Catalis

Annual Report 2009

Geschäftsbericht 2009

Contents

Key Figures

€m	€ Mio.	**2009**	**2008**
Revenues (A)	Umsatz (A)	32.005	38.063
Subcontracting and cost of materials (B)	Fremdkosten und Materialkosten (B)	4.398	3.635
Gross Profit (A – B)	Rohertrag (A – B)	27.607	34.428
Gross Margin	Rohertragsmarge	86.3%	90.4%
Operating Income (EBIT)	Operatives Ergebnis (EBIT)	0.234	2.916
Non-recurring Costs	Einmalkosten	(1.724)	0
EBIT after Non-recurring Costs	EBIT nach Einmalkosten	(1.490)	2.916
Operating Margin	Operative Marge	n. a.	7.7%
Income Before Tax (EBT)	Ergebnis vor Steuern	(1.971)	2.067
Profit Margin	Ergebnismarge	n. a.	5.5%
Net Income	Periodenergebnis	(0.279)	2.118
Net Income Margin	Marge	n. a.	5.5%
Operating Cash Flow	Operativer Cashflow	0.407	0.490
Average number of shares outstanding	Durchschnittliche Aktienanzahl	36,328,580	26,890,775
Earnings per Share (basic)	Ergebnis je Aktie (unverwässert)	(0.01)	0.08
Earnings per Share (diluted)	Ergebnis je Aktie (verwässert)	(0.01)	0.07
Solvability (Equity / Total Assets)	Solvabilität (Eigen Vermögen / Bilanztotal)	50.9%	45.3%

This report includes a German translation of the official English version. The English version is legally binding in all circumstances.

1. Annual Review

<u>1st Quarter</u>

- In the first quarter 2009, Catalis Group generated total revenues of € 8.7m compared to € 8.8m in the previous year. EBIT for this period amounted to € 0.3m (2008: € 0.9m). To this result Testronic (quality assurance) contributed € 0.4m (2008: € 0.4m), Kuju (video games development) contributed € 0.2m (2008: € 0.7m) and € -0.3m (2008: € -0.2m) were attributable to the holding.

- On January 07, we announced a review and reorganisation of our global operations due to worsening conditions for the commissioning of video games development where Kuju was unable to sign some of the projects which it had planned to sign particularly during the months of November and December 2008. While most of the key projects have been signed and most of the unsigned projects have been delayed rather than cancelled, it was unclear when Kuju would be able to sign the projects or find alternatives. We expected that costs of the reorganisation would not exceed € 1.0 million.

- On January 12, we announced the expansion of the Board of Directors through the appointment of Mr. Jeremy Lewis as an executive Member of the Board and a planned capital increase. Mr. Lewis focuses on operations, strategy and corporate development including the execution of the group's previously announced reorganisation program. Mr. Nordhoff, previously the sole executive director, then concentrated on finance, M&A and investor relations.

- In order to strengthen the capital base ahead of uncertain times and to fund the planned reorganisation, we also announced an increase of the existing share capital of € 2,689,077.50 by up to € 896,359.20 or up to 8,963,592 shares. Shares were to be issued with pre-emptive rights for existing shareholders. The issue price per share was set to € 0.15 reflecting funds raised up to approx. € 1.3 million. Any shares which were not subscribed for by existing shareholders were offered to institutional investors as part of a private placement. The subscription period was set on the period from January 20 to February 03, 2009. On February 18, we could announce the successful completion of its capital increase as all new shares were placed with private and institutional investors.

- On March 09, Catalis SE announced a further capital increase to pay the bonus shares for the Kuju management. Catalis SE and the Kuju management agreed upon the payment of bonus shares in the course of the Kuju acquisition in early 2007, as a means to incentivise the management. Catalis SE issued a total of 2,024,632 new shares, increasing the company's share capital from € 3,585,436.70 to € 3,787,899.90 divided into 37,878,999 shares.

<u>2nd Quarter</u>

- In the second quarter 2009, total revenues of Catalis Group were € 8.3m, down from € 9.2m in 2008 and representing a decrease from the previous year of 9.4% year on year. EBIT before non-recurring costs for this period amounted to € -0.1m (2008: € 0.9m). To this result, Testronic contributed € 0.0m, Kuju Entertainment contributed € 0.2m and € -0.3m were attributable to the holding. Including non-recurring costs of € 0.9m, resulting from legal disputes at Testronic (€ 0.8m) and the reorganisation of Kuju (€ 0.1m), EBIT amounted to € -1.0m (2008: € 0.9m).

- Testronic had to cope with delays and cancellations of projects against the background of the still difficult economic environment. Intensified sales activities have proven successful, although the additional projects had comparably low revenues and thus could not offset completely the negative effects from delays and cancellations.

- In order to expand its business, Testronic has introduced a new sales resource in Japan to grow business from Japanese games publishers, and there was also launched a new full website testing service to the market that has been well received and is expected to grow revenues in the software and consultancy business lines for the rest of year.

- The major focus at Kuju was on the further progress of the reorganisation programme. In June 2009, we announced the cooperation of the NiK NaK business based in Guildford with the growing Zoë Mode group, which already has offices in Brighton, London and San Francisco. NiK NaK was originally created to focus specifically on product for younger gamers, but has seen some crossover with Zoë Mode, the studios working on casual and family-orientated titles. The cooperation ensures the continued coherence of the Zoë Mode brand which enjoys international recognition as a leading developer in its sector. Furthermore, the Chemistry studio in Sheffield was closed, reflecting Kuju’s clear determination to focus on those studios and development projects that give the highest return to our shareholders.

- A number of material development projects that Kuju had expected to sign in the second quarter were still unsigned. It remained a degree of uncertainty as to when or if these projects would commence as the major publishers continued to be cautious about committing to such projects in the current difficult economic environment.

- Also in the second quarter, Kuju announced a new development studio in Brno, the Czech Republic, called Vatra Games. The Vatra team is built from both industry veterans and new talent and is adding to Kuju’s competence in the field of action games.

- In June 2009, we announced that Mr. Klaus Nordhoff would switch his role from an executive director of Catalis SE to a non-executive function as of 1 July, 2009.

3rd Quarter

- In the third quarter of 2009, total revenues of Catalis Group were € 8.2m, down from € 10.0m in 2008 which represents a decrease from the previous year of 17.9% year on year. EBIT before non-recurring costs for this period amounted to € 0.3m (2008: € 1.2m). This result is split in Testronic € 0.5m and Kuju Entertainment € 0.1m while € -0.3m were attributable to the holding. In the third quarter, there were no non-recurring costs.

- The general development at Testronic followed the same trend as in the second quarter with a number of projects being cancelled in the software and consultancy business lines. However, Testronic has further increased its customer base and signed up 20 new customers in the third quarter.

- Positive developments at Testronic included the signing of major landmark deals with two major video games publishers, promising a high revenue potential and a two-year tender for e-learning testing with a renowned publisher of educational software.

- Testronic has also signed first contracts for its unique, innovative one-stop E2E website testing service that was introduced to the market at the IT Directors Forum in June 2009.

- Moreover, Testronic has implemented a new computerised worldwide reporting system, called Xytech, for its home entertainment business lines. The system improves efficiency and margins of the business as well as the service to clients. Annualised cost savings are expected to exceed the investment volume even in the first year.

- At Kuju, the development of new incoming business remained difficult as a result of video games publishers still being cautious about the commissioning of new projects in the current market environment. However, almost all studios were working at 100% utilisation.

- The cooperation of NiK NaK with Zoë Mode, including the necessary structural and personnel adjustments, was completed in the third quarter.

- In the third quarter, Kuju completed the video game titles South Park for Microsoft and Disney Sing It: Pop Hits. At the same time, Kuju acquired six new projects, some of which were follow-on projects resulting from Kuju's strong ongoing relationships with its customers.

- doublesix has started to develop for Sony's PlayStation Home virtual world system and has launched a Home space to market their Burn Zombie Burn game, alongside some virtual goods which are generating revenue through micro-transactions. The quality of the Burn Zombie Burn Home space has been recognised by Sony and selected by them for a virtual Halloween party which was hosted in the BZB space. This event helped promote the BZB title and drive further sales of doublesix's virtual items.

<u>4th Quarter</u>

- In the fourth quarter, film studios once again had significantly reduced their release schedules, especially in the DVD segment. The most promising segments in this business for the future are now Blu-ray and 3D.

- On the other hand, Testronic has also won some important new customers. They have signed up a deal with the Italian developers Black Bean Games, their biggest customer in games testing now, to outsource their external functionality quality assurance to Testronic for a period of 12 months, added the digital media marketing services company Tribal DDB to its client list and won a big strategic contract with a German cable TV broadcasting company.

- Moreover, in December 2009, Testronic have teamed up with Thomson, through its Technicolor Business Group, to offer comprehensive Blu-ray Disc testing capabilities, combining the unique areas of expertise of both companies and resulting in a formidable force in the industry to ensure standards compliance, format integrity, and player compatibility.

- For Kuju, the business environment remained difficult in the fourth quarter. The major publishers were continuing to sign games infrequently for PlayStation 3 and Xbox 360. Also, the market for the development of Wii titles has fallen dramatically and Headstrong has seen one development project for a Wii title being cancelled in December 2009. Nonetheless, all studios have shown high levels of capacity utilisation during that period, mostly working at full capacity.

- In the fourth quarter, Zoe Mode completed Disney: Sing It Pop Hits and various downloadable contents for Guitar Hero. Headstrong completed Art Academy for

Nintendo DSi. Additionally, Headstrong was finalising work on a number of titles to be released in the first quarter 2010.

Segment Overview

Business segments	**Testronic**		**Kuju**		**Corporate**		**Total**	
€k	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Revenues	12,353	15,002	19,652	23,061	-	-	32,005	38,063
Subcontracting and cost of materials	2,700	2,852	1,698	783	-	-	4,398	3,635
Gross Profit	9,653	12,150	17,954	22,278	-	-	27,607	34,428
Personnel Costs	6,195	6,611	12,662	15,596	516	358	19,373	22,565
Depreciation	500	455	934	809	14	18	1,448	1,282
General & Administration	2,417	3,156	3,381	3,965	754	544	6,552	7,665
Operating Income (EBIT) before Non-recurring Costs	**541**	**1,928**	**977**	**1,908**	**(1,284)**	**(920)**	**234**	2,916
Non-recurring Costs								
- Legal Settlement Costs	793	-		-	-	-	793	-
- Kuju Restructuring	-	-	681	-	-	-	681	-
- Manila Write-off	-	-	250	-	-	-	250	-
	793	**-**	**931**	**-**	**-**	**-**	**1,724**	-
Operating Income (EBIT) after Non-recurring Costs	**(252)**	**1,928**	**46**	**1,908**	**(1,284)**	**(920)**	**(1,490)**	**2,916**

2. To Our Shareholders

We have just witnessed the considerable success of what is likely to be one of the most significant developments in the film industry in the past decade, the 3D cinema spectacle "Avatar". Accordingly, I would like to start my review of the fiscal year 2009 by giving some thought to the evolution of the media and entertainment industry in the last 40 years.

If we look at the broad variety of today's common digital media and entertainment products, it is interesting to see how the industry has developed since NBC made the first colour TV broadcast in the US in the early 1950s.

At that time, there was no world wide web, no PCs, no video games, no DVDs, no smartphones or mp3-players, nor many others of the high-tech devices we take for granted today. In fact, it was thirteen more years until even colour TV was introduced in countries like Germany or the UK. When video-tape recorders were introduced, they were used primarily in the production of television broadcasts and they started their mass-market career only in the mid 1970s. Today, video tape has not only been replaced by DVD but with Blu-ray there is already a new successor standard in place.

An important event for our industry was the evolution of video games in the 1970s. In 1972, Magnavox released the first home video game console, called Odyssey and it was also the beginning of commercial arcade games, where "Pong" was the first successful game in 1972, soon to be followed by such classic games as "Space Invaders". At the same time Atari launched the first successful programmable home video gaming console. Since then, there have been a number of new, ever more sophisticated generations of video gaming consoles with each new generation of consoles significantly spurring the industry's growth.

In the 1980s, Commodore launched its famous C64, paving the way for PCs to become mass market products in the following decade. In the 1990s, the worldwide web, in combination with now vast installed base of PCs, opened up new significant growth opportunities such as online gaming, video-on-demand, music and software downloads as well as other kinds of digital distribution. We are now also witnessing the start of the 3D revolution in cinema, TV, Blu-ray and video games.

Following from the above, the key market drivers behind the rapid and accelerating development of the digital media market are:

1. Strong continued growth in the volume of digital content available.
2. Dramatic increase in the number and type of devices and platforms to allow that content to be consumed.
3. Ever increasing complexity of existing and emerging technologies that support the content and devices.

Since joining Catalis Group in January 2009 and becoming its CEO in July 2009, my aim has been to ensure Catalis has a strong competitive position and is well prepared for the future changes and challenges of the industry's further evolution.

In some respects, the fiscal year 2009 marked a break in the industry's growth trend, though consumer demand for digital media content is still high and growing, and we will probably see fundamental changes in some business models in this industry in future years.

The negative impact of the 2009 global recession on people's disposable income has fostered a number of trends. Significant growth was observed in the areas of (free) online gaming, DVD rentals or used software sales while purchases of new products were lagging behind. This has also had severe consequences for the business development of Catalis as the reaction of our customers to their own reduced revenue expectations resulted in them cutting back their commissioning of both testing and development work to external service providers. Although the overall economic situation has shown small signs of improving in the past few months, there still remain a number of significant risks and uncertainties for our business in 2010. Foremost amongst these are the pertaining high unemployment rates and the resulting pressure on people’s disposable income.

In the fiscal year 2009, revenues of Catalis Group were down 16% from € 38.1m in 2008 to € 32.0m. In light of the difficult economic and industry environment, both Testronic and Kuju experienced a slowdown of their businesses and respective revenues due to cancellations of projects. As a result of these reduced revenues, the EBIT (operating profit) before non-recurring costs, decreased from € 2.9m to € 0.2m. The non-recurring costs amounted to € 1.7m and were made up by legal cost of € 0.8m at Testronic and € 0.7m for the reorganisation programme at Kuju as well as € 0.2m for the closure of the Manila studio. EBIT after these costs was € -1.5m (2008: € 2.9m). Net income for the period was reduced from € 2.1m to € -0.3m. Earnings per share for the reporting period amounted to € -0.01 compared to € 0.08 for the fiscal year 2008.

The fiscal year 2009 has proven to be more challenging for all players in the home entertainment market than was originally expected. However, Catalis has worked hard to adjust to this new situation. By recruiting new senior management, closing non-performing units, opening new business lines, reducing overheads and expanding the customer base, Catalis has repositioned itself and increased its competitiveness. Testronic has maintained its world-leading position in the quality assurance of DVD and Blu-ray discs as well as growing new product areas such as games and website testing. It has invested in additional sales capacity in Japan, the US and Europe and in further automating its production processes.

Games produced by Kuju and released so far this year such as Burn Zombie Burn, House of the Dead, Sing It: Pop Hits and Southpark have all been very well received by the market. Vatra Games, a new studio in the Czech Republic was opened in the year and is making a well known action game on PS3 and Xbox 360 for a major publisher under a long-term multimillion dollar contract. Kuju’s other studios being Headstrong, Zoë Mode and doublesix are all contracted by major publishers and working on a wide variety of games for different genres and platforms. Many have strong intellectual property licences attached such as Lord of the Rings.

Doublesix continues to set the trend within the Group in terms of a strategic shift away from sole reliance on work-for-hire development by creating opportunities within downloadable content realms. This move to self-publishing is core to this studio’s strategy as Doublesix transitions away from the conventional publisher work-for-hire model. Most of its business in 2010 will be generated through self-published titles. As digital delivery grows inexorably, Kuju will continue to embrace opportunities to develop its capabilities further in this area. In addition, the increasing revenues from digitally downloadable games have the potential to be higher margin as the retail channel cost is reduced. As owner of the titles produced, it also allows Kuju to keep and build its own intellectual property. Digital delivery of games brings developers like Kuju into much closer contact with their ultimate customer, the gamer, through download platforms such as Sony’s PSN, Microsoft’s XBLA, various PC platforms and social sites such as Facebook. On 1 February, 2010 Nigel Robbins joined as the new CEO of Kuju. Nigel was formally the President and CEO of MTV Networks in Asia Pacific and brings considerable expertise and many years experience in driving the delivery of creative media products to consumers world-wide through rapidly evolving market channels.

Despite the disappointing further downturn in customer demand towards the end of 2009 and early 2010, the Board is confident that the Company is well positioned to benefit from any future improvement in the overall economic conditions. Early indications from customers are that some expect 2010 to show a slow recovery in consumer demand. Catalis however remains cautious about the strength of demand and believes such an improvement is by no means certain.

