Catalis

Annual Report 2006

Contents

1. Annual Review

1. Quarter

- The start to the New Year is successful: By the end of the first quarter, Catalis N.V. reports an impressive increase in turnover and profit. The consolidated group turnover increases by about 42 % equating to just over 2.2m euros (previous year 1.5m euros). The company's operating profit increases by more than 53 % equalling 552,000 euros (previous year: 360,000 euros). In the field of e-Learning the company almost doubled its previous year's turnover and in the field of Games Testing, the company for the first time achieves a stable turnover with its various clients.
- Through the company's subsidiary IQC Inc., Catalis N.V. in cooperation with US owned Deluxe Digital Service are building a new test laboratory in the heart of Burbank, California, specialising in new technologies such as HD-DVD and Blu Ray. Deluxe Digital Services focuses its business as a complete service provider operating across the Film, TV and Home Entertainment production industries, the company sees itself as a leading "Authoring House" in the field of "Next Generation DVD" platforms.

2. Quarter

- The test laboratory in Burbank, California, commences operations and achieves its first significant turnover.
- On June 01, 2006, Neil Goodall is appointed as the Managing Director of the Catalis N.V. subsidiary Testronic Laboratories. Neil Goodall has extensive experience in testing services and his arrival is to strengthen the management of the already successful subsidiary.
- The e-Learning and Games-testing sector of the business in particular expanded their turnovers significantly.
- Throughout the first six months of the 2006 business year, Catalis N.V. continues to further positively develop its turnover. All in all, the turnover increases by 25 % to 4.2m euros (previous year: 3.4m euros). Operating profit rises by more than 30 % to 1.2m euros (previous year: 0.9m euros).

3. Quarter

- Galileo Medien AG, a company where Catalis had taken a financial participation in 2005, starts its life on the German capital market on July 20, 2006. The company is listed onto the Open Market of the Frankfurt Stock Exchange and on this basis of its successful market listing the company can start to grow.
- On August 21, 2006, Catalis N.V. takes over the Belgium based PMTC (Professional Media Testing Center), a competitor to Catalis N.V. in the field of Quality Assurance services for DVD. The acquisition marks a milestone in the company's diversification strategy. PMTC generates more than 70 % turnover in the fields of Games Testing, Software Testing and Hardware Testing. At the same time, through this acquisition, the company's competitive position is enhanced and its growth accelerated.
- Catalis N.V. is well on course for achieving its forecasted performance targets for the 2006 business year. The turnover increases significantly by 39 % to 7.9m euros (previous year: 5.7m euros). The company achieves a record EBIT of 2.5m euros approximately 44 % over the previous years result of 1.8m euros.

4. Quarter

- On December 15, 2006, Catalis N.V. through its wholly owned subsidiary Catalis Development Services Limited Ltd., publicly announces a takeover bid and a recommended cash offer to purchase all of the already issued and to be issued ordinary share capital for the British company Kuju plc. Kuju plc is one of Europe's leading independent developers of interactive entertainment/games software for a variety of platforms. Operating across five studios in the UK, Kuju plc has a strong development capability and has been creating interactive games for a large number of major game publishers for several years. The acquisition of Kuju plc serves as a milestone in Catalis N.V. systematic diversification strategy and the company has now opened itself up to the exciting and lucrative market of computer game programming.
- Catalis N.V. achieves a significant increase in revenues for the year 2006. Altogether the company achieves consolidated revenues equating to 11.0m euros (previous year 7.9m euros). This is equivalent to an increase of over 39 %. The operating profit increases by 51 % to 2.9m euros (previous year: 1.9m euros)

2. To Our Shareholders

Dear Shareholders,

The 2006 business year has seen some of the largest changes in the company's history. The acquisition of Belgium based PMTC has accelerated the diversification of our service offering in the Quality Assurance space while at the same time Catalis N.V. has entered into the market of creative services by acquiring British company Kuju plc, a pre-eminent developer of interactive games for all platforms.

Both moves have more than doubled Catalis in size expanding thus taking the firm ever closer to achieving its goal of becoming a global leader and "One Stop Shop" in the provision of outsourcing services to the digital media and entertainment industries.

Keeping its' promises and exceeding its goals, Catalis N.V is on a continous and successful road to becoming a truly global player in its' core markets of the digital media and the entertainment industry.

This annual report, provided to you, contains all facts, figures and changes that have taken place throughout the 2006 business year.

Eindhoven, November 2007

Dr. Michael Hasenstab Robert Kaess Klaus Nordhoff

„On the way to becoming a Global player" – The Board of Management Dr. Michael Hasenstab, Robert Kaess and Klaus Nordhoff review the 2006 trading year

Dr. Michael Hasenstab: Over the course of the last trading year, the Catalis Group has significantly increased its size…

Robert Kaess: … through the acquisition of Kuju plc and PMTC we have not only expanded and rounded the company's service portfolio of operations, but also opened Catalis N.V's doors to a variety of new business opportunities, for instance game development and various other production services are now possible. In the future we will now be able to represent these newly opened fields from one major source – a notable achievement which one could not expect more of in a year.

Dr. Michael Hasenstab: This year, Catalis N.V. achieved a total turnover of 11.0m euros, in comparison to the 2005 business year, whereby the company achieved a turnover of 7.9m euros. This increase represents a growth of over 39 % in just one year. Therefore we have significantly smashed our original ambitious target of 10 %. The pre tax profit was recorded at 2.5m euros, an increase of 26 %! However, this excludes revenues from Kuju plc, which we will consolidate from January 1st, 2007.

Both, the company's acquisitions and the organic growth of the Catalis Group in 2006, have significantly contributed to the overall growth of the company and have enabled the Catalis N.V. to strengthen and diversify its service portfolio. Catalis N.V. is now able to offer new services and to strengthen its independence from its initial service of DVD Film Testing. The acquisition of PMTC has made it possible for Catalis N.V. to significantly strengthen its market position in the field of “Games”, “Software” and “Hardware” Testing.

Robert Kaess: Finally, in 2006 the decision was made to appoint Mr. Klaus Nordhoff to the Catalis N.V. Board of Management beginning on March 1, 2007. Welcome on board!

Klaus Nordhoff: I have arrived at a very exciting time, amidst the company’s full business upswing. I am extremely pleased to be part of the Catalis Group and look forward to working with you and our colleagues on two continents in order to increase and rapidly develop the company’s success.

Dr. Michael Hasenstab: You have joint our team at the right time. The company is currently in a very positive position and is experiencing sizeable and significant changes. When we started out a few years ago, our original goal was to become the market leader in specific niche markets. We achieved this goal clearly in the field of DVD Testing Services.

Robert Kaess: In the medium term we aim to take on the role as a global player and business partner in the market for providing outsourcing service for the production of digital contents for our clients in the film and entertainment industries with the vision to control the complete supply chain for the digital entertainment and media industry working with any type of content, media vehicle or hardware.

Dr. Michael Hasenstab: I see Catalis N.V. becoming the “One Stop Shop” for a truly mammoth industry and maintaining a wide variety of services relating to the production of entertainment media. The growth in Production Services continues to increase and we are taking full advantage of this. The buy and build strategy, used to rejuvenate the growth in aeco N.V. and turn it into Catalis N.V., has laid a solid foundation with the new subsidiary Kuju plc. In the future we will continue to develop the company through organic and external expansion. What make us attractive to our clients, whether they are large film studios or renowned game developers, are our impressive quality standards and our international locations ranging from Los Angeles to Brighton.

Robert Kaess: Referring to L.A. - we chose Los Angeles, so that we could remain at a close proximity to the centre of the digital media industry. L.A. offers a substantial location benefit for the company. We are able to test films where they are made in just a few days, an advantage that our competitors in the Asian markets can only dream about.

