveen, 17 June 2013

BDO Audit Et Assurance B.V.
on its behalf,

sgd.
J.A. de Rooij RA

Imprint

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