It is worth noting that even with the continued global economic downturn, there are now 100 million game consoles world-wide and the overall market for all types of interactive entertainment software is forecast for continued growth of 5% pa to 2012 reaching a total of €35 billion. In this time period the traditional work-for–hire console market is due to decline 10% pa however the downloadable market and the online market are forecast to grow 80% pa and 15% pa respectively. In the short-term, the weakness in the work-for-hire market and Kuju's plan to continue to invest in its self-publishing downloadable activities alongside its work-for-hire operations, may affect the Group's earnings.

Eindhoven, 14th May 2010

Jeremy Lewis	Dr. Jens Bodenkamp
(Executive Director)	(Chairman of the Board)

3. THE CATALIS GROUP

Introduction

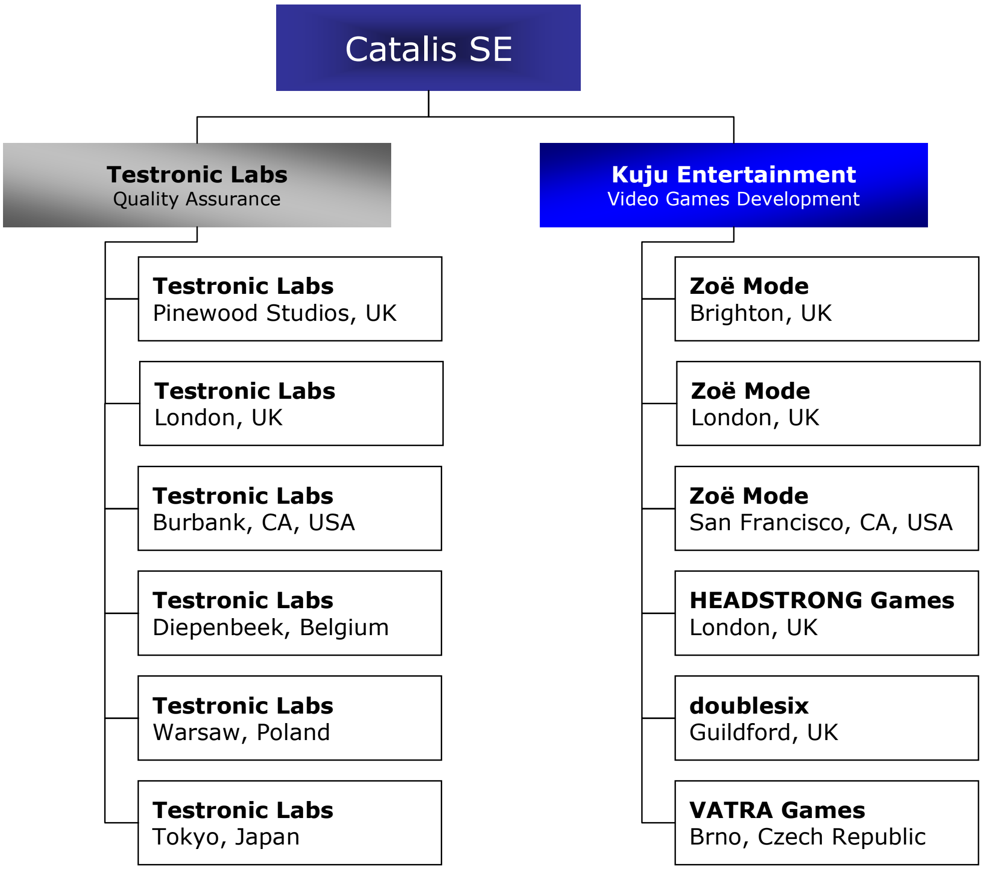
Comprehensive Outsourcing Services for the Digital Media and Entertainment Industry

Catalis is a worldwide leading outsourcing services provider for the digital media and entertainment industry. The group is specialised on high-end technical services for the film, video games and software industries. It offers services in the fields of quality assurance and video games development. Catalis SE operates through its wholly owned subsidiaries Testronic Labs and Kuju Entertainment, which in total control ten different locations throughout the US, the UK, Poland, Belgium and the Czech Republic.

Structure

Catalis Group consists of the holding company Catalis SE and its wholly owned operating subsidiaries. These operating entities are Kuju Entertainment and Testronic Labs with their respective subsidiaries. The renowned and well-established operating units have operations stretching across the US, the UK, Belgium, Poland and the Czech Republic.

The operating structure of Catalis Group looks as follows:



In its business development, Catalis SE follows a strict diversification and growth strategy. The key industries of Catalis SE are described below.

Testronic Labs – Leader in Quality Assurance for Digital Media

Testronic offers quality assurance (QA) services for any type of digital media content (films, games, music, e-learning, interactive software) distributed over any digital medium (Internet, Intranet, USB, CD, DVD, Blu-ray Disc) for all devices (CD-, DVD-, Blu-ray-Readers, TVs, PCs, mobile equipment, game consoles, PDAs). Its service portfolio is composed of the following closely linked units:

- Video film & Entertainment QA, in particular comprising DVD and Blu-ray disc testing activities for all major film studios, where it is a global market leader;
- Software Testing and Consultancy, comprising interactive digital media-related testing and consulting services for example for e-learning, websites and digital TV systems and applications;
- Games Testing, with a proven track record of QA and localization for console (Microsoft, Nintendo and Sony), PC and interactive DVD games for large internationally leading video games publishers;
- Hardware Testing and Certification, for many types of equipment and interfaces in the multimedia environment.

Apart from being the global leader in video film testing, our QA business also enjoys top rankings for video game testing and e-learning testing in Europe. Moreover, Testronic is continuously building up and expanding new business fields such as certification and website testing.

Kuju Entertainment – Versatile High Quality Games Development

Kuju acts on behalf of large video game publishers and develops video games for all game consoles (including the major brands from Sony, Microsoft and Nintendo), as well as PC and mobile games. Based on their considerable experience and reputation, the cutting edge technical specialists at Kuju have enjoyed top rankings among the independent video game developers for more than 15 years.

As the games industry continues to develop within the realms of digital downloadable content, Kuju is well placed to seize on opportunities in tandem with sector growth. doublesix is setting the trend within the group with a strategic shift away from conventional work-for-hire development with established publishers. Self-published digitally downloadable titles such as Burn Zombie Burn continue to push the boundaries in this area, and a healthy development slate for doublesix will see increased activity throughout 2010 to the extent where most of its business will be generated through self-published deals resulting in a higher margin in the medium-term.

Kuju follows a multi-studio concept, with each studio having its own clearly defined profile regarding game genres, target groups and technology. The studios' specific genre and client orientation is reflected in their individual, unique identities with high brand recognition.

Studio		Profile
		Zoë Mode Award winning world-leading independent developer of music, party and social games All gaming platforms
		doublesix Award winning "pick-up and play" games Across all downloadable formats: XBLA, PSN, Wii-Ware, PC, PSP, iPhone / iTouch
		Headstrong Character and license action titles primarily on the Wii™ and handheld devices. Wealth of experience gained by working on Nintendo titles
		VATRA Games The newest development studio within the Kuju family, located in the Czech Republic High-end action titles for Xbox 360, PS 3 and PC.

Employees

The Catalis Group is active in six different countries. Altogether the company employs 408 people of which 212 are employed at Testronic and 194 at Kuju. Catalis Holding has 2 employees.

Service Portfolio

Our services are in the areas of quality assurance and video games development, covering a large part of the supply chain in the digital media and entertainment industry.

Quality Assurance

All quality assurance services from Catalis SE are handled by the subsidiary company Testronic Labs. Our outsourcing quality control offers quality assurance services:

- for any type of content (films, video games, music, websites and software)
- on any type of communications medium (internet, physical media like CD, DVD, Blu-ray and mobile)
- to any type of end device (DVD- and Blu-ray players, video game consoles, PC and mobile devices)

We serve a global client base of about 300 media and hi-tech companies, including many prestigious brands.

Testronic Labs remains at the forefront of multimedia testing. From CDi, VCD, DVD, and UMD, to the new high definition format Blu-ray, Testronic has been testing multimedia content for over 10 years. Proven processes, depth of knowledge and rapid turnaround are some of the main reasons that have helped establish Testronic as a leading independent quality assurance testing solution centre for the home entertainment industry.

Within the rapidly evolving world of digital content, mediums and devices, Testronic is uniquely positioned to offer testing services for optical media and the Electronic Distribution markets - for example the emerging Electronic Sell Through (EST), Download To Own (DTO) and Video On Demand (VOD) fields.

Testronic serves global video games developers and publishers from games testing laboratories at Pinewood Studios U.K., Diepenbeek Belgium, and Warsaw Poland. It has a proven track record of quality assurance for console (Microsoft, Nintendo and Sony), PC, handheld devices and interactive DVD games. Testronic is continually investing in new testing capabilities, e.g. new console platforms, additional language capabilities and PC hardware and software to ensure high quality services.

The software testing services help to prevent businesses failing. Software testing can eliminate errors in software products which would otherwise result in expensive fixes, late market delivery, lost customers, aborted marketing campaigns and other liabilities.

Testronic delivers its testing services tailor-made to customers' needs. Some services benefit from the test team being in the same offices as the development team. Testronic's experienced test team leaders can define the best risk and requirements based testing strategy. They can translate customer and functional requirements into testing requirements and write appropriate test cases. Testronic can staff and/or manage the test team, analyze and monitor the bug reports manage the test environment and configuration.

Testronic Labs Belgium is one of the world's leading test houses for hardware quality assurance and certification of many types of multimedia equipment and interfaces. Today, the Belgian office is the global centre of excellence for hardware testing and certification within the organisation.

Services include alpha testing, beta testing, pre-WHQL testing, interoperability and interconnectivity testing, compatibility testing and functionality testing, and cover a range of communications and multimedia technologies including DVB, ATSC, IEEE-1394, WiFi, USB, S-ATA, PCI Express, HDMI, DVI, Ethernet and DLNA.

It carries out testing in its own laboratories or offers test consultancy services to develop test programs and procedures to enhance customers' in-house activities. All activities are carried out with a high degree of confidentiality.

Each of the five locations across the US and Europe have extensively trained and skilled staff and the infrastructure to cope with constantly changing production work loads and seasonal peaks. A total outsource solution or an overflow service is made available to customers.

Operating in the home entertainment optical media industry for more than 10 years, Testronic has gained detailed knowledge of clients' needs with the ultimate aim of protecting clients' brands by ensuring high levels of quality.

Video Games Development

As a service provider to the video game publishing industry, Kuju Entertainment is one of the largest independent development groups in the world. In the past Kuju has created more than 50 games for all kinds of gaming platforms.

Their know-how has helped to create popular video games such as "Rail Simulator", "Battalion Wars", "House of the Dead: Overkill", "Sing it", "Crush", "Chime", "South Park: Let's Go Tower Defense Play" and among other things has helped to round out Catalis' service portfolio as a complete media service provider.

With its broad know-how over a variety of games genres, its strong development capacities, the persuasive track record of successfully developed games for the world-wide leading games publishers, Kuju is well positioned as one of the major players in the video games outsourcing industry. Moreover, Testronic's long-established business relationship in quality assurance services for the major studios such as Disney, Paramount, Universal, and Warner Bros., who are increasingly active in the video games market themselves, will also help to strengthen Kuju's market position.

Strategy

"One Stop Shop" for the Entire Digital Media and Entertainment Industry

Catalis Group follows an active buy-and-build strategy, combining continuous organic growth and selected acquisitions, to realise its vision of a fully integrated outsourcing service provider for the entire digital media and entertainment industry.

A major element of this strategy is the diversification along the value chain of Catalis' core client segments (video film, video games and software) to increase continuously the scope and reach of its services, expanding business relationships with existing clients and establishing relationships with new clients.

Based on the implementation of this strategy in the recent years, Catalis is well positioned to benefit from the future growth potential of the digital media and entertainment industry, offering a broad range of digital media testing services through its subsidiary Testronic and video games development services through Kuju.

The future strategy of Catalis Group is to broaden its service portfolio, both regionally and in terms of services offered to adapt to the ongoing transitions in the industry, to open up new markets and new clients and to fully implement its one-stop-shop concept.

At the same time, Catalis' management has permanent focus on cost control in order to generate attractive margins from its business.

Clients

All Major Studios

In Testronic's quality assurance business, Catalis works for all major and a large number of smaller film studios particularly in Hollywood, but also in the UK, France and other locations. Kuju has long-standing client relationships with most of the large video game publishers including EA, Microsoft, Sony, Sega and Nintendo.

Locations

Our locations in the US and Europe are in close proximity to the most important film studios and video game publishers. We operate quality assurance sites in Los Angeles, London, Poland and Belgium and video games development sites in the UK, the US and the Czech Republic (see also operating structure on page 10).

Competition

Due the difficult economic environment, a number of competitors have dropped out of the market. In video games development for example, direct competition was reduced significantly, as such substantial developers as GRIN, Stormfront and Free Radical were shut down. Additionally, the major publishers have also closed a number of their internal development studios.

Although competitors have become more aggressive on pricing, it is interesting to note that pricing is not always the key criteria. The video games industry is hit driven. Therefore, premium quality work is a prerequisite simply to remain in the business. In quality assurance, the most crucial factors in winning a contract are quality of service, global reach and capacity.

Testing Services

While Testronic Labs is bound to drive its involvement in the digital download space (led by the video games world and followed by the film world), the major part of its revenues is still derived from the market for optical disc QA where Testronic enjoys a leading position, occupying a market share of more than 50%. In Europe, Testronic is the only major player in this segment and worldwide competition is made up of six smaller US companies with estimated annual revenues of no more than USD 5 million. With the early establishment of its Blu-ray QA centre and as a member of the Blu-ray Disc Association, Testronic is seeking to increase its market share in this business as the Blu-ray disc is evolving its market potential. In 2009, Testronic has also qualified as a certified Blu-ray test lab.

The next important market for Testronic is in the field of video games testing. On the one hand, video games testing is a growing market segment in itself, on the other hand Testronic can leverage the cross-selling potential from the games development services of Kuju. Generally, the games testing market is in an early stage of development and still highly fragmented. In this segment, Testronic has six main competitors worldwide with estimated revenues of more than USD 5 million. These competitors are US-based VMC, Absolute Quality and iBeta Quality Assurance, UK-Based Babel Media, Canadian Enzyme Labs and Indian RelQ. Apart from these major competitors, there are approx 20-30 specialised niche players with less than USD 5 million revenues.

Through its Belgian office, Testronic Labs is an authorized test laboratory for many industry standard interfaces like all USB logo programs, Firewire, DLNA and SATA and is the first test lab in the world to be qualified for these standards. Testronic is the only company worldwide that has USB and SATA official certification status for both Europe and the USA. Management estimates that it holds rank 4 or 5 in the global industry standard interfaces certification business.

In software testing Testronic faces competition from companies with similar specialization on software products for websites, CD-ROMs/DVD-ROMs, applications and systems. Yet, Testronic is eager to grow its scope of business and also move into the digital agencies space. It is a European market leader in the niche market of educational software where it faces competition from US-based Liquid Media Communications and Canadian Epic on a worldwide basis.

Currently, Testronic has only limited presence in Asia, where the overwhelming majority of multimedia hardware testing takes place through a large number of market participants. Therefore, hardware testing is a small business segment at the moment. However, Testronic has put high priority on growing this business significantly in the future.

Video Games Development Services

In this segment, Catalis offers independent video games development through its subsidiary Kuju Entertainment. The video games development market is highly fragmented with a myriad of small developers all over the world.

Kuju's competition in this business comes from the areas set out below:

1. Internal development organisations of game publishers, who maintain own development studios (the so-called first-party developers) and account for more than 50% of the worldwide development talent. For Kuju, internal developers provide the primary competition for qualified staff and to a lesser extent also for the acquisition of projects.

2. Publisher-independent developers (the so-called independents or third-party developers) who, like Kuju, develop both titles to order of game publishers and / or entirely on own risk. These can be split into:

   - Multi-studio developers operating in different genres and across different platforms:

     Here, Kuju faces competition from US-based Foundation 9 and UK-based Rebellion Developments. Rebellion Developments is one of the largest independent game developers in Europe with estimated revenues of more than EUR 13 million. Foundation 9 is headquartered in the US where it operates six different studios with approx. 650 employees.

   - Specialist studios:

     In the field of single specialist studios Kuju faces day to day competition from dozens of games developers worldwide. Specific examples include Blitz Games in the UK or Seattle-based Zombie studios. Kuju's video games are usually well received by the market and Kuju's studios have won several awards and are constantly ranked in top positions of the games development industry.

