

Annual Report
2004

Jahresbericht
2004



CONTENTS

Financial Summary	3
Management Board Report	5
Supervisory Board Report	13
Corporate Governance	15
Financial Statements:	
Consolidated Balance Sheets	16
Income Statements	17
Consolidated Statement of Changes in Equity	18
Consolidated Cash Flow Statements	19
Notes to Consolidated Financial Statements	20
Company-Only Balance Sheets	39
Company-Only Income Statements	40
Notes to Company-Only Financial Statements	41
Other Information:	
Appropriation of Net Profit After Taxes	41
Report of the Independent Auditors	42

**FINANCIAL SUMMARY
(BASED ON IAS)**

**ZUSAMMENFASSUNG WESENTLICHER ERGEBNISSE
(NACH IAS)**

KEY FACTS / WESENTLICHE EREIGNISSE:

- ⊢ *Catalis has achieved operating profitability in each of the four quarters of the fiscal year 2004*
- ⊢ *Revenues in 2004 up to euro 5.2 million from euro 4,4 million in fiscal year 2003.*
- ⊢ *Operating profit up to euro 1.4 million for the fiscal year 2004 from euro 1.0 million for the fiscal year 2003*
- ⊢ *Net profit up to euro 2.3 million for the fiscal year 2004 from euro 0.8 million for the fiscal year 2003*
- ⊢ *The strategic focus remains to achieve continued and profitable growth. It is also intended to enlarge our service portfolios and include areas like games testing, e-Learning testing, software testing, etc.*
- ⊢ *Successful spin off of NAVIGATOR Equity Solutions N.V.*
- ⊢ *Catalis hat im abgelaufenen Geschäftsjahr in jedem der 4 Quartale in 2004 operativ profitabel gearbeitet*
- ⊢ *Umsätze in 2004 stiegen auf EUR 5,2 Mio. von EUR 4,4 Mio. im letzten Jahr*
- ⊢ *Der operative Gewinn stieg auf EUR 1,4 Mio. für das Gesamtjahr im Vergleich zu EUR 1,0 Mio. im Vorjahr*
- ⊢ *Der Nettogewinn stieg auf EUR 2,3 Mio. von EUR 0,8 Mio. im Vorjahr*
- ⊢ *Der strategische Fokus liegt weiterhin auf kontinuierlichem und profitabilem Wachstum und der Ausweitung unseres Testportfolios auf Bereiche wie Spiele, e-Learning, Software, etc.*
- ⊢ *Erfolgreiche Abspaltung der NAVIGATOR Equity Solutions N.V.*

Key Figures / Wesentliche Finanzdaten

		2004	2003	2002
Total Sales	Umsatz	5.224	4.414	6.426
Gross Profit	Rohertrag	2.997	2.510	2.704
Gross Margin	Rohmarge	57,4%	56,9%	42,1%
Operating Profit	Operativer Gewinn	1.360	957	-2.353
Operating Margin	Operative Marge	26,0%	21,7%	-36,6%
Profit before Tax	Vorsteuerergebnis	1.419	832	-2.380
Net Income Margin	Nettomarge	27,2%	18,8%	-37,0%
Net Income	Nettogewinn	2.258	822	-2.391
Net Income Margin	Nettomarge	43,2%	18,6%	-37,2%
Cash Flow	Kapitalfluss	-2.092	1.485	-1.308
Total Equity	Eigenkapital	2.589	4.188	2.647
Total Assets	Vermögensgegenstände	4.129	4.873	3.733
Number of Employees	Anzahl der Mitarbeiter	61	48	97
Earnings per Share	Gewinn je Aktie	0,15	0,06	-0,33
Earnings per Share (excluding tax effect)	Gewinn je Aktie (ohne Steuereffekte)	0,10	0,06	-0,33
Shares Outstanding	Anzahl der Aktien	15,7	14,3	7,1



MANAGEMENT BOARD REPORT / BERICHT DES VORSTANDES

*Dear Shareholders and Customers,
Dear Business Partners and Employees,*

Following a very encouraging fiscal year 2003, the management of Catalis is pleased to report an equally successful fiscal year 2004. Sales, profit levels and margins were substantially higher than the already attractive levels last year. Again, our focus on high quality, client orientation and continued rigid cost management were the main drivers behind the positive development. We are fully convinced that we set the course for a strong profitable growth in the future.

Sehr geehrte Aktionäre und Kunden,
sehr geehrte Geschäftspartner und Mitarbeiter,

Nach einem erfolgreichen Geschäftsjahr 2003 freut sich das Management der Catalis Ihnen mitteilen zu dürfen, dass auch das Geschäftsjahr 2004 äußerst zufrieden stellend verlaufen ist. Umsätze, Gewinne und Gewinnmargen liegen erneut über den Vorjahresniveaus, welche für sich genommen bereits ein anspruchsvolles Niveau erreicht hatten. Starker Fokus auf Vertrieb und Service, hohe Qualitätsstandards und eine rigides Kostenmanagement waren wiederum die treibenden Kräfte hinter dem Erfolg der Gesellschaft. Wir sind der festen Überzeugung, dass in 2004 die Weichen für ein starkes profitables Wachstum in den nächsten Jahren gestellt werden konnten.

Corporate Developments

Activity on the corporate level in 2004 is summarized below:

Issuance of bond with warrants

Catalis N.V. has issued a bond of euro 0.5 million with attached warrants in May 2004. The bond was subscribed by the management of Catalis N.V. and was issued without pre-emptive rights.

Spin off NAVIGATOR Equity Solutions N.V.

NAVIGATOR Equity Solutions N.V. was founded on October 5, 2004 through a spin off of assets of euro 4 million of Catalis N.V. and is registered under no. 17170160 in the Trade Register of the Chamber of Commerce and Industry of Amsterdam,

Entwicklungen auf Konzernebene

Im Laufe des Geschäftsjahres ergaben sich eine Reihe von Entwicklungen auf Konzernebene, deren wesentlichen nachfolgend dargestellt sind:

Erfolgreiche Platzierung der Optionsanleihe

Catalis N.V. hat im Mai 2004 eine Optionsanleihe im Volumen von EUR 0,5 Mio. erfolgreich platziert. Jeder Teilschuldverschreibung ist anfänglich ein Inhaber-Optionschein beigefügt. Die Optionsanleihe wurde unter Ausschluss des Bezugsrechts der Aktionäre in vollem Umfang vom Management der Gesellschaft gezeichnet.

Abspaltung der NAVIGATOR Equity Solutions N.V.

Die NAVIGATOR Equity Solutions N.V. wurde am 5. Oktober 2004 durch die Ausgründung von Vermögenswerten der Catalis N.V. in Höhe von EUR 4 Mio. gegründet und ist unter der Nr. 17170160 im Handelsregister der Industrie- und Handelskammer

The Netherlands. The Extraordinary General Meeting of Catalis N.V. approved the spin off on September 16, 2004.

The record day relevant for determining the number of shares to be spun-off was October 15, 2004. The spin off ratio was 1:1. Accordingly each shareholder of Catalis N.V. received for each share in Catalis N.V. a new share in NAVIGATOR Equity Solutions N.V. Shares were booked into share accounts automatically.

Share identification numbers for NAVIGATOR Equity Solutions N.V. were determined as follows: ISIN: NL0000419398; WKN: AoB8U5.

NAVIGATOR Equity Solutions N.V. was founded as an investment company focussing on companies in special situations.

Capital increase

In December 2004, Catalis N.V. has issued 1.427.000 new shares excluding pre-emptive rights. After exercising their option rights the shares were subscribed by employees and third parties.

in Amsterdam registriert. Die außerordentliche Hauptversammlung der Catalis N.V. am 16. September 2004 hatte die Abspaltung der NAVIGATOR Equity Solutions N.V. genehmigt.

