

*Annual Report*  
**2005**

Jahresbericht  
**2005**



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**FINANCIAL SUMMARY  
(BASED ON IFRS)**

**ZUSAMMENFASSUNG WESENTLICHER ERGEBNISSE  
(NACH IFRS)**

**KEY FACTS / WESENTLICHE EREIGNISSE:**

- ⊢ *Catalis N.V. has completed a brilliant fiscal year 2005 both operationally and financially*

⊢ *Revenues increased by more than 50% to euro 7.9 million from euro 5.2 million in the previous year*

⊢ *Organic revenue growth was greater than 35%*

⊢ *EBIT margin in excess of 24% was at an attractive level*

⊢ *Profit before tax amounted to euro 2.0 million compared to euro 1.4 million last year (+43%)*

⊢ *Net profit was euro 1.9 million*

⊢ *Operating cash flow was strong at euro 1.1 million in 2005*

⊢ *Diversification into related test services was initiated and showed first positive signs*

⊢ *3 strategic acquisitions (USA, Poland and the UK) were made and integrated successfully*

⊢ Catalis N.V. hat das Geschäftsjahr 2005 sowohl operativ als auch finanzseitig hervorragend abgeschlossen

⊢ Die Umsätze in 2005 stiegen auf EUR 7,9 Mio. (+50%) von EUR 5,2 Mio. im letzten Jahr

⊢ Das organische Umsatzwachstum lag bei über 35%

⊢ Die EBIT-Marge lag auf einem attraktiven Niveau bei über 24%

⊢ Der Gewinn vor Steuern stieg auf EUR 2,0 Mio. für das Gesamtjahr im Vergleich zu EUR 1,4 Mio. im Vorjahr (+43%)

⊢ Der Nettogewinn betrug EUR 1,9 Mio.

⊢ Der operative Cashflow betrug 1,1 Mio. EUR in 2005

⊢ Die in 2005 initiierte Diversifizierung im Test-Service-Geschäft zeigte bereits die ersten Erfolge

⊢ 3 strategische Akquisitionen (USA, Polen und UK) wurden in 2005 durchgeführt und erfolgreich eingegliedert

## Key Figures / Wesentliche Finanzdaten

		2005	2004	2003
<b>Total Sales</b>	<b>Umsatz</b>	<b>7.904</b>	<b>5.224</b>	<b>4.414</b>
<b>Gross Profit</b>	<b>Rohertrag</b>	<b>4.442</b>	<b>2.997</b>	<b>2.510</b>
Gross Margin	Rohmarge	56,2%	57,4%	56,9%
<b>Operating Profit</b>	<b>Operativer Gewinn</b>	<b>1.934</b>	<b>1.360</b>	<b>957</b>
Operating Margin	Operative Marge	24,5%	26,0%	21,7%
<b>Profit before Tax</b>	<b>Vorsteuerergebnis</b>	<b>1.958</b>	<b>1.419</b>	<b>832</b>
Net Income Margin	Nettomarge	24,8%	27,2%	18,8%
<b>Net Income</b>	<b>Nettogewinn</b>	<b>1.896</b>	<b>2.258</b>	<b>822</b>
Net Income Margin	Nettomarge	24,0%	43,2%	18,6%
<b>Cash Flow</b>	<b>Kapitalfluss</b>	<b>2.006</b>	<b>-2.092</b>	<b>1.485</b>
<b>Total Equity</b>	<b>Eigenkapital</b>	<b>6.623</b>	<b>2.589</b>	<b>4.188</b>
<b>Total Assets</b>	<b>Vermögensgegenstände</b>	<b>10.654</b>	<b>4.129</b>	<b>4.873</b>
<b>Number of Employees</b>	<b>Anzahl der Mitarbeiter</b>	<b>106</b>	<b>61</b>	<b>48</b>
<b>Earnings per Share</b>	<b>Gewinn je Aktie</b>	<b>0,10</b>	<b>0,15</b>	<b>0,06</b>
<b>Earnings per Share (excluding tax effect)</b>	<b>Gewinn je Aktie (ohne Steuereffekte)</b>	<b>0,10</b>	<b>0,10</b>	<b>0,06</b>
<b>Shares Outstanding (in million)</b>	<b>Anzahl der Aktien (in Mio.)</b>	<b>22,9</b>	<b>15,7</b>	<b>14,3</b>



## MANAGEMENT BOARD REPORT / BERICHT DES VORSTANDES

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

*The financial year 2005 was embossed by strong and profitable growth of over 50% in our DVD home entertainment business as well as the diversification into new business areas.*

*The main drivers behind the successful developments were the strong market position of the company in its existing core markets, diversification into new and related testing areas, capacity enlargements as well as the high quality standard of the services the company offers. Three strategic acquisitions supported the developments.*

*We are confident that we will be able to leverage our strong existing position to deliver exceptional performance in 2006 and further on.*

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

Das Geschäftsjahr 2005 war durch ein starkes und profitables Wachstum von über 50% im DVD Home Entertainment Geschäft sowie der Diversifikation in neue Geschäftsbereiche geprägt.

Wesentlich für diesen Erfolg waren die starke Stellung des Unternehmens im Stammgeschäft, die Diversifikation in neue und verwandte Test-Service-Bereiche, diverse Kapazitätserweiterungen sowie der hohe angebotene Qualitätsstandard der Gesellschaft. Diese Entwicklungen wurden zusätzlich durch drei strategische Akquisitionen unterstützt.

Aufgrund der guten Positionierung der Gesellschaft sind wir der festen Überzeugung, sowohl in 2006 als auch langfristig außergewöhnliche Ergebnisse erzielen zu können.

### Corporate Developments

Activity on the corporate level in 2005 is summarized below:

#### **Acquisition of Testline Holdings**

*In April 2005 Catalis N.V. has acquired 100% of Testline Holdings, London. Through Testline Catalis N.V. now offers testing services for eLearning software as well as for complex websites and software. As part of Catalis N.V. Testline is now able to engage in larger projects and accelerate its growth considerably. The acquisition marked Catalis N.V.'s first move into related testing fields and is a milestone in diversifying the operation. Testline was integra-*

### Entwicklungen auf Konzernebene

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

#### **Akquisition Testline Holdings**

Im April 2005 erwarb Catalis N.V. 100% der Anteile des Testdienstleisters Testline Holdings, London. Über Testline bietet Catalis N.V. nun sowohl Testdienstleistungen für eLearning Software sowie für komplexe Webseiten und Software an. Als Teil der Catalis N.V. ist es Testline nun möglich, größere Projekte abzuwickeln und das Wachstum deutlich zu beschleunigen. Die Akquisition war für Catalis N.V. der erste Schritt bei dem Eintritt in

*ted into the organisation successfully during the course of the year and now operates as Testronic Laboratories, the brand Catalis N.V. uses in its operating activities.*

#### **Acquisition of Check Disc Europe**

*In June 2005 Catalis N.V. has taken over 100% of Check Disc Europe, Warsaw, Poland, the European operation of a US competitor. The main reason for the transaction was the ability to increase capacity in Europe and to benefit from cost advantages. Through the partly transfer of production from London to Poland significant synergies and cost benefits were realized. By the end of the year 2005 more than 60% of European testing was done in Poland, where Catalis N.V. now employs more than 30 people.*

