

AD HOC release

Catalis SE announces 2010 first quarter results – continued weakness in the home entertainment market affects revenues and earnings

Eindhoven, May 19, 2010 – Catalis SE, the worldwide service provider services for the digital media and entertainment industry, hereby announces its 2010 first quarter results.

Video Games Development Business

In the first three months of the fiscal year 2010, the video games industry has continued to be weak as a result of ongoing concerns at the big publishers about the development of consumer demand for new titles.

While consumer demand in this segment is currently focused on the big budget AAA titles for consoles, there is increasing popularity for downloadable games on consoles, PC, handheld devices such as iPhone and for games on social network sites like Facebook. Thus, although there is good business at both ends of the total games market, the mid-market for consoles has experienced less demand for new titles.

Against this background, video games publishers are still cautious about the commissioning of new games development projects and are also thinking how to address the growing popularity of the digital distribution channels. In addition, a number of major publishers and developers have been busy dealing with cutting back their own staff and projects.

Thus, following a rather difficult year in 2009, the first quarter of 2010 has remained challenging for Kuju.

Due to declining sales of Wii consoles, one Headstrong project with a major U.S. client was cancelled and Headstrong will accelerate its plans to reduce its reliance on the Wii platform in the future. Two further projects were delayed. Thus, Kuju was faced with considerable excess capacity in the first quarter, putting additional pressure on margins. It has already taken appropriate measures to adjust its capacity; however these effects will only show in the second quarter. Kuju also expects to sign a number of projects with significant revenue potential in the short to medium term.

The market is awaiting new stimuli for video games. A lot of interest is already seen around new hardware peripherals from Sony and Microsoft, the iPad and the upcoming trend of 3D-gaming. At the end of the day, the publishers need content to satisfy their clients and therefore a broad set of games will be needed in the future.

As a result of the development in the console gaming space and the present challenging climate, Kuju has resolved upon a tactical shift from the sole reliance on work-for-hire business, evolving into a model that also embraces downloadable self-published titles. Such content has the advantage of own IP ownership as well as of expected higher margins due to a shortened distribution chain. Currently, doublesix is in the lead of this development at Kuju, with approx. 80% of its work for 2010 being self-published content. In particular, doublesix plans to develop the first iPad game in 2010.

Quality Assurance Business

According to information from DEG (The Digital Entertainment Group) total U.S. spending on home entertainment film products for the first three months of 2010 was down 8% from the previous year and amounted to USD 4.8bn. As in the previous quarters, the

market has seen a significant drop in DVD sales and a booming Blu-ray segment that is still too small to compensate for the declining DVD sector while the digital distribution channels are continuously gaining importance. Digital distribution was up 27% from the previous year, now accounting for USD 617m.

Blu-ray discs showed significant growth, with sell-through being up 74% and rentals being up 36%. In comparison, the total rental segment was down 14% in the first quarter, mainly due to the closure of brick and mortar stores. Additionally, there are now more than 18 million U.S. households who own a Blu-ray disc playback device, primarily driven by the continued downward pricing of this hardware, now sub USD 75 per player. This points to further upside potential for the Blu-ray segment for the rest of the year.

The ongoing sluggishness of the DVD market provides a dilemma for the film studios. On the one hand, they are seeing their revenue expectations going down, on the other hand they feel the need to invest in the development of their digital distribution channels and this market is occupied by other players, e. g. CE manufacturers, major retailers and content distributors. Thus, only two years after the war of formats for the DVD successor standard, we are now seeing the major players competing for their share of direct access to the consumer's home.

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

Generally, Testronic's first quarter was affected by the downturn in the US home entertainment business, especially in DVD testing. However,, there is a constantly growing demand for downloadable content and the film industry is being forced to build on their respective distribution channels or face the risk of losing out to other major players in that market.

On the positive side, the Blu-ray segment continued its strong growth while the installed base of Blu-ray players is increasing as prices are going down. Film studios are now putting out more of their back catalogue on Blu-ray to benefit from its growing popularity.