Die Abspaltung wurde im Verhältnis 1:1 durchgeführt. Der für die Bestimmung der abzusplittenden Aktienanzahl je Depot relevante Tag („Record Day“) war der 15. Oktober 2004. Jeder Aktionär erhielt dementsprechend für jede Catalis N.V. Aktie zusätzlich eine neue NAVIGATOR Equity Solutions N.V. Aktie. Die Aktien wurden automatisch in die individuellen Depot eingebucht.

Die Kennnummern der NAVIGATOR Equity Solutions N.V. wurden wie folgt zugeordnet: ISIN: NL0000419398; WKN: AoB8U5

Die NAVIGATOR Equity Solutions N.V. wurde als Investment Gesellschaft gegründet und wird sich auf Investments in Unternehmen spezialisieren, die sich einer speziellen Situation in der Unternehmensentwicklung ausgesetzt sehen.

Kapitalerhöhung um 1,427 Mio. Aktien

Im Dezember 2004 hat die Catalis N.V. im Rahmen einer Kapitalerhöhung 1.427.000 neue Aktien ausgegeben. Die Kapitalmaßnahme erfolgte unter Ausschluss des Bezugsrechts und diente zur Bedienung von ausstehenden Optionsvereinbarungen gegenüber Mitarbeitern und Dritten.



Operating Developments

In 2004 our activities were focused on further diversifying our test service activities.

Description and Success Factors

Catalis' operating companies focus on optical media (i.e. DVD, CD, etc.) disc content verification, compatibility testing and consulting services for disc replication providing outsourced quality assurance services for content providers. Under the brand name Testronic Laboratories professional, confidential product verification services, tailored to meet the needs of the home entertainment industry are offered. The service targets a global client base from our sites in the heart of the UK movie industry at Pinewood Studios, London, and Burbank close to Hollywood in the US. All sites operate to identical standards, guaranteeing the uniformity of approach essential to multinational titleholders and distributors. All popular formats are evaluated against industry-standard references with formal reports tailored to the client's requirements. Evaluation is performed on industry-standard professional equipment complemented by a wide range of domestic test equipment. Established in 1998 under the roof of aeco, Testronic Laboratories is staffed by QA professionals with over 100 years combined experience in related industries.

Entwicklungen auf Operativer Ebene

Im Fokus des Geschäftsjahres 2004 stand der Ausbau unserer Testdienstleistungsaktivitäten, welche weiter diversifiziert wurden.

Beschreibung und Erfolgsfaktoren

Die operativen Tochtergesellschaften der Catalis N.V. betreiben Testlabors, in welchen optische Medien (z.B. DVD, CD, etc.) im Hinblick auf Inhalte und Kompatibilität im Auftrag von Produzenten solcher Medien getestet werden. Darüberhinaus werden entsprechende Beratungsdienstleistungen angeboten. Die Dienstleistungen werden auf einer vertraulichen Basis angeboten und sind als „Outsourcing“-Produkt konkret auf die Belange der Unterhaltungsindustrie zugeschnitten. Unter der Marke Testronic Laboratories wird eine globale Kundenbasis von den Standorten London (Pinewood Studios im Herzen der englischen Filmindustrie) und Los Angeles (Burbank, nahe Hollywood) bedient. Alle Testronic Labors arbeiten auf Basis identischer Standards, um einen einheitlichen Ansatz zu garantieren, welcher für internationale Inhalteproduzenten, -verwerter und -distributoren essentiell ist. Dabei werden kundenspezifisch formelle Testberichte erstellt. Testronic ist in der Lage, alle gewünschten optischen Medienformate zu testen und setzt dabei sowohl professionelles Industrieequipment als auch eine Großzahl von konsumnahen Abspielgeräten und Recordern ein. Testronic Laboratories wurde 1998 unter dem Dach der damaligen aeco gegründet und beschäftigt Mitarbeiter mit einem kombinierten Erfahrungsschatz von mehr als 100 Jahren in den relevanten Industrien.

Developments

In the fiscal year 2004 our test services business has grown by 20% compared to the fiscal year 2003.

Main objective for the business unit test services in the year 2004 was further profitable growth of the business and a reduction of risks by continued diversification:

- 1. The types of services offered were increased through a broadened offering targeting a greater number of different steps in the production process and value chain.*
- 2. New testing markets were entered into.*
- 3. Long term contracts with some of our existing clients were entered into.*
- 4. A number of new clients were added to our customer list, existing client relationships were extended.*

In 2004 Catalis has intensified its activities of entering new markets outside the area of DVD home entertainment.

The area of testing copy control technologies has been entered early in the year and is slowly, but consistently producing and increasing revenues.

The area of games testing has been entered in the 3rd quarter and will be a key strategic area going forward. It is our mid term target to enter into relationships with games developers and console manufacturers. The management believes that Catalis should be in a good position to achieve such targets.

Other areas of interest include eLearning-software testing, digital rights management, software testing, etc.

Entwicklungen

Im Geschäftsjahr 2004 konnte der Geschäftsbereich Testdienstleistungen ein Wachstum gegenüber 2003 in Höhe von rund 20% erzielen.

Wesentliche Elemente unserer Strategie im Jahre 2004 waren weiteres profitables Wachstums und die Reduzierung des Risikos durch vertärkte Diversifikation:

1. Die Arten von angebotenen Testdienstleistungen wurden gezielt erweitert, so daß nun weitere Elemente der Produktionswertschöpfungskette abgedeckt werden.
2. Neue Testmärkte wurden erschlossen.
3. Langfristige Verträge mit einigen unserer existierenden Kunden wurden abgeschlossen.
4. Neue Klienten konnten gewonnen werden bzw. existierende Kundenbeziehungen wurden ausgebaut.

Im Geschäftsjahr 2004 wurden die Aktivitäten im Zusammenhang mit dem Eintreten in neue Endmärkte außerhalb des Bereiches „Testen von Home Entertainment DVDs“ deutlich intensiviert.

Der Anfang des Jahres neu begonnene Bereich „Testen von Kopierschutztechnologien“, steigerte seine Umsätze kontinuierlich, wenn auch noch auf niedrigem Niveau.

Dem Bereich „Testen von Spielen“ wird zukünftig eine wichtige strategische Rolle zukommen. Es ist die mittelfristige Zielsetzung, Partnerschaften mit Entwicklern von Spielen und Herstellern von Spielekonsolen aufzubauen. Das Management ist davon überzeugt, dass die Catalis hierzu eine hervorragende Ausgangsposition besitzt.

Andere interessante Bereiche sind das „Testen von eLearning Software“, das Management von digitalen Rechten und das Testen von Software.

Catalis N.V. has increased the capacity significantly in 2004. Our subsidiary Testronic Inc., Los Angeles has in the third quarter 2004 more than doubled its capacity of its Burbank based test laboratory by moving to new premises. The move was necessary in order to cope with demand anticipated for the year 2005.

Furthermore our activities in 2004 were also focused on the improvement of processes and the establishment of a client tracking tool. With this tool our clients are able to track their discs online at any time. Internally we are implementing a SAP management system to support our processes.

Strategy

Catalis' management is continuously endeavouring profitable growth of our business and we are consistently monitoring a number of potential strategic project opportunities. Key strategic considerations include:

- 1. Further growth in existing test services business for the media industry*
- 2. Offer new and related test services to both existing and new clients in the media industry*
- 3. Offer test services to other industries*
- 4. Exploit other interesting investment opportunities outside the existing operating focus*

Catalis is targeting to achieve profitable growth through internal as well as external growth, i.e. acquisitions. While a number of potential targets have been evaluated, no acquisition has been made in 2004.