#### **Acquisition of IQC**

*Another important milestone in 2005 was the successful acquisition of IQC (IQC stands for "International Quality Control"), Los Angeles, a former direct competitor in the area of DVD Home Entertainment quality assurance. Through the acquisition in October 2005 Catalis N.V. gets access to a broader range of clients and has strengthened its position in upcoming technologies like Blu-Ray and HD-DVD. Furthermore the acquisition triggers accelerated growth in certain new services (i.e. emulation), where IQC builds on a stable client base and employs a substantial number of well qualified staff.*

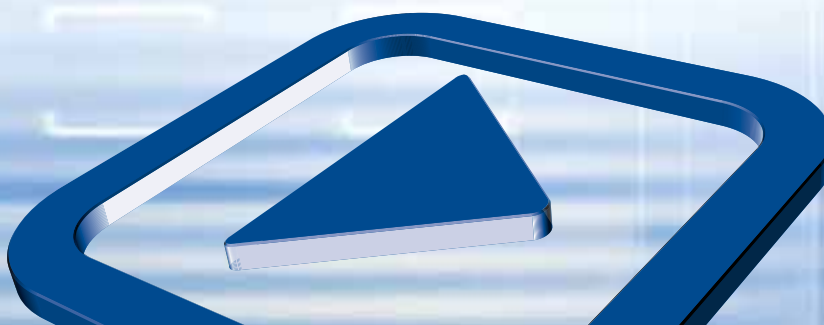
verwandte Testbereiche und ist ein Meilenstein bei der Diversifizierung der Gesellschaft. Testline wurde während des Geschäftsjahres erfolgreich in die Organisation eingegliedert und operiert jetzt unter dem Namen Testronic Laboratories, dem Markennamen der operativen Aktivitäten der Catalis N.V.

#### **Akquisition Check Disc Europe**

Im Juni 2005 wurden 100% der Anteile von Check Disc Europe, Warschau, Polen, einer europäischen Betriebsgesellschaft eines US Wettbewerbers, von Catalis N.V. übernommen. Die Übernahme diente in erster Linie dazu, die Kapazitäten in Europa weiter auszubauen. Durch die sukzessive Verlagerung von Teilen der Produktion von England nach Polen konnten im Laufe des Jahres erhebliche Kostenvorteile und Synergien realisiert werden. Zum Ende des Geschäftsjahres 2005 wurden bereits mehr als 60% der Testaktivitäten in Polen durchgeführt, wo Catalis N.V. mittlerweile mehr als 30 Arbeitnehmer beschäftigt.

#### **Akquisition IQC**

Ein weiterer wichtiger Meilenstein in 2005 war die Übernahme der IQC (IQC steht für „International Quality Control“), Los Angeles, einem ehemaligen unmittelbaren Wettbewerber der Catalis N.V. im Bereich DVD Home Entertainment im Oktober 2005. Durch die Akquisition wurde die Kundenbasis erheblich erweitert und die Position der Catalis N.V. gegenüber neuen Technologien wie z.B. Blu-Ray und HD-DVD gestärkt. Darüber hinaus wird durch die Übernahme ein beschleunigtes Wachstum in neuen Dienstleistungsbereichen wie z.B. Emulation, in welchem IQC über einen stabilen Kundenstamm und eine Vielzahl gut ausgebildeter Mitarbeiter verfügt, ermöglicht.



### **Issuance of convertible bond**

*In October 2005 Catalis N.V. has successfully placed a convertible bond worth euro 3.0 million in order to finance the acquisition of IQC and further growth. The convertible bond was issued with preemptive rights for existing shareholders at an issue ratio of 4 to 1, has a term of 4 years until 20th of October, 2009 and can be converted into 3,931,250 shares in Catalis N.V. with no additional payment. The issue price was euro 0.75 per convertible bond. Further details are available at the company's website ([www.catalisgroup.com](http://www.catalisgroup.com)).*

### **Investment in Galileo Medien AG**

*In December 2005 Catalis N.V. has purchased approx. 27% of the shares of Galileo Medien AG, Babelsberg ([www.galileomedien.de](http://www.galileomedien.de)). Galileo Medien AG is a leading provider of home entertainment DVDs with a focus on the German market and offers related technical postproduction services. The investment has to be considered as a financial investment.*

### **Simplifying of capital structure**

*Catalis N.V. has simplified its capital structure in December 2005. In agreement with the supervisory board of Catalis N.V. 5,000,000 options attached to the Catalis N.V. "Bond with warrants 2004/2014" were exercised. Through the early exercise Catalis N.V.'s number of shares outstanding increases from 17,959,525 shares to 22,959,525 shares with each share representing euro 0.10 of the capital of Catalis N.V. Following the transaction and with the exception of the convertible bond issued in October 2005 no further options issued by Catalis N.V. are now outstanding.*

### **Erfolgreiche Platzierung der Wandelanleihe**

Zur Finanzierung des weiteren Wachstums und der Akquisition von IQC wurde im Oktober 2005 eine Wandelanleihe mit einem Volumen von EUR 3,0 Mio. erfolgreich platziert. Die Wandelschuldverschreibung wurde den Aktionären der Catalis N.V. mit einem Bezugsverhältnis von 4:1 angeboten. Der Ausgabepreis pro Wandelschuldverschreibung betrug EUR 0,75 und kann im Rahmen einer vierjährigen Laufzeit bis zum 20. Oktober 2009 in bis zu 3.931.250 Aktien der Catalis N.V. umgewandelt werden. Die ausführlichen Wandelanleihebedingungen sind auf der Website der Catalis N.V. ([www.catalisgroup.com](http://www.catalisgroup.com)) zugänglich.

### **Beteiligung Galileo Medien AG**

Die Catalis N.V. hat im Dezember 2005 ca. 27% der Aktien an der Galileo Medien AG, Babelsberg ([www.galileomedien.de](http://www.galileomedien.de)) übernommen. Die Galileo Medien AG ist ein führender deutscher Anbieter von DVDs und bietet darüber hinaus technische Dienstleistungen im Bereich Postproduktion an. Die Beteiligung an der Galileo Medien AG ist als Finanzbeteiligung anzusehen.

### **Vereinfachung der Kapitalstruktur**

Im Dezember 2005 fand eine Vereinfachung der Kapitalstruktur bei der Catalis N.V. statt. Nach Zustimmung des Aufsichtsrates der Catalis N.V. wurden vorzeitig 5.000.000 Optionen, die im Rahmen der Optionsanleihe 2004/2014 im Mai 2004 ausgegeben wurden, ausgeübt. Die Anzahl der ausgegebenen Aktien erhöht sich dadurch von 17.959.525 Aktien auf 22.959.525 Aktien mit einem rechnerischen Anteil am Grundkapital von je EUR 0,10. Mit Ausnahme der im Oktober ausgegebenen Wandelschuldverschreibungen stehen nunmehr keine weiteren von der Gesellschaft ausgegebenen Optionen bzw. Wandlungsrechte auf Aktien der Catalis N.V. aus.



## Operating Developments

*In 2005 our activities were focused on further diversifying our test service activities.*

### Overview

*Catalis N.V. is a leading provider of quality assurance services for the digital media industry. Through its operating companies, Catalis N.V. focuses on content verification, functionality testing, compatibility testing, emulation and a wide range of additional services providing outsourced quality assurance services for content providers. Under the brand name Testronic Laboratories ([www.testroniclabs.com](http://www.testroniclabs.com)) professional, confidential product verification services, tailored to meet the needs of the media industry are offered. The service targets a global client base from our five sites:*

- (1) in the heart of the UK movie industry at Pinewood Studios, London*
- (2) in the city of London close to the media and telecoms industry*
- (3) in Warsaw, Poland providing for an attractive labour market environment*
- (4) in Burbank close to Hollywood in the US, where we operate two sites*

*All laboratories 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.*

## Entwicklungen auf Operativer Ebene

Im Fokus des Geschäftsjahres 2005 stand der weitere Ausbau unserer Testdienstleistungsaktivitäten.