Klaus Nordhoff: These benefits can be clearly seen. The largest content providers are working with increasingly complex technologies and are strongly dependant on Outsourcing Service Providers such as Catalis N.V. There is an increasing demand for DVD’s and Games in the latest up to date formats for the latest hardware – a variable mix making us a significantly sought after, long term business partner.

Dr. Michael Hasenstab: All of these trends offer us a tremendous upswing in the market. Catalis N.V. has a bright future due to its unique positioning in the industry. Furthermore, if we are able to expand and complete our service portfolio and subsequently increase control over the industry supply chain, we are certain that we will be able to construct an incontestable position in the global digital entertainment market.

Klaus Nordhoff: We are optimistic regarding the profit expectations for 2007. Anticipating the total turnover for the current business year to amount to 30m euros we expect an EBIT in excess of 4m euros.

In the first half year of 2007 Catalis N.V. has increased its turnover by about 300% to 16.8m euros, compared to the last year’s figure. Through the acquisition of our new subsidiary Kuju plc, which was consolidated for the first time, we were able to generate turnover of 10.5m euros in our games development division. In the testing services division turnover amounted to 6.3m euros. That represents an increase of approximately 51%.

In respect to earnings the company achieved an operating result (EBIT) for the first half year 2007 of 2.0m euros. That equals an increase of approximately 64% compared to the previous year. The profit before tax (EBT) rose by 23 % to 1.6m euros.

Dr. Michael Hasenstab: These are good grounds to send a clear message to our shareholders. In the future, Catalis N.V. plans to move to higher growth regions. We are spreading the risk of adverse market trends through a safe and widely structured service portfolio. All in all we can honestly report that Catalis N.V. remains an interesting investment opportunity!

3. THE CATALIS GROUP

Introduction

The First Port of Call for Digital Testing Services

Catalis N.V. is a world wide outsourcing service provider for the digital media and entertainment industry. Our high end services cover Quality Assurance on anything ranging from film content and video games to interactive software and e-learning programs. Catalis N.V.´s headquarters is based in Eindhoven, Netherlands.

New: Gaming Development & Production

Aside from being a digital testing service provider, since January 2007 the company is represented in the fields of games development and production services and aims to use its specialist know-how for global partnerships. With our large range of services and simultaneous specialisation in the growth market digital media and the requirement to offer industry-wide services, Catalis N.V. is definitely classed as a unique investment.

Company History

More than just a Test

aeco N.V., a manufacturer of optical and electronic testing equipment for the production of optical media, renamed itself in 2003 to what is now known as Catalis N.V. Originally, aeco N.V. was the unification of the enterprises Conttec GmbH and Aerosonic Ltd. and introduced itself in 2000 to the Frankfurt Stock Exchange. After disparting from Conttec GmbH and Aerosonic Ltd. in 2002 a new strategy was formed to successfully position the company in key niche markets and the company was soon renamed to Catalis N.V. The return to profitability was achieved in 2003 and Catalis N.V. has been on a continuous and profitable growth course paired with strategic acquisitions ever since.

Structure

Europe meets America – A Holding with Two large Subsidiaries

Catalis N.V. is the parent company of wholly owned subsidiaries Kuju plc and Testronic Laboratories. The individual subsidiaries have operations stretching across the United States of America, Great Britain, Poland and Belgium.

Quality Assurance Business
- Testronic Laboratories Great Britain
- Testronic Laboratories USA
- Testronic Laboratories Poland
- PMTC Belgium

Games Development Business
Kuju plc (Godalming, UK)
- Studion Brighton
- Studio Sheffield
- Studio Godalming (2)
- Studio London

Catalis N.V. follows a strict diversification and growth strategy. The key industries which Catalis N.V. operates in are described below:

Testronic Laboratories – Market Leader for DVD Test Services

Catalis N.V.'s subsidiary Testronic Laboratories has historically operated in the DVD Film Testing market and developed a position of global leadership in that space over recent years. With the acquisition of PMTC in the latter part of 2006, Testronic was able to branch out into new fields becoming ever closer to fulfil our vision of being a "One Stop Shop" for Quality Assurance for any type of content, distributed over any digital medium to any end device. Apart from being the global leader in Film Testing, our Quality Assurance business is ranked sixth in the world for computer game testing and third in Europe for e-learning testing.

Kuju plc – New Markets Come into Play

In December 2006, Catalis N.V. made an offer to buy the British computer game developer Kuju plc, which was subsequently taken over in 2007. This expansion into this industry significantly compliments Catalis N.V.'s service portfolio, which now includes a considerable proportion of the booming computer game industry. Kuju plc acts on behalf of large game publishers and develops games for all game consoles including Sony, Microsoft, Nintendo, PC games and mobile games. The cutting edge technical specialists at Kuju plc are responsible for over 32 highly popular computer games that have kept the company on top of its market for more than 15 years.

The five locations across the British Islands are each responsible for specific genres of game. These are 1. Tactical and Action games, 2. Sports, 3. Lifestyle games, 4. Action games and 5. Railsimulation.

The takeover of Kuju plc is by no means a conflict of interest for the game manufacturers, for which Catalis N.V. has provided Testing Services for in the past. Kuju plc is a pure “work for hire” service provider and does not act in anyway as a direct competitor to publishers. Therefore the takeover offers Catalis N.V significant strategic opportunities.

Employees

The Catalis Group is active in 4 different countries with 10 separate establishments. Altogether the company employs at the moment about 396 people (2006: 173), 172 are in employed in Quality assurance and 223 at Kuju plc. In 2006 Catalis N.V. Holding employed one employee (previous year: 1).

Service Portfolio

Our services are divided into three task fields which cover the entire supply chain of the digital media and entertainment industry.

Quality Assurance

All Quality Assurance Services from Catalis N.V. are handled by the subsidiary company Testronic Laboratories. Our outsourcing-quality control offers Quality Assurance Services:

- for any type of content (films and DVDs, games, music, and software)
- on any type of communications medium (internet, DVD, mobile, etc.)
- to any type of end device (DVD players, game consoles, computers, mobile devices, etc.)

A typical service provider test, for example with a feature film DVD, is based on the processing of a check list. This entails the inspection of copyrights, sub-titles, control of different national languages and compatibility with regional specific players and recorders. With a tracking-tool, the status of the testing can be seen online. The entire quality check process normally takes two days depending on the DVD.

As market leader in the field of DVD’s and other services, we have locations in the Hollywood area and near the London Pinewood Studios. Being situated closely to the prominent film production areas, provides us with a clear cut advantage.

Games Development

With the acquisition of the British computer game programmer Kuju plc, Catalis N.V. has become actively involved in a new market segment. As a pure service provider for computer game publishing, Kuju plc is positioned amongst the best development studios in Europe and recently was ranked among the world’s most successful game studios. In the past Kuju plc has created a total of 32 games for all kinds of gaming platforms.

Their know-how has helped to create popular computer games such as “Sing Star”, “Buzz”, “Crash Twinsanity”, “Call of Duty”, “Finest Hour”, and “Lotus Challenge” and among other things has helped to round out Catalis N.V.'s service portfolio as a complete media service provider.

Within the Catalis Group, Kuju plc offers a very promising business model: As Kuju plc works only on a project basis with the major publishers the credit as well as the IP risks are minimised or non-existent. With its large customer portfolio and multitude of game genres Kuju plc has a broad based foundation. Ultimately the company has the characteristics and operates with a typical "game culture" that one can only find in prime game development studios.