Catalis N.V. hat im Jahr 2004 die Kapazitäten signifikant ausgebaut. Die Niederlassung in Los Angeles, Testronic Inc., hat im dritten Quartal 2004 neue Räumlichkeiten bezogen und auf diese Weise die Kapazitäten mehr als verdoppelt. Die Kapazitätserweiterung war im Lichte des zu erwartenden Geschäftsvolumens für 2005 notwendig geworden.

Darüber hinaus hat sich das Management im Jahre 2004 auf die weitere Verbesserung der Prozesse und die Einführung eines „Online Tracking Tools“ konzentriert. Unsere Kunden sind somit in der Lage alle Prozessschritte online zu verfolgen. Weiter werden die internen Prozesse durch die Einführung einer SAP Management Informationssoftware weiter verbessert.

Strategy

Das Management der Catalis strebt an, weiterhin profitables Wachstum zu realisieren. In diesem Zusammenhang werden kontinuierlich strategische Handlungsoptionen evaluiert. Darunter fallen insbesondere:

1. Weiteres Wachstum im Bereich existierender Testdienstleistungen für die Medienindustrie
2. Aufbau neuer und artverwandter Testdienstleistungen für existierende und potentiell neue Kunden in der Medienindustrie
3. Aufbau von Testdienstleistungen für andere Industrien und Branchen
4. Identifizierung anderer Investitionsgelegenheiten die ggf. auch außerhalb des gegenwärtigen Fokus liegen

Catalis strebt an, zukünftiges Wachstum sowohl intern als auch über Akquisitionen zu erreichen. Im Berichtszeitraum wurden eine Reihe potentieller Targets evaluiert, jedoch keine Akquisitionen getätigt.

Financial Statements

As of December 31, 2003, Catalis N.V. was quoted on the "General Standard" segment of the Frankfurt Stock Exchange in Germany. The registered office of the company is in Eindhoven, The Netherlands. The results for 2004 and the comparative results for 2003 are stated in euro in accordance with IFRS (International Financial Reporting Standards).

Total sales

Overall sales increased by 20% from euro 4.4 million in 2003 to euro 5.2 million in 2004.

Gross profit

The overall gross profit in the fiscal year 2004 was euro 3.0 million (2003: euro 2.5 million). This reflects a gross profit margin of 56.8 % in 2003 compared to 57.4 % in the fiscal year 2004.

Operating profit/(loss) and expenses

Operating profit in the fiscal year 2004 amounted to euro 1.4 million (2003: euro 1.0 million). Overall, operating expenses increased from euro 3.5 million in 2003 to euro 3.9 million in 2004.

Marketing and sales expenses increased from euro 0.3 million in 2003 (6.4% of sales) to euro 0.4 million in 2004 (6.7 % of sales).

General and administration expenses stabilised on euro 1.3 million in 2003 (28.7% of sales) and (24.6% of sales) in 2004.

Finanzdaten

Catalis N.V. mit Sitz in Eindhoven, Niederlande, ist an der Frankfurter Wertpapierbörse im Börsensegment „General Standard“ gelistet. Alle nachfolgenden Finanzdaten für die Geschäftsjahre 2004 und 2003 sind in Euro angeführt und entsprechen den IFRS Standards (International Financial Reporting Standards).

Umsatzentwicklung

Die Umsätze erhöhten sich um 20% von EUR 4,4 Mio. im Geschäftsjahr 2003 auf EUR 5,2 Mio. im Geschäftsjahr 2004.

Rohrertrag

Der Rohrertrag erhöhte sich im Geschäftsjahr 2004 im Vergleich zum Geschäftsjahr 2003 leicht von EUR 2,5 Mio. auf EUR 3,0 Mio. Dies entspricht einer Rohertragsmarge von 57.4% für 2004 im Vergleich zu 56.8% in 2003.

Ergebnis der gewöhnlichen Geschäftstätigkeit und Aufwendungen

Das Ergebnis der gewöhnlichen Geschäftstätigkeit für das Geschäftsjahr 2004 beträgt EUR 1,4 Mio. im Vergleich zu einem Ergebnis der gewöhnlichen Geschäftstätigkeit in 2003 in Höhe von EUR 1,0 Mio. Der Gesamtbetrag für Aufwendungen erhöhte sich von EUR 3,5 Mio. in 2003 auf EUR 3,9 Mio. in 2004.

Die Marketing- und Vertriebskosten erhöhten sich von EUR 0,3 Mio. in 2003 (entspricht 6,4% des Umsatzes) auf EUR 0,4 Mio. in 2004. Dies entspricht einem Prozentsatz von 6,7% am Umsatz.

Die Aufwendungen im Bereich Verwaltung stabilisierten sich auf EUR 1,3 Mio. in 2003 (entspricht 28,7% vom Umsatz) und (entspricht 24,6% vom Umsatz) in 2004.

Financial income/ loss- net

The net financial profit was euro 0.06 million in 2004, compared to euro 0.13 million loss in 2003. The increase is mainly caused by interest income in 2004 and significant exchange rate losses during the course of the fiscal year 2003.

Profit after tax

Profit after tax increased from euro 0.8 million in 2003 to euro 2.3 million in 2004, mainly due to the capitalization of deferred tax assets.

Cash flow

The net cash generated in operating activities in 2004 decreased from euro 1.5 million in 2003 to euro (2.1) million in 2004.

Proposal for allocation of profits

We will propose to the Annual Shareholders' Meeting to include the profit after tax of euro 2.3 million to retained earnings.

Employees

Our average staffing level has increased by 8 people from an average of 53 in 2003 to 61 in 2004. There were 60 people employed in our test services business unit. The staff of the holding Catalis N.V. consisted of 1 employee in 2003 and 2004.

Capital expenditures

We spent a total of euro 0.1 million on property, plant and equipment. The sum was largely used to purchase new and replace test equipment in Testronic's test laboratories.

Acquisitions

No acquisitions were made in the fiscal year 2004. In April 2005 Catalis has acquired 100% of Testline Holdings Ltd., London. Testline offers testing services for e-Learning software as well as for complex websites and software.

Finanzergebnis

Der Gewinn im Finanzergebnis beträgt EUR 0,06 Mio. in 2004 im Vergleich zu einem Verlust von EUR 0,13 Mio. in 2003. Dieser Anstieg im Finanzergebnis ist im Wesentlichen auf Zinseinnahmen in 2004 und Verlusten durch Währungsdifferenzen im Geschäftsjahr 2003 zurückzuführen.

Ergebnis nach Steuern

Das Ergebnis nach Steuern verbesserte sich von EUR 0,8 Mio. in 2003 auf EUR 2,3 Mio. in 2004. Diese Verbesserung ist im Wesentlichen auf die Aktivierung von latenten Steuern zurückzuführen.

Cash Flow

Der operative Cash Flow verringerte sich von EUR 1,5 Mio. im Geschäftsjahr 2003 auf EUR (2,1) Mio. im Geschäftsjahr 2004.

Vorschlag zur Verwendung des Ergebnisses

Das Management schlägt der Hauptversammlung vor das Ergebnis nach Steuern in Höhe von EUR 2,3 Mio. auf neue Rechnung vorzutragen.

Mitarbeiter

Die durchschnittliche Mitarbeiteranzahl erhöhte sich um 8 Mitarbeiter von 53 Mitarbeitern in 2003 auf 61 Mitarbeiter in 2004. 60 Mitarbeiter sind im Bereich „Test Services“ tätig. Die Holding Catalis N.V. beschäftigt 1 Mitarbeiter in 2003 und 2004.