### Übersicht

Catalis N.V. ist ein führender Anbieter von Qualitätssicherungsdienstleistungen für die digitale Medienindustrie. Durch ihre operativen Tochtergesellschaften betreibt Catalis N.V. Testlabors, von welchen Testdienstleistungen im Hinblick auf Inhalte, Funktionalität und Kompatibilität sowie Emulation und eine Vielzahl von zusätzlichen Dienstleistungen, Inhalteproduzenten angeboten werden. Alle Dienstleistungen werden auf einer vertraulichen Basis angeboten und sind als „Outsourcing“-Produkt konkret auf die Belange der Medienindustrie zugeschnitten. Unter der Marke Testronic Laboratories ([www.testroniclabs.com](http://www.testroniclabs.com)) wird eine globale Kundenbasis von unseren 5 verschiedenen Standorten aus bedient:

- (1) London Pinewood Studios  
(im Herzen der englischen Filmindustrie)
- (2) London City (nahe der Medien- und Telekommunikationsindustrie)
- (3) Warschau in Polen (attraktives Arbeitsmarktumfeld)
- (4) Burbank in Los Angeles, USA  
(2 Standorte nahe Hollywood)

Alle 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 Formate zu testen und setzt dabei sowohl professionelles Industrieequipment als auch eine Großzahl von konsumnahen Abspielgeräten und Recordern ein.



### Developments

*Our test services business, which had benefited from strong growth in previous years and in the fiscal year 2004, has continued this trend in the fiscal year 2005. Substantial growth in sales, profits and margins was achieved.*

*Main objective for the business in the year 2005 was further profitable growth of the business and a reduction of risks through continued diversification.*

*Catalis N.V. has successfully managed to achieve its objectives by:*

- (1) Broadening its offering targeting a greater number of different steps in the production process and value chain for its existing customers*
- (2) Entering into long term contracts with some of the most important existing clients*
- (3) Adding a significant number of new clients to our customer list*
- (4) Entering new testing markets like eLearning, games and software*
- (5) Expanding capacities in the US and Europe*

### DVD Film

*Like in the fiscal year 2004 the area of DVD film continued to be our biggest revenue and profit contributor in 2005 generating ~ 85% of group revenues. Significant growth was achieved mainly by expanding the client base reflected in a substantial increase of capacity. It is fair to say that Catalis N.V. is the undisputed market leader globally in this field.*

*The DVD film market offers a yearly growth potential of approx. 20-30%. Major growth drivers in this area are the continuing complexity in DVDs, the increasing amount of different DVD releases, new formats (e.g. UMD) and technologies (e.g. HD-DVD, Blu-Ray) as well as the increasing distribution of DVD players on a global basis. Particularly new*

### Entwicklungen

Das Geschäft im Bereich Testdienstleistungen, welches bereits in den vorherigen Jahren und im Geschäftsjahr 2004 von einem starken Wachstum profitierte, konnte diesen Trend auch in 2005 fortsetzen. Bei Umsatz, Gewinn und Margen konnte ein signifikantes Wachstum erzielt werden.

Wesentliche Elemente unserer Strategie im Jahre 2005 waren weiteres profitables Wachstums und die Reduzierung des Risikos durch verstärkte Diversifikation.

Catalis N.V. konnte diese Zielsetzungen erfolgreich erreichen durch:

- (1) Die gezielte Erweiterung der Testdienstleistungen, so dass nun weitere Elemente der Produktionswertschöpfungskette für bereits existierende Kunden angeboten werden können
- (2) Den Abschluss von langfristigen Verträgen mit einigen bereits existierenden Kunden
- (3) Die Gewinnung einer erheblichen Anzahl an Neukunden
- (4) Den Eintritt in neue Testmärkte wie eLearning, Spiele und Software
- (5) Den Ausbau der Kapazitäten in USA und Europa

### DVD Film

Wie auch im Geschäftsjahr 2004 war der Bereich DVD Film mit ca. 85% des Gesamtumsatzes der größte Umsatz und Ergebnis generierende Bereich. Erhebliches Wachstum konnte im Wesentlichen durch den Ausbau der Kundenbasis erreicht werden, welcher sich auch in dem Ausbau der Kapazitäten widerspiegelt. Es ist angemessen zu erwähnen, dass Catalis N.V. der global unangefochtene Marktführer in diesem Markt ist.

Der DVD Film Markt bietet ein jährliches Wachstumspotential von ca. 20-30%. Bedeutende Wachstumstreiber sind hier etwa die ständig zunehmende Komplexität der DVDs, die höhere Anzahl unterschiedlicher DVD Releases, neue Formate (z.B. UMD) und Technologien (HD-DVD, Blu-Ray) sowie die steigende Verbreitung von DVD

*technologies and the unsolved format controversy between the formats HD-DVD and Blu-Ray may force the Home Entertainment Industry to publish films on several formats offering substantial impulse for the market.*

*The expansion of the capacities in the US and Europe was an important element of our activities in 2005.*

*In Europe Catalis N.V. acquired competitor Check Disk Europe in Poland in July 2005 and subsequently relocated a substantial part of European production from England to Poland increasing overall capacity and realising synergies and cost advantages. In the US capacities in Burbank, Los Angeles, were expanded organically by ~50% within the first few months of 2005 followed by the acquisition of IQC, Los Angeles in October 2005 adding additional capacity and extending the client base, especially middle-sized film makers, considerably.*

*A further important milestone represents the strategic alliance with Deluxe Digital Services, Los Angeles, a worldwide leading supplier of authoring services and a front-runner in HD-DVD and Blu-Ray, which enables Catalis N.V. to be at the forefront of quality assurance testing for new technologies like Blu-Ray and HD-DVD.*

Playern. Besonders die neuen Technologien und dem damit einhergehenden ungelösten Formatstreit der Formate HD-DVD und Blu-Ray, der die Home Entertainment Industrie zwingt zukünftige Filme auf allen im Markt verfügbaren Datenträgern zu veröffentlichen, gibt dem Markt erhebliche Impulse.

Wichtiger Bestandteil unserer Aktivitäten in 2005 war der weitere Ausbau der Kapazitäten in USA und Europa.

In Europa akquirierte Catalis N.V. im Juli 2005 den Wettbewerber Check Disc Europe in Polen. Durch die anschließende sukzessive Verlagerung von Teilen der europäischen Produktion von England nach Polen, konnten sowohl die Kapazitäten erweitert als auch Synergien und Kostenvorteile realisiert werden. In den USA wurden die Kapazitäten in Burbank, Los Angeles, innerhalb der ersten Monate 2005 um ca. 50% ausgebaut. Durch die anschließende Akquisition von IQC, Los Angeles im Oktober 2005 konnte die Kundenbasis, um insbesondere mittelgroße Filmhersteller, erheblich erweitert sowie zusätzliche Kapazitäten hinzugewonnen werden.

Einen weiteren wichtigen Meilenstein stellt die strategische Allianz mit Deluxe Digital Services, Los Angeles, einem weltweit führenden Serviceanbieter im Bereich der Programmierung von DVDs (Authoring) und Vorreiter in den neuen Technologien HD-DVD und Blu-Ray dar. Der Zusammenschluss ermöglicht Catalis N.V. eine führende Position im Bereich Qualitätssicherungstesten bei neuen Technologien wie Blu-Ray und HD-DVD einzunehmen.