Production

Production services in the digital media industry include areas like translation and localisation, audio, platform conversion and porting, game art and animation, certifications, etc. Through Kuju, Catalis offers specific services in this market and intends to further strengthen this area in the future.

Strategy

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

The buy & build strategy successfully implemented by the management in 2005 will continuously shape the future of the Catalis Group. The company aspires to grow organically and at the same time continue its diversification into related services, new clients and new markets.

Our mission is clear: We want to take Catalis N.V. to the very top and become a "One Stop Shop" for technical services required by the global players in the digital media and entertainment industry.

At the same time Catalis will continue to focus on costs and endeavour to generate attractive margins.

Clients

All Major Studios

In its Quality Assurance division Catalis N.V. works for all major and a large number of smaller film studios particularly in Hollywood, but also in the UK, France and other locations. At the same time, Kuju plc has long term client relationships with most large games publishers including EA Games, Microsoft, Sony, Sega and Nintendo, etc.

Locations

In the Right Place
Our locations in the USA and Europe are directly in front of the gates of the most important studios and publishers. We operate Quality Assurance sites in Los Angeles (2), London (2), Poland and Belgium and games developments sites in the UK (4 locations, 5 studios).

Competition

Hardly any Pressure
In the Quality Assurance divison Catalis N.V. enjoys a leading position in the DVD testing field and is among the top 6 providers of games Testing Services. Kuju plc was recently ranked 6th among European games development studios.

4. The Stock & Corporate Governance

Key Stock Figures

Number of Shares:	22.96m shares
End of year Share Price:	1.19 euros per share
Year High:	1.56 euros (March, 9 2006)
Year Low:	0.94 euros (June, 13 2006)
Market Capitalisation:	27.3m euros (December 31, 2006)
Symbol:	XAE
WKN:	927093
ISIN:	NL0000233625
Stock Markets:	Xetra, Frankfurt, Stuttgart, Munich, Berlin-Bremen
Segment:	General Standard

The Trading Year 2006

The international financial markets continued to experience yet another prosperous year. The IPO Boom held strong in 2006 and altogether more than 1,500 IPO's world wide achieved issue proceeds amounting to USD 227 billion.

The German Stock Exchange (Deutsche Börse) can look back on a very successful financial year. In 2006, 70 companies took the risk and floated onto the stock market, this is a significant increase from last year's figure of just 19. DAX, the largest of the German share index's, recorded a growth of around 22 % and exceeded forecasted expectations. In mid December 2006 the DAX reached an all time year high of 6.500 points resulting in the markets highest position since February 2001. On its last day of trade in 2006, the DAX share index closed at 6,597 points.

The stock markets across the European Union and the USA also achieved a clear upturn in growth; however the German shares clearly outperformed other comparable larger share indexes. The EuroStoxx 50 recorded a growth of 14 % in 2006; the US market also achieved growth around this level. The Dow Jones closed the 2006 year at 12,500 points, a new record high representing and increase of about 16 % for the market. The US technology market (Nasdaq) made an increase of about 10 %.

The Catalis N.V. Share

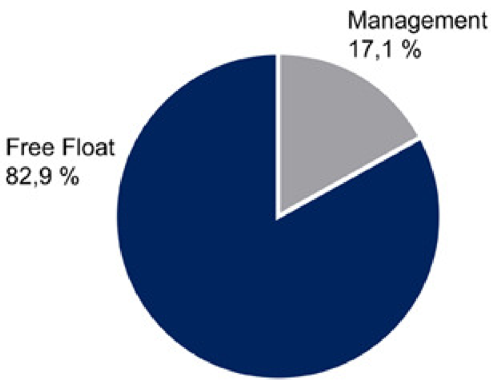
The Catalis N.V. share has been listed on the German Stock Exchange since July 2000. The share is traded on the General Standard section of the German Stock Exchange as well as on the XETRA, Stuttgart, Munich and Berlin-Bremen Stock Exchanges.

At the end of 2006, XETRA trading recorded the Catalis N.V. share at 1.19 euros. The year low share price was recorded at 0.94 euros on June 13, 2006. The share price year high was recorded at 1.56 euros on March 9, 2006. At the end of the years trading for 2006, Catalis N.V.'s market capitalisation amounted to approximately 27.3m euros.

Shareholders' Structure as of December 31, 2006

The number of issued shares amount to 22,959,525. The company has an additional 3,931,250 convertible bonds outstanding which has been completely converted at a ratio of 1:1 into shares in October 2007. The issue price amounts to EUR 0.75 per convertible bond. There are no additional payments due on conversion. The free float of the company amounts to 82.9 %. The management and other affiliated individuals own the remaining 17.1 %.

We are very proud that we can include renowned national and international investment companies as well as a large number or individuals into our circle of investors.



Investor Relations

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

As part of our Investor Relations framework, we regularly keep in contact with analysts and institutional investors. The company held its Annual Shareholders' Meeting on July 19, 2006. In May 2006, we presented Catalis N.V. to the "General Standard Konferenz" and November 2006, we presented Catalis N.V. to the "Nebenwertekongress", furthermore the company was presented to institutional investors at two separate road shows in March and October, 2006.

Over the course of the business year 2006 we have published to the capital market six Ad hoc and three Corporate News detailing all the significant events involving the Catalis Group.

Section 15a of the German Securities Trading Act (WpHG) requires members of the Board for Directors and Supervisory Board of Catalis N.V. to report the purchase or sale of Catalis N.V's shares both to the company and to the German Federal Financial Supervisory Authority (BaFin). In addition to purchase and sales transactions involving Catalis N.V. shares, securities transactions relating to Catalis N.V shares (e.g. purchase or sale of options or stock warrants for Catalis N.V. shares) must also be reported. In the course of 2006 Catalis N.V. has publicised 11 so called Directors' Dealings.

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

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

Catalis N.V. intends in the future to stick to its open communication policy. The Catalis Group assiduously endeavours to develop methods to improve its communication.

Annual Shareholders´ Meeting

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

Before the general meeting gets underway, the shareholders are informed through the annual report about the past fiscal year. As always, documents and information discussed during the Annual Shareholders' Meeting are available for download through our website.

The statutory Annual Shareholders' Meeting for Catalis N.V. for the 2005 financial year took place on July 19, 2006 in Eindhoven, Netherlands.

The Board of Directors described to its shareholders in its report the developments that took place during the fiscal year 2005. They also took the opportunity to present its strategy to continue profitable growth and further diversification into new and related testing in the digital content market.

The supervisory board and board of directors have been discharged and the other items on the agenda were also accepted by the majority.

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 2006. 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 organisational precautions.

Nevertheless Catalis N.V. is aware and self-conscious of the importance and meaning of a consistent Corporate Governance, and will determine, which of the recommendations apply to the company and will convert these within an appropriate timeframe.

5. Management Report

Global Business Environment

World Wide Stable Growth

According to United Nations, the global economic growth rate held at 3.8 %, marginally behind the previous year’s record level high. A light breaking effect was forced by a weakening in growth from the USA (3.4 %). The progressive economic development in Europe continued (the Deutsches Institut für Wirtschaft – DIW – recorded an increase of 2.6 % in GDP) similarly for the larger Asian economies such as China and India. A moderate rise in crude oil prices played a role on these developments and resulted in emergent markets strengthening financially – all in all a positive year for the world economy.

Industry Development

Increase in Demand, Decrease in Prices

In 2006, the digital media market was characterised by the introduction of the latest disc based technical formatting, Blu Ray and HD-DVD, the arrival of more complex media platforms including new games consoles and an ongoing market growth respectively stabilised the market on a high level.

Above all, the fields of DVD and gaming deserve particular attention. In the DVD market Catalis N.V. is a worldwide leader in Quality Assurance. As for in the field of gaming, we strive to rapidly improve our service portfolio.