Investitionen

Im Geschäftsjahr 2004 wurden EUR 0,1 Mio. für Investitionen im Anlagevermögen verwendet. Der wesentliche Anteil der Investments begründet sich auf Neuanschaffungen und den Austausch von Testgeräten im Bereich Testdienstleistungen.

Akquisitionen

Es wurden im Geschäftsjahr 2004 keine Akquisitionen durchgeführt. Im April 2005 hat die Catalis N.V. 100% des Unternehmens Testline Holdings Ltd., London übernommen.

Financial Outlook

Catalis N.V. expects a profitable growth in turnover of at least 20% for the year 2005 with margins comparable to 2004. The management envisages turnover of euro 6.0 million and a profit before tax of more than euro 1.5 million for the fiscal year 2005.

*Eindhoven, The Netherlands
March 31, 2005*


Erich Hoffmann

Finanzausblick

Catalis N.V. erwartet auch im Jahr 2005 ein profitables Wachstum von mindestens 20% des Umsatzes, wobei das Management von ähnlichen Margen im Vergleich zu 2004 ausgeht. Das Management strebt einen Umsatz von EUR 6,0 Mio. und ein Vorsteuerergebnis von mindestens EUR 1,5 Mio. für das Geschäftsjahr 2005 an.

Eindhoven, Niederlande
31. März 2005


Dr. Michael Hasenstab


Robert Kaess



SUPERVISORY BOARD REPORT / BERICHT DES AUFSICHTSRATES

The Supervisory Board comprises of three members. Four plenary meetings of the Supervisory Board took place during 2004, according to the Articles of Association of Catalis NV. The Supervisory Board regularly received verbal and written report from the management on the financial situation of Catalis N.V. and its subsidiaries.

At the meetings, the Supervisory Board was informed and consulted about the activities and policies of Catalis N.V. Matters considered by the Supervisory Board during the year included:

- *Organisational structure to meet the requirement for efficient corporate management;*
- *Entering new testing markets*
- *Reporting about development in the operating units*
- *Catalis raises euro 0,5 million*
- *Hiving Off of NAVIGATOR Equity Solutions N.V.*
- *Increase of share capital in December 2004;*
- *Budget 2005;*
- *Corporate Governance guidelines*

The consolidated statements of Catalis N.V. were drawn up according to the International Financial Reporting Standards (IFRS) as issued by the IASB. These statements have been examined by Moore Stephens Van den Boomen as our independent public auditors.

We have approved the financial statements of Catalis N.V. prepared by the Board of Managing Directors. We are in agreement with the Management Board Report.

Der Aufsichtsrat der Catalis N.V. besteht aus drei Personen. Im Jahr 2004 haben vier ordentliche Sitzungen des Aufsichtsrates entsprechend der Satzung der Gesellschaft stattgefunden. Der Aufsichtsrat wurde vom Vorstand regelmäßig mündlich und schriftlich über die finanzielle Situation der Catalis N.V. und ihrer Tochterunternehmen informiert.

Im Rahmen der Aufsichtsratssitzungen wurde der Aufsichtsrat über Aktivitäten, Vorgehensweisen und aktuelle Themen der Gesellschaft informiert und zur Beratung hinzugezogen. Themen, die im Verlauf des Jahres besondere Aufmerksamkeit erfuhren waren unter anderem:

- Organisationsstruktur
- Eintritt in neue Testmärkte
- Berichte über aktuelle Entwicklungen in den Tochtergesellschaften
- Erfolgreiche Platzierung der Optionsanleihe
- Abspaltung der NAVIGATOR Equity Solutions N.V.
- Kapitalerhöhung im Dezember 2004
- Budget 2005
- Corporate Governance Maßnahmen

Die konsolidierten Finanzdaten der Catalis N.V. wurden entsprechend der „International Financial Reporting Standards“ (nach IFRS) erstellt. Die Finanzdaten wurden vom unseren unabhängigen Wirtschaftsprüfern der Gesellschaft Moore Stephens Van den Boomen geprüft.

Der Aufsichtsrat bestätigt die vom Vorstand vorgestellten Finanzdaten der Catalis N.V. und stimmt dem Bericht des Vorstandes zu.

Over the past year Catalis N.V. tackled great internal and external challenges. The company would not have been able to master this difficult situation without the energetic efforts and dedication of its staff and management- The Supervisory Board wishes to thank all member of the Board of Management and all executives and employees of Catalis N.V. and its subsidiaries for the work performed by them during the past fiscal year.

*Eindhoven, The Netherlands
March 31, 2005*

Im letzten Jahr war die Gesellschaft mit großen internen und externen Herausforderungen konfrontiert. Ohne dem energetischen Einsatz der Mitarbeiter und des Managements wäre es der Gesellschaft nicht möglich gewesen, diese Herausforderungen in so positiver Art und Weise zu meistern. Der Aufsichtsrat möchte sich bei allen Mitarbeitern und dem Management für den Einsatz im letzten Jahr ausdrücklich bedanken.

Eindhoven, Niederlande
31. März, 2005



Dr. J. Bodenkamp, Chairman

K. Moser

W. Pagen



CORPORATE GOVERNANCE

The Management Board is responsible for the development and the implementation of the strategy and objectives. The independent Supervisory Board supervises and advises the Management Board. The Management Board fulfils its duties by promoting the interests of the company. These interests include the interests of all stakeholders, including the customers, the shareholders, the employees, the suppliers and the credit institutions. Also, Catalis N.V. is committed to the interests of the community.

Catalis N.V. works on the principle that the Management should determine and implement the corporate policy from a long-term vision of continuity. Catalis N.V. endorses the importance of clear accountability for the policy and its results.

In order to manage the company Catalis N.V. utilises a management control system. This system comprises amongst others of strategy determination and budget planning. The realised results are compared on a monthly basis with last year's results and the budget. Clear procedures are in place for the evaluation and authorisation of investments and acquisitions between the operating companies and the Management Board. The results and other business developments are discussed monthly between the Management Board and the operating companies. The strategy and budgets are discussed and drawn up annually by the Management Board and the individual operating companies.

Catalis N.V. places great importance on good corporate governance and optimum transparency. The Management Board and the Supervisory Board accept and follow the Dutch Corporate Governance Code (the Tabaksblat Code) as the basis for the further development of the present Corporate Governance structure of the Company. The implementation of the Code was repeatedly discussed in the meetings of the Management Board and the Supervisory Board in 2004. It appeared from these discussions that the principles and the best practices of the Code are well aligned with the existing Corporate Governance structure of Catalis N.V.. However, it has proved to be necessary for specific items to be further formalised and developed. For example the Rules for the Supervisory Board and its committees (Audit Committee and Remuneration Committee), as well as the Rules for the Management Board are now in a process of final updating.