### **New markets**

*In 2005 Catalis N.V. has intensified its activities of entering new markets outside the area of DVD home entertainment and has generated ~15% of revenues in such areas (compared to practically no revenues in these areas in 2004).*

### **eLearning/software**

*With the acquisition of Testline Holdings, London in April 2005 Catalis N.V. has entered into three new test markets (testing of eLearning software, complex websites and complex software) and has now got access to a wider range of clients. As a part of Catalis N.V. Testline will now be able to engage in larger projects and accelerate its growth considerably.*

### **Audio/copy control technologies**

*The area of testing audio/copy control technologies has slowly, but consistently increased its revenues. In 2005 this area amounted 5% of total revenues. Due to increasing importance and acceptance of copy control technologies Catalis N.V. will also expand in this section in 2006 and will be well positioned to benefit in the emerging DVD copy control technologies business in the future.*

### **Game testing**

*The area of games testing has been entered in 2005 as part of an organic exercise and has started to produce revenues towards the latter part of the year. Due to the increasing complexity of games and the convergence of media (e.g. DVD includes movie and game) this area will be a key strategic area going forward. It is Catalis N.V.'s objective for 2006 and 2007 to enter into relationships with larger games developers and console manufacturers in order to build up a recurring business in this field. Catalis N.V. will further grow this business organically but will also be open to accelerate the growth through an acquisition.*

### **Neue Märkte**

Im Geschäftsjahr 2005 wurden die Aktivitäten im Zusammenhang mit dem Eintreten in neue Endmärkte außerhalb des Bereiches DVD Home Entertainment deutlich intensiviert. In diesen neuen Bereichen konnten ca. 15% der Gesamterlöse (2004 nahezu keine Erlöse) erzielt werden.

### **eLearning/Software**

Durch die Übernahme des Testdienstleisters Testline Holdings, London erschloss sich Catalis N.V. im April 2005 drei weitere Wachstumsfelder und einen neuen Kundenkreis. Hinzu kamen das Testen von Bildungs- und Trainingssoftware (eLearning), komplexen Webseiten und komplexer Software. Als Teil der Catalis N.V. ist es Testline nun möglich, größere Projekte abzuwickeln und das Wachstum deutlich zu beschleunigen.

### **Audio/Kopierschutztechnologien**

Im Bereich „Testen von Audio/Kopierschutztechnologien“, konnten die Umsätze kontinuierlich, wenn auch noch auf niedrigem Niveau, gesteigert werden und machten in 2005 5% des Gesamtumsatzes aus. Da Kopierschutztechnologien immer wichtiger und zunehmend akzeptiert werden, wird Catalis N.V. auch diesen Bereich in 2006 weiter ausbauen um in der Zukunft in diesem Wachstumsmarkt gut positioniert zu sein und von ihm profitieren zu können.

### **Spieler testen**

Im Bereich Testen von Spielen konnte in 2005 der Markteintritt eigenständig realisiert und gegen Ende des Jahres erste Umsätze erzielt werden. Durch die zunehmende Komplexität von Spielen und der Konvergenz der Medien (z.B. Film und Spiel auf einer DVD) wird diesem Bereich zukünftig eine wichtige strategische Rolle zukommen. Catalis N.V.'s Zielsetzung für 2006 und 2007 ist der Aufbau von Partnerschaften zu Entwicklern von Spielen und Herstellern von Spielekonsolen um so ein dauerhaftes Geschäft in diesem Bereich aufzubauen. Catalis N.V. wird in diesem Geschäft weiter auf organisches Wachstum setzen aber auch offen für ein beschleunigtes Wachstum durch Akquisitionen sein.

**Mobile content**

*Another area of interest is the testing of mobile content. Since this area represents a new platform for the distribution of content, film-studios as well as games manufacturers and other media and telecom companies are entering and building up this market. Industry experts expect this market to grow at rates greater than 50% over the forthcoming years resulting in a great opportunity for quality assurance services which Catalis N.V. intends to tackle and to be at the forefront of.*

*Catalis N.V. has performed extensive market analysis and is prepared to enter this market organically or by way of acquisition.*

**Mobile Content**

Einen weiteren interessanten Bereich stellt das Testen von Mobile Content dar. Da dieser Bereich eine neue Plattform für die Verbreitung von Inhalten darstellt, drängen sowohl Filmstudios sowie Spielehersteller und andere Medien und Telekommunikationsunternehmen auf diesen Markt. Industrie Experten erwarten für diesen Markt Wachstumsraten von über 50% innerhalb der nächsten Jahre. Dieses Wachstum bietet große Chancen im Bereich der Qualitätssicherungsdienstleistungen, in welchem Catalis N.V. beabsichtigt führend tätig zu sein.

Catalis N.V. hat bereits umfangreiche Marktanalysen angefertigt und ist darauf vorbereitet, in diesen Markt selbstständig oder auch durch Akquisitionen einzutreten.



**Strategy**

*Catalis N.V.'s management is continuously endeavouring profitable growth of the business and is consistently monitoring a number of potential strategic project opportunities. Key strategic considerations include:*

- (1) Further growth in test services business for the DVD film industry and being at the forefront of new emerging technologies like HD-DVD and Blu-Ray
- (2) Build up and expand online based test services for the film industry
- (3) Grow the quality assurance offering both on physical media and online for non-film content providers like game manufacturers, telecom operators and other media businesses

*The overall vision is to establish Catalis N.V. as the leading quality assurance company for:*

- any content (film, games, eLearning, other)
- on any delivery platform (DVD, online, wireless)
- to any device (phone, DVD player, set top box)

**Strategie**

Das Management der Catalis N.V. strebt an, weiterhin profitables Wachstum zu realisieren. In diesem Zusammenhang werden kontinuierlich strategische Handlungsoptionen evaluiert. Strategische Überlegungen beinhalten:

- (1) Weiteres Wachstum im Bereich Testdienstleistungen der DVD Filmindustrie und eine führende Rolle innerhalb neuer Technologien wie Blu-Ray und HD-DVD
- (2) Auf- und Ausbau onlinebasierter Testdienstleistungen für die Filmindustrie
- (3) Vergrößerung des Qualitätssicherungsangebots für online und physische Medien für Nicht-Film-Inhalteanbieter wie Spielehersteller, Netzbetreiber und andere Medienunternehmen

Die allumfassende Vision ist die Etablierung der Catalis N.V. als führendes Qualitätssicherungsunternehmen für:

- jegliche Inhalte (Film, Spiele, eLearning, sonstige)
- jedes Übertragungsmedium (DVD, Online, Wireless)
- jedes Endgerät (Telefon, DVD Player, Set Top Box)



## Financial Statements

*Catalis N.V. is 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 2005 and the comparative results for 2004 are stated in euro in accordance with IFRS (International Financial Reporting Standards).*

### Total sales

*Overall sales increased by 52% from euro 5.2 million in 2004 to euro 7.9 million in 2005.*

### Gross profit

*The overall gross profit in the fiscal year 2005 was euro 4.4 million (2004: euro 3.0 million). This reflects a gross profit margin of 56.2% in 2005 compared to 57.4% in the fiscal year 2004.*

### Operating profit/(loss) and expenses

*Operating profit in the fiscal year 2005 amounted to euro 1.9 million (2004: euro 1.4 million). Overall, operating expenses increased from euro 3.9 million in 2004 to euro 6.0 million in 2005.*

*Marketing and sales expenses decreased from euro 0.4 million in 2004 (6.7% of sales) to euro 0.3 million in 2005 (3.6% of sales).*

*General and administration expenses increased from euro 1.3 million in 2004 (24.6 of sales) to euro 2.2 million (28.1% of sales) in 2005.*

## 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 2005 und 2004 sind in Euro angeführt und entsprechen den IFRS Standards (International Financial Reporting Standards).