It is imperative for content owners like the major film studios to continuously make available DVD's with new and exciting content in order to commercialise the intellectual property which has been created. Therefore we are confident that demand for Catalis N.V.'s testing services will continue to be strong. The latter is in particular true as content owners are increasingly trying to commercialise their content through new distribution platform like the internet for example via electronic delivery.

In 2006, the gaming market experienced a considerable upswing in growth. In the USA, the leading gaming market USD 13.5 billion was spent on computer games, around 18 % more than in 2005. In the United Kingdom there were reports of 65m games sold, a record number. Trends indicate a shift towards console gaming and away from PC gaming, in the last year this market in particular has only grown slightly. In the future, we expect online games and mobile games to show strong growth patterns.

Growth and Strengthening Outsourcing

Catalis N.V. is positioning itself as a "One Stop Shop" offering services along the whole digital media outsourcing chain. The unique positioning couples the trend towards outsourcing, which big studios and publishers follow more and more with the growth of the digital media market.

Company Situation

Investment and Acquisitions

A successful Stock Market Debut for Galileo Medien AG

Galileo Medien AG, in which Catalis N.V. took a shareholding in December 2005 was successfully listed on the Frankfurt Stock Exchange in July 2006. As part of the listing, the entire nominal capital of the company, consisting of 800,000 shares, was admitted for trading.

Galileo Medien AG is a technology oriented media enterprise which focuses on the development and utilisation of entertainment content for DVDs. Galileo acquires the rights to European and international feature film productions and evaluates these over the corresponding distribution channels in German-Speaking countries. The operation stages of "Home Entertainment" (rental business and sales) and "TV" are some of the company's main concentrations. Some of Galileo's most well know publications include "Antonie Zimmer," "Pauly Shore Is Dead," and "Pusher-Triologie."

From a Catalis N.V. perspective the investment was financially driven with some strategic potential. At the time of this report Catalis N.V. has disposed of its shareholding.

Takeover of PMTC

In August 2006, the complete take over of capital of PMTC, Belgium, was carried out. PMTC stands for "Professional Media Testing Centre". For many years the company competed with Catalis N.V. in the field of quality assurance for DVD. However, 70 % of its turnover was produced in related fields such as Games, Software and Hardware Testing.

The acquisition was a milestone in respect to the 2005 diversification strategy and made it possible to significantly increase the turnover proportion obtained from customers outside of the DVD film sector. At the same time the position of strategic competition was strengthened and grounds for accelerated growth were put into place.

Peter Croonen, Chairman of PMTC, Johan Creybaecks, CTO, and Mr. Frans Penders, CFO, have opted to remain in the company following the acquisition of PMTC and have committed themselves on a long term basis.

Takeover Bid for Kuju plc

Shortly before the year's end, on December 15, 2006, Catalis N.V. through its 100 % owned subsidiary Catalis Development Services Limited, submitted a public takeover bid for Kuju plc and all of its shares. Throughout course of the transaction, Catalis N.V. offered a purchase price of GBP 0.25 per share to all its shareholders. The quantity amounted to over GBP 4.4m (approx. 6.5m euros). The offer was recommended by Kuju plc and widely accepted by the shareholders. At this time, Catalis N.V. laid forward approx. 54.6 % of irrecoverable capital.

Kuju plc is one of the prominent independent European programmers of games for a wide range of platforms. With five developing studios in the United Kingdom, Kuju plc controls considerable development and production capabilities. The software houses which the entertainment industry spawned, have already debuted games of international success. In the 2005/2006 financial year (the financial year ended in March, 2006) Kuju plc had generated revenues of 13.9m euros.

The acquisition of Kuju plc represented a completely new dimension in the diversification strategy and the expansion of services offered by Catalis N.V.

Business Division Development

General

The general business development of Catalis N.V has run successfully over the course of 2006. The focus of the group remained the development of an increased range of Quality Assurance services, the traditional core business of the group. Within Quality Assurance DVD film testing remained the strongest revenue contributor, however its proportion of total revenues was substantially reduced. In 2005, DVD testing accounted for 85 % of the total turnover of the company. Following the acquisition of PMTC we expect this percentage to go down to approximately 60% with the remaining 40% coming from Games Testing, Software Testing and Hardware Testing.

In January 2007, the acquisition of Kuju plc was completed by Catalis Development Services Limited, a 100 % owned subsidiary of Catalis N.V. With the consolidation of the company in 2007, a proportion of the company's business activities will shift towards Gaming Development and Production Services, which will likely account for significantly more than half of the company's revenues.

DVD
Last year, our core business in the field of DVDs was our largest growth and profit generator because of world wide demand and forced production. Our specific involvement with world class studios put us into an extraordinary competitive position. With the new technologies HD-DVD, and electronic downloads we expect this area to continue to be very dynamic.

e-Learning
Throughout the course of 2006, the company's division of e-Learning also developed healthily and was complemented positively through the acquisition of PMTC.

Games
Catalis N.V. had entered the games testing market organically in 2005. The acquisition of PMTC created a strong acceleration in growth in games testing and has manifested Catalis N.V.'s position as a prominent supplier of services in this field.

Software and Hardware
With the acquisition of PMTC, these two fast growing fields became the fundamental building blocks of the Catalis N.V.'s diversification strategy. The company plans to not only provide Testing Services for all contents but also for all distribution median and in relation to all end devices.

Mobile Content
Because of high market potential, the planning for an active entrance into this field is being undertaken. This evaluation took itself to a priority position in the least amount of time and further developments are to be carried out in 2007.

Gaming Development and Production Services
Unfortunately no data is available in this specific field for 2006 as Kuju plc was only validly transferred to the Catalis Group in January, 2007.

Developing of Earnings, Assets and Finances

All financial data for the 2006 business year has been calculated in euros (EUR) and comply with the International Financial Reporting Standards (IFRS).

Earnings situation

Sales Turnover Development

In 2006, Catalis N.V obtained a total turnover in the amount of 11.0m euros (previous year: 7.9m euros), from which 11.0m euros were contributed by testing activities of the company (49 % Europe and 51 % USA).
Further 0.5m euros were classed as income from investment activities, advisory fees and government grants.

Gross Profit

The company's gross profit amounted to 9.6m euros in 2006, which represents an increase of 22.0 % compared to the previous year figure of 7.9m euros. The gross profit margin amounted to 87.5 % (previous year: 99.6 %).

Performance Development

In 2006, Catalis N.V. achieved an EBIT of 2.9m euros in comparison with the previous year's total of 1.9m euros, this performance represents an increased operative performance of 50.5 %.

The financial performance amounts to -0.4m euros (previous year: 0.02m euros). This is essentially down to interest payments, currency differences and monetary alignments.

Catalis N.V.'s pre-tax performance (EBT) at the end of the business year 2006 amounted to 2.5m euros (previous year: 2.0m euros). The performance after tax equated to 2.5m euros and represents and improvement of 29.2 % over last years' figures of 1.9m euros.

Profit Distribution

At the Annual Shareholders' Meeting, the management of Catalis N.V. will recommend the allocation of 2.5m euros of the after tax performance into the retained earnings of the company.

Asset Situation

Balance Sheet

As of December 31, 2006, Catalis N.V.'s balance sheet total amounted to 23.7m euros in comparison with the previous year's total of 10.7m euros, this represents more than a double in value.

The fixed assets of the company were significantly increased due to the acquisition of PMTC which was reflected in a total of approx. 3.8m euros in goodwill, generating a total of 7.2m euros (previous year: 3.4m euros).