Catalis N.V. deviates from the Code for a limited number of items. The main deviations are:

- Catalis N.V. will comply with the best practice provisions for new appointments in relation to the term of appointment (II.1.1) and the severance pay for the Management Board (II.2.7), but has not revised the existing terms of employment for the current members of the Management Board.*
- In consideration of privacy arguments, Catalis N.V. will not comply with the best practice (III.7.3) that rules need to be drawn up applying to members of the Supervisory Board and the Management Board for the holding of and transactions in securities other than those issued by Catalis N.V.. The Supervisory Board and the Management Board accept as self-evident basic principle that they will avoid any kind of conflict of interests, but on the other hand they wish to limit unnecessary and time-consuming reporting procedures (best practice II.2.6).*

CONSOLIDATED BALANCE SHEETS

as at December 31, 2004 and 2003
(in thousands of euros)

	Note	Consolidated December 31, 2004	Consolidated December 31, 2003
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,120	3,212
Trade receivables	6	1,265	740
Other current assets	7	1,385	565
Total Current Assets		3,770	4,517
Non-Current Assets			
Goodwill	8	132	140
Property, plant and equipment	9	227	216
Total Non-Current Assets		359	356
Total Assets		4,129	4,873
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Trade and other payables	10	564	480
Taxes and social securities		379	129
Provisions	11	97	76
Total Current Liabilities		1,040	685
Non-Current Liabilities			
Long-term debt	13	500	–
Total Non-Current Liabilities		500	–
Total Equity	16		
Share capital		1,573	1,430
Capital reserve		14,360	18,360
Currency translation differences		(103)	(103)
Accumulated profit/ (deficit)		(13,241)	(15,499)
Total Equity		2,589	4,188
Total Liabilities and Equity		4,129	4,873

The accompanying notes to these balance sheets form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

for the years ended December 31, 2004 and 2003

(in thousands of euros)

	Note	Consolidated December 31, 2004	Consolidated December 31, 2003
Sales	17	5,224	4,414
Cost of sales	18	2,227	1,904
Gross Profit		2,997	2,510
Marketing and sales	19	352	284
General and administration	20	1,285	1,269
Profit from Operations		1,360	957
Interest Income		51	34
Currency translation differences		8	(159)
Total Financial income	22	59	(124)
Profit before tax		1,419	832
Income tax	23	839	(10)
Profit After Tax		2,258	822
Earnings Per Share	29		
Basic		0.15	0.06
Diluted		0.14	0.05

The accompanying notes to these balance sheets form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended December 31, 2004, 2003, 2002, 2001, 2000 and 1999
(in thousands of euros)

	Share Capital	Capital Reserve	Property Revaluation Reserve	Transaktion Reserve	Accumulated profit/ (loss)	Total
Balance at January 1, 1999 (pro-forma combined)	500	1,694	130	19	(638)	1,705
Dividends aeco Germany GmbH declared	-	-	-	-	(1,730)	(1,730)
Currency translation differences	-	-	-	(24)	-	(24)
Profit after tax	-	-	-	-	1,922	1,922
Other	-	-	(2)	-	2	-
Balance at December 31, 1999 (pro-forma combined)	500	1,694	128	(5)	(444)	1,873
Dividends aeco Germany GmbH declared	-	-	-	-	(1,943)	(1,943)
Goodwill merger Aerosonic	-	(1,080)	(128)	5	2,387	1,184
Proceeds from issuance of share capital	150	17,758	-	-	-	17,908
Currency translation differences	-	-	-	7	-	7
Profit after tax	-	-	-	-	824	824
Balance at December 31, 2000	650	18,372	-	7	824	19,853
Currency translation differences	-	-	-	(122)	-	(122)
Proceeds from issuance of share capital	-	(25)	-	-	-	(25)
Loss after tax	-	-	-	-	(14,754)	(14,754)
Balance at December 31, 2001	650	18,347	-	(115)	(13,930)	4,952
Proceeds from issuance of share capital	65	13	-	-	-	78
Currency translation differences	-	-	-	8	-	8
Loss after tax	-	-	-	-	(2,391)	(2,391)
Balance at December 31, 2002	715	18,360	-	(107)	(16,321)	2,647
Proceeds from issuance of share capital	715	-	-	-	-	715
Currency translation differences	-	-	-	4	-	4
Profit after tax	-	-	-	-	822	822
Balance at December 31, 2003	1,430	18,360	-	(103)	(15,499)	4,188
Proceeds from issuance of share capital	143	-	-	-	-	143
Split up NAVIGATOR N.V.	-	(4,000)	-	-	-	(4,000)
Profit after tax	-	-	-	-	2,258	2,258
Balance at December 31, 2004	1,573	14,360	-	(103)	2,258	2,589

The accompanying notes to these balance sheets form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

for the years ended December 31, 2004 and 2003

(in thousands of euros)

	Consolidated December 31, 2004	Consolidated December 31, 2003
Cash flow from operating activities		
Profit after tax	2,258	822
Depreciation of tangible fixed assets	109	130
Goodwill amortization/impairment	8	8
Increase/(decrease) of provisions	21	(29)
(Increase)/decrease of inventory	-	122
(Increase)/decrease in other current assets and trade receivables	(1,345)	(309)
Increase/(decrease) in current liabilities other than provision	334	(372)
Net cash used in operating activities	1,385	372
Cash flow from investing activities		
Purchase of property, plant and equipment, net	(120)	(76)
(increase)/decrease other non-current assets	-	470
Net cash used in investing activities	(120)	394
Cash flow from financing activities		
Split up NAVIGATOR N.V.	(4,000)	-
Proceeds from issuance of share capital	143	715
Payment of long-term debt and bank overdrafts	500	-
Dividends paid	-	-
Net cash (used in)/ provided by financing activities	(3,357)	715
Net effect of currency translation in cash and cash equivalents	-	4
Net increase/(decrease) in cash and cash equivalents	(2,092)	1485
Cash and cash equivalents at beginning of year	3,212	1,727
Cash and cash equivalents at end of year	1,120	3,212

The accompanying notes to these balance sheets form an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2004 and 2003

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

1. General

Catalis N.V. ("the Company") and its wholly owned subsidiaries (together "Catalis" or "the Group") provides testing services for the media industry. The average number of employees of the Group was 61 and 53 in 2004 and 2003 respectively. The office of Catalis is located at Aalsterweg 181a, Eindhoven, The Netherlands.

2. Adoption of International Accounting Standards

The Group has adopted IFRS in 2004 and 2003.

3. Summary of Significant Accounting Policies

The principle accounting policies adopted in preparing the financial statements of Catalis N.V are as follows:

General

The accompanying financial statements are prepared in accordance with the International Financial Reporting Standard (IFRS) formulated by the International Accounting Standards Board (IASB). The consolidated financial statements include the accounts of aeco International GmbH, Aerostream inc., aeco Ltd., Testronic Laboratories Ltd., aeco Options BV, Aeroscience Ltd and Testronic GmbH.

Catalis N.V. was incorporated on March 24, 2000.

Basis of Preparation

The accompanying financial statements have been prepared under the historical cost convention, unless otherwise stated.

Reporting Currency

Because of the international nature of the Group's activities, the financial statements are prepared and presented in euros, which is the functional currency of the Group.

Principles of Consolidation

The consolidated financial statements of the Group include Catalis N.V. and the subsidiaries over which management control is effectively exercised. This management control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to effectively govern the financial and operating policies of an enterprise so as to benefit from its activities.

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated (pro-forma combined) financial statements from the date of obtaining or disposing effective management control.

All other investments held on a long-term basis are valued at cost less any impairment in value, and are included in other non-current assets.

Intercompany balances and transactions, including intercompany profits and unrealised profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Cash

Cash includes cash on hand and cash with banks.

Receivables

Receivables are stated at face value, after a provision for doubtful accounts.

Financial Instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, marketable securities, trade and other accounts receivable and payable, long-term debt, bank overdrafts, loans, borrowings, investments, and bonds receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The Group operates internationally, giving rise to significant exposure to market risks from changes in interest and foreign exchange rates. The Group nets its exposures in foreign currencies periodically and does not use separate derivative financial instruments to mitigate those risks.

Foreign exchange positions are translated at exchange rates prevailing at the end of the reporting period.

The Company does not enter into foreign exchange forward contracts to hedge its net investments in foreign subsidiaries. Changes in foreign currencies that affect the net equity value in euros are reported in the Currency translation differences as part of shareholders' equity.