### Umsatzentwicklung

Die Umsätze erhöhten sich um 52% von EUR 5,2 Mio. im Geschäftsjahr 2004 auf EUR 7,9 Mio. im Geschäftsjahr 2005.

### Rohrertrag

Der Rohrertrag erhöhte sich im Geschäftsjahr 2005 im Vergleich zum Geschäftsjahr 2004 von EUR 3,0 Mio. auf EUR 4,4 Mio. Dies entspricht einer Rohertragsmarge von 56,2% für 2005 im Vergleich zu 57,4% in 2004.

### Ergebnis der gewöhnlichen Geschäftstätigkeit und Aufwendungen

Das Ergebnis der gewöhnlichen Geschäftstätigkeit für das Geschäftsjahr 2005 beträgt EUR 1,9 Mio. im Vergleich zu einem Ergebnis der gewöhnlichen Geschäftstätigkeit in 2004 in Höhe von EUR 1,4 Mio. Die Gesamtbetrag für Aufwendungen erhöhte sich von EUR 3,9 Mio. in 2004 auf EUR 6,0 Mio. in 2005.

Die Marketing- und Vertriebskosten reduzierten sich von EUR 0,4 Mio. in 2004 (entspricht 6,7% des Umsatzes) auf EUR 0,3 Mio. in 2005. Dies entspricht einem Prozentsatz von 3,6% vom Umsatz.

Die Aufwendungen im Bereich Verwaltung stiegen von EUR 1,3 Mio. in 2004 (entspricht 24,6% vom Umsatz) auf EUR 2,2 Mio. in 2005 (entspricht 28,1% vom Umsatz).

### **Financial income/ loss- net**

*The net financial profit was euro 0.06 million in 2004, compared to euro 0.02 million in 2005. The decrease is mainly caused by the transfer of cash due to the hiving off in 2004.*

### **Profit after tax**

*Profit after tax is euro 1.9 million in 2005 compared to euro 2.3 million in 2004, mainly due to the capitalization of deferred tax assets in 2004.*

### **Cash flow**

*The net cash flow increased from euro (2.1) million in 2004 to euro 2.0 million in 2005.*

### **Proposal for allocation of profits**

*We will propose to the Annual Shareholders' Meeting to include the profit after tax of euro 1.9 million to retained earnings.*

### **Employees**

*Our average staffing level has increased by 45 people from an average of 61 in 2004 to 106 in 2005. There were 105 people employed in our test services business unit. The staff of the holding Catalis N.V. consisted of 1 employee in 2004 and 2005.*

### **Capital expenditures**

*We spent a total of euro 0.3 million on property, plant and equipment in 2005. The sum was largely used to purchase new and replace test equipment in Testronic's test laboratories.*

### **Acquisitions**

*In the fiscal year 2005 Catalis N.V. has made 4 acquisitions. Catalis N.V. has taken over 100% of Testline Holdings, 100% of Check Disk Europe, 100% of IQC as well as approx. 27% of Galileo Medien AG.*

### **Finanzergebnis**

Das Finanzergebnis betrug EUR 0,06 Mio. in 2004 im Vergleich zu EUR 0,02 Mio. in 2005. Das bessere Finanzergebnis in 2004 ist im Wesentlichen auf die Abspaltung im Geschäftsjahr 2004 zurückzuführen.

### **Ergebnis nach Steuern**

Das Ergebnis nach Steuern betrug EUR 1,9 Mio. in 2005 und EUR 2,3 Mio. in 2004. Diese Abnahme ist im Wesentlichen auf die Aktivierung von latenten Steuern in 2004 zurückzuführen.

### **Cash Flow**

Der Netto Cash Flow stieg von EUR -2,1 Mio. im Geschäftsjahr 2004 auf EUR 2,0 Mio. im Geschäftsjahr 2005.

### **Vorschlag zur Verwendung des Ergebnisses**

Das Management schlägt der Hauptversammlung vor das Ergebnis nach Steuern in Höhe von EUR 1,9 Mio. auf neue Rechnung vorzutragen und in die Kapitalrücklage einzustellen.

### **Mitarbeiter**

Die durchschnittliche Mitarbeiteranzahl erhöhte sich um 45 Mitarbeiter von 61 Mitarbeitern in 2004 auf 106 Mitarbeiter in 2005. Hiervon sind 105 Mitarbeiter im Bereich „Test Services“ tätig. Die Holding Catalis N.V. beschäftigte 1 Mitarbeiter in 2004 und 1 Mitarbeiter in 2005.

### **Investitionen**

Im Geschäftsjahr 2005 wurden insgesamt EUR 0,3 Mio. für Investitionen im Anlagevermögen verwendet. Der Großteil davon ist auf Neu- und Ersatzinvestitionen in Testgeräte im Bereich Testdienstleistungen zurückzuführen.

### **Akquisitionen**

Im Geschäftsjahr 2005 wurden insgesamt 4 Akquisitionen getätigt. Akquiriert wurden 100% der Testline Holdings, 100% der Check Disk Europe, 100% der IQC sowie ca. 27% der Galileo Medien AG.

## Financial Outlook

Catalis N.V. confirms its revenue target of between euro 9 million and euro 11 million and its profit target of between euro 2.5 million and euro 3.5 million for the fiscal year 2006. Catalis N.V. believes that it has achieved a further milestone in growing profitably, broadening and diversifying its client base and positioning the company in promising areas.

Eindhoven, The Netherlands  
June 14, 2006

Board of Managing Directors

  
Erich Hoffmann

  
Dr. Michael Hasenstab

  
Robert Kaess

## Finanzausblick

Catalis N.V. bestätigt das Umsatzziel von EUR 9 Mio. bis EUR 11 Mio. sowie das Ergebnisziel von EUR 2,5 Mio. bis EUR 3,5 Mio. für das Geschäftsjahr 2006. Catalis N.V. glaubt einen weiteren Meilenstein bei dem profitablen Wachstum, der Verbreiterung und Diversifizierung der Kundenstruktur sowie der Positionierung in viel versprechenden Bereichen erreicht zu haben.





## SUPERVISORY BOARD REPORT / BERICHT DES AUFSICHTSRATES

*The Supervisory Board comprises of three members. Four plenary meetings of the Supervisory Board took place during 2005, according to the Articles of Association of Catalis N.V. 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:*

- *Entering new testing markets*
- *Acquisition of Testline Holdings*
- *Acquisition of Check Disk Europe*
- *Issuance of convertible bond in October 2005*
- *Strategic partnership with Deluxe Digital Service*
- *Investment in Galileo Medien AG*
- *Early exercise of options resulting from the bond with attached warrants 2004/2014*
- *Reporting about development in the operating units*
- *Budget 2006*
- *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 2005 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:

- Eintritt in neue Testmärkte
- Akquisition Testline Holdings
- Akquisition Check Disk Europe
- Wandelschuldverschreibung im Oktober 2005
- Strategische Partnerschaft mit Deluxe Digital Service
- Beteiligung Galileo Medien AG
- Frühzeitige Ausübung der Optionsanleihe 2004/2014
- Berichte über aktuelle Entwicklungen in den Tochtergesellschaften
- Budget 2006
- 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 members 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*

*June 14, 2006*



*Dr. J. Bodenkamp, Chairman*

Im letzten Jahr war die Gesellschaft mit großen internen und externen Herausforderungen konfrontiert. Ohne den 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.