Testronic is benefitting from increased digital distribution and Blu-ray business, but the continuous drop in DVD testing provides a significant pressure on the company in the short-term. Though DVD testing schedules are looking better for the second half of the year, pricing is now a crucial issue in this business. The same also holds true for the Testronic games testing business where there are competitive alternatives in India and Canada.

Because of the extremely difficult first quarter in the U.S., Testronic has consolidated all of its DVD testing business into its state-of-the-art Blu-ray testing centre and plans to turn its other facility into a digital distribution testing centre.

In terms of business development, the future for Testronic lies in digital distribution testing where Testronic is already one of the leading testing experts for the cable company market. Testronic has seen a significant upturn in the cable operator market where both potential revenues and margins are significantly better than expected. In fact, this business has shown the strongest growth in Europe in the first quarter and is expected to do so again in the second.

Testronic is now also working with a major Hollywood studio in testing all the content that is distributed through the studio's interactive website. This business provides a

major growth opportunity for Testronic in the U.S. in the next six months, as we begin to see the switch from physical media to digital distribution.

Additionally, the first major clients have signed up for Testronic's website testing service and some of this work has already been finished in the first quarter. Testronic is building on its existing relationships with the digital marketing agencies where it is testing some of their client websites, including those for the 2012 Olympic Games and the UK government website "Digital UK". Other clients include Rolex, Budweiser and Hertz.

Also, Testronic has derived first-time revenues from FunCom (a MMO Games Developer) and a major German car manufacturer for the certification of all media devices in its new range of luxury cars.

In total, the first quarter was very disappointing for Testronic. Hurt by the poor DVD testing business in the U.S., revenues and earnings were significantly below budget. This is especially true for the U.S. while the European business has over-achieved on its budget. In terms of business segments, DVD testing and consultancy were down against 2009, while games testing, software and hardware testing were better than 2009 and also in-line with expectations.

Financials

Affected by the still stagnant business environment in home entertainment, financial results for the first quarter of 2010 fell short of expectations.

In the first quarter of the fiscal year 2010, Catalis Group generated total revenues of € 6.4m (2009: € 8.7m), which is a decline of 26.7% against the previous year. Testronic reported revenues of € 2.8m (2009: € 3.6m). Kuju showed revenues of € 3.6m (2009: € 5.1m). Due to reduced demand for services in key markets and market segments, especially film testing and video games, the operating entities were faced with both a decrease in revenues and higher pricing pressure in some of their businesses.

Thus, due to reduced revenues and margins, Testronic reported an operating result (EBIT) for the first quarter 2010 of € -0.1m (2009: € 0.4m). The operating result (EBIT) at Kuju for the reporting period amounted to € -0.7m (2009: € 0.2m). EBIT contribution from holding activities amounted to € -0.2m (2009: € -0.3m). Therefore, the total operating result (EBIT) of Catalis Group for the first quarter of the fiscal year 2010 amounted to € -1.0m (2009: € 0.3m). Net income for the period came in at € -1.1m (2009: 0.2m), translating into earnings per share for the period of € -0.03 (2009: € 0.01).

In the first quarter 2010, the aftermath of the 2009 economic downturn has still affected some of our markets, while in other markets we saw a strong and better than expected development of our business. Therefore, though our overall first quarter financial results were significantly below expectations, we expect better performance over the rest of the year, particularly in the second half as markets improve and consumer confidence returns.

For further information on Catalis SE and its wholly owned subsidiaries, Testronic Laboratories and Kuju Entertainment, please refer to www.catalisgroup.com, www.kuju.com and www.testroniclabs.com.

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About Catalis SE:

Catalis is a worldwide leading outsourcing provider focusing on high-end technical services relating to the creation of digital content for the film, video games and software industries. Catalis offers both testing and development services. It operates through its wholly owned subsidiaries Testronic Labs and Kuju Entertainment from ten locations throughout the US, the UK, Poland, Belgium and the Czech Republic.

Forward-looking statements

This press release contains forward-looking statements. These statements are based on current expectations, estimates and projections of Catalis SE management and information currently available to the company. The statements involve certain risks and uncertainties that are difficult to predict and therefore Catalis SE does not guarantee that its expectations will be realized. Furthermore, Catalis SE has no obligation to update the statements contained in this press release.