The current assets of Catalis N.V. amounted to 13.4m euros. This increase of 7.7m euros in comparison to the previous year of 5.7m euros is due to a very high volume cash of 8.5m euros. 7.0m euros of the total are held in the companies frozen account and act as security for the acquisition of Kuju plc. The remaining 1.5m euros are held in the various operating companies.

On the passive side, Catalis N.V.'s liabilities increased from 3.5m euros to 14.2m euros whereby 8.2m euros of this total are recent liabilities incurred as a result of the acquisition of Kuju plc. The equity capital of Catalis N.V. has increased from 7.1m euros to 9.5m euros. The equity ratio was recorded at 40.1 %.

Employees

As of December 31, 2006, there were 173 members of staff employed by Catalis N.V. (previous year: 106 employees). This represents an increase of 67 employees.

172 employees were working for Testronic In 2006, the Catalis Holding employed 1 employees (previous year: 1)

Investments

Throughout the course of the 2006 business year, altogether, 0.8m euros were used for investments in new fixed assets for the company. A large proportion of this total resulted from purchase of replacement and new investments in testing equipment for the company's testing services division.

Financial Situation

Cashflow

The company's net cash flow increased from 2.0m euros achieved in 2005 to a new total of 5.4m euros 2006.

Supplementary Report

On January 9, 2007, Catalis Development Services Limited, a 100% owned subsidiary of Catalis Group, acquired 83.3 % ownership of Kuju plc. The minimum take over quote of 75 % was exceeded and the acquisition of Kuju plc came to fruition.

With a public offer and an acceptance, Catalis Development Services Limited attained a stake of 91.9 % in the games development company Kuju plc. On February 19, 2007, Catalis Development Services Limited removed the Kuju plc listing and all shares from the AIM segment of the London Stock Exchange. Catalis N.V. declared itself ready to takeover the remaining shares that were not acquired during the public offer with a squeeze out procedure.

On March 1, 2007, Klaus Nordhoff was appointed to the board of directors for finance. Erich Hoffman, a member of the board, in agreement with the company, officially gave up his position on April 3, 2007 and soon after left the business.

As of March 21, 2007, the delisting of Kuju plc from the London Stock exchange had officially taken effect. Following these actions, the structural integration of Kuju plc into the Catalis Group began.

On September 28, 2007 the company announced the conversion of the outstanding zero-coupon convertible bond 2005/2009 at the end of October 2007. With the conversion of the bond into shares the company aims to simplify its capital structure.

On October 3, 2007 the company announced its intention to change the corporate form to a European Company (Societas Europaea, S.E.) in order to reflect the multinational character of Catalis N.V. Simultaneously, the current dualistic leadership structure shall be replaced by a single Management Board consisting of managers with operating responsibilities (Executives) and managers without operating responsibilities (Non-Executives). The company also intends to establish divisional holding companies for its operating businesses.

Risk Report

Substantial Trends or Unfulfilled Expectations

The main risk for all of Catalis N.V.'s business activities and product development lies predominately with consumer interest and demand. Building on the developments in the media and entertainment industry, we depend on the developments of these industries driving forces. Technological change, variations in end users behavioural patterns represent a risk as well as an opportunity for our business. Through the continuing deflation of DVD prices, the market can only continue to grow through varied top class offers.

Catalis N.V. is designed to have a broad portfolio, a distinguishing characteristic that allows our business to anticipate and prepare for all eventualities. Catalis N.V. has taken this stance from the beginning, making sure that we are at the forefront of all modern trends in technology and content, placing us at the top of the industry.

Forecast Report

Demanding Growth Margin

For the 2007 business year, Catalis N.V presents itself a well positioned business group operating with a completely new business dimension, a well rounded client portfolio and risk structure. With the consolidation of Kuju plc, the expansion of our new business fields and a more intensive management approach to our current business, Catalis N.V. has great expectations for its business year 2007.

We expect from Kuju plc alone, a turnover size of almost 20.5m euros and an additional 14m euros from the turnover from the Testing Services provided by Testronic. These figures include the acquisition of PMTC. A total EBIT of 4.7 m euros is our goal for 2007. Since the beginning of the year, with the synergy effect and new diversifications, this goal is even still considered conservative.

6. FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS
as at December 31, 2006 and 2005 (in thousands of euros)

	Note	Consolidated December 31, 2006	Consolidated December 31, 2005
ASSETS			
Current assets			
Cash and cash equivalents	4	8,546	3,126
Trade receivables	5	3,584	2,168
Tax and social securities		151	57
Income tax		115	10
Other current assets	6	1,028	333
Total current assets		13,424	5,694
Non-current assets			
Goodwill	7	7,173	3,352
Property, plant and equipment	8	966	378
Investments	9	866	180
Deferred tax	23	1,288	1,050
Total non-current assets		10,293	4,960
Total assets		23,717	10,654
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade and other payables	10	2,855	749
Taxes and social securities		150	134
Income tax		274	99
Provisions	11	78	90
Total current liabilities		3,357	1,072
Non-current liabilities			
Deferred tax liability	23	240	219
Convertible bond	13	2,418	2,219
Loans	14	8,180	-
Total non-current liabilities		10,838	2,438
Total Equity	17		
Share capital		2,296	2,296
Capital reserve		15,747	15,763
Convertible debenture loan reserve		521	521
Currency differences		(147)	(91)
Accumulated profit/ (deficit)		(8,895)	(11,345)
Total equity		9,522	7,144
Total liabilities and equity		23,717	10,654

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

INCOME STATEMENTS

for the years ended December 31, 2006 and 2005
(in thousands of euros)

	Note	Consolidated December, 31, 2006	Consolidated December, 31, 2005
Sales	19	10,988	7,904
Other income	20	170	0
Income from investments		306	0
Cost of sales		(1,845)	(34)
Gross profit		9,619	7,870
Personnel costs	21	4,799	4,421
Depreciation		209	160
General and administration		1,700	1,355
Profit from operations		2,911	1,934
Interest income		(231)	27
Currency translation differences		(211)	(3)
Total financial income	22	(442)	24
Profit before tax		2,469	1,958
Income tax	23	(19)	(62)
Profit after tax		2,450	1,896
Earnings per share	29		
Basic		0.11	0.10
Diluted		0.10	0.09

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended December 31, 2006 and 2005
(in thousands of euros)

	Share capital	Capital reserve	Convertible debenture loan reserve	Translation reserve	Accumulated profit / (loss)	Total
Balance at December 31, 2004	**1,573**	**14,360**	**-**	**(103)**	**(13,241)**	**2,589**
Proceeds from issuance of share capital	723	1,550	-	-	-	2,273
Costs related to issuance of share capital	-	(147)	-	-	-	(147)
Currency translation differences	-	-	-	12	-	12
Profit after tax	-	-	-	-	1,896	1,896
Balance at December 31, 2005	**2,296**	**15,763**	**-**	**(91)**	**(11,345)**	**6,623**
Recognition of equity component 2005 in convertible loan	-	-	521	-	-	521
Adjusted balance at December 31, 2005	**2,296**	**15,763**	**521**	**(91)**	**(11,345)**	**7,144**
Costs related to issuance of share capital	-	(16)	-	-	-	(16)
Currency translation differences	-	-	-	(56)	-	(56)
Profit after tax	-	-	-	-	2,450	2,450
Balance at December 31, 2006	**2,296**	**15,747**	**521**	**(147)**	**(8,895)**	**9,522**

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

CONSOLIDATED CASH FLOW STATEMENTS

for the years ended December 31, 2006 and 2005
(in thousands of euros)