4. The Stock & Corporate Governance

Key Stock Figures (XETRA)

Number of Shares:	37,878,999
End of year Share Price:	€ 0.24 per share
Year High:	€ 0.390
Year Low:	€ 0.152
Market Capitalisation:	€ 9.09m
Symbol:	XAE
WKN:	927093
ISIN:	NL0000233625
Stock Markets:	XETRA, Frankfurt, Stuttgart, Munich, Berlin, Dusseldorf
Segment:	General Standard

The Trading Year 2009

The stock market development in the trading year 2009 can be divided in two phases with different underlying trends. Yet, volatility still remained an important element of the market development throughout the whole trading year. In the first few months, stock markets continued their downward slope of the year 2008 and marked their lows in early March 2009. This was also a turning point in the year's stock market development. Spurred by expectations for an improvement in the economic situation and the substantial worldwide fiscal and monetary interventions, markets constantly followed a strong uptrend until the end of the year and managed to recoup some of the losses of the disastrous trading year 2008.

Important international indices like the Dow Jones Industrial (+18.8%), the S&P 500 (+23.5%), the NIKKEI 225 (+19.0%), the FTSE 100 (+23.2%) or the Dow Jones EuroSTOXX 50 (+21.0%) clearly left behind their first quarter lows and showed a good performance for the whole year.

The German stock market outperformed these results. The leading German stock market index DAX gained 23.9% and was even exceeded by the German Small and Mid Cap Indices SDAX (+26.7%) and MDAX (+34.0%). Yet, the best performing index in Germany was the TecDAX with a plus of 60.8% which was also better than the 53.5% gain of the NASDAQ 100 index.

The generally positive stock market development in the trading year 2009 is also reflected in the performance of the broad based market index CDAX with a plus 25.4%.

Thus, after the very poor development in the year 2008, stock markets have clearly turned for the better in 2009. Yet, this development was rather driven by low interest rates, high liquidity and the hope for a future economic turnaround than by actual improvements.

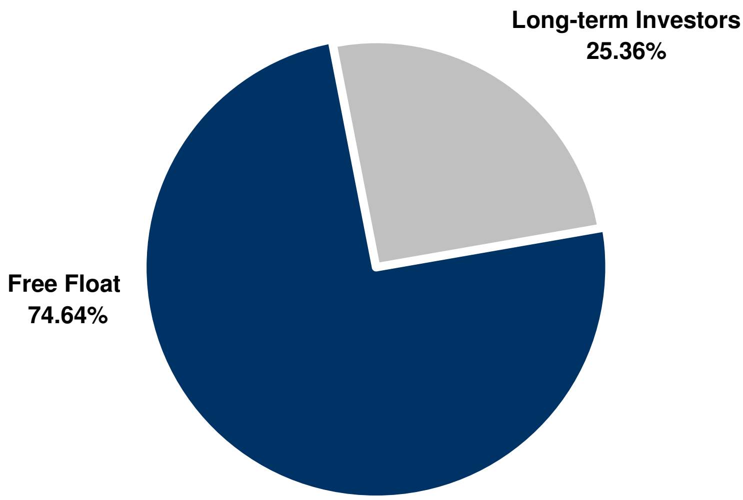
Catalis SE Stock

Catalis SE shares were 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 Open Market of the Stuttgart, Munich, Berlin and Dusseldorf Stock Exchanges.

At the end of 2009, the Catalis SE share price on XETRA amounted to € 0.24. The trading year's lowest share price was recorded at € 0.152 on February 23, 2009. The highest share price for the year was recorded at € 0.39 on May 21, 2009. At the end of the year 2009, Catalis SE's market capitalisation amounted to approximately € 9.1m.

Shareholder Structure as of December 31, 2009

During the fiscal year 2009, the number of shares issued and outstanding was increased in two steps from 26,890,775 to 37,878,999. Of these shares, 25.36% were held by long-term investors and 74.64% were classified as free float.



Under the Dutch Major Holdings Disclosure Act, shareholdings of 5% 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 on October 31, 2007 and April 30, 2010:

- IFOS Internationale Fonds Service AG 13.94%
- Navigator Equity Solutions SE 11.42%

Investor Relations

The Catalis SE financial communication policy aims to deliver all essential information to all its target groups in unison. We publish all important reports, financial releases, speeches and presentations on our corporate website as close to real time as possible. Our company publishes an electronic newsletter informing all subscribers on the Group's latest news.

As part of our Investor Relations framework, we regularly keep in contact with analysts and institutional investors. The company was presented to institutional investors in the course of several investor conferences, e.g. Entry & General Standard Conference in Frankfurt and MKK – Münchner Kapitalmarkt Konferenz in Munich, and we have issued eleven ad hoc releases and ten corporate news releases to inform our investors on major events and developments at Catalis Group.

Section 15a of the German Securities Trading Act (WpHG) requires members of the Board for Directors and Supervisory Board of Catalis SE to report the purchase or sale of Catalis SE's shares both to the company and to the German Federal Financial Supervisory Authority (BaFin). In addition to purchase and sales transactions involving Catalis SE shares, securities transactions relating to Catalis SE shares (e.g. purchase or sale of options or stock warrants for Catalis SE shares) must also be reported. In the course of 2009 we have issued six such Directors' Dealings notifications.

Pursuant to Section 10 of the German Securities Prospectus Act WpPG, every publicly listed company is required to provide the capital market annually with a document containing or referring to any information that it has published during the preceding twelve months to comply with specific capital market requirements ("Yearly Document"). Catalis SE has decided to constantly update this document, using its corporate website.

You can find all information annual and quarterly reports since 2003 as well as all financial publications concerning the Catalis Group on our corporate website www.catalisgroup.com.

Catalis intends to keep to its open communication policy in the future and will continue to improve its communication.

Annual Shareholders´ Meeting

The organisation and carrying out of the Annual Shareholders' Meeting takes place at Catalis SE' s headquarters in Eindhoven, 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.

A general meeting is held every year, within six months after the end of the previous financial year.
The agenda includes at least the following subjects:

a. management board report on company affairs and management during the previous year;
b. adoption of annual accounts;
c. the granting or withholding of a discharge to the management board from liability for acts performed by it during the previous financial year;
d. appropriation of profits;
e. provisions for vacancies.

Each shareholder and holder of depository receipts and each usufructuary and holder of a pledge in shares having the rights of a holder of depository receipts, is authorised to attend the general meeting of shareholders and to address the meeting. Each share confers the right to cast one vote.

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.

The statutory Annual Shareholders' Meeting for Catalis SE for the financial year 2008 took place on July 02, 2009 in Eindhoven, Netherlands.

In total, 22.34 percent of the company's share capital was represented at the Meeting. All items of the agenda were approved unanimously by the attending shareholders, including the previously announced change of position of Mr. Klaus Nordhoff from an executive to a non-executive Member of the Board of Catalis SE.

Corporate Governance

Introduction

Catalis SE is subject to the Dutch Corporate Governance Code. The Board of Catalis SE is responsible for the corporate governance structure of the company and for compliance with the Dutch Corporate Governance Code. They are accountable for this to the general meeting and provide sound reasons for any non-application of the provisions. Catalis SE is aware and self-conscious of the importance and meaning of consistent corporate governance and recognizes the importance of the principles for good corporate governance as laid down in the Dutch Corporate Governance Code.

A copy of the principles and best practice provisions of the Dutch Corporate Governance Code is available on the website www.commissiecorporategovernance.nl.

Board

The Board of Catalis SE is an one-tier board, comprising an Executive Director and 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.

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 possibly 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. To the extent we do not apply certain principles and best practice provisions of the Dutch Corporate Governance Code or do not intend to apply these in the future, we give an explanation. Best practice provisions that are not applicable for Catalis SE are not further explained. All other principles and best practice provisions of the Dutch Corporate Governance Code are applied by Catalis SE.

Best practice provision II.1.2
The Board has formulated their business strategy (see Strategy, page 14) 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, page 41) of the company's business and has a suitable internal risk and control system in place to manage these risks. The Executive Director is 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.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 contract with the Executive Director other arrangements have been made. The contract has 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 downwards or upwards, as 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 an 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 an 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.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.3.5
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 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 a position.

Best practice provision III.5 & III.8.3
The Dutch Corporate Governance Code recommends that if there are more than four Non-Executive Directors they should appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee. The Non-Executive Directors have decided, due to the nature and the size of the company, not to appoint an audit committee, a remuneration committee and a selection and appointment committee. According to Dutch Law it is also allowed that the tasks assigned to the audit committee, are performed by the managerial or supervisory body. At Catalis SE the duties of these committees are part of the overall activities of the Board and are performed by the Board as a whole. No terms of reference and composition of the committees have been posted on the company's website.

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 circumstances it is expected that these measures may be used, is 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.

Information according to Article 10 of the Takeover Directive Decree

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.

Therefore, Catalis SE provides the following information:

- Capital structure and stock rights

As per December 31, 2009, 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 5% 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 on October 31, 2007 and April 30, 2010:

• IFOS Internationale Fonds Service AG	13.94%
• Navigator Equity Solutions SE	11.42%

- Employee shares

The company has an employee share option plan. A detailed description is included in the notes to the financial statements (Note 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 with a one tier structure of executive and non-executive Board members. The general meeting of shareholders appoints the executive and non-executive members of the Board.

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

The Board was authorised by the general meeting of shareholders on March 27, 2009, as the authorized corporate body to issue shares or rights to shares in the Company for a period of 5 years as of March 27, 2009. It is proposed that the amount of shares to be issued is at the

Board's discretion provided that the total number of outstanding shares after issuance will not exceed 175.000.000.

The Board was also authorised as the relevant corporate body to restrict or to exclude the pre-emption right accruing to shareholders for a period of 5 years, as of March 27, 2009 in case of the issue of shares or rights to shares.

Furthermore, the Board was authorised to acquire for valuable consideration shares in the Company for a period of 18 months as of July 02, 2009. The number of shares to be acquired shall be limited by the maximum percentage of shares the Company may hold in its capital at any moment (after amendment of the articles of association a maximum of 50%). This acquisition may take place by all kinds of agreements, including on a Stock Exchange. The price per share may not be less than the par value and not more than 110% of the Stock Exchange Price. For purpose of the foregoing the Stock Exchange Price will be the average of the closing price on the Frankfurt Stock Exchange of the last five days on which business was done, preceding the date of acquisition.

- Change of control provisions

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

5. Management Report

Report of the Board of Directors

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

The Board of Directors of Catalis SE comprises six members, Mr Jeremy Lewis, Dr. Jens Bodenkamp, Dr. Michael Hasenstab, Mr Robert Käβ, Mr Klaus Nordhoff and Mr Dominic Wheatley. The Chairman of the Board is Dr. Jens Bodenkamp.

Mr Jeremy Lewis (47), Member of the Board, Executive Director:

Gender: male
Nationality: British
Appointment effective as of March 27, 2009
Term ends in 2012
British citizen, home domicile is in London, England
Profession: Chief Executive Officer of Catalis S.E.

Dr. Jens Bodenkamp (65), Chairman of the Board, Non-executive Director

Gender: male
Nationality: German
Appointment effective as of January 22, 2008
Term ends in 2011
German citizen, home domicile is in Munich, Germany
Profession: graduate Physicist (Doktor der Physik)

Currently active as a Business Angel
Member of the Supervisory Board of Navigator Equity Solutions SE

Dr. Michael Hasenstab (40), Member of the Board, Non-executive Director

Gender: male
Nationality: German
Appointment effective as of January 22, 2008
Term ends in 2011
German citizen, home domicile is in London, England
Profession: graduate Business Economist (Doktor der Betriebswirtschaftslehre)

Currently active as Member of the Management Board of Navigator Equity Solutions SE and Managing Director of consulting company Ascendo Management GmbH.

Mr Robert Kaess (39), Member of the Board, Non-executive Director

Gender: male
Nationality: German
Appointment effective as of January 22, 2008
Term ends in 2011
German citizen, home domicile is in Munich, Germany
Profession: Business Economist (Diplom-Betriebswirt)

Currently active as Member of the Management Board of Navigator Equity Solutions SE and Managing Director of consulting company Ascendo Management GmbH.

Mr Klaus Nordhoff (49), Member of the Board, Non-executive Director

Gender: male
Nationality: German
Appointment effective as of July 1, 2009
Term ends in 2011
German citizen, home domicile is in Bergheim, Germany
Profession: Economist (Diplom in Wirtschaftswissenschaften)

Currently active as Chief Executive Officer of Consortium Leu

Mr Dominic Wheatley (50), Member of the Board, Non-executive Director

Gender: male
Nationality: British
Appointment effective as of January 22, 2008
Term ends in 2011
British citizen, home domicile is in London, England
Profession: Software Specialist

Currently active as Chief Executive Officer of Bright Things plc.

Dr. Michael Hasenstab and Mr Robert Käβ are members of the Board since July 2002, Mr Klaus Nordhoff was appointed in December 2007, Dr. Jens Bodenkamp and Mr Dominic Wheatley were appointed in January 2008 and Mr Jeremy Lewis in March 2009.

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.

In line with the Articles of Association of Catalis SE, the Board of the company held four plenary meetings in the fiscal year 2009.

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 especially:

- 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
- Budget 2009
- Development of the business and financial situation of the group
- Financial adjustments 2007 after DPR audit
- 2008 Financial statements and audit
- M&A projects
- Employee stock option scheme
- Remuneration
- Board composition

- Corporate Governance
- Budget 2010

All members of the Board took part in the meetings personally. On rare occasions, members of the Board joined the meetings via telephone or were apologised.

Also, the Board has discussed its own functioning and composition as well as the functioning of the Executive Director.

Conflict of Interest

In the fiscal year 2009, there were no conflicts of interest in the Board of Directors.

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 2009 and the results for the full fiscal year 2008. 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 Director and that the Executive Director 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 Mazars Paardekoopers Hoffman Accountants N.V., the Board holds it that all relevant issues regarding the company's financial statements for the fiscal year 2008 have been taken care of properly.

Remuneration committee tasks

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

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.

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

An overview of the Board's remuneration can be found in note 27 to the Consolidated Financial Statements.

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.

Therefore, 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 2007.

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.

Selection and appointment committee tasks

In the fiscal year 2009, there was no necessity to perform any selection and appointment committee tasks.

However, the Board discussed also the Board's composition as they desire to add some new talent to the Board if possible.

The consolidated statements of Catalis SE were drawn up according to the International Financial Reporting Standards (IFRS) as issued by the IASB. The financial data has been audited by the independent auditors Mazars Paardekooper Hoffman Accountants N.V.

We have approved the financial statements of Catalis SE prepared by the Executive Director and we also agree with the Management Report.

The composition of the subscribed capital as well as the provisions concerning the appointment and removal of members of the executive board, or amendments to the articles of association are in compliance with the statutory requirements and are self explanatory.

The Board would like to thank the Executive Directors for their commitment, hard work and for the consistently trustworthy and fruitful dialogue.

For the Board:

Dr. Jens Bodenkamp

Eindhoven, The Netherlands
14th May 2010

Global Business Environment

Global economy impacted by sharp recession

According to the update of its World Economic Outlook as of January 26, 2010, the International Monetary Fund (IMF) saw global growth for the year 2009 at -0.8% compared to 3.0% in 2008. The estimated growth rate of only 1.3% for the Q4 on Q4 comparison indicates a slight improvement of the economic situation towards the end of the year. As a rule of thumb, a global growth rate of less than 3.0% signifies a recession. Thus, the year 2009 has certainly seen a deep global recession.

In the advanced economies reduced the development was even worse. The respective growth rate amounted to -3.2% compared to 0.5% in 2008. Here, Japan, the Euro area and the UK were hit hardest. The emerging and developing countries have also seen a significant slow-down, with a combined growth rate of only 2.1% after 6.1% in 2008. Though especially developing Asia remained relatively stable with growth of 6.5% (2008: 7.9%), this could not compensate the harsh losses in other countries. China's growth was reduced again from 9.6% to 8.7% and also India slowed down from 7.3% to 5.6%.

World trade volume in 2009, comprising goods and services, was down by 12.3% on average. This development was reflected in the same magnitude in imports and exports for both, the advanced economies as well as the emerging and developing countries.

Reduced household spending, production and trade were the key issues of the economic environment for the most part of the year 2009. The sharp decline in asset prices has led to a significant decrease in household wealth, thus reducing consumer demand. At the same time, households and businesses postponed bigger capital expenditures, reducing demand for consumer and capital goods.

However in the second half of the year, the situation started to stabilise, pulled up by the strong performance of Asian economies and stabilization or modest recovery elsewhere. In the advanced economies, unprecedented public intervention has stabilized activity and has even fostered a return to modest growth in several economies. Emerging and developing economies are generally further ahead on the road to recovery, led by resurgence in Asia. A rebound in commodity prices and supportive policies are helping many of these economies.

Yet, the pace of recovery was slow, and activity remained far below pre-crisis levels. The pickup was being led by a rebound in manufacturing and a turn in the inventory cycle, and there were some signs of gradually stabilizing retail sales, returning consumer confidence, and firmer housing markets.