*K. Moser*

*W. Pagen*



## CORPORATE GOVERNANCE

*The Code Tabaksblat for Corporate Governance represents substantial laws for the guidance and monitoring of Dutch quoted enterprises and contains internationally and national recognized standards of good and responsible corporate management.*

*Management and supervisory board of Catalis N.V. declare the fact, that it was not corresponded to the behaviour recommendations of the Code Tabaksblat for Corporate Governance in the fiscal year 2005. Furthermore Catalis N.V. will not necessarily correspond to it in the future as the management and the supervisory board of Catalis N.V. have the opinion, that the recommendations of the Corporate Governance Code are tailored to large public companies with accordingly complex structures.*

*The advantages for the shareholders and Catalis N.V. itself with the observance of the Code in its whole are not in an appropriate relation to the costs, which are connected with the necessary organizational precautions. Nevertheless is Catalis N.V. conscious itself of the meaning of a consistent Corporate Governance, and will determine, which of the recommendations apply to the company and will convert these within an appropriate time framework.*



## CONSOLIDATED BALANCE SHEETS

as at December 31, 2005 and 2004  
(in thousands of euros)

	Note	Consolidated December 31, 2005	Consolidated December 31, 2004
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	3,126	1,120
Trade receivables	6	2,168	1,265
Other current assets	7	1,450	1,385
<b>Total Current Assets</b>		<b>6,744</b>	<b>3,770</b>
<b>Non-Current Assets</b>			
Goodwill	8	3,352	132
Property, plant and equipment	9	378	227
Investments	10	180	–
<b>Total Non-Current Assets</b>		<b>3,910</b>	<b>359</b>
<b>Total Assets</b>		<b>10,654</b>	<b>4,129</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	748	564
Taxes and social securities		233	379
Provisions	12	90	97
<b>Total Current Liabilities</b>		<b>1,071</b>	<b>1,040</b>
<b>Non-Current Liabilities</b>			
Convertible bond	14	2,960	–
Long-term debt	15	–	500
<b>Total Non-Current Liabilities</b>		<b>2,960</b>	<b>500</b>
<b>Total Equity</b>	18		
Share capital		2,296	1,573
Capital reserve		15,763	14,360
Currency translation differences		(91)	(103)
Accumulated profit/ (deficit)		(11,345)	(13,241)
<b>Total Equity</b>		<b>6,623</b>	<b>2,589</b>
<b>Total Liabilities and Equity</b>		<b>10,654</b>	<b>4,129</b>

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

## INCOME STATEMENTS

for the years ended December 31, 2005 and 2004  
(in thousands of euros)

	Note	Consolidated December 31, 2005	Consolidated December 31, 2004
Sales	19	7,904	5,224
Cost of sales	20	3,462	2,227
<b>Gross Profit</b>		<b>4,442</b>	<b>2,997</b>
Marketing and sales	21	286	352
General and administration	22	2,222	1,285
<b>Profit from Operations</b>		<b>1,934</b>	<b>1,360</b>
Interest Income		27	51
Currency translation differences		(3)	8
<b>Total Financial income</b>	<b>24</b>	<b>24</b>	<b>59</b>
<b>Profit before tax</b>		<b>1,958</b>	<b>1,419</b>
Income tax	25	-62	839
<b>Profit After Tax</b>		<b>1,896</b>	<b>2,258</b>
<b>Earnings Per Share</b>	31		
Basic		0.10	0.15
Diluted		0.10	0.14

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, 2005, 2004, 2003, 2002, 2001, 2000 and 1999 (in thousands of euros)

	Share Capital	Capital Reserve	Property Revaluation Reserve	Transaktion Reserve	Accumulated profit/ (loss)	Total
<b>Balance at January 1, 1999 (pro-forma combined)</b>	<b>500</b>	<b>1,694</b>	<b>130</b>	<b>19</b>	<b>(638)</b>	<b>1,705</b>
Dividends aeco Germany GmbH declared	-	-	-	-	(1,730)	(1,730)
Currency translation differences	-	-	-	(24)	-	(24)
Profit after tax	-	-	-	-	1,922	1,922
Other	-	-	(2)	-	2	-
<b>Balance at December 31, 1999 (pro-forma combined)</b>	<b>500</b>	<b>1,694</b>	<b>128</b>	<b>(5)</b>	<b>(444)</b>	<b>1,873</b>
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
<b>Balance at December 31, 2000</b>	<b>650</b>	<b>18,372</b>	<b>-</b>	<b>7</b>	<b>824</b>	<b>19,853</b>
Currency translation differences	-	-	-	(122)	-	(122)
Proceeds from issuance of share capital	-	(25)	-	-	-	(25)
Loss after tax	-	-	-	-	(14,754)	(14,754)
<b>Balance at December 31, 2001</b>	<b>650</b>	<b>18,347</b>	<b>-</b>	<b>(115)</b>	<b>(13,930)</b>	<b>4,952</b>
Proceeds from issuance of share capital	65	13	-	-	-	78
Currency translation differences	-	-	-	8	-	8
Loss after tax	-	-	-	-	(2,391)	(2,391)
<b>Balance at December 31, 2002</b>	<b>715</b>	<b>18,360</b>	<b>-</b>	<b>(107)</b>	<b>(16,321)</b>	<b>2,647</b>
Proceeds from issuance of share capital	715	-	-	-	-	715
Currency translation differences	-	-	-	4	-	4
Profit after tax	-	-	-	-	822	822
<b>Balance at December 31, 2003</b>	<b>1,430</b>	<b>18,360</b>	<b>-</b>	<b>(103)</b>	<b>(15,499)</b>	<b>4,188</b>
Proceeds from issuance of share capital	143	-	-	-	-	143
Split up NAVIGATOR N.V.	-	(4,000)	-	-	-	(4,000)
Profit after tax	-	-	-	-	2,258	2,258
<b>Balance at December 31, 2004</b>	<b>1,573</b>	<b>14,360</b>	<b>-</b>	<b>(103)</b>	<b>2,258</b>	<b>2,589</b>
Proceeds from issuance of share capital	723	1,550	-	-	-	2,273
Costs related to the issuance of share capital (147)	-	-	-	-	-	(147)
Currency translation differences	-	-	-	12	-	12
Profit after tax	-	-	-	-	1,896	1,896
<b>Balance at December 31, 2005</b>	<b>2,296</b>	<b>15,763</b>	<b>-</b>	<b>(91)</b>	<b>(11,345)</b>	<b>6,623</b>

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, 2005 and 2004  
(in thousands of euros)

	Consolidated December 31, 2005	Consolidated December 31, 2004
<b>Cash flow from operating activities</b>		
Profit after tax	1,896	2,258
Depreciation of tangible fixed assets	160	109
Goodwill amortization/impairment	-	8
Increase/(decrease) of provisions	(7)	21
(Increase)/decrease in other current assets and trade receivables	(968)	(1,345)
Increase/(decrease) in current liabilities other than provision	38	334
<b>Net cash used in operating activities</b>	<b>1,119</b>	<b>1,385</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment, net	(311)	(120)
Purchase goodwill subsidiaries	(3,220)	-
Purchase investments	(180)	-
<b>Net cash used in investing activities</b>	<b>(3,711)</b>	<b>(120)</b>
<b>Cash flow from financing activities</b>		
Split up Navigator Equity Solutions N.V.	-	(4,000)
Proceeds from issuance of share capital	2,126	143
Repayment of long-term debt and bank overdrafts	(500)	500
Issuance of convertible bond	2,960	-
<b>Net cash (used in)/ provided by financing activities</b>	<b>4,586</b>	<b>(3,357)</b>
<b>Net effect of currency translation in cash and cash equivalents</b>	<b>12</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,006</b>	<b>(2,092)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,120</b>	<b>3,212</b>
<b>Cash and cash equivalents at end of year</b>	<b>3,126</b>	<b>1,120</b>

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, 2005 and 2004*

*(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 106 and 61 in 2005 and 2004 respectively. The office of Catalis N.V. is located at Aalsterweg 181a, Eindhoven, The Netherlands.