	***Consolidated* December 31, 2006**	***Consolidated* December 31, 2005**
Cash flow from operating activities		
Profit after tax	2,450	1,896
Depreciation of tangible fixed assets	209	160
Goodwill amortization/impairment	-	-
Increase/(decrease) of provisions	(12)	(7)
(Increase)/decrease in other current assets and trade receivables	(2,205)	(993)
Increase/(decrease) in current liabilities other than provision	2,319	225
Increase (decrease) in deferred taxes	(217)	219
Paid taxes	(166)	(134)
Interest paid	39	(27)
Net cash used in operating activities	2,417	1,339
Cash flow from investing activities		
Purchase of property, plant and equipment, net	(797)	(311)
Purchase goodwill subsidiaries	(3,821)	(3,220)
Purchase investments	(686)	(180)
Net cash used in investing activities	(5,304)	(3,711)
Cash flow from financing activities		
Increase of loan reserves	-	521
Proceeds from issuance of share capital	(16)	2,126
Increase / (decrease) of long-term debt and bank overdrafts	199	(500)
Issuance of convertible bond	-	2,219
Issuance of loans	8,180	-
Net cash (used in)/ provided by financing activities	8,363	4,366
Net effect of currency translation in cash and cash equivalents	(56)	12
Net increase/(decrease) in cash and cash equivalents	5,420	2,006
Cash and cash equivalents at beginning of year	3,126	1,120
Cash and cash equivalents at end of year	8,546	3,126

In 2006 Catalis N.V. purchased PMTC N.V. with a purchase consideration of € 5,070,000. As at balance sheet date an amount of € 4,714,000 has been paid in cash. The assets required are further disclosed in note 18 ‘Business combinations’.

The accompanying notes to these cash flow statements form an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2006 and 2005
(all amounts are in thousands of euros, unless otherwise indicated)

1. Corporate Information

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 173 and 106 in 2006 and 2005 respectively. The office of Catalis is located at Aalsterweg 181a, Eindhoven, The Netherlands. Catalis N.V. was incorporated on March 24, 2000.
The consolidated financial statements of Catalis N.V. for the year ended December 31, 2006 were authorized for issue in accordance with a resolution of the Supervisory Board on November 13, 2007.

2. Basis of preparation

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

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

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

Comparatives
In the face of the balance sheet, the presentation of comparative information of other current assets, tax and social securities and deferred tax asset have been amended. The other current assets decreased with € 1,117,000, deferred tax asset increased with € 1,050,000 and tax and social securities increased with € 67.000. The reason for this change in presentation is the requirements of IFRS.

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 include the accounts of aeco International GmbH, Aerostream inc.,, Testronic Laboratories Ltd., aeco Options BV, Testronic GmbH, Check Disc Europe Sp.z.o.o., International Quality Control Inc.,Testline Ltd, PMTC N.V. and Catalis Development Services Ltd. The subsidiary Aeco Ltd has been liquidated in 2006 and therefore not included in the consolidation 2006.

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.

Goodwill

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

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the balance sheet.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The economic life goodwill has been determined as indefinite.

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.

Financial fixed assets

Participations are valued at net asset value equity method as determined according to the valuation principles of these annual accounts where there is a material influence on financial and business policy. Other financial fixed assets are valued at purchase price or permanently lower value.

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.

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.

Convertible bond

Convertible bonds that can be converted into share capital at the option of the holder are considered and accounted for as compound financial instruments, consisting of a liability component and an equity component.

At the date of issue the fair value of the liability component of a convertible bond is estimated using a market interest rate for similar non-convertible debt. This amount is recognised as a liability on an amortised cost basis until extinguished on conversion or maturity of the bond. The remainder, being the difference between the proceeds of issue of the convertible debenture loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the debenture loan into equity of the company, is allocated to the conversion option. This conversion option is recognised directly in equity, net of tax. The equity component remains unchanged throughout the life of the instrument, unless conversion takes place. The dedicated convertible bond reserve is then released to retained earnings upon conversion.

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.

Government grants
Government grants towards research expenditure and training costs are recognised in the income statement over the periods necessary to match them with the related costs and are included in 'other income'.

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

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

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

Deferred income tax assets are recognized for deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the unused tax losses can be utilized.
The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Not recognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent

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

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 revaluation 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

The company's primary segment information is based on geographical segmentation by location of assets. The company is active in only one business segment. Each geographical segment contains assets and operations that are subject to risks and returns, distinct to the segment. Costs reported in the segments are primarily costs directly attributable to those segments. Non-allocated revenues and costs are shown as a separate segment and contain corporate overheads, corporate project costs and all other items that cannot be allocated.

Segment reporting reflects the company's management and internal reporting structure.

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.

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.

Judgements and assumptions

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

Impairment of Goodwill

The Company determines whether goodwill is impaired at lease on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a 'value in use' amount reuiqr4es management to make an estimate of the expected future cash flows from the cash-generating unit and also to determine a suitable discount rate in order to calculate the present value of those cash flows. Further details are contained in section Goodwill.

Deferred tax assets

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

Income taxes

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

Financial risk management

Credit risk and concentrations

As of December 31, 2006 and 2005, the Company had accounts receivable from five major customers that accounted for 27% and 22% of total accounts receivable.
During the year ended December 31, 2006 and 2005, revenues form five major customers accounted for 40% and 46% of total revenues.

Interest rate risk

The company operates internationally, giving rise to exposure to market risks from changes in interest. The company does not use separate derivative financial instruments to mitigate these risks.

Exchange rate risk

The company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates, especially the pound sterling and the US dollar. The company nets its exposures in foreign currencies periodically and does not use separate derivative financial instruments to mitigate those risks.

3. Changes in Groups' Organisation

In 2006 Catalis has acquired two 100% subsidiaries: PMTC N.V. (Belgium) and Catalis Development Services Ltd (United Kingdom).

4. Cash and Cash Equivalents

Cash and cash equivalents comprise bank balances and cash. The carrying amount of these assets approximates their fair value. Cash equivalents of EUR 350.000 are not immediately available for use. EUR 7.0 of the total are held in the company's frozen account and act as security for the acquisition of Kuju plc.

5. Trade Receivables

Trade receivables include the following:

	At December 31	
	2006	2005
Accounts receivable	3,587	2,168
Less: provision for doubtful accounts	3	-
Total trade receivables	3,584	2,168

6. Other Current Assets

Other current assets include the following:

	At December 31	
	2006	2005
Other receivables and prepaid expenses	778	333
Prepaid costs acquisition Kuju	250	-
Total other current assets	1,028	333

7. Goodwill

The movement in goodwill is as follows:

	2006	2005
Cost		
Cost at January 1	**4,568**	**1,348**
Purchase goodwill subsidiaries	3,821	3,220
Accumulated cost at December 31	**8,389**	**4,568**
Accumulated impairment 2006		
Accumulated at January 1	1,216	1,216
Impairment for the year	-	-
Accumulated impairment at December 31	**1,216**	**1,216**
Net book value	**7,173**	**3,352**

Goodwill acquired through the acquisition of PMTC N.V. in 2006 has been allocated to the UK-Belgium base QA unit (PMTC N.V. and Testronic UK) as a cash generating unit as defined under IAS 36. The carrying amount of goodwill as of December 31, 2006 was € 3,821,000.
Goodwill acquired through the acquisition of International Quality Control Inc. (IQC) has been allocated to the US based QA unit (Testronic US and IQC) as a cash generating unit as defined under IAS 36. The carrying amount of goodwill as of December 31, 2006 was € 3,086,000.
The recoverable values of the goodwill allocated to cash generating units have been determined based on a value in use calculation.
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 2006.