Property, Plant and Equipment

Property, plant and equipment, other than buildings, are stated at cost less accumulated depreciation and accumulated impairment loss. 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 initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into ope-

ration, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of property, plant and equipment.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Machinery and equipment	3-10 years
Furniture and vehicles	3-10 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Accounting for Operating Lease

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Goodwill

The excess of the cost of an acquisition over the Company's interest in the fair value of the net identifiable assets and liabilities acquired as at the date of the exchange transaction is recorded as goodwill and recognised as an asset in the balance sheet. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over its useful life.

The amortisation period is determined at the time of the acquisition based upon the particular circumstances and ranges from 5 to 20 years. The unamortized balances are reviewed at each balance sheet date to assess the probability of continuing future benefits. If there is an indication that goodwill may be impaired, the recoverable amount is determined for the cash-generating unit to which the goodwill belongs. If the carrying amount is more than the recoverable amount, an impairment loss is recognised.

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.

Use of Estimates

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.

Reserves

The Currency Translation Reserve is intended for reflection of translation differences arising from the translation of net investments in foreign subsidiaries.

Revenue Recognition

For products which are still under development, revenue is recognised net of sales taxes and discounts as and when goods delivered to customers are accepted to the full satisfaction of the customer. For standard (fully developed) products revenue is recognised net of sales taxes and discounts at the moment of delivery of the goods to the customer. Costs of sale are matched to the revenue as it is recognised.

Revenue from rendering services is recognised by reference to the stage of completion when this can be measured reliably. The stage of completion is determined based on surveys of work performed.

Foreign Currencies

Foreign currency transactions

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognised in the income statement in the period in which they arise.

Foreign operations

Where the operations of a foreign company are integral to the operations of the Group, the translation principles are applied as if the transactions of the foreign operation had been those of the Group, i.e. foreign currency monetary items are translated using the closing rate, non-monetary items are translated using the historical rate as of the date of acquisition. Income and expense items are translated at the exchange rates in place on the dates of the transactions. Resulting exchange differences are recognised in the income statement.

Foreign entities

The majority of foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organisationally autonomous. Their reporting currencies are the respective local currencies. Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the balance sheet, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the Currency Translation Reserve in equity.

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.

Income Taxes

The income tax charge is based on profit or loss for the year and includes deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Impairment of Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income for assets carried at cost and treated as a decrease in property revaluation reserve for buildings that are carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the property revaluation reserve for that same building. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which they belong.

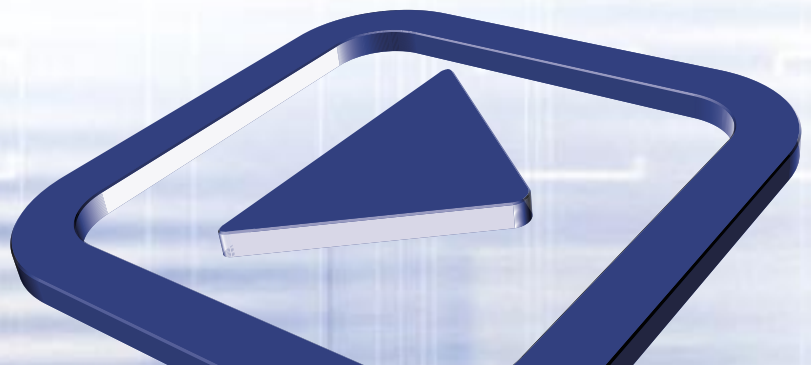
Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exists or has decreased. The reversal is recorded in income or as an increase in the property revaluation reserve in case of buildings.

Segments

Financial information on geographical segments is presented in Note 17.

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.



4. Changes in Groups' Organisation

Through a spin off of assets of euro 4.0 million of Catalis N.V. NAVIGATOR Equity Solutions N.V. was founded on October 5, 2004. NAVIGATOR Equity Solutions N.V. is registered under no. 17170160 in the Trade Register of the Chamber of Commerce and Industry of Amsterdam, The Netherlands. The Extraordinary General Meeting of Shareholders of Catalis N.V. has approved the spin off on September 16, 2004. As a result of the spin off shareholders of Catalis N.V. received on 1 : 1 basis shares in NAVIGATOR Equity Solutions. N.V.

In April 2005 Catalis has acquired 100% of Testline Holdings Ltd., London. Testline offers testing services for e-Learning software as well as for complex websites and software.

5. Cash and Cash Equivalents

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

6. Trade Receivables

Trade receivables include the following:

	At December 31	
	2004	2003
Accounts receivable	1,265	762
Less: provision for doubtful accounts	-	(22)
Total trade receivables	1,265	740

7. Other Current Assets

Other current assets include the following:

	At December 31	
	2004	2003
Revenue sale building	-	349
Deferred income tax	1,000	
Other receivables and prepaid expenses	299	202
Prepaid expenses	55	14
Investments	32	-
Total other current assets	1,385	565

8. Goodwill

The movement in goodwill is as follows:

	2004
Cost	
Cost at January 1 and December 31	165
Accumulated Amortization 2004	
Accumulated at January 1	25
Amortization for the year	8
Accumulated amortization at December 31	33
Net book value	132

9. Property, Plant and Equipment at Cost

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

	At December 31	
	2004	2003
Cost		
Cost at January 1	532	545
Additions	120	76
Disposals	-	(15)
Currency translation differences	-	(74)
Cost at December 31	652	532
Accumulated Depreciation		
Accumulated depreciation at January 1	316	264
Depreciation for the year	109	88
Disposals		
Currency translation differences	-	(36)
Accumulated depreciation at December 31	425	316
Net book value	227	216

10. Trade and Other Payables

Trade and other payables include the following:

	At December 31	
	2004	2003
Accounts payable trade	151	188
Accrued expenses	413	292
Total trade and other payables	564	480

11. Provisions

Provisions at December 31, 2004 relate to warranty claims on services sold and usually cover a period of 15 months after the moment of delivery.

	Warranty
Balance at 31 December 2003	76
Provisions made during the year	21
Provisions used during the year	-
Balance at 31 December 2004	97

12. Bank Overdrafts

As per December 31, 2004 and 2003 the Group has no credit facilities.

13. Long-Term Debt

As per December 31, 2004 the Group has a long term debt of euro 500,000. (2003: euro: nil).

Catalis N.V. has issued a bond of euro 0.5 million with attached warrants in May 2004.

The bond was subscribed by the management of Catalis N.V. and was issued without pre-emptive rights.

14. Employee Benefits Obligations

Defined Contribution Plan

The group sponsors defined contribution plans for its employees based on the local practices and regulations in Germany, the United States of America and the United Kingdom. These plans require employer contributions ranging from 0% to 5% of annual salary.

Defined contribution obligations were not significant as of December 2004 and 2003, 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 shareholders value creation.

Information on outstanding options as at December 31, 2003

	Outstanding December 31, 2003	Exercise Price	Earliest Expiry Date
Erich Hoffman	99,999	0.12	22-11-2004
	100,000	0.18	22-11-2003
	500,000	0.22	22-11-2003
Han van Eijden	5,000	0.37	15-01-2007
Han van Eijden	125,000	14.00	21-07-2005
Jacques Fiers	100,000	1.40	30-06-2006
Key employees 1	6,000	0.15	08-11-2004
Key Employees 2	48,000	0.18	08-11-2005
	983,999		

Adjustment due the hiving off of NAVIGATOR Equity Solutions N.V.