Industry Development

Home entertainment market suffers from reluctant consumers

DVD and Blu-ray

In the fiscal year 2009, according to The Digital Entertainment Group (DEG), consumer spending on pre-recorded content in the US totalled USD 20bn, 5% less than in 2008. Continuing the trend of previous years, combined DVD sales and rentals dropped another 11% year-over-year to $16.4 billion. Though consumers actually bought or rented more titles than in 2008, this development was driven by lower DVD prices. A heavy loss that could not be compensated by a still surging Blu-ray segment, totalling USD 1.5bn or 67% more than in 2008. Digital downloads and video on demand also advanced on their growth path, reaching a total of USD 2.1bn which is 32% higher than in 2008.

A breakdown of transactions in sales and rentals shows another trend in the industry. Though people are still fond of films, they are also looking for the best way to watch their favourites at home – and that is not always buying. As a matter of fact, home video sales dropped 13% to USD 11.4bn while rentals rose more than 4% to USD 6.5bn, where $1 DVD rentals was the fastest-growing segment of movie rentals.

For the first time, Blu-ray sales have exceeded a total of USD 1.0bn, up 70% from its 2008 figures. Blu-ray rentals accounted for approx USD 500m representing an increase of 48% against the previous year. It is especially interesting to see that Blu-ray sales for the fourth quarter alone amounted to USD 500m which is 13.4% of total sell-through volume in that time. Compared to the other three quarters of 2009, this is an increase in Blu-ray’s market share by more than 5 percentage points. There is more drive to be expected for the Blu-ray segment as DEG also sees an increase of 76% in the number of Blu-ray playback devices in US households, now totalling 17 million. Thus the format is well on its way to mass market status.

The growing acceptance of Blu-ray among consumers also provides positive sentiment for the new product-line of 3-D Blu-ray Discs. The discs can be played and watched in 2-D on current Blu-ray players and TVs. However, Sony's PS3 and other new 3-D Blu-ray players can send a 3-D version to new TV sets, too, allowing consumers to experience the enhanced capacity of Blu-ray technology. The recent success of Avatar in theatres is likely to foster the evolution of home 3-D movies in the future.

From a testing service provider’s point of view, this development provides some interesting growth opportunities and challenges for quality assurance services.

Though the continuous downturn of the DVD market puts pressure on volumes and margins in the short-term, the higher complexity of the fast growing Blu-ray format, both in 2D and 3D, provides good growth prospects for qualified service providers in the mid-term. Further growth opportunities arise from the growing market for digital downloads as it requires additional testing work to be done.

Consumer Electronics

According to figures from iSuppli, the global consumer electronics industry has seen a 6.7% drop in revenues for the year 2009. Thus, worldwide consumer electronics OEM revenues totalled USD 312.3bn. This was the annual decrease in consumer electronics OEM revenues since the 1.6% decline resulting from the dot-com bust in the year 2001. Yet, sales of consumer electronics rebounded in the second half of the year and the full year decline was less steep than was predicted after the second quarter.

This development was due to the global economic recession and sharply declining prices for some key products. As the recession has reduced consumers' disposable income, the consumer electronics industry has responded by cutting prices on popular products to help move product. One major bright spot for consumer electronics with a 4.2% revenue growth in 2009 was the LCD-TV segment. This was stirred by incentives in China and increasing sales of LED-backlit sets.

Nonetheless, and in spite of the better development in the second half of the year, most of 19 consumer electronics product segments tracked by iSuppli experienced a decline in unit shipments in 2009.

The consumer electronics segment was one of the first to be affected by the global downturn and this lasted throughout the fiscal year 2009. In light of the uncertain future economic development, OEMs responded to the decline in consumer demand by slowing down or holding back their development of next generation chipsets and products thus reducing testing requirements.

Video Games

Though 2009 was still the second best year ever for the video games industry, it has also marked a break in the industry's long-time growth trend. All of the three major markets, the US, the UK and Japan, faced losses in industry revenues, led by the UK and the US.

In the UK, the video games industry has experienced an 18% drop in revenues from the high level of the record year 2008. Revenues totalled GBP 3.3bn after GBP 4.0bn in the previous year. While, according to ELSPA (Entertainment and Leisure Software Publishers Association), revenues from console hardware sales amounted to GBP 1.1bn (2008: GBP 1.4bn), down 24%, total sales of video games software reached GBP 1.6bn (2008: GBP 1.9), down 15%, with growth in both the Xbox 360 and PS3 formats. In the US, total video game revenues were down 8.1% to USD 19.7bn (2008: USD 21.4bn). Hardware sales decreased 8.3%, totalling USD 7.2bn (2008: USD 7.8bn), while software sales were reduced by 9.9% to USD 9.9bn (2008: USD 11.0bn), according to figures from NPD Group. According to Enterbrain, the Japanese video games market totalled JPY 542.6bn (approx. USD 5.9bn) in 2009 which is 6.9% less than in 2008. Hardware sales were down 13.6% while software sales saw only a slight decrease of 1.8%.

According to the Top Global Markets report, combined video game software sales in the US, the UK and Japan totalled 379.3 million units, 8% less than in 2008. The report assigns most of the blame for the decrease to the plummeting PS2 software sales which were down 57% across all three markets.

The best-selling video game software in 2009 was Call of Duty: Modern Warfare 2, which was also the fastest selling video game software ever, with 11.86 million copies sold since its release in November 2009. The rest of the Top 5 belonged to Nintendo: Wii Sports Resort (7.57m copies), New Super Mario Bros Wii (7.41m copies), Wii Fit Plus (5.80m units) and Wii Fit (5.44m units).

While the market was still dominated by Nintendo's platforms Wii and DS in both hardware and software, video game publishers and developers were confronted with an increasing popularity of both (free) online gaming and the purchase of used video game software.

A development that resulted in a reduced number of new video game releases in 2009 and hence negatively affected the business environment for both, video games development and testing services.

Company Situation

General

As result of the unsatisfactory business development at Kuju (games development) at the end of the fiscal year 2008, we announced a reorganisation programme in early 2009 to adjust our business activities to the worsening economic environment.

The reorganisation programme made good progress and was largely completed by the end of the third quarter. All cost centres across the group have undergone a comprehensive review, we have frozen new hires other than for essential replacement positions and we are continuously performing a detailed assessment of work underway. In particular, we closed Chemistry and Manila and merged NiK NaK and Kuju America with Zoë Mode. With the four current studio brands, which are all well-established and renowned in the market, we expect Kuju to be more competitive and efficient in the current market environment. The total costs incurred from the reorganisation programme in the fiscal year 2009 amounted to € 0.9m.

On June 30, 2009, Mr. Klaus Nordhoff retired from his position as an executive director of Catalis SE and switched to a non-executive function. After more than two years as CFO and later also CEO, Mr. Nordhoff took on a non-executive role in the board of Catalis SE. In this role he has focussed on contributing his experience in corporate finance and M&A to the skill set of the board. Catalis SE is now led in the future execution of its long-term strategy by the sole executive director and CEO, Mr. Jeremy Lewis, who joined Catalis SE in January 2009.

The overall development of our business activities in the fiscal year was affected by the negative economic environment and the respective cost and order adjustments of our clients. We have counteracted these developments by our own cost adjustments and increased sales activities. Yet, these measures could not offset the postponements and cancellations of other projects. Therefore, our business development and financial results for the fiscal year 2009 fell substantially short of our initial expectations.

Corporate Actions

In order to back up the reorganisation programme at Kuju, we conducted a capital increase in January 2009. In the course of this capital increase we issued a total 8,963,592 shares with a nominal value of € 0.10 at an issue price of € 0.15. Thus, the number of shares issued and outstanding was increased to 35,854,367. The proceeds from the capital increase amounted to approx. € 1.3m.

In March 2009, we conducted another capital increase to pay the bonus shares for the Kuju management which resulted from the acquisition of Kuju plc in early 2007. In the course of the acquisition, Catalis SE and the Kuju management agreed upon the payment of bonus shares as a means to incentivise the management. Therefore, Catalis SE issued a total of 2,024,632 new shares with a nominal value of € 0.10, increasing the company's share capital from € 3,585,436.70 to € 3,787,899.90 divided into 37,878,999 shares.

Segment Information

Testronic Labs

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

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

In the fiscal year 2009, the business development at Testronic Labs was strongly affected by the economic recession and its negative effects on consumer demand in the home entertainment market. The further deteriorating sales figures in the DVD market have led the big studios and publishers to cut back on their release schedules for the year, mainly for back catalogue and episodic titles. Therefore, Testronic Labs had to cope with reduced business volume for its biggest service line.

At the same time, the major games publishers continued to scale back on video games development, resulting in a significantly reduced number of video games actually tested in Testronic's games testing business.

Throughout the year, a number of key client projects were delayed or even cancelled, especially on the software and consulting side of the business. In several cases, Testronic managed to keep the clients and their volumes but had to accept reductions on margins.

Testronic tried to counteract this development by intensified sales activities and the introduction of new services. The sales activities were successful regarding the increase of Testronic's client base. The company acquired more than 50 new clients and has now the biggest client base for many years. However, these new customers could not fully compensate for the lost volumes in the heart of Testronic's business.

In the fourth quarter, Testronic has signed a deal with the Italian developers Black Bean Games, their biggest customer in games testing now, to outsource their external functionality quality assurance to Testronic for a period of 12 months. Moreover, they added the digital media marketing services company Tribal DDB to its client list and are now expanding more aggressively in the digital distribution space. Last but not least, Testronic also won a big strategic contract with a German cable TV broadcasting company and is now working for four big cable TV companies in Europe.

In terms of new services, Testronic has partnered with Gomez, Inc., a leader in web application experience management, and Zion Security, the European market leader in securing critical web applications, in the second quarter, enabling Testronic to offer powerful automated testing tools and helping clients attain material improvements in website performance and security. Testronic has already seen strong interest in this new website testing service and won first contracts. However, the sales time to close such business can be longer than usual. This is as a result of the complexity of solutions that each client needs. Due to the repeatable nature of this business, it offers a good growth opportunity with recurring revenues for the future.

In the fourth quarter, Testronic announced that they have teamed up with Thomson, through its Technicolor Business Group, to offer comprehensive Blu-ray Disc testing capabilities, combining the unique areas of expertise of both companies and resulting in a formidable force in the industry to ensure standards compliance, format integrity, and player compatibility. Previously, Testronic was audited and accredited by the Blu-ray Disc Association (BDA) to provide BD-ROM Movie Player and BD-ROM PC Application Software certification services.

In summary, market conditions were continuing to be difficult, although mainly due to project / workload cancellations rather than pricing pressure. However, there is pressure on margins as a number of clients have defined minimum requirements in terms of infrastructure in order to allow service providers even to compete for projects. This leads to increased costs for infrastructure investments.

Also, the growing popularity of digital distribution channels is changing the business models in the home entertainment market. Video games are a forerunner of this development but the film business has also begun to expand utilisation of these distribution channels. Therefore a major challenge for Testronic Labs is to drive existing business with its clients while moving into new, evolving areas of business at the same time. The general expectation is, that the time of physical copies will run out in the mid to long term, similar to the development that can be observed in the application software industry. Thus, Testronic is already looking for ways to prepare for a future disc-free world.

Kuju Entertainment

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

In the fiscal year 2009, market conditions for Kuju were difficult with video game publishers reducing the number of titles being commissioned from independent development companies. The market for games development has struggled as publishers have found it difficult to make acceptable returns on their early releases on PlayStation 3 and Xbox 360. Too many titles were produced at too high a cost and a general shake out of development capacity both within publishers and in independent developers like Kuju has occurred.

Although in 2008 Wii development projects partly offset this trend, the market for Wii development in 2009 has fallen both in terms of the number of the projects and their budget. This is partly due to the relatively low level of success for titles from publishers other than Nintendo on that platform and partly due to the large number of games already available for the Wii console. Some publishers continue to be short of funding. The transition to digital delivery of video games continues and the market leadership position adopted within Kuju has led to a better position in this market than many of its competitors.

The acquisition of new development deals has become an increasingly long process and an increasing number of deals are now structured with mid-project green light reviews. Across the industry there are more titles being cancelled later in development as they are not expected to become commercially successful anymore. This is also making resource planning an increased challenge.

The fall in the demand for Wii title development has directly affected Headstrong (e.g. in December one such project was cancelled). Competitive pressure in the music game space (Zoë Mode) has also led to a reduction in the demand for development services in this area. There is more competition here now and competitors have become increasingly aggressive on pricing.

Nonetheless, Kuju studios managed to acquire a number of new projects, some of which were follow-on projects as a result of Kuju's strong and ongoing long-term relationships with its customers. Moreover, Kuju could also expand its client base by some notable new names, e.g. Warner Bros. Interactive Entertainment, where Headstrong is developing the "Lord of the Rings: Aragorn's Quest" title. Thus, by the end of the year, all studios were working at 90% to 100% capacity utilisation.

Overall, Kuju remains largely focused on working for US publishers. The establishment of a US operation as part of Zoë Mode has served to further enhance the relationships with them. The studio is attracting good development talent and is already well recognised and appreciated in the market. Japanese publishers are currently in a state of flux as they review the global market. Those that Kuju has successfully worked with have mostly had a significant US or European operation. Exclusively European publishers remain a small part of Kuju's focus.

Kuju's studios have strategically sought to develop the highest profile titles from the largest publishers for some time and this policy has left them better able to resist this difficult market than many competitors. Headstrong is a Wii specialist with a reputation to be one of the best Wii developers in the world as a result of its early work with Nintendo. Zoë Mode is a platform independent specialist for music and social games. Vatra Games is specialised on the platforms PS3 and Xbox 360 and doublesix is a developer of small video games for digital distribution.

Video games completed by Kuju studios in 2009 included "House of the Dead" (Headstrong), "Disney Sing it: Pop Hits!" (Zoë Mode), "Burn Zombie Burn" (doublesix), "Art Academy" (Headstrong) and "South Park Let's Go Tower Defense Play!" (doublesix). The studios Headstrong and Vatra Games are currently in the middle of working on two projects each, which are scheduled for release in 2010 and 2011.

doublesix has also started to develop for Sony's PlayStation Home virtual world system and has launched a Home space to market their Burn Zombie Burn (BZB) game, alongside some virtual goods which are generating revenue through micro-transactions. The quality Burn Zombie Burn Home space has been recognised by Sony and selected by them for a virtual Halloween party which was hosted in the BZB space. This event helped to promote the BZB title and drive further sales of doublesix's virtual items. These virtual items are items like t-shirts, hats and other things to personalise one's avatar. Currently, such things are only generating revenues of a few thousand pounds but it's an indication of the future of the video games industry.

Based on the expertise and the strong market positioning of its studios as leading specialists in their segments Kuju remains focused on quality delivery and the generation of good margins and royalty potential. There is also a steady rise in the significance of digital distribution channels and these will offer new opportunities for the games industry over the longer term.

Research and Development

Kuju Entertainment operates a central research and development department (R&D) with a team of eight dedicated employees. R&D develop, support and enhance Kuju's in-house core graphics, animation, networking and audio technologies across PC and console platforms, including Wii, PS3 and Xbox 360, and the generation after.

Kuju is also making an investment in its next generation of game engine technology. Code-named "Fabric", this engine targets the offerings of all the game platform and technology manufacturers in the next couple of years, as well as supporting the competitive latter part of the cycle for the current top-specification consoles.

R&D expenditures at Kuju Entertainment for the fiscal year 2009 amounted to approx. € 477k.

R&D activities at Testronic Labs refer to the development of new customer services. In the fiscal year 2009, these included services for website testing, Blu-ray player testing and 3D testing (a service that will be driven mainly by sports entertainment). As there is no defined R&D division at Testronic Labs there is no specific amount of costs to be allocated to R&D activities here.

In the fiscal year 2010, Kuju Entertainment plans to finish the work on Fabric. Altogether R&D expenditure in the fiscal year 2010 will be in line with 2009.

Investments

Total investments in the fiscal year 2009 amounted to € 947k and were attributable to the purchase of property, plant and equipment. Apart from normal equipment and replacement investments, the following investments were of special import.

At Testronic an important investment was made for the new computerised worldwide reporting system, called Xytech, amounting to € 210k. Additionally, due to Testronic winning big video games clients in the third and fourth quarter of 2009, they have also expanded their testing facility in Poland. Total day-to-day equipment at Testronic accounted for approx. € 189k.

At Kuju a notable investment was the purchase of two motion capture suits for the Vatra Games studio, amounting to approx. € 75k. As Vatra Games is working on the development of action games, the motion capture suit is needed to ensure the most realistic animation of the video game characters. Total investments at Kuju, mostly day-to-day equipment, amounted to approx. € 473k.

For the fiscal year 2010, Kuju has planned an investment of approx. € 90k for a number of corporate IT projects. At Testronic it is planned to install a VoIP (Voice over IP) system across the whole company (with an estimated return on capex of 2 years) and an additional € 100k related to the expansion of company's services into the digital TV market. In total, Testronic expects capital expenditure to be at the same level as in 2009.

So far, Catalis Group has no other plans for major investments in the fiscal year 2010. Thus, the management expects the Group's total capital expenditure to be stable at the 2009 level.