8. Property, Plant and Equipment at Cost

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

	At December 31	
	2006	2005
Cost		
Cost at January 1	1,006	652
Additions	489	233
Acquired on acquisition of a subsidiary	617	175
Translation differences	-64	-
Disposals	-2	(54)
Cost at December 31	2,046	1,006
Accumulated Depreciation		
Accumulated depreciation at January 1	628	425
Depreciation for the year	209	160
Accumulated depreciation through acquisition of a subsidiary	260	85
Translation differences	-15	-
Disposals	-2	(42)
Accumulated depreciation at December 31	1,080	628
Net book value	966	378

9. Investments

The in 2005 acquired shares of Galileo Medien AG have been sold in 2006.

In December 2006 Catalis N.V. already acquired 14,7% of the shares of Kuju plc. Catalis N.V. has published a public offering at 14th December 2006 with the intention to acquire the complete share capital of Kuju plc. The offer price was 25 pence (British Pounds) per share. On 14th December 2006 the stock exchange value per share was 16.25 pence. On 29th January 2007 Catalis N.V has announced that it's wholly owned subsidiary Catalis Development Services Limited holds a stake of 87.8 percent in Kuju plc, United Kingdom. The public offer was declared wholly unconditional on January 29, 2007. After holding 91.9 percent in Kuju plc. Catalis initiated the squeeze out at Kuju plc. in February 2007. The squeeze out for 100 % of the outstanding shares was completed by April 19, 2007. The Kuju shares at 31 December 2006 are stated at their purchase costs.
The complete purchase price of Kuju Plc amounts to some GBP 4,375,000.

10. Trade and Other Payables

Trade and other payables include the following:

	At December 31 2006	At December 31 2005
Accounts payable trade	1,930	347
Accrued expenses	925	402
Total trade and other payables	2,855	749

11. Provisions

Provisions at December 31, 2006 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 2005	90
Provisions made during the year	-
Provisions released during the year	(12)
Balance at 31 December 2006	78

12. Bank Overdrafts

As per December 31, 2006 and 2005 the Group has no credit facilities.

13. Convertible bond

In September 2005 Catalis NV has issued a convertible bond to finance further growth and the acquisition International Quality Center Ltd 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. The convertible bond bears an interest of 0% with an effective rate of 7,5%.
The management board has decided that the bond rights will be converted into shares in 2007.

In the financial statements of 2005 the recognition of the conversion right embedded in the bond (issued in 2005) has not been accounted for. This is not in line with IAS 39. As a consequence, this prior year error has retrospectively been corrected in the financial statements of 2006. The impact on the net result for 2005 is immaterial and has therefore not been corrected. The following balance sheet items have been corrected:
- Convertible bond decreased with € 741,000
- Deferred tax liability increased with € 219,000

- Equity increased with € 521,000

In addition, the diluted earnings per share for the year ended 2005 have been corrected as well.

14. Loans

The average interest on the loans is 7,5%. The loans have to be repaid before January 1, 2008. When the loans are not repaid before that date, the lender has a conversion right into shares of Catalis N.V. at an average of 70% of the value at the stock exchange market. Catalis N.V. has also pledged the shares of her subsidiaries.

15. Employee Benefits Obligations

Defined Contribution Plan

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

Defined contribution obligations were not significant as of December 2006 and 2005, 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.

There were no stock options outstanding at 31 December 2006.

16. Other Options

Background

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

There are no other options outstanding at December 31, 2006.

17. Equity

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 par value
Authorised 50 million; issued and outstanding
22.96 million in 2006 and 22.96 million in 2005

Movements in share capital:

	Shares (thousands)		Amount (thousands)	
	2006	2005	2006	2005
Common Shares				
Issued and paid-in				
January 1	22,959	15,725	2,296	1,573
Issuance	-	7,234	-	723
December 31	22,959	22,959	2,296	2,296

Capital reserve relates to the additional capital paid-in.
The currency differences reserve is due to translation of assets and liabilities of subsidiaries with a functional currency which is different from the reporting currency.
The currency differences reserve is not distributable.

18. Business combinations

<u>PMTC N.V.</u>
On 1 august 2006, the company acquired 100% of the shares of PMTC N.V. from MCH BVBA and its managers for an amount of € 5,0 million (including acquisition costs of some € 194,000) in cash. The acquisition was financed by means of a new loan.
By means of an asset deal, the non testing business of PMTC N.V. has been sold immediately after the acquisition at fair value.
PMTC N.V. offers customised testing services of games, software, DVD Video, hardware and consultancy by specialised testing professionals. With the acquisition, the company enhanced its competitive position on the testing services.
The acquired business contributed revenues of € 1,7 million and a loss of some € 26,000 for the period from 1 august 2006 to 31 December 2006. No acquisition costs are included in the company's profit.

Details of net assets acquired and goodwill recognised are as follows:

€ thousands	**2006**
Purchase consideration	5,070
Fair value of net assets acquired	1,249
Goodwill	3,821

The main factors contributed to the purchase consideration that results in the recognition of goodwill are the expected future profits of the company.

	Fair value	Carrying amount
Goodwill	3,821	-
Goodwill non testing business Tangible fixed assets	100 394	- 394
Accounts receivable	1,091	1,091
Other receivables	74	56
Cash and cash equivalents	476	476
Accounts payable	163	163
Other payables	683	609
Provisions	40	150
	5,070	**1,095**

19. Segment reporting

Geographical Segments

The geographical allocation of sales is as follows:

	Europe	The Americas	Corporate	Total
Sales	5,400	5,588	-	10,988
Other income	140	-	30	170
Income from investments	-	-	306	306
Cost of sales (excluding depreciation)	921	924	-	1,845
Gross profit	**4,619**	**4,664**	**336**	**9,619**
Personnel costs	2,119	2,576	104	4,799
Depreciation	114	95	-	209
General and administration	607	714	379	1,700
Profit from operations	**1,779**	**1,279**	**-147**	**2,911**
Segment assets	8,232	5,729	9,756	23,717
Segment liabilities	1,428	304	12,463	14,195

	Europe	The Americas	Corporate	Total
Other segmentations items				
Capital expenditure				
Property, plant and equipment	144	345	-	489
Goodwill	3,821	-	-	3,821

20. Other income

The other income consists of advisory fees and government grants which were mainly attributed to development and training expenditure.

21. Personnel costs

Personnel expenses are summarised as follows:

	2006	2005
Wages and salaries	4,104	4,154
Pension expenses	48	28
Other social expenses	647	239
Total personnel expenses	4,799	4,421

The average number of employees for the year was:

	2006	2005
The Netherlands	1	1
Germany	-	-
Poland	24	18
Belgium	44	-
United Kingdom	25	27
United States of America	79	60
Total average number of employees	173	106

22. Financial income/ (loss)

Financial income comprises the following:

	2006	2005
Interest convertible loan	(199)	(12)
Interest expense	(80)	-
Interest income	48	39
Currency translation differences	(211)	(3)
Total financial income - net	(442)	24

23. Income Taxes

Major components of income tax expense for the years ended December 31, 2006 and 2005 are:

	2006	2005
Current income tax	-236	-112
Deferred income tax relating to origination of temporary differences	23	-
Deferred income tax relating to loss compensation	309	92
Recalculation of deferred tax relating to changes in expected tax rates	-74	-42
Other	-41	-
Total	-19	-62

The Dutch government has reduced the statutory tax rate from 31,5% in 2005 to 29,6% in 2006 and enacted a further reduction to 25,5% from 2007 on. This change in tax rate resulted in a reduction of the value of deferred tax assets of € 74,000 which is recorded in the Income Statement.