### **2. Adoption of International Accounting Standards**

The Group has adopted IFRS in 2005 and 2004.

### **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, Testronic GmbH, Check Disc Europe Sp.z.o.o., International Quality Control Inc. and Testline Ltd.

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 operation, 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

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.

### 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 disclosures 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 sales 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 19.

**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

In 2005 Catalis N.V. has acquired three 100% subsidiaries: Testline Holdings Ltd., London, Check Disc Europe Sp.z.o.o., Warsaw and International Quality Control Inc., Los Angeles.

## 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	
	2005	2004
Accounts receivable	2,168	1,265
Less: provision for doubtful accounts	-	-
<b>Total trade receivables</b>	<b>2,168</b>	<b>1,265</b>

## 7. Other Current Assets

Other current assets include the following:

	At December 31	
	2005	2004
Taxes and social securities	67	-
Deferred income tax	1,050	1,000
Other receivables and prepaid expenses	333	354
Investments	-	32
<b>Total other current assets</b>	<b>1,450</b>	<b>1,385</b>



## 8. Goodwill

The movement in goodwill is as follows:

	2005
<b>Cost</b>	
Cost at January 1	1,348
Goodwill acquired subsidiaries	3,220
<b>Accumulated impairment 2005</b>	
Accumulated at January 1	1,216
Impairment for the year	-
<b>Accumulated amortization at December 31</b>	<b>1,216</b>
<b>Net book value</b>	<b>3,352</b>

Due to the expected excellent future results of the acquired subsidiaries, the management has the opinion that no impairment of purchased goodwill is necessary in 2005.

## 9. Property, Plant and Equipment at Cost

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

	At December 31	
	2005	2004
<b>Cost</b>		
Cost at January 1	652	532
Additions	233	120
Acquired on acquisition of a subsidiary	175	-
Disposals	(54)	-
<b>Cost at December 31</b>	<b>1,006</b>	<b>652</b>
<b>Accumulated Depreciation</b>		
Accumulated depreciation at January 1	425	316
Depreciation for the year	160	109
Accumulated depreciation through acquisition of a subsidiary	85	-
Disposals	(42)	-
<b>Accumulated depreciation at December 31</b>	<b>628</b>	<b>425</b>
<b>Net book value</b>	<b>378</b>	<b>227</b>

## 10. Investments

In 2005 Catalis N.V. acquired 27% of the shares of Galileo Medien AG. The investment is stated at purchase cost. The comparable net equity value at December 31, 2005 amounts euro 209,000.

## 11. Trade and Other Payables

Trade and other payables include the following:

	At December 31	
	2005	2004
Accounts payable trade	347	151
Accrued expenses	401	413
<b>Total trade and other payables</b>	<b>748</b>	<b>564</b>

## 12. Provisions

Provisions at December 31, 2005 relate to warranty claims on services sold and usually cover a period of 15 months after the moment of delivery.

	Warranty
<b>Balance at 31 December 2004</b>	<b>97</b>
Provisions made during the year	-
<b>Provisions released during the year</b>	<b>7</b>
<b>Balance at 31 December 2005</b>	<b>90</b>

## 13. Bank Overdrafts

As per December 31, 2005 and 2004 the Group has no credit facilities.

## 14. Convertible bond

In September 2005 Catalis N.V. has issued a convertible bond to finance further growth and the acquisition of International Quality Control Inc. in October 2005. Shareholders were entitled at a 4:1 basis to acquire 3,931,250 bond rights in total at an issue price of euro 0.75 per individual bond right. Each bond right entitles the holder to pre-emptive share rights at a price of euro 0.75 per share during a period of 4 years (until October 20, 2009). At the end of this period non converted bond rights will be paid off at a price of euro 0.83 per bond right (internal interest rate 2.5%).

## 15. Long-Term Debt

In the fiscal year 2004 Catalis N.V. issued a bond of euro 500,000 with attached warrants.

The bond was subscribed by the management of Catalis N.V. and was issued without pre-emptive rights and was set to run until 31 May 2014. In agreement with the supervisory board of Catalis N.V. all 5,000,000 options attached to the Catalis “Bond with warrants 2004/2014” were exercised. Through the early exercise Catalis N.V.’s number of shares outstanding increased from 17,959,525 shares to 22,959,525 shares with each share representing euro 0.10 of the capital of Catalis N.V.

## 16. 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 2005 and 2004, respectively. These obligations are presented under other payables.

### *Share Option Plan*

Catalis N.V.’s 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 N.V.’s 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 31 December 2004

	Outstanding December 31, 2004	Exercise Price	Earliest Expiry Date
Erich Hoffman	844,166	0.10	22-11-2004
Former employees	230,000	0.14/ 1.17/ 13.77	21-07-2005
Key Employees	25,058	0.10	08-11-2005
	<b>1,099,174</b>		

A total of 869,174 stock options were exercised in 2005.



Information on outstanding options as at 31 December 2005

	<b>Outstanding December 31, 2005</b>	<b>Exercise Price</b>	<b>Earliest Expiry Date</b>
Former employees	230,000	0.14/ 1.17/ 13.77	21-07-2005

A total of 105,000 of the 230,000 options granted are currently in the money. 125,000 options are out of the money. Exercising all 105,000 “in the money” options at the current share price of euro 1.35 per share would have a pro forma impact on the profit and loss account of approximately euro 24,000. It is however Catalis N.V.’s policy that exercised stock options will be granted through an issue of new shares.

## 17. 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 N.V. and its subsidiaries. Catalis N.V.’s 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).

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

	<b>Outstanding December 31, 2004</b>	<b>Exercise Price</b>	<b>Earliest Expiry Date</b>
Robert Käß Beratungs GmbH	182,675	0.10	22-11-2004
Bright Eye GmbH	182,675	0.10	22-11-2004
	365,350		

A total of 365,350 stock options were exercised by third parties in 2005.

There are no other options outstanding at December 31, 2005.

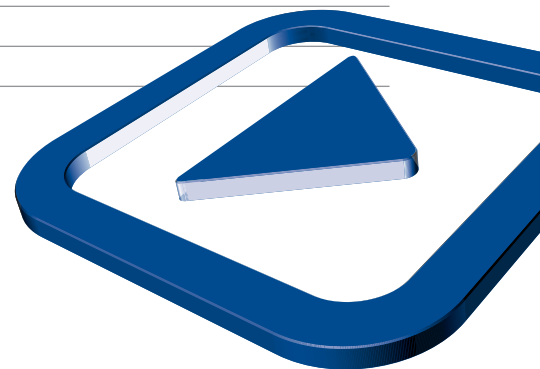
## 18. Share Capital

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.