The Board of Management of Catalis N.V. resolves that employees who hold employee stock options in Catalis N.V. will be compensated according to the method of compensation outlined in the hiving off proposal and detailed below:

“METHOD OF COMPENSATION FOR HOLDERS OF QUALIFIED RIGHTS

Catalis N.V. has granted option rights to several persons in such a way that it is possible for them to acquire shares against a settled exercise price (= EP) in an agreed time frame. As a consequence of the proposed hiving off it is possible that the market value of the Catalis shares will be influenced in a negative way. In case that this possibility will occur, Catalis N.V. has the intention to compensate holders of option rights on their request in such a way, that the exercise price (= EP) will be adjusted accordingly.

First of all we have to define the maximum compensation per share, which will be similar to Euro 4 million for all shares. This results in Euro 0.28 per share. This amount per share of Euro 0.28 is defined as the maximum compensation (= MC).

For a period of 10 trading days before the day of incorporation of NAVIGATOR Equity Solutions N.V. the average closing market value per share Catalis N.V. will be determined (= MB). A similar calculation will take place for a period of 10 trading days after the incorporation of NAVIGATOR Equity Solutions N.V. (= MA).

As far as MA will be less than MB a downwards adjustment similar to this difference will take place on the EP with a maximum of Euro 0.28. The EP will always have a minimum value of Euro 0.10 per share. When there is still an outstanding difference to adjust, this will take place by granting adequate additional option rights.”

According the above mentioned method the compensation has been calculated at euro 0.23 for each individual stock option.

Information on outstanding options after hiving off of NAVIGATOR Equity Solutions N.V.

	Outstanding October 31, 2004	Exercise Price	Earliest Expiry Date
Erich Hoffman	844,116	0.10	22-11-2004
Han van Eijden	5,000	0.14	15-01-2007
Han van Eijden	125,000	13.77	21-07-2005
Jacques Fiers	100,000	1.17	30-06-2006
Key Employees 2	75,176	0.10	08-11-2005
	1,149,292		

A total of 50,118 stock options were exercised by key employees in 2004.

Information on outstanding options as at 31 December 2004

	Outstanding December 31, 2004	Exercise Price	Earliest Expiry Date
Erich Hoffman	844,116	0.10	22-11-2004
Han van Eijden	5,000	0.14	15-01-2007
Han van Eijden	125,000	13.77	21-07-2005
Jacques Fiers	100,000	1.17	30-06-2006
Key Employees 2	25,058	0.10	08-11-2005
	1,099,174		

A total of 874,174 of the 1,099,174 options granted are currently in the money. 225,000 options are out of the money. Exercising all 874,174 “in the money” options at the current share price of euro 1,02 per share would have a pro forma impact on the profit and loss account of approximately euro 800.000. It is however Catalis’ policy, that exercised stock options will be granted through an issue of new shares.

15. Other Options

Background

In order to improve relationships with suppliers, business partners and clients the group from time to time enters into option and other agreements which provide certain incentives for such partners and help to strengthen such relationships.

Option Agreements

The group has entered into option agreements with Ascendo Associates GmbH and Adval AG. Both companies provide consulting and management services to Catalis and its subsidiaries. Catalis’ Members of the Board of Management Michael Hasenstab and Robert Kaess are representatives of those companies (Michael Hasenstab for Ascendo Associates; Robert Kaess for Adval AG). During the course of the fiscal year 2003 all options owned by Ascendo Associates GmbH were sold to Bright Eye GmbH and all options owned by Adval AG were sold to Robert Kaess Beratungs GmbH. Michael Hasenstab is a representative of Bright Eye GmbH and Robert Kaess is a representative of Robert Kaess Beratungs GmbH.

Information on outstanding options under the option agreement as described above as at December 31, 2003

	Outstanding December 31, 2003	Exercise Price	Earliest Expiry Date
Robert Kaess	99,999	0.12	22-11-2004
Beratungs GmbH	100,000	0.18	22-11-2003
	500,000	0.22	22-11-2003
Bright Eye GmbH	99,999	0.12	22-11-2004
	100,000	0.18	22-11-2003
	500,000	0.22	22-11-2003
	1,399,998		

Adjustment due the hiving off of NAVIGATOR Equity Solutions N.V.

The Board of Management of Catalis N.V. resolves that third parties who hold options in in Catalis N.V. will be compensated according to the method of compensation outlined in the hiving off proposal and detailed below:

“METHOD OF COMPENSATION FOR HOLDERS OF QUALIFIED RIGHTS

Catalis N.V. has granted option rights to several persons in such a way that it is possible for them to acquire shares against a settled exercise price (= EP) in an agreed time frame. As a consequence of the proposed hiving off it is possible that the market value of the Catalis shares will be influenced in a negative way. In case that this possibility will occur, Catalis N.V. has the intention to compensate holders of option rights on their request in such a way, that the exercise price (= EP) will be adjusted accordingly.

First of all we have to define the maximum compensation per share, which will be similar to Euro 4 million for all shares. This results in Euro 0.28 per share. This amount per share of Euro 0.28 is defined as the maximum compensation (= MC).

For a period of 10 trading days before the day of incorporation of NAVIGATOR Equity Solutions N.V. the average closing market value per share Catalis N.V. will be determined (= MB). A similar calculation will take place for a period of 10 trading days after the incorporation of NAVIGATOR Equity Solutions N.V. (= MA).

As far as MA will be less than MB a downwards adjustment similar to this difference will take place on the EP with a maximum of Euro 0.28. The EP will always have a minimum value of Euro 0.10 per share. When there is still an outstanding difference to adjust, this will take place by granting adequate additional option rights.”

According the above mentioned method the compensation has been calculated at euro 0.23 for each individual stock option.

Information on outstanding options after hiving off of NAVIGATOR Equity Solutions

	Outstanding October 31, 2004	Exercise Price	Earliest Expiry Date
Robert Kaess Beratungs GmbH	844,116	0.10	22-11-2004
Bright Eye GmbH	844,116	0.10	22-11-2004
	1,322,882		

Information on outstanding options under the option agreement as described above as at 31 December, 2004

	Outstanding December 31, 2004	Exercise Price	Earliest Expiry Date
Robert Kaess Beratungs GmbH	182,675	0.10	22-11-2004
Bright Eye GmbH	182,675	0.10	22-11-2004
	365,350		

A total of 1,322,882 stock options were exercised by third parties in 2004.

All of the 365,350 options are currently in the money. Exercising all 365,350 “in the money” options at the current share price of euro 1,02 per share would have a pro forma impact on the profit and loss account of approximately euro 330.000. It is however Catalis’ policy, that exercised stock options will be granted through an issue of new shares.



16. Share Capital

The authorised share capital of the Company amounts to euro 5,000 divided into 50 million common shares each having a nominal value of euro 0.10 per share.