Development of Earnings, Assets and Financial Situation

All financial data for the 2009 business year has been calculated in Euros (€) and comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Earnings situation

Sales Development

In the fiscal year 2009, Catalis Group generated total sales of € 32.0m (previous year: € 38.1m). Thereof, € 12.4m (2008: € 15.0m) were attributable to Testronic (quality assurance) and € 19.6m (2008: € 23.1m) were attributable to Kuju (video games development).

Subcontracting and cost of materials amounted to € 4.4m (2008: € 3.7m), where Testronic accounted for € 2.7m (2008: € 2.8m) and games development accounted for € 1.7m (2008: € 0.9m). The development in these costs reflects the increased adjustability of Catalis Group's work force and the ongoing transition to flexible working hours. This is due to the fact that the cost for flexible non-permanent staff is recognised as cost of sales, while the cost for permanent staff is recognised as personnel cost.

The group's gross profit (total revenues minus subcontracting and cost of materials) amounted to € 27.6m in 2009 (2008 € 34.4m), representing a decrease of 19.8% from the previous year. To this gross profit Testronic contributed with € 9.6m (2008: € 12.1m), and € 18.0m were generated by Kuju (2008: € 22.3m). The gross profit margin amounted to 86.3 % (2008: 90.4 %).

Earnings Development

In the fiscal year 2009, Catalis Group had to recognise a total of € 1.7m of non-recurring costs resulting from legal disputes at Testronic (€ 0.8m), the reorganisation programme at Kuju (€ 0.7m) and the closure of the Manila studio (€ 0.2m). Before these non-recurring costs, the group's operating income (EBIT) amounted to € 0.2m (2008: € 2.9m). Thus, before non-recurring costs, the Group generated a positive result from operating activities even in the past year's highly unfavourable market environment. For the most part, this is a benefit of the Group's timely initiated cost savings and reorganisation efforts. Taking into account the non-recurring costs of € 1.7m, the group's operating income was € -1.5m (2008: € 2.9m).

The earnings situation is illustrated in the following table:

€ m	**2009**	**2008**
Total income	32.005	38.063
Subcontracting and cost of materials	(4.398)	(3.635)
Gross profit	27.607	34.428
Operating costs	(27.373)	(31.512)
Operating income (EBIT) before non-recurring costs	**234**	**2.916**
Non-recurring costs		
Kuju	(931)	-
Testronic	(793)	-
Total	(1.724)	-
Operating income (EBIT) after non-recurring costs	**(1.490)**	**2.916**

To this result, Testronic contributed with € -0.2m (2008: € 1.9m) and Kuju accounted for € 0.0m (2008: € 1.9m) while the holding showed a negative EBIT of € -1.3m (2008: € -0.9m).

The group's financial income for the fiscal year 2009 amounted to € -0.5m which is a significant improvement against the € -0.8m in the fiscal year 2008. Taking into account this financial income, the pre-tax income amounted to €-2.0m (2008: € 2.1m).

The regional split shows an EBIT of € 0.5m (2008: € 2.9m) for Europe, € 0.0m (2008: € 0.9m) for The Americas and € - 0.7m for the Philippines, with the holding costs of € 1.3m (2008: € 0.9m) being counted separately again.

In the fiscal year 2009, the group received a tax benefit of €1.7m (2008: € 0.0m). Therefore, income for the period (after tax) amounted to € -0.3m (2008: € 2.1m). This equals earnings per share of € -0.01 (2008: € 0.08).

Profit Distribution
At the Annual Shareholders' Meeting, the management of Catalis SE will recommend the allocation of € -0.3m of the after tax performance into the retained earnings of the company.

Asset Situation

Balance Sheet

As of December 31, 2009, Catalis Group's balance sheet total amounted to € 27.7m. In comparison with the previous year's total of €27.5m, this represents a increase of 0.7%.

The group's fixed assets increased from €17.7m to € 19.1m which is mainly due to deferred tax being up from € 1.7m to € 3.3m as a result of the reporting period's tax benefit.

Current assets of Catalis Group amounted to € 8.6m (2008: € 9.8m) which is a decrease of 13.2%. This development is mainly a result of lowered trade receivables against the background of reduced business activities in the fourth quarter.

In terms of equity and liabilities, the group's total shareholder equity increased from € 12.5m to € 14.1m. On the one hand this reflects the positive effects of the capital increase conducted in January and February 2009. On the other hand it also incorporates the negative income for the period. Based on the number of 37,878,999 shares outstanding at the end of the fiscal year, shareholder's equity amounted to €0.37 per share (2008: € 0.46 per share). In 2009 total equity represents 50.9% of the balance sheet total (2008: 45.3%).

Long-term liabilities were reduced from € 6.6m to € 0.2m mainly reflecting the transfer of the long-term loan to short term liabilities (now amounting to € 5.5m compared to € 6.4m in 2008).

Current liabilities were increased from € 8.4m to € 13.4m. Here, trade and other payables were up from € 3.7m to € 3.8m, provisions increased from € 0.1m to € 1.2m and the bank overdraft increased to € 1.1m (2008: € 0.9m), while liabilities from taxes and social securities were reduced from € 2.5m to € 0.6m. As mentioned above, the bank loan of € 5.5m was transferred to current liabilities in 2009.

Financial Situation

Cash Flow

In the fiscal year 2009, Catalis Group generated an operating cash flow of € 0.4m (2008: € 0.5m). This is mainly composed of the period's net income (€ -0.3m), depreciation of tangible fixed assets (€ 1.7m), a change in provisions (€ 1.2m), a decrease in current assets (€ 1.5m), a decrease in current liabilities (€ -1.8m) as well as income tax (-1.7m).

Cash flow from investing activities amounted to € -0.9m (2008: € -2.0m) and is attributable to the purchase of property, plant & equipment resulting from replacement investments and the build-up of the Vatra Games studio.

Cash flow from financing activities amounted to € 0.5m (2008: € -0.6m), including the proceeds from the capital increases of € 1.4m and the repayment of long-term debt of € 0.9m.

Additionally, the net effect of currency translation in cash and cash equivalents amounted to € -0.1m (2008: € -0.4m).

Thus, the company's total cash flow in the fiscal year 2009 amounted to € -0.1m (2008: € -2.5m), resulting in a net cash position at the end of the reporting period of € 0.0m (2008: € 0.2m).

Due to the low cash position, all cash ratios for the Group are substantially below their target values.

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

Employees

As of December 31, 2009, there were 408 employees working at Catalis Group (previous year: 475 employees). This represents a decrease of 67 employees, for the most part attributable to the reorganisation of Kuju Entertainment. 212 employees were working for Testronic and an additional 194 for Kuju plc. In 2009, Catalis Holding had 2 employees (previous year: 2)

Highly qualified staff is an essential prerequisite to the delivery of top quality services and products for the digital media and entertainment industry. Therefore, it is crucial to both Testronic Labs and Kuju Entertainment to attract the best people for their jobs and to care for their further continuous skill enhancement to catch up with the ongoing technical evolution and keep enable them to deliver always state-of-the-art services.

For Kuju, recruitment has become somewhat easier in 2009, as the lay-offs resulting from the closure of development studios or the reduction of video game publishers' internal development capacities has released a number of great development talent. However, there is still a scarcity of qualified video games developers in some areas of the business, where recruiting of the right staff remains a difficult issue.

As Testronic is constantly refining and expanding their service portfolio to maintain its competitiveness in serving their clients' needs, the focus here is on the enhancement of the technical capabilities of their staff. Therefore, a major objective of Testronic's employment policy is the skilling of the existing people, both full-time and zero hour employees, to keep them capable of providing the services Testronic is offering.

For the fiscal year 2010, the management does not expect employee numbers to increase.

Supplementary Report

On January 13, 2010, Catalis SE announced that its subsidiary Kuju Entertainment has resolved to shut down its development studio in Manila, Philippines.

Kuju has conducted a strategic review of its Asian-Pacific operations and concluded that it will no longer maintain a full service studio in the Philippines. Despite its success in supporting Kuju's European studios and the success of Circus Games for the Wii gaming console, Kuju has concluded that, given the weakness of demand in this part of the video games market, the prospects for further titles of this type are limited.

Nonetheless, Kuju will continue its strategy of building a co-operative art resource in the Asia-Pacific region, but intends to base it outside the Philippines. Therefore, the Manila studio was closed in the course of the first quarter 2010.

On January 15, 2010, the subsidiary Testronic Laboratories GmbH was liquidated. At the time of liquidation, the entity had no operating business. The entity is not sufficiently material to the consolidated financial statements therefore the consolidated financial statements is still prepared on a going concern basis.

Risk Report

Catalis 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.

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.

Quality and reputation risks

For Catalis as a service provider it is crucial to deliver high quality services just to stay in the 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.

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 and 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.

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.

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.

Conclusion

Catalis is designed to have a broad portfolio of high quality services, a distinguishing characteristic that allows our business to anticipate and prepare for all eventualities. Catalis has taken this stance from the beginning, making sure that it is at the forefront of all modern trends in technology and content. So far the management of Catalis has no reason to believe that any of the above mentioned risks represents an acute threat to the group's continuation.

Objectives and Policy regarding financial instruments

Catalis' investment activities expose it to the various types of risks, which are associated with the financial instruments and markets in which they invest. Financial instruments in the company are mainly used to mitigate currency exposures. The risk management policy is aimed at diminishing currency fluctuations in the income of the company.

The investments of the company are subject to certain risk factors, including but not limited to the following.

Market risk

The market price of financial instruments owned by the company may go up or down, sometimes unpredictably. The value of a security may decline due to general market conditions, such as real or perceived adverse economic conditions or general adverse investor sentiment. Financial instruments values may also decline due to factors which affect a particular industry or industries, such as production costs and competitive conditions within an industry.

Credit risk and default risk

The company could lose money if the counterparty to a contract, does not make timely payments or honor its obligation.

Liquidity risk

For investments that are thinly traded or for which no market exists and / or which are potentially restricted as to their transferability, the sale of any such investment may be possible only at substantial discounts and it may be difficult for the company's directors to accurately value any such investments.

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, offering 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 liable for any gain or loss incurred as a result of exchange rate fluctuation, when such investments are realized or when such expenses are paid. Thus, shareholders – indirectly – bear the risk of exchange rate fluctuations.

Risk factors

There are certain risks to be considered that are common to an investment company of this nature. Including but not limited to the following:

Markets

There may be no established or recognized market for some of the company's investments. In other cases, any market may be relatively small and/or poorly developed. Not only may this result in illiquidity of investments held by the company, but also in difficulties in ascertaining their value for the purpose of the calculation of the value.

Economic conditions

The success of any investment activity may be affected by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of investor's participation in the respective markets.

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.

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. 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, they have no reason to believe 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 for the next twelve months. These forecasts are themselves reliant on the continuation of Group banking facilities which are expected to continue. 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 2 – 4 weeks.

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

The management board of Catalis SE has as always a conservative attitude regarding the implementation of financial forecasts, recognition of tax assets and impairment calculations. The management board has proven that is capable to cope the financial crisis and current competitive situation and has successfully completed a restructuring and reorganization process in 2009. In addition, steps have been taken to mitigate possible risks regarding warranty claims.

Regarding future tax loss compensation possibilities the management has been successful in realizing more certainty about transfer price models and indefinite time frames of compensation. Combined with the fore mentioned more positive outlook regarding future results, the management board has, as a consequence of this, decided to recognize 100% of tax losses in 2009 compared to 50% in 2008.

In view of this, the financial statements have been drawn up on the going-concern assumption.

Corporate Governance Declaration

This declaration is included pursuant to Article 2a of the Decree further stipulations regarding the content of annual reports dated 1 April 2009 (hereafter 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 report. The following should be understood to be inserts to and repetitions of these statements:

- Compliance with the provisions and the best practice principles of the code (page 22 -24 '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 21 and 22 'Shareholders' Meeting');
- The composition and functioning of the Board of Directors (starting on page 27 'Report of the Board of Directors');
- The regulations regarding the appointment and replacement of members of the Board of Directors (page 30 'Selection and appointment committee tasks');
- The regulations related to amendment of the Company's Articles of association (page 22 'Shareholders' Meeting',);
- The authorisations of the members of the Board of Directors in respect of the possibility to issue or purchase shares (page 25 'Information according to Article 10 of the Takeover Directive Decree', Governance structure paragraph);
- The change of control stipulations in major contracts (page 26 'Change in control provisions');
- The transactions with related parties (page 82 'Related parties').

Internal Control and Management Statement

With due observance of the limitations that are inevitably inherent in any risk management and internal control system, our internal risk management and control systems provide reasonable assurance that our financial reports are free of material misstatement and that these systems were adequate and effective in 2009. There are no indications that they will not be adequate and effective in the current year. 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. 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.

In addition, 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 2009 give a true and fair view of the assets, liabilities, the financial position and the profit and loss of Catalis SE and its consolidated operations; and

- the management report includes a true and fair review of the position as per December 31, 2009 and of the development and performance during 2009 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, 14th May 2010

The Board of Directors:

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

Forecast Report

On January 26, 2010, the International Monetary Fund (IMF) has published the most recent update to its World Economic Outlook. According to the IMF, the global recovery is off to a stronger start than anticipated earlier but is proceeding at different speeds in the various regions.

In most advanced economies, the recovery is expected to remain sluggish, while in many emerging and developing economies, activity is expected to be quite vigorous, mainly driven by strong domestic demand. Driving the global rebound was the extraordinary amount of policy stimulus. Monetary policy has been highly expansionary, with interest rates down to record lows in most advanced and in many emerging economies, while central bank balance sheets expanded to unprecedented levels in key advanced economies. Fiscal policy has also provided major stimulus in response to the deep downturn. Consequently, the IMF has revised its forecast for the economic development in 2010 and is now expecting world output to grow by 3.9%. Advanced economies are expected to show growth of 2.1%, led by the US (+2.7%). The projected growth rate for the emerging and developing countries is 6.0%, with China (+10.0%) and India (+7.7%) once again in the lead. The IMF also pointed out that high unemployment rates and public debt, as well as not-fully-healed financial systems, and in some countries, weak household balance sheets are presenting further challenges to the recovery in the advanced economies.

Catalis is a global provider of outsourcing services in the fields of quality assurance and video games development. Therefore it depends on orders from producers of consumer products like video games, film products (DVD, Blu-ray and other digital formats) and consumer electronics. Catalis also relies on the development of consumer demand for these products which is influenced by consumers' disposable income. Throughout the fiscal year 2009, we have seen some changes in consumer behaviour as a result of reduced disposable income, e.g. growing trends to DVD rentals, used gaming software and free online gaming which may still continue for some time in the future.

Currently, customers of both our business divisions Testronic as well as Kuju, are reluctant to sign new projects and for the time being, it is still not possible to predict when this situation will relax and to what extent formerly cancelled projects might be reinstated.

For Kuju, the market for console games development will continue to be pressured for the foreseeable future as consumers are concentrating on AAA-titles. PC games development for retail release titles is already a small and contracting market. However against this trend, the budgets on successful video games continue to be driven up by technology and competitive pressure from consumers for higher production values. In addition, the increasing revenues from digitally downloadable games have the potential to be higher margin as the retail channel cost is reduced. As owner of the titles produced, it also allows Kuju to keep and build its own intellectual property. Digital delivery of games brings developers like Kuju into much closer contact with their ultimate customer, the gamer, through download platforms such as Sony's PSN, Microsoft's XBLA, various PC platforms and social sites such as Facebook. On 1 February, 2010 Nigel Robbins joined as the new CEO of Kuju. Nigel was formally the President and CEO of MTV Networks in Asia Pacific and brings considerable expertise and many years experience in driving the delivery of creative media products to consumers world-wide through rapidly evolving market channels.

Kuju does not expect to increase the number of studios engaged in its core business. It will be looking rather at extending its reach in the digital/online delivery of video games and at leveraging its significant expertise in specialist areas of video games development into supporting new business lines.

For Testronic Labs, the focus will be on expanding business with the big existing client base while further developing into new areas of business. The video games testing business currently is a forerunner in the use of digital distribution channels and the film market is to follow this development soon. It is anticipated, that physical copies of home entertainment products will become less important in the future and will be replaced by digital downloads. Therefore, Testronic will grow capacity and increase its service offering in both, the video games testing and the digital download space. Another future trend in this field is the evolution of 3D video films and TV, which is likely to benefit from the recent great success of "Avatar". Testronic is positioning itself at the forefront of this development and has already announced the opening of its new 3D Test Lab in Burbank. Recognizing the inevitability of 3D in the home, Testronic has spent the past year consulting with the leaders in the field, including major studios, broadcasters, hardware manufacturers, 3D technology pioneers and authoring facilities, to prepare test plans and procedures for the new technology.

As both digital TV and digital distribution of content will play an important role in the future of the home entertainment market, it is important for Testronic to drive its brand awareness and presence in the European digital TV business. A second issue will be the expansion of Testronic's presence in Asia where a lot of testing business is done. Also, Testronic has put high priority on its sales activities to grow its volumes in hardware testing, software testing and consultancy.