Common shares, euro 0.10 pare value  
 Authorised 50 million; issued and outstanding  
 22.96 million in 2005 and 15.73 million in 2004

Movements in share capital:

	Shares (thousands)		Amount (thousands)	
	2005	2004	2005	2004
<b>Common Shares</b>				
<b>Issued and paid-in</b>				
January 1	15,725	14,298	1,573	1,430
Issuance	7,234	1,427	723	143
December 31	22,959	15,725	2,296	1,573
	2005	2004		
<b>Equity per share</b>				
Basis	0.29	0.17		
Diluted	0.29	0.15		



## 19. Segment Information

Geographical Segment Data

The geographical allocation of sales is as follows:

	2005	%	2004	%
Europe	4,082	51.6	4,274	81.8
Asia	-	-	-	-
United States of America	3,822	48.4	950	18.2
<b>Total sales</b>	<b>7,904</b>	<b>100.0</b>	<b>5,224</b>	<b>100.0</b>

## 20. Cost of Sales

Cost of sales comprises the following:	2005	2004
Materials	26	8
Personnel expenses	3,301	2,045
Depreciation	127	59
Repair and maintenance expenses	-	6
Other	8	109
<b>Total cost of sales</b>	<b>3,462</b>	<b>2,227</b>

## 21. Marketing and Sales

Marketing and sales costs comprises the following:	2005	2004
Personnel expenses	157	124
Marketing expenses	8	2
Advertising expenses	34	8
Other	87	218
<b>Total marketing and sales costs</b>	<b>286</b>	<b>352</b>

## 22. General and Administration

General and administration expenses comprise the following:	2005	2004
Personnel expenses	963	493
Depreciation	33	50
Audit, consulting and legal expenses	609	99
Rent expense	354	271
Impairment goodwill	-	8
Other	263	364
<b>Total general and administration expenses</b>	<b>2,222</b>	<b>1,285</b>



## 23. Personnel

Personnel expenses are summarised as follows:	2005	2004
Wages and salaries	4,154	2,358
Pension expenses	28	21
Other social expenses	239	244
Redundancy costs	-	39
<b>Total personnel expenses</b>	<b>4,421</b>	<b>2,662</b>

The average number of employees for the year was:	2005	2004
The Netherlands	1	1
Germany	-	-
Poland	18	-
United Kingdom	27	25
United States of America	60	35
<b>Total average number of employees</b>	<b>106</b>	<b>61</b>

## 24. Financial income/(loss)

Financial income comprises the following:	2005	2004
Interest expense	-	-
Interest income	27	51
Currency translation differences	(3)	8
<b>Total financial income - net</b>	<b>24</b>	<b>59</b>

## 25. Income Taxes

The income tax liability for the years 2005 and 2004 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 15.1 million and euro 16.1 million as per December 31, 2005 and 2004 respectively, for which in 2005 no complete 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 11.2 million. For an amount of 3.9 million a deferred tax asset of 27% is estimated at December 31, 2005 (the nominal tax rate is 31.5%).

## 26. 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, 2005 under non-cancellable operating lease are as follows:

	2005	2004
Within 1 year	405	270
1 year through 5 years	555	363
After 5 years	-	-
<b>Total future minimum lease payments</b>	<b>906</b>	<b>633</b>

## 27. 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.

## 28. 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.



## 29. 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%
International Quality Control Inc.	Los Angeles United States of America	Testing services	100%
Testline Ltd.	Shrewsbury United Kingdom	Testing services	100%
Check Disk Europe . Sp.zo.o	Warsaw Poland	Testing services	100%

## 30. Emoluments of the Board of Directors and Supervisory Board

Directors' total remuneration approximated euro 204 in 2005 and euro 204 in 2004 respectively. In 2005 the supervisory board's remuneration was in total euro 10 (2004: 10).

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

Shares and bonds held by members of the Board of Directors and Supervisory Board as at 31 December 2005:

		No. of shares	No. of bonds
Family Hoffmann	Member of the Board	1,623,728	137,500
Robert Käß	Member of the Board	2,862,116	133,333
Michael Hasenstab	Member of the Board	2,862,116	133,333
Wolfgang Paggen	Member of the Supervisory Board	1,428	-
Karl Moser	Member of the Supervisory Board	35,000	8,750
Jens Bodenkamp	Member of the Supervisory Board	10,000	29,167

### 31. Earnings per Share (2004 und 2005)

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 2005

	Income	Weighted Average Number of Shares (thousands)	Earning Per Share Amount
<b>Basic Earnings per Share</b>			
Net profit attributable to common shareholders	1,896	19,345	0.10
Add: Assumed exercise of share options	-	105	
<b>Diluted Earnings per Share</b>			
Net profit attributable to common shareholders after assumed conversion	1,896	19,450	0.10

For the year ended 2004

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

## COMPANY-ONLY BALANCE SHEETS

as at December 31, 2005 and 2004  
(in thousands of euros)

	December 31, 2005	December 31, 2004
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,883	325
Receivables – group	1,941	1,356
Other current assets	1,186	1,239
<b>Total Current Assets</b>	<b>5,010</b>	<b>2,920</b>
<b>Non Current Assets</b>		
Goodwill	3,352	132
Investment in group companies	1,368	230
Non current investments	180	-
<b>Total Non-Current Assets</b>	<b>4,900</b>	<b>362</b>
<b>Total Assets</b>	<b>9,910</b>	<b>3,282</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade and other payables	327	193
<b>Total Current Liabilities</b>	<b>327</b>	<b>193</b>
<b>Non Current Liabilities</b>		
Convertible bond	2,960	-
Long term debt	-	500
<b>Total Non Current Liabilities</b>	<b>2,960</b>	<b>500</b>
<b>Total Equity</b>		
Share capital	2,296	1,573
Capital reserve	15,763	14,360
Currency translation differences	(91)	(103)
Accumulated deficit	(11,345)	(13,241)
<b>Total Equity</b>	<b>6,623</b>	<b>2,589</b>
<b>Total Liabilities and Equity</b>	<b>9,910</b>	<b>3,282</b>



## COMPANY-ONLY INCOME STATEMENTS

for the years ended December 31, 2005 and 2004  
(in thousands of euros)

	December 31, 2005	December 31, 2004
Profit after taxes	1,156	2,084
Profit from subsidiaries	740	174
<b>Net Profit</b>	<b>1,896</b>	<b>2,258</b>

## NOTES TO COMPANY-ONLY FINANCIAL STATEMENTS

for the years ended December 31, 2005 and 2004  
(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:

	2005	2004
<b>Book value at January 1</b>	<b>230</b>	<b>56</b>
Net equity acquired subsidiaries	386	-
Income from subsidiaries	740	174
Currency translation differences	12	-
<b>Book value at December 31</b>	<b>1,368</b>	<b>230</b>

## 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.



## MOORE STEPHENS VAN DEN BOOMEN

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### REPORT OF THE INDEPENDENT AUDITORS

#### *Introduction*

We have audited the balance sheet as at December 31, 2005 and 2004, the related consolidated statement of changes in equity, cash flow and income statements for the years 2005 and 2004 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 auditing standards generally accepted in The Netherlands. 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, 2005 and 2004, and of the results for the years ended December 31, 2005 and 2004 in accordance with International Financial Reporting Standards as accepted in the European Union and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

We are also of the opinion that the management report is compliant with the financial statements.



Moore Stephens Van den Boomen  
Accountants

Waalre, (Eindhoven), The Netherlands  
June 14, 2006

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

Chamber of Commerce  
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