	2004	2003
Common shares, euro 0.10 par value		
Authorised 50 million; issued and outstanding		
15.73 million in 2004 and 14.3 million in 2003	1,573	1,430

Movements in share capital:	Shares (thousands)		Amount (thousands)	
	2004	2003	2004	2003
Common Shares				
Issued and paid-in		7,149	1,430	715
January 1	14,298			
Issuance	1,427	7,149	143	715
December 31	15,725	14,298	1,573	1,430

	2004	2003
Equity per share		
Basis	0.17	0.29
Diluted	0.15	0.26

17. Segment Information

Geographical Segment Data

The geographical allocation of sales is as follows:

	2004	%	2003	%
Europe	4,274	81.8	3,274	74.2
Asia	-	-	34	0.8
The Americas	950	18.2	1,106	25.0
Total sales	5,224	100.0	4,414	100.0

18. Cost of Sales

Cost of sales comprises the following:

	2004	2003
Materials	8	16
Personnel expenses	2,045	1,208
Depreciation	59	110
Repair and maintenance expenses	6	6
Other	109	563
Total cost of sales	2,227	1,904

19. Marketing and Sales

Marketing and sales costs comprises the following:

	2004	2003
Personnel expenses	124	100
Marketing expenses	2	77
Advertising expenses	8	6
Depreciation	0	9
Other	218	92
Total marketing and sales costs	352	284

20. General and Administration

General and administration expenses comprise the following:

	2004	2003
Personnel expenses	493	479
Depreciation	50	11
Audit, consulting and legal expenses	99	399
Rent expense	271	204
Amortisation goodwill	8	8
Other	364	168
Total general and administration expenses	1,285	1,269

21. Personnel

Personnel expenses are summarised as follows:

	2004	2003
Wages and salaries	2,358	1,613
Pension expenses	21	25
Other social expenses	244	149
Redundancy costs	39	-
Total personnel expenses	2,662	1,787

The average number of employees for the year was:

	2004	2003
The Netherlands	1	1
Germany	-	3
United Kingdom	25	25
United States of America	35	19
Total average number of employees	61	48

22. Financial income/ (loss)

Financial income comprises the following:

	2004	2003
Interest expense	-	(10)
Interest income	51	45
Currency translation differences	8	(159)
Total financial income - net	59	(124)

23. Income Taxes

The income tax liability for the years 2004 and 2003 comprises current taxes. The effective tax rate for financial statement purposes differs from the statutory tax rate in The Netherlands as the Company is subject to taxation in various countries with different statutory tax rates and has suffered losses which could not be compensated with taxable income from the past.

The Company has tax loss carry forwards available of approximately euro 16.1 million and euro 17.1 million as per December 31, 2004 and 2003 respectively, for which in 2003 no deferred tax asset is recognised in the balance sheet due to uncertainty of its recoverability. This was caused due to the fact that most of the carry forward losses have their origin in the exited activities in Germany and the United Kingdom. It is not certain that the tax authorities will recognise these losses completely. This uncertainty still exists for an amount of euro 9.0 million. For an amount of 7.1 million a deferred tax asset of 14% is estimated at December 31, 2004 (the nominal tax rate is 31.5%).

24. 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, 2004 under non-cancellable operating lease are as follows:

	2004	2003
Within 1 year	270	122
1 year through 5 years	363	68
After 5 years	-	-
Total future minimum lease payments	633	190

25. 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.

26. Risks

The client environment of the segment Testing Services has to be acknowledged as one with a limited number of possible clients. Although the Group has a leading role in the existing client environment, changes in the number of clients will have an important effect on the financial figures of the Group. The management will reduce this risk in the near future by the way of extending the number of possible rendered market services.

27. List of Consolidated Subsidiaries

Entity	Place of Incorporation	Principal Activities	Ownership Interest
aeco International (Deutschland) GmbH	Berlin, Germany	Investments	100%
aeco Ltd.	Welshpool, United Kingdom	Test Equipment	100%
Aerostream Inc.	Burbank, United States of America	Test Services	100%
Testronic Laboratories Ltd.	London, United Kingdom	Test Services	100%
aeco Options BV	Eindhoven, The Netherlands	Stock option services	100%
Aeroscience Ltd.	Shrewsbury United Kingdom	None	100%
Testronic GmbH	Ludwigsburg Germany	None	100%

28. Emoluments of the Board of Directors and Supervisory Boards

Directors' total remuneration approximated euro 204 in 2004 and euro 201 in 2003 respectively. In 2004 the supervisory board's remuneration was in total euro 10.

E. Hofmann	24
M. Hasenstab	90
R. Kaess	90
J. Bodenkamp	4
K. Moser	3
W. Paggen	3

Shares held by members of the Board of Directors and Supervisory Board as at 31 December 2004:

Family Hoffmann	Member of the Board	1,623,728
Robert Käß	Member of the Board	661,441
Michael Hasenstab	Member of the Board	661,441
Wolfgang Paggen	Member of the Supervisory Board	1,428
Dr. Jens Bodenkamp	Chairman of the Supervisory Board	10,000



29. 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 exercise of 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 2004		
	Income	Weighted Average Number of Shares (thousands)	Earning Per Share Amount
Basic Earnings per Share			
Net profit attributable to common shareholders	2,258	15,011	0.15
Add : Assumed exercise of share options	-	962	
Diluted Earnings per Share	2,258	15,973	0.14
Net profit attributable to common shareholders afters assumed conversion			

	For the year ended 2003		
	Income	Weighted Average Number of Shares (thousands)	Earning Per Share Amount
Basic Earnings per Share			
Net profit attributable to common shareholders	822	14,298	0.06
Add : Assumed exercise of share options	-	2,159	
Diluted Earnings per Share	822	16,457	0.05
Net profit attributable to common shareholders afters assumed conversion			

COMPANY-ONLY BALANCE SHEETS

as at December 31, 2004 and 2003
(in thousands of euros)

	December 31, 2004	December 31, 2003
ASSETS		
Current Assets		
Cash and cash equivalents	325	2,235
Receivables – group	1,356	1,953
Other current assets	1,239	10
Total Current Assets	2,920	4,198
Non Current Assets		
Goodwill	132	140
Investment in group companies	230	56
Property, plant and equipment	0	1
Total Non Current Assets	362	197
Total Assets	3,282	4,395
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Trade and other payables	193	207
Total Current Liabilities	193	210
Non Current Liabilities		
Long term debt	500	-
Total Non Current Liabilities	500	-
Total Equity		
Share capital	1,573	1,430
Capital reserve	14,360	18,360
Currency translation differences	(103)	(103)
Accumulated deficit	(13,241)	(15,499)
Total Equity	2,589	4,188
Total Liabilities and Equity	3,282	4,395

COMPANY-ONLY INCOME STATEMENTS

for the years ended December 31, 2004 and 2003
(in thousands of euros)

	December 31, 2004	December 31, 2003
Profit after taxes	2,084	801
Profit from subsidiaries	174	21
Net Profit	2,258	822

NOTES TO COMPANY-ONLY FINANCIAL STATEMENTS

for the years ended December 31, 2004 and 2003
(in thousands of euros)

1. 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.

2. Summary of Significant Accounting Policies

General

The accounting principles as described in the notes to the consolidated financial statements also apply to the Company-only financial statements, unless indicated otherwise.

Investment in group companies

Investments in group companies are accounted for by using the equity method.

3. Investment in Group Companies

The movement in the investment in group companies as follows:

	2003	2002
Book value at January 1	56	31
Income from subsidiaries	174	21
Currency translation differences		4
Book value at December 31	230	56

OTHER INFORMATION

Appropriation of Net Loss after Taxes

The Articles of Association of the company provide that the appropriation of the loss 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.



MOORE STEPHENS VAN DEN BOOMEN

P.O. Box 120, 5580 AC Waalre
Eindhoveneweg 128,
5582 HW Waalre
The Netherlands

Tel: +31 (0)40 221 58 05
Fax: +31 (0)40 221 21 35

REPORT OF THE INDEPENDENT AUDITORS

Introduction

We have audited the consolidated balance sheet as at December 31, 2004 and 2003, the related consolidated statement of changes in equity, cash flow and income statements for the years 2004 and 2003 of Catalis N.V. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with International Financial Reporting Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the company as at December 31, 2004 and 2003, and of the results for the years ended December 31, 2004 and 2003 in accordance with International Financial Reporting Standards.



Moore Stephens Van den Boomen
Accountants

Waalre, (Eindhoven), The Netherlands
March 31, 2005

A member of
the Moore Stephens
International Limited
Group of
independent firms

Chamber of Commerce
Eindhoven 17042334