Despite the disappointing further downturn in customer demand towards the end of 2009 and early 2010, the Board is confident that the Company is well positioned to benefit from any future improvement in the overall economic conditions. Early indications from customers are that some expect 2010 to show a slow recovery in consumer demand. Catalis however remains cautious about the strength of demand and believes such an improvement is by no means certain.

It is worth noting that even with the continued global economic downturn, there are now 100 million game consoles world-wide and the overall market for all types of interactive entertainment software is forecast for continued growth of 5% pa to 2012 reaching a total of €35 billion. In this time period the traditional work-for –hire console market is due to decline 10% pa however the downloadable market and the online market are forecast to grow 80% pa and 15% pa respectively. In the short-term, the weakness in the work-for-hire market and Kuju's plan to continue to invest in its self publishing downloadable activities alongside its work-for-hire operations, may affect the Group's earnings.

Financial Information

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CATALIS SE
as at December 31, 2009
(in thousands of euros)

	Note	Consolidated December 31, 2009	Consolidated December 31, 2008	Consolidated January 1, 2008
ASSETS				
Non-current assets				
Intangible assets	3	129	197	364
Goodwill	4	13,461	13,237	15,077
Property, plant and equipment	5	2,246	2,546	1,861
Deferred tax	22	3,312	1,714	1,411
Total non-current assets		19,148	17,694	18,713
Current assets				
Trade receivables	6	2,817	5,489	4,584
Tax and social securities		569	119	124
Income tax		284	61	9
Other current assets	7	3,797	3,046	3,128
Cash and cash equivalents	8	1,100	1,126	2,722
Total current assets		8,567	9,841	10,567
Total assets		27,715	27,535	29,280
EQUITY AND LIABILITIES				
Equity				
Share capital		3,788	2,689	2,689
Share premium		18,808	18,540	18,540
Share based payments		366	779	731
Currency differences		(3,846)	(4,362)	(1,790)
Accumulated deficit		(5,003)	(5,162)	(7,280)
Total equity	9	14,113	12,484	12,890
Liabilities				
Non-current liabilities				
Deferred tax	22	96	64	146
Loans	10	-	6,420	7,300
Finance lease	11	91	145	-
Total non-current liabilities		187	6,629	7,446
Current liabilities				
Loans	10	6,420	880	880
Finance lease	11	186	106	-
Bank overdraft	12	1,084	948	8
Trade and other payables	13	3,779	3,738	5,073
Taxes and social securities		595	2,455	1,321
Income tax		109	207	10
Provisions	14	1,242	88	1,652
Total current liabilities		13,415	8,422	8,944
Total equity and liabilities		27,715	27,535	29,280

CONSOLIDATED STATEMENT OF INCOME CATALIS SE
for the year ended December 31, 2009
(in thousands of euros)

	Note	2009	2008
Revenue	18	32,005	37,891
Other income		-	172
Total revenues		32,005	38,063
Subcontracting and cost of materials		4,398	3,635
Personnel costs	19	20,054	22,565
Depreciation fixed assets	5	1,395	1,176
Amortisation intangible assets	3	84	106
Impairment of goodwill	4	219	-
General and administration	20	7,345	7,665
Total expenses		**33,495**	**35,147**
Profit/(loss) from operations		**(1,490)**	**2,916**
Interest income		49	13
Interest expense		(312)	(543)
Other financial income		84	198
Currency translation differences		(302)	(517)
Total financial income	21	(481)	(849)
Profit/(loss) before tax		**(1,971)**	**2,067**
Income tax	22	1,692	51
PROFIT FOR THE YEAR		**(279)**	**2,118**
Earnings per share	28		
Basic		(0.01)	0.08
Diluted		(0.01)	0.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME CATALIS SE
for the year ended December 31, 2009
(in thousands of euros)

	Note	2009	2008
NET PROFIT FOR THE YEAR		**(279)**	**2,118**
Exchange differences on translating foreign operations		516	(2,572)
Other comprehensive income for the year, net of tax		516	(2,572)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**237**	**(454)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CATALIS SE
for the year ended December 31, 2009
(in thousands of euros)

	Note	Share capital	Share premium	Share based payments	Currency differences	Accumulated deficit	Total Equity
Balance at December 31, 2007		**2,689**	**18,540**	**731**	**(1,790)**	**(7,314)**	**12,856**
Adjustment prior years		-	-	-	-	34	34
Balance at January 1, 2008		**2,689**	**18,540**	**731**	**(1,790)**	**(7,280)**	**12,890**
Share based transactions		-	-	48	-	-	48
Total comprehensive income for the year		-	-	-	(2,572)	2,118	**(454)**
Balance at December 31, 2008		**2,689**	**18,540**	**779**	**(4,362)**	**(5,162)**	**12,484**
Issue of share capital		1,099	268	-	-	-	1,367
Share based transactions		-	-	(413)	-	438	25
Total comprehensive income for the year		-	-	-	516	(279)	237
Balance at December 31, 2009		**3,788**	**18,808**	**366**	**(3,846)**	**(5,003)**	**14,113**

CONSOLIDATED CASH FLOW STATEMENT CATALIS SE
for the year ended December 31, 2009
(in thousands of euros)

	Notes	2009	2008
Cash flow from operating activities			
Profit/(loss) after tax		(279)	2,118
Adjustments to reconcile profit after tax to net cash provided by operating activities			
Depreciation and amortization	3,4,5	1,698	1,282
Change in provisions	14	1,154	(1,564)
Share based payment	21	25	48
Interest expense		263	530
Income taxes	22	(1,692)	(51)
(Increase) / decrease in other current assets		1,471	(784)
Increase / (decrease) in current liabilities		(1,793)	(370)
Cash generated from operations		847	1,209
Interest received	21	49	13
Interest paid	21	(312)	(543)
Income tax received / (paid)		(177)	(189)
Net cash generated from operating activities		407	490
Cash flow from investing activities			
Proceeds from long term assets		-	-
(Purchase)/sale of property, plant and equipment, net	5	(947)	(1,854)
Acquisition of subsidiaries net of cash acquired	26	-	(153)
Net cash used in investing activities		(947)	(2,007)
Cash flow from financing activities			
Redemption of long term loans	10	(880)	(629)
Proceeds from issue of share capital	9	1,367	-
Net cash funded / used in financing activities		487	(629)
Net effect of currency translation in cash and cash equivalents		(109)	(398)
Net increase/(decrease) in cash and cash equivalents		(162)	(2,544)
Cash and cash equivalents at beginning of year		178	2,722
Cash and cash equivalents at end of year		16	178

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION CATALIS SE
for the years ended December 31, 2009 and 2008
(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 434 and 544 in 2009 and 2008 respectively. The office of Catalis is located at Geldropseweg 26-28, Eindhoven, The Netherlands. Catalis SE was incorporated on March 24, 2000.

At January 22, 2008 Catalis was transformed from a public limited company ("N.V.") into a European public limited company ("S.E."). The existing Management Board and Supervisory Board were changed into a one-tier Board of Directors (executive and non-executive).

The consolidated financial statements of Catalis SE for the year ended December 31, 2009 were authorized for issue in accordance with a resolution of the (non) executive Board on 11th May 2010.

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 valued at fair value.

New standards and interpretations are applied as of 2009 and had no impact on financial results or assets.
Main adjustments were the revised presentation of the financial statements (IFRS 1) and the presentation of operating segments (IFRS 8).

Adoption of new accounting standards

The following new and revised Standards and interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. The charges relate to presentation and disclosures and have not had an impact on the recognition and measurement of assets and liabilities.

IAS 1 (as revised in 2007) Presentation of Financial Statements.	IAS 1(2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the Financial Statements.
IFRS 8 Operating Segments	IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 5).

The following new and revised Standards and Interpretations have also been adopted in these financial statements.
Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard/Interpretation	*Title*	*Date of issue*	*Applicable to accounting Periods commencing on:*
IAS 23 amendment	Borrowing Costs	March 2007	January 1, 2009
IFRS 2 amendment	Share-based payment: Vesting conditions and Cancellations	January 2008	January 1, 2009

IFRS 7 amendment	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	January 2009	January 1, 2009
IAS 32 and IAS 1 amendment	Puttable Financial Instruments and Obligations Arising on Liquidation	February 2008	January 1, 2009
IFRS 1 and IAS 27 amendment	Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate	May 2008	January 1, 2009
IAS 39 amendment	Reclassification of Financial Assets: Effective Date and Transition	November 2008	July 1, 2008
Various	Improvements to IFRSs	May 2008	January 1, 2009[1]
IFRIC 9 and IAS 39 amendment	Embedded derivatives	March 2009	January 1, 2009
IFRIC 11 (later replaced by amendment to IFRS 2)	IFRS 2 – Group and treasury Share Transactions	November 2006	March 1, 2008
IFRIC 13	Customer Loyalty Programmes	June 2007	January 1, 2009
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interactions	July 2007	January 1, 2009

[1]The implementation dates for the various improvements vary; the earliest mandatory date is January 1, 2009.

Certain interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. The adoption of these interpretations has not led to changes in the Group's accounting policies. The Group has not adopted any standards or interpretations in advance of their effective dates.

At the date of authorization of these financial statements, the following Standards and Interpretations had been issued by the IASB but were not effective for the financial year ended December 31, 2009:

Standard/Interpretation	*Title*	*Date of issue*	*Applicable to accounting Periods commencing on:*
IFRS 3 revised	Business Combination	January 2008	July 1, 2009
IAS 27 revised	Consolidated and Seperate Financial S statements	January 2008	July 1, 2009

IAS 39 amendment	Financial Instruments: Recognition and Measurement: Eligible Hedged Items	July 2008	July 1, 2009
IFRS 2 amendments[2]	Group Cash-settled Share-based Payment Transactions	June 2009	January 1, 2010
IFRS 1 amendment	First Time Adoption of IFRS	November 2008	January 1, 2010
IFRS 1 amendments [2]	Additional Exemptions for first-time Adopters	July 2009	January 1, 2010
Various[2]	Improvements to IFRS	April 2009	January 1, 2010[3]
IFRIC 12	Service Concession Arrangements	November 2006	March 29, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	July 2008	July 1, 2009
IFRIC 15	Agreements for the Construction of Real Estate	July 2008	January 1, 2010
IFRIC 17	Distributions of Non-Cash Assets to Owners	November 2008	November 1, 2009
IFRIC 18	Transfers of Assets from Customers	January 2009	November 1, 2009

The directors anticipate that these Standards and Interpretations will be adopted in the Group's financial statements for the period beginning January 1, 2010. Effective dates are as applicable for IFRSs as adopted by the European Union as these in some cases will deviate from the effective dates as issued by the IASB.
The directors have not yet considered the potential impact of the adoption of these new and revised/amended Standards and Interpretations.

The following Standards and Interpretations have a later date of mandatory adoption. The directors have not yet considered the potential impact of the adoption of these new and amended/revised Standards and Interpretations.

Standard/Interpretation	*Title*	*Date of issue*	*Applicable to accounting Periods commencing on:*
IAS 32 amendment	Classification of Rights Issue	October 2009	February 1, 2010
Amendment of IFRS 1[2]	Limited Exemption from comparative IFRS 7 Disclosures for First-Time Adopters	January 2010	July 1, 2010

IFRIC 19[2]	Extinguishing Financial Liabilities with Equity Instruments	November 2009	July 1, 2010
Amendment to IFRIC 14[2]	Prepayments of a Minimum Funding Requirement	November 2009	January 1, 2011
Revised IAS 24[2]	Related Party Disclosures	November 2009	January 1, 2011
IFRS 9[2]	Financial Instruments	November 2009	January 1, 2013

[2]As at the date of the issue of the financial statements, these standards and interpretations listed above were not endorsed by the EU
[3]The implementation dates for the various improvements vary; the earliest mandatory date is January 1, 2010.

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. 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, they have no reason to believe 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 for the next twelve months. These forecasts are themselves reliant on the continuation of Group banking facilities which are expected to continue. 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 2 – 4 weeks.

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

The management board of Catalis SE has as always a conservative attitude regarding the implementation of financial forecasts, recognition of tax assets and impairment calculations. The management board has proven that is capable to cope the financial crisis and current competitive situation and has successfully completed a restructuring and reorganization process in 2009. In addition, steps have been taken to mitigate possible risks regarding warranty claims.

Regarding future tax loss compensation possibilities the management has been successful in realizing more certainty about transfer price models and indefinite time frames of compensation. Combined with the fore mentioned more positive outlook regarding future results, the management board has, as a consequence of this, decided to recognize 100% of tax losses in 2009 compared to 50% in 2008.

In view of this, the financial statements have been drawn up on the going-concern assumption.

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. Any deficiency between the fair values of the net assets acquired and cost is recognised in the income statement. 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 which will be held for a period less than twelve months, 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 2009 Catalis SE (ultimate parent company) held the following direct and indirect participations:

- Testronic Laboratories SE	The Netherlands	100%
- International Quality Control Inc.	USA	100%
- Aerostream Inc.	USA	100%
- Testronic Laboratories Ltd.	UK	100%
- Testline Ltd.	UK	100%
- Testronic SpZoo	Poland	100%
- Testronic Laboratories N.V.	Belgium	100%
- Kuju Group SE	The Netherlands	100%
- Catalis Development Services Ltd.	UK	100%
- Kuju Plc.	UK	100%
- Zoe Mode Entertainment Ltd.	UK	100%
- Kuju Entertainment Ltd.	UK	100%
- Nik Nak Games Ltd.	UK	100%
- Kuju Brno	Czech Republic	100%
- Simis Ltd.	UK	100%
- Double Six Video Games Ltd.	UK	100%
- Headstrong Games Ltd.	UK	100%
- Kuju Sheffield Ltd.	UK	100%
- Kuju Manila Inc.	Philippines	100%
- Kuju America Inc.	USA	100%
- Aeco Options B.V.	The Netherlands	100%
- Aeco International GmbH	Germany	100%
- Testronic GmbH	Germany	100%

Details of the subsidiaries which have been consolidated in the group financial statements at 31 December 2009 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 Inc.	USA	100	100	Testing
Testronic Laboratories Ltd	UK	100	100	Testing

Testline Ltd.	UK	100	100	Testing
Testronic SpZoo	Poland	100	100	Testing
Testronic Laboratories N.V.	Belgium	100	100	Testing
Kuju Group SE	The Netherlands	100	100	Games development
Catalis Development Services Ltd.	UK	100	100	Intermediate Holding
Kuju Plc.	UK	100	100	Games development
Zoe Mode Entertainment Ltd.	UK	100	100	Dormant
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
Double Six Video Games Ltd.	UK	100	100	Dormant
Headstrong Games Ltd.	UK	100	100	Dormant
Kuju Sheffield Ltd.	UK	100	100	Dormant
Kuju Manila Inc.	Philippines	100	100	Games development
Kuju America Inc.	USA	100	100	Games development
Aeco Options B.V.	The Netherlands	100	100	None
Aeco International GmbH	Germany	100	100	None
Testronic GmbH	Germany	100	100	None

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, plus any costs directly attributable to the business combination. 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 vale 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, after reassessment, 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 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	
1 Euro =	2009	2008	2009	2008
Pound sterling	1.11	1.03	1.12	1.26
US dollar	0.70	0.71	0.72	0.68

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.

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, apart from those involving estimations, 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 lease 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.

- Legal claims
From time to time and in the ordinary course of its business the Company may disagree with a client on the creative development of a project and occasionally these situations can lead to contractual disputes that need to be resolved as part of a legal process. Such disputes may result in the payment of monies to 3rd parties, the receipt of monies by the Company from 3rd parties, or in some circumstances, both. The Management Board has reviewed with their advisors the status of all such unresolved disputes at 31 December 2009 and they have provided fully for their estimate of the total maximum likely liability of the Company and sum receivable by the Company in respect of all such matters. These sums are included within “Other receivables” and “Provisions”.
In accordance with the provisions of FRS 12 the Directors do not believe that it is appropriate to disclose any further details of the unresolved disputes at 31 December 2009 as in their opinion such further disclosure could prejudice seriously the Company’s position.

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.

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 pattern of benefits, whereas a time frame of 5 years is used with a discounting WACC interest rate of 15.1% in average. Subsequent expenditure on an intangible asset after its purchase or completion are recognised as an expense when it is incurred, unless 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.

Amortisation is computed on a degressive basis (reflects the pattern of benefits) over the following estimated useful live:
Client lists: 5 years

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: 1.5% - 60%
- Fixtures & Fittings: 10% - 33%
- Other fixed assets: 20% - 33%

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. 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 regular way 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.

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 instruments are classified as “loans and receivables”.

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.

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. 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 1.25-1.5%. Net profit and equity reserves would not be affected as these liabilities are valued at amortised cost. An increase of the interest rate with 1 percent point would mean a decrease of the profit before tax with euro 75.

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. Concentration of credit risk did not exceed 5% of gross monetary assets at balance sheet date.

As of December 31, 2009 and 2008, the Company had accounts receivable from five major customers that accounted for 55% and 58% of total accounts receivable. During the year ended December 31, 2009 and 2008, revenues from five major customers accounted for 59% and 53% of total revenues.

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	
	2009	2008
Loans and receivables	7,467	8,715
Cash and cash equivalents	1,100	1,126

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 expected to continue. 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 2 – 4 weeks.

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.

During 2009, hedging activities took place to mitigate these risks regarding the operational cash flow. The currency risks are limited by entering into currency forward contracts. At December 31, 2009 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 an effect of € 157 (2008: € 350) on the operational result of the Group.

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.

The contracts eliminate the currency risks outside a call and put limit. When the exercise rate is between the limits the actual exchange rates are appropriate. The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses are recognised in the income statement in the period which the hedged forecast transaction affects the income statement. At year-end the weighted average strike rates are:

Weighted average strike rate	at December 31 , 2009	
	Put	Call

US dollar	1.53	1.40
Pound sterling	0.95	0.84

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, amortization, 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 amortizations.

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.

Revenue from the rendering of services are recognised when the outcome of the transaction can be estimated reliably. The outcome of the transaction can normally not be estimated reliably until the contracts are fulfilled. Until recognition in the income statement off such revenue can take place, revenue is recognized as deferred revenue and presented in the balance sheet as a liability.

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.

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 15.

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.
The management board of Catalis SE has as always a conservative attitude regarding the implementation of financial forecasts, recognition of tax assets and impairment calculations. The management board has proven that is capable to cope the financial crisis and current competitive situation and has successfully completed a restructuring and reorganization process in 2009. In addition, steps have been taken to mitigate possible risks regarding warranty claims.
Regarding future tax loss compensation possibilities the management has been successful in realizing more certainty about transfer price models and indefinite time frames of compensation. Combined with the fore mentioned more positive outlook regarding future results, the management board has, as a consequence of this, decided to recognize 100% of tax losses in 2009 compared to 50% in 2008.

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.

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. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Prior period errors

The Company has adjusted the financial statements for the year ended 31 December 2008 in the following way:

Adjustment of goodwill and deferred tax liability regarding the recognised intangible asset client lists in 2006 and 2007.

All prior period errors are corrected retrospectively by restating the comparative amounts for the prior period presented in which the error occurred. According to IAS 1.39 an additional balance sheet column as per December 1, 2008 has been added.

The following balances were affected by these omissions:

	Goodwill	Accumulated deficit	Deferred tax liability	Profit and loss
Deferred tax liability client list	127	34	50	43

The adjustment of the prior errors didn’t have any effect on the respective basic and diluted earnings per share.

3. Intangible assets

The movements in intangible assets are as follows:

	At December 31	
	2009	2008
Cost		
Cost at January 1	394	497
Translation differences	26	(103)
Cost at December 31	420	394
Accumulated Amortisation		
Accumulated amortisation at January 1	197	133
Amortisation for the year	84	106
Translation differences	10	(42)
Accumulated amortisation at December 31	291	197
Net book value	129	197

This concerns the recognised part of the acquisition price of subsidiaries which can be referred to the value of the acquired client lists. The value of the client lists is determined as a calculation of the expected benefits over the next five years with a WACC discount of on average 15.1%. The amortisation follows the pattern of expected benefits and is therefore degressive.

4. Goodwill

The movements in goodwill are as follows:

	At December 31	
	2009	2008
Cost		
Cost at January 1	14,453	16,293
Purchase goodwill subsidiaries	-	219
Currency adjustment goodwill at January 1	443	(2,059)
Accumulated cost at December 31	14,896	14,453
Accumulated impairment		
Accumulated at January 1	1,216	1,216
Impairment for the year	219	-
Accumulated impairment at December 31	1,435	1,216
Net book value	13,461	13,237

The cost at January 1, 2008 include € 127 prior year errors.

The carrying amount of goodwill of Kuju Manila Inc. as of December 31, 2008 was € 219. The goodwill of Kuju Manila Inc. completely exists of strategic and geographic advantages.

On December 31, 2009 the goodwill of Kuju Manila has been reduced to its recoverable amount through recognition of an impairment loss of € 219 . This loss has been included in the income statement. The impairment charge arose because of the decision to shut down the development studio in Manila, Philippines in the first quarter of 2010.

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. Referring the goodwill allocated to the individual cash generating units an impairment test has been performed based on the discounted cash flow method (weighted average cost of capital of 15.1% for 5 useful years). A growth rate of zero has been assumed for the cash flow after the five year period. As a result no impairment turned out to be necessary. The key assumptions in the cash flow projections relate to the market growth for the cash generating units and the related revenue projections.

A decrease of corresponding revenues with 10% of the cash generating units doesn't have any impairment consequences. This is the same for an increase of the WACC percentage with an increase of one percent point.
The aggregate carrying amounts of goodwill allocated to each cash-generating unit are as follows:

	At December 31	
	2009	2008
Kuju	6,658	6,381
Testronic Europe	4,054	3,936
Testronic USA	2,749	2,920
Total	13,461	13,237

5. Property, Plant and Equipment

The movement in property, plant and equipment in 2009 is as follows:

	Buildings & Machinery	Furniture and fittings	Other fixed assets	Total
Cost				
Cost at January 1	4,255	720	388	5,363
Re – classification of assets	204	2	(206)	-
Additions	657	135	162	954
Translation differences	216	33	(2)	247
Disposals	-	(3)	(4)	(7)
Cost at December 31	5,332	887	338	6,557
Accumulated Depreciation				
Accumulated depreciation at January 1	(2,259)	(371)	(187)	(2,817)
Re – classification of assets	(122)	2	120	-
Depreciation for the year	(1,148)	(158)	(89)	(1,395)
Translation differences	(90)	(17)	6	(101)
Disposals	-	1	1	2
Accumulated depreciation at December 31	(3,619)	(543)	(149)	(4,311)
Net book value	1,713	344	189	2,246

The reclassification of assets didn't have any impact on net depreciation.

Included within tangible fixed assets are items held under finance leases. These had a net book value of € 278 (2008: € 284) and were depreciated by € 175. (2008: € 39).

The movement in property, plant and equipment in 2008 is as follows:

	Buildings & Machinery	Furniture and fittings	Other fixed assets	Total
Cost				
Cost at January 1	3,524	550	282	4,356
Additions	1,568	220	70	1,858
Acquired on acquisition of a subsidiary	-	26	45	71
Translation differences	(537)	(71)	7	(601)
Disposals	(300)	(5)	(16)	(321)
Cost at December 31	4,255	720	388	5,363
Accumulated Depreciation				
Accumulated depreciation at January 1	2,052	316	127	2,495
Depreciation for the year	992	119	65	1,176
Translation differences	(480)	(60)	3	(537)
Disposals	(305)	(4)	(8)	(317)
Accumulated depreciation at December 31	2,259	371	187	2,817
Net book value	1,996	349	201	2,546

The 2008 movement schedule has been changed compared to prior year, € 94 accumulated depreciation has been deducted from cost, € 16 Furniture and fittings and € 78 Other. These related to a business combination of which the PPE fair value is a new cost price instead of the original cost price and the already accumulated depreciation. Due to the fact that the economic life cycle of the particular has been adjusted similarly, fore mentioned change didn't have any impact on net depreciation.

6. Trade Receivables

Trade receivables include the following:

	At December 31	
	2009	2008
Accounts receivable	2,872	5,630
Less: provision for doubtful accounts	55	141
Total trade receivables	2,817	5,489

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

	At December 31	
	2009	2008
Provision for doubtful accounts at January 1	141	-
Usage	-140	-
Addition	54	141
Provision for doubtful accounts at December 31	55	141

With respect to trade accounts receivable that are neither impaired or past due, there are no indications that the debtors will not meet their payment obligations. The trade receivables are mainly denominated in Pound sterling and US dollar.

In %	2009	2008
Neither past due nor impaired	64%	86%
1 – 29 days overdue	21%	12%
30 or more days overdue	15%	2%

7. Other Current Assets

Other current assets include the following:

	At December 31	
	2009	2008
Other receivables and prepaid expenses	3,795	3,037
Investments	2	8
Total other current assets	3,797	3,045

From time to time and in the ordinary course of its business the Company may become involved in contractual disputes that need to be resolved as part of a legal process. Such disputes may result in the payment of monies to 3rd parties (see note 14, Provisions), the receipt of monies by the Company from 3rd parties, or in some circumstances, both. The Directors have reviewed with their advisors the status of all such unresolved disputes at 31 December 2009 and they have estimated the total maximum likely sum receivable by the company in respect of all such matters. This sum is included within “Other receivables”. In accordance with the provisions of FRS 12 the Directors do not believe that it is appropriate to disclose any further details of the unresolved disputes at 31 December 2009 as in their opinion such further disclosure could prejudice seriously the Company’s position.

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 € 17.5 million divided into 175 million common shares each having a nominal value of euro 0.10 per share.

Common shares, euro 0.10 par value
Authorised 175 million; issued and outstanding
26.89 million in 2008 and 37.88 million in 2009

Movements in share capital:

	Shares (thousands)		Amount (thousands)	
	2009	2008	2009	2008
Common Shares Issued and paid-in				
January 1	26,890	26,890	2,689	2,689
Additions	10.989	-	1,099	-
December 31	37,879	26,890	3,788	2,689

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 Note15.

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. Loans

The average interest rate is the Euribor added with 1.25-1.5%. As of January 30, 2008 the loans have to be repaid in half year instalments of € 440. 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. and has established a pledge of 80% of the shares of Testronic Laboratories N.V.

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

	At December 31	
	2009	2008
Within one year (Current)	880	880
In the second to fifth years	1,760	2,640
More than five years	3,780	3,780
Total	6,420	7,300

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

11. Finance lease obligations

Amounts are due within the following periods:

	Minimum finance lease payments	Finance Costs	Present value
2009			
Within one year (Current)	223	37	186
In the second to fifth years	112	21	91
	335	58	277
2008			
Within one year (Current)	127	21	106
In the second to fifth years	178	33	145
	305	54	251

Equipment held under finance leases includes certain items of hardware, software licenses and leasehold improvements used.

In the table the present value of minimum lease payments are presented. This present value of minimum lease payments is in line with the nominal minimum lease payments. Interest rates are fixed or maximized at the contract date and all leases are on a fixed repayment basis.

12. Bank Overdrafts

As per December 31, 2009 and 2008 the Group has provided the same securities as those mentioned in the item loans.
The maximum credit line amounts to € 2,275 at December 31, 2009.

13. Trade and Other Payables

Trade and other payables include the following:

	At December 31	
	2009	2008
Accounts payable trade	1,550	1,175
Loan Navigator Equity Solutions N.V.	-	79
Accrued expenses	2,229	2,484
Total trade and other payables	3,779	3,738

14. Provisions

Provisions mainly relate to warranty claims on services sold and usually cover a period of 15 months after the moment of delivery.

	Warranty and other
Balance at 31 December 2008	88
Provisions made during the year	1,242
Amounts used	(67)
Amount reclassified	(21)
Balance at 31 December 2009	1,242
Current	1,242
Non-current	-

From time to time and in the ordinary course of its business the Company may disagree with a client on the creative development of a project and occasionally these situations can lead to contractual disputes that need to be resolved as part of a legal process. The Management Board has reviewed with their advisors the status of all such unresolved disputes at 31 December 2009 and they have provided fully for their estimate of the total maximum likely liability of the Company in respect of all such matters. This sum is included within Provisions. In accordance with the provisions of FRS 12 the Directors do not believe that it is appropriate to disclose any further details of the unresolved disputes at 31 December 2009 as in their opinion such further disclosure could prejudice seriously the Company's position.

This note should be read in conjunction with Note 7, "Other current assets".

15. 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 ranging from 0% to 5% of annual salary.

Defined contribution obligations were not significant as of December 2009 and 2008, respectively. These obligations are presented under other payables.

Share Option Plan
Catalis' policy for the remuneration of the key employees has as 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.

In 2006, 2007 and 2009 the group has issued stock options to selected key employees and management personnel. The
following stock options are equity-settled share-based payment transactions in accordance with IFRS 2 and comprise three trances. There have been no cancellations or modifications to the plan during 2008 and 2009.

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:

	Transaction 1	Transaction 2	Transaction 3	Transaction 4
Grant date	October 5, 2006	October 5, 2006	March 1, 2007	January, 2009
Granted stock options	500,000	136,500	351,000	1,100,00
Term of the option	5 years	5 years	3.3 years	4.2 years
Exercise price (€)	1.23	1.23	1.32	0.27
Outstanding at 1 January 2009	500,000	90,000	351,000	0
Granted during the year	-	-	-	1,100,000
Forfeited during the year	-	21,000	351,000	-
Exercised during the year	-	-	-	-
Expired during the year	-		-	-
Outstanding at 31 December 2009	500,000	69,000	-	1,100,000
Exercisable at 31 December 2009	250,000	69,000	-	366,667

Term of the option
The remaining term of the stock options as of December 31, 2009 is as follows:

	Grant date	End of term	Remaining term (yrs)
Transaction 1	October 5, 2006	October 5, 2011	1.8
Transaction 2	October 5, 2006	October 5, 2011	1.8
Transaction 3	March 1, 2007	June 1, 2010	0.4
Transaction 4	January 8, 2009	March 31, 2013	3.2

Vesting conditions
Any option granted under the stock option plan 2006, 2007 and 2009 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, 2007 and 2009 different vesting schedules apply:

Tranche 1 (October 5, 2006)
- 125,000 options (1/4) will vest and become exercisable in the 31 days after 31 December 2007,
- 125,000 options (1/4) will vest and become exercisable in the 31 days after 31 December 2008,
- 125,000 options (1/4) will vest and become exercisable in the 31 days after 31 December 2009,
- 125,000 options (1/4) will vest and become exercisable in the 31 days after 31 December 2010.

- Tranche 2 (October 5, 2006)
- 45,500 options (1/3) will vest and become exercisable 1 November 2007,
- 45,500 options (1/3) will vest and become exercisable after one year i.e. 1 November 2008,
- 45,500 options (1/3) will vest and become exercisable after two years i.e. 1 November 2009.

After the moment the options have vested and have become exercisable, any option may only be exercised during the month November each calendar year.

- Tranche 3 (March 1, 2007)
- 117,000 options (1/3) will vest at the end of the first year,
- 117,000 options (1/3) will vest after the second year,
- 117,000 options (1/3) will vest after three years.

The options can be exercised after they have vested only within 60 days after publication of the interim financial statements resp. annual statements. The right to exercise these options shall remain intact for the duration of the contract of the option holder and upon fulfilment of the contract plus a period of 3 month.

- Tranche 4 (January 8, 2009)
- 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.

The options can be exercised at any time after the options become exercisable.

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 and 2007 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.

Rights to options issued in 2009 which have not been exercised shall be rescinded upon cancellation of the employment contract.

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:

	Transaction 1	Transaction 2	Transaction 3	Transaction 4
Share price on the measurement date (€)	1.06	1.06	1.32	0.31
Life of the option on the grant date (years)	5.00	5.00	3.25	4.23
Exercise price (€)	1.23	1.23	1.32	0.27
Expected dividend yield (%)	0.00	0.00	0.00	0.00
Risk-free interest rate (%)	3.62	3.62	3.87	2.84
Expected volatility of the share price (%)	37.84	37.84	36.67	48.53
Option value (€)	0.54	0.54	0.41	0.10-0.13

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.

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 2009 is shown in the following table:

€ k	2009	2008	2007	2006
Expense arising from equity-settled share-based payment transactions	78	48	203	37
Expense arising from cash-settled share-based payment transactions	-	-	-	-
Total expense arising from share-based payment transactions	78	48	203	37

Bonus Kuju management
In connection with the offer to acquire the entire issued share capital of Kuju Plc. in December 2006, Catalis agreed to issue a number of Catalis' ordinary shares for the benefit of the key employees of Kuju Plc. The number of Catalis shares to be issued was to be calculated by reference to the consolidated pre tax profits of Kuju Plc. for the 2007 and 2008 financial years. At December 1, 2008 Catalis has reached a written agreement with the particular employees about the fore mentioned bonus share proposal.

	Transaction 2007	Transaction 2008
Grant date	December 1, 2008	December 1, 2008
Granted bonus shares	1,753,081	n.a.
Term of the option	Immediately exercisable	Lapsed
Exercise price (€)	0.00	0.00
Outstanding at 1 January 2009	1,753,081	-
Granted during the year	-	-
Exercised during the year	1,753,081	-
Expired during the year	-	-
Outstanding at 31 December 2009	-	-
Exercisable at 31 December 2009	-	-

The fair value of the bonus shares is measured at market value which equals the share price at the stock market at grant date. The following table lists the inputs to the model used for the plan for at the measurement date:

	Exercise in May 2009
Share price on the measurement date (€)	0.28
Exercise price (€)	0.25

The expense resulting from the share based payment transactions is recognized during the vesting period on a prorate 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 2009 is shown in the following table:

	2009	2008	2007
Expense arising from equity-settled share-based payment transactions	(53)	-	491
Expense arising from cash-settled share-based payment transactions	-	-	-
Total expense arising from share-based payment transactions	(53)	-	491

16. 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, 2009.

17. Operating segments

2009

The following table illustrates information about the reportable segments:

	Testing	Games	Corporate	Total
Revenue from external customers	12,353	19,652	-	32,005
Interest revenue	5	44	-	49
Interest expense	14	45	253	312
Personnel costs	6,195	13,343	516	20,054
Depreciation and amortisation	500	965	14	1,479
Impairment losses	-	219	-	219
Profit/(loss) from operations	(252)	46	(1,284)	(1,490)
Reportable segment assets	5,965	12,557	9,193	27,715
Income tax (expense) or income	599	205	888	1,692
Expenditures non-current assets	399	548	-	947
Reportable segment liabilities	1,628	4,247	7,727	13,602

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

	Revenues	Non-current assets
UK	23,644	9,087
Europe other	2,204	9,489
United States	6,154	508
Philippines	3	64
Total	32,005	19,148

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

During the year ended December 31, 2009 and 2008, revenues from five major customers accounted for 59% and 53% of total revenues. One of these customers relates to the testing segment and four relate to the gaming segment.

2008

The following table illustrates information about the reportable segments:

	Testing	Games	Corporate	Total
Revenue from external customers	15,002	23,061	-	38,063
Interest revenue	12	1	-	13
Interest expense	3	44	497	544
Personnel costs	6,611	15,596	358	22,565
Depreciation and amortisation	455	809	18	1,282
Profit/(loss) from operations	1,928	1,908	(920)	2,916
Reportable segment assets	6,786	12,489	8,260	27,535
Income tax (expense) or income	(246)	417	(120)	51
Expenditures non-current assets	475	1,602	-	2,077
Reportable segment liabilities	1,768	4,707	8,576	15,051

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

	Revenues	Non-current assets
UK	28,094	8,308
Europe other	3,627	8,931
United States	6,198	394
Philippines	144	61
Total	38,063	17,694

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

18. Revenue

Revenue are summarised as follows:

	2009	2008
Testing and inspecting services	12,353	15,002
Game development	19,652	23,061
Total revenue	32,005	38,063

Games development includes an amount of € 556 regarding royalties.

19. Personnel costs

Personnel expenses are summarised as follows:

	2009	2008
Wages and salaries	17,235	20,081
Share based payments	78	48
Pension costs	274	269
Social expenses	1,484	2,037
Other expenses	983	130
Total personnel expenses	20,054	22,565

The average number of employees for the year was:

	2009	2008
The Netherlands	2	2
Poland	21	24
Belgium	40	48
United Kingdom	204	343
United States of America	112	108
Czech Republic	30	14
Philippines	25	5
Total average number of employees	434	544

20. General and administration

General and administration expanses can be summarised as follows:

	2009	2008
Housing and communication	1,514	576
Advisory and legal costs	1,366	1,565
Sales and marketing	665	794
Litigation cost	432	-
Operating lease payments	1,518	1,751
Other	1,850	2,979
Total G&A expenses	7,345	7,665

21. Financial income

Financial income comprises the following:

	2009	2008
Interest expense	(312)	(543)
Interest income	49	13
Other financial income and expenses	84	198
Currency translation differences	(302)	(517)
Total financial income - net	(481)	(849)

22. Income Taxes

Major components of income tax expense for the years ended December 31, 2009 and 2008 are:

	2009	2008
Current income tax	(60)	(362)
Prior year tax differences	203	-
Benefit of increase of deferred tax assets	1,598	370
Release / (additions) to deferred tax liabilities	(32)	43
Tax refund through comprehensive income	(17)	-
Total	1,692	51

Reconciliation between tax expense and the product of the accounting result multiplied by the statutory tax rate (25.5%) of The Netherlands for the years ended December 31, 2009 and 2008 is as follows:

	2009	2008
Accounting result before tax	(1,971)	2,067
Tax at statutory rate	503	(527)
Prior year tax differences	203	-
Recalculation and recognition of deferred tax assets and liabilities at expected tax rate	922	603
Lower / (higher) effective tax rates foreign subsidiaries	64	(25)
Income tax in income statement	1,692	51

The valuation of deferred tax assets depends on the probability of the utilization of tax loss carry-forwards. Deferred tax assets are recognized for future tax benefits arising from tax loss carry forwards to the extent that the tax benefits are likely to be realized.

The management board of Catalis SE has as always a conservative attitude regarding the implementation of financial forecasts, recognition of tax assets and impairment calculations. The management board has proven that is capable to cope the financial crisis and current competitive situation and has successfully completed a restructuring and reorganization process in 2009. In addition, steps have been taken to mitigate possible risks regarding warranty claims. Regarding future tax loss compensation possibilities the management has been successful in realizing more certainty about transfer price models and indefinite time frames of compensation. Combined with the fore mentioned more positive outlook regarding future results, the management board has, as a consequence of this, decided to recognize 100% of tax losses in 2009 compared to 50% in 2008.

Movements in deferred tax assets are as follows:

	2009	2008
Balance as of January 1,	1,714	1,411
Additions to deferred tax assets through income	1,947	533
Usage of compensating losses	(349)	(230)
Balance as of December 31,	3,312	1,714

After the processing of the 2009 tax result, the tax losses currently amount to approximately € 13.1 million (2008: € 13.3 million), of which € 8.2 million can be allocated to Catalis SE (expires in 2015). € 4.9 million can be allocated to several UK based companies. The UK losses have an unlimited time frame of compensation. The Catalis' losses can be compensated till 2015.

Once the liquidation of Aeco International GmbH has been completed for tax purposes in 2010, these tax losses are expected to rise to approximately € 17.0 million.

Movements in deferred tax liabilities are as follows:

	2009	2008
Balance as of January 1,	64	53
Prior year adjustment	-	93
Addition / (release) of deferred tax liability through income	32	(82)
Balance as of December 31,	96	64

Tax effects relating to each component of other comprehensive income:

	2009			2008		
	Before tax	Tax	Net-of-tax	Before tax	Tax	Net-of-tax
Exchange differences on translating foreign operations	516	-	516	(2,572)	-	(2,572)
Other comprehensive income	516	-	516	(2,572)	-	(2,572)

23. 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, 2009 under non-cancellable operating lease are as follows:

	2009	2008
Within 1 year	1,367	583
1 year through 5 years	1,461	722
After 5 years	1,094	350
Total future minimum lease payments	3,922	1,655

During the year ended December 31, 2009 € 1,518 was recognized as an expense in the income statement in respect of operating leases (2008: € 1,751)

24. Contingent Liabilities

Various legal actions and claims are pending or 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.

25. 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
Ideal Partners Ltd:	relative of management

The following transactions were carried out with related parties:

	2009	2008
Purchase of services		
Ascendo Management GmbH: consultancy fee	102	84
Ideal partners Ltd.: consultancy fee	10	28

26. Business combinations

There have been no acquisitions in 2009.

At October 14, 2008 Catalis SE acquired all shares in the Philippines based limited company Matahari Studios PTY Ltd. for an acquisition price of euro 194. In 2008 Kuju SE and Kuju Brno were incorporated for a total amount of euro 127. The companies all operate in the segment of games development. When these acquired and incorporated companies had been consolidated as from January 1, 2008 net revenues would have been increased with € 560 and the net operational result would have been increased with € 300. The 2008 acquisitions contributed € 144 to the net sales and to € -112 to the profit for the year.

There are no other unconsolidated companies over which the group has control.

2008	**Carrying amount**	**Fair value adjustment**	**Opening balance sheet Catalis**
Cash	168	-	168
Intangible assets	-	-	-
Property, plant and equipment	71	-	71
Working capital	(137)	-	(137)
Net acquired assets	102	-	102
Purchase price including costs			321
Goodwill			219
Purchase price			321
Less: cash of acquired companies			168
Net cash flow on acquisitions			153

The goodwill of Kuju Manila completely exists of strategic and geographic advantages. The costs included in the purchase price amount € 30.

On December 31, 2009 the goodwill of Kuju Manila has been reduced to its recoverable amount through recognition of an impairment loss of € 219 . This loss has been included in the income statement. The impairment charge arose because of the decision to shut down the development studio in Manila, Philippines in the first quarter of 2010.

27. Emoluments of the (Non) Executive Board

Directors' total remuneration approximated € 375 in 2009 and € 204 in 2008 respectively.

	2009		**2008**	
	Annual fixed fee	Bonus and costs	Annual fixed fee	Bonus and costs
Jeremy Lewis	134	26	-	-
Klaus Nordhoff	79	140	159	-
Jens Bodenkamp	8	-	15	-
Robert Kaess	5	-	10	-
Michael Hasenstab	5	-	10	-
Dominic Wheatley	5	-	10	-

Shares and options held by members of the Board as at 31 December 2009:

		No. of shares	No. of options
Jeremy Lewis	Executive member	50,000	1,100,000
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	50,000	
Klaus Nordhoff	Non executive member	50,000	

28. 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 2009		
	Income (€k)	**Weighted Average Number of Shares (thousands)**	**Earning Per Share Amount (€)**
Basic Earnings per Share			
Net profit attributable to common shareholders	(279)	36,328	(0.01)
Add: Bonus shares	-	322	
Diluted Earnings per Share	**(279)**	**36,650**	**(0.01)**

	For the year ended 2008		
	Income (€k)	**Weighted Average Number of Shares (thousands)**	**Earning Per Share Amount (€)**
Basic Earnings per Share			
Net profit attributable to common shareholders	2,118	26,890	0.08
Add: Bonus shares	-	1,753	
Diluted Earnings per Share	**2,118**	**28,643**	**0.07**

During 2008 and 2009 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, 14th May 2010

Management Board:

Jeremy Lewis	**Executive member (joined as of January 12, 2009)**
Klaus Nordhoff	**Non executive member**
Jens Bodenkamp	**Non executive member**
Michael Hasenstab	**Non executive member**
Robert Kaess	**Non executive member**
Dominic Wheatley	**Non executive member**

COMPANY-ONLY STATEMENT OF FINANCIAL POSITION CATALIS SE
as at December 31, 2009 and 2008
after appropriation of net profit
(in thousands of euros)

	Note	December 31, 2009	December 31, 2008
ASSETS			
Non-current assets			
Goodwill	32	6,803	6,856
Intangible assets		10	22
Investment in group companies	33	1,744	3,236
Loans - group		9,471	-
Deferred tax	34	2,102	1,200
Total non-current assets		20,130	11,314
Current assets			
Receivables – group		3,637	10,996
Other current assets	35	190	136
Cash and cash equivalents	36	47	-
Total current assets		3,874	11,132
Total assets		24,004	22,446
LIABILITIES AND EQUITY			
Total equity	37		
Share capital		3,788	2,689
Share premium		18,808	18,540
Share based payments		366	779
Currency differences		(3,846)	(4,362)
Accumulated deficit		(5,003)	(5,162)
Total equity		14,113	12,484
Provision for subsidiaries	38	1,446	1,066
Liabilities			
Non current liabilities			
Loans	39	-	6,420
Loans – group		230	220
Deferred tax		3	6
Total non current liabilities		233	6,646
Current liabilities			
Bank overdrafts		1,084	674
Loans	39	6,420	880
Liabilities-group	40	509	148
Trade and other payables		199	548
Total current liabilities		8,212	2,250
Total liabilities		24,004	22,446

COMPANY-ONLY STATEMENT OF INCOME CATALIS SE

for the years ended December 31, 2009 and 2008
(in thousands of euros)

	Note	2009	2008
Profit after taxes	44	2,250	1,427
Result subsidiaries after tax		(2,529)	691
Net Profit		**(279)**	**2,118**

NOTES TO COMPANY-ONLY FINANCIAL STATEMENTS CATALIS SE
for the years ended December 31, 2009 and 2008
(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 2009 of Catalis SE 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.

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.

31. 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. 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, they have no reason to believe 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 for the next twelve months. These forecasts are themselves reliant on the continuation of Group banking facilities which are expected to continue. 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 2 – 4 weeks.

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

The management board of Catalis SE has as always a conservative attitude regarding the implementation of financial forecasts, recognition of tax assets and impairment calculations. The management board has proven that is capable to cope the financial crisis and current competitive situation and has successfully completed a restructuring and reorganization process in 2009. In addition, steps have been taken to mitigate possible risks regarding warranty claims.

Regarding future tax loss compensation possibilities the management has been successful in realizing more certainty about transfer price models and indefinite time frames of compensation. Combined with the fore mentioned more positive outlook regarding future results, the management board has, as a consequence of this, decided to recognize 100% of tax losses in 2009 compared to 50% in 2008.

In view of this, the financial statements have been drawn up on the going-concern assumption.

32. Goodwill

The movements in goodwill are solely involved through the intermediate holding company Kuju SE, the acquisition of Testronic SE and currency differences involved in goodwill 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 (Kuju respective 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 14.21% 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.

33. Investment in Group Companies

The movement in the investment in group companies as follows:

	2009	2008
Book value at January 1	3,236	3,818
Income from subsidiaries	(2,529)	691
Prior year adjustment	-	26
Incorporation Kuju SE	-	120
Incorporation of Testronic SE	120	-
Share based payments	24	48
Provision for negative equity value	380	1,066
Currency translation differences	513	(2,533)
Book value at December 31	1,744	3,236

The comparable figures have been adjusted, the group companies with negative equities are presented under provisions. This results in a provision for investments in group companies of € 1,066 as of December 31, 2008 and € 1,446 as of December 31, 2009.

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:

	2009	2008
Balance as of January 1,	1,200	1,363
Movements in deferred tax assets through income	902	(163)
Balance as of December 31,	2,102	1,200

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

35. Other current assets

Other current assets mainly consist of prepaid costs.

36. Cash and cash equivalents

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

37. Equity

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

38. Provisions for subsidiaries

A provision for subsidiaries is made for the negative equity value of investments.

39. Loans

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

40. Liabilities – group

Intercompany group liabilities comprise of several current accounts.

41. Trade and other payables

Trade and other payables relate to several accrued costs.

42. Personnel

During the reporting year, the company employed 2 employees (2008: 2).

43. Audit fees

Included are audit fees for Mazars of € 42 (2008: € 40) for the audit of the financial statements.

44. Related parties

Included in the profit after taxes is an amount of € 2 million regarding charged licence fees and management fees to subsidiaries.

45. Emoluments of the (Non) Executive Board

Directors’ total remuneration approximated € 375 in 2009 and € 204 in 2008 respectively.

	2009		2008	
	Annual fixed fee	Bonus and costs	Annual fixed fee	Bonus and costs
Jeremy Lewis	134	26	-	-
Klaus Nordhoff	79	140	159	-
Jens Bodenkamp	8	-	15	-
Robert Kaess	5	-	10	-
Michael Hasenstab	5	-	10	-
Dominic Wheatley	5	-	10	-

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.

Events after the balance date

On January 13, 2010, Catalis SE announced that its subsidiary Kuju Entertainment has resolved to shut down its development studio in Manila, Philippines.

Kuju has conducted a strategic review of its Asian-Pacific operations and concluded that it will no longer maintain a full service studio in the Philippines. Despite its success in supporting Kuju's European studios and the success of Circus Games for the Wii gaming console, Kuju has concluded that, given the weakness of demand in this part of the video games market, the prospects for further titles of this type are limited.

Nonetheless, Kuju will continue its strategy of building a co-operative art resource in the Asia-Pacific region, but intends to base it outside the Philippines. Therefore, the Manila studio will be closed in the course of the first quarter 2010.

On January 15, 2010 subsidiary Testronic Laboratories GmbH was liquidated. The entity is not sufficiently material to the consolidated financial statements therefore the consolidated financial statements is still prepared on a going concern basis.

On April 07, 2010 Catalis announced that its subsidiary Kuju Entertainment has appointed Nigel Robbins to the post of CEO for the independent video games developer.

7. ADDITIONAL INFORMATION

Auditor's Report

MAZARS

To: The Shareholders of Catalis SE

AUDITOR'S REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements 2009 of Catalis SE, Amsterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2009, the consolidated profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at December 31, 2009, the company profit and loss account for the year then ended and the notes.

MANAGEMENT'S RESPONSIBILITY

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Board of Directors report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance 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 of the company, 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.

MAZARS

OPINION WITH RESPECT TO THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Catalis SE as at December 31, 2009, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

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 as at December 31, 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

REPORT ON OTHER LEGAL REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Board of Directors report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 14 May 2010

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.

Was signed drs. R.C.H.M. Horsmans RA RV

Imprint

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