A reconciliation between tax expense and the product of the accounting result multiplied by the statutory tax rate of The Netherlands for the years ended December 31, 2006 and 2005 is as follows:

	Year ended December 31, 2006	Year ended December 31, 2005
Accounting result before tax	2,469	1,958
Tax at statutory rate	731	617
Compensation of losses	-668	-394
Deferred income tax related to origination of temporary differences	-55	-48
Recalculation of deferred tax assets and liabilities at expected tax rate	74	42
Lower effective tax rates foreign subsidiaries	-71	-151
Other	8	-4
Income tax in income statement	19	62

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

	Year ended December 31, 2006	Year ended December 31, 2005
Balance as of January 1,	1,050	1,000
Additions to deferred tax assets through Income Statement	309	92
Recalculation of deferred tax relating to changes in expected tax rate	-96	-42
Other	25	-
Balance as of December 31,	1,288	1,050

The addition of 2006 relates to increased valuation of loss compensation of € 309,000 less € 96,000 relating to changes in expected tax rates.

After the processing of the 2006 tax result, the tax losses currently amount to approximately € 2.8 million. Once the liquidation of Aeco Limited (2006) has been completed for tax purposes in 2006 these tax losses are expected to rise to approximately € 12.4 million. When the liquidation of Aeco GmbH (expected in 2008) has been completed for tax purposes these tax losses are expected to rise to approximately € 16.1 million.

Deferred tax liability relates to the temporary difference of the equity component of the convertible bond. Movements in deferred tax assets are as follows:

	Year ended December 31, 2006	Year ended December 31, 2005
Balance as of January 1,	219	0
Release of deferred tax liability through Income Statement	-23	0
Recalculation of deferred tax relating to changes in expected tax rate	-22	0
Other	66	219
Balance as of December 31,	240	219

The other movement in 2005 relates to the tax effect of the recognition of the equity component of the convertible bond, for which the comparative figures have been adjusted.

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, 2006 under non-cancellable operating lease are as follows:

	2006	2005
Within 1 year	299	405
1 year through 5 years	823	555
After 5 years	-	-
Total future minimum lease payments	1,122	960

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. Related parties

The remuneration paid to the Board of Directors and Supervisory Board is disclosed in note 28 to these financial statements.

27. List of Consolidated Subsidiaries

Entity	Place of Incorporation	Principal Activities	Ownership Interest
aeco International (Deutschland) GmbH	Berlin, Germany	Investments	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 service	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%
PMTC N.V.	Hasselt Belgium	Testing services	100%
Catalis Development Services Ltd.	Shrewsbury United Kingdom	Holding Company	100%

28. Emoluments of the Board of Directors and Supervisory Board

Directors' total remuneration approximated euro 204,000 in 2006 and euro 204,000 in 2005 respectively. In 2006 the supervisory board's remuneration was in total euro 10,000 (2005 : euro 10,000).

E. Hofmann	euro 24,000
M. Hasenstab	euro 90,000
R. Kaess	euro 90,000
J. Bodenkamp	euro 4,000
K. Moser	euro 3,000
W. Paggen	euro 3,000

Shares and bonds held by members of the Board of Directors and Supervisory Board as at 31 December 2006:

			No. of shares	**No. of bonds**
Family Hoffmann		Member of the Board	1,623,728	137,500
Robert Kaess	(direct and indirect)	Member of the Board	1,125,000	
Michael Hasenstab	(direct and indirect)	Member of the Board	1,125,000	
Wolfgang Paggen		Member of the Supervisory Board	10,090	
Karl Moser		Member of the Supervisory Board	35,000	8,750
Jens Bodenkamp		Member of the Supervisory Board	10,000	29,167

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 and conversion rights included in the loans. 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. Conversion rights are deemed to have been converted into common shares at the beginning of the period.

	For the year ended 2006		
	Income	**Weighted Average Number of Shares (thousands)**	**Earning Per Share Amount**
Basic Earnings per Share			
Net profit attributable to common shareholders	2,450	22,959	0.11
Add: Convertible bond	114	3,931	
Add: Loan	41	433	
Diluted Earnings per Share	**2,605**	**27,323**	**0.10**

	For the year ended 2005		
	Income	**Weighted Average Number of Shares (thousands)**	**Earning Per Share Amount**
Basic Earnings per Share			
Net profit attributable to common shareholders	1,896	19,345	0.10
Add: convertible bond	-	983	
Add : Assumed exercise of share options	-	105	
Diluted Earnings per Share	**1,896**	**20,433**	**0.09**

COMPANY-ONLY BALANCE SHEETS

as at December 31, 2006 and 2005
(in thousands of euros)

	Note	December 31, 2006	December 31, 2005
ASSETS			
Current assets			
Cash and cash equivalents	32	274	1,883
Receivables – group	33	8,861	1,941
Other current assets	34	283	136
Total current assets		9,418	3,960
Non-current assets			
Goodwill	35	7,173	3,352
Investment in group companies	36	3,770	1,368
Non current investments	37	866	180
Deferred tax	38	1,263	1,050
Total non-current assets		13,072	5,950
Total assets		22,490	9,910
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Liabilities-group	39	500	-
Trade and other payables	40	1,735	328
Total current liabilities		2,235	328
Non current liabilities			
Deferred tax liability	41	135	219
Convertible bond	42	2,418	2,219
Long term debt	43	8,180	-
Total non current liabilities		10,733	2,438
Total equity	44		
Share capital		2,296	2,296
Capital reserve		15,747	15,763
Convertible debenture loan reserve		521	521
Currency translation differences		(147)	(91)
Accumulated deficit		(8,895)	(11,345)
Total equity		9,522	7,144
Total liabilities and equity		22,490	9,910

COMPANY-ONLY INCOME STATEMENTS

for the years ended December 31, 2006 and 2005
(in thousands of euros)

	December 31, 2006	December 31, 2005
Profit after taxes	1,703	1,156
Profit from subsidiaries	747	740
Net Profit	**2,450**	**1,896**

NOTES TO COMPANY-ONLY FINANCIAL STATEMENTS

for the years ended December 31, 2006 and 2005
(in thousands of euros)

30. General

The company financial statements form part of the financial statements 2006 of Catalis N.V. With respect to the company profit and loss account of Catalis N.V. use has been made of the exemption under Article 2:402 of Book 2 of the Netherlands Civil Code.

31. Principles for the valuation of assets and liabilities and the determination of the result

In order to determine the accounting policies for its company-only financial statements, Catalis N.V. makes use of the option offered in Article 2:362 (8) of the Netherlands Civil Code. This means that the principles for the valuation of assets and liabilities and the determination of the result of the company-only financial statements of Catalis N.V. are equal to those of the consolidated financial statements. Under these principles, participations over which significant influence is exerted are valued according to the net asset value method. This means that both the consolidated and the company financial statements have been drawn up in conformity with the International Financial Reporting Standards (IFRS) as adopted within the European Union. A description of those principles may be found in the notes to the consolidated financial statements.

32. Cash and Cash Equivalents

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

33. Receivables – group

Intercompany group receivables mainly relate to a loan of € 7,000,000 lend to Catalis Development Services Ltd. This loan can be repaid by the borrower at the borrower's discretion at any time after the date of the loan and before 30 December 2007. Interest charged at 7,5%. In addion short term group receivables comprise of several current accounts and accrued interest.

34. Other current assets

Other current assets include prepaid acquisition costs of Kuju plc. Amounting to € 239,000.

35. Goodwill

Notes on the goodwill may be found in section 7 of the notes to the consolidated financial statements.

36. Investment in Group Companies

The movement in the investment in group companies as follows:

	2006	2005
Book value at January 1	1,368	230
Net equity acquired subsidiaries	1,249	386
Net equity liquidated subsidiaries	419	
Income from subsidiaries	747	740
Reclassification	44	
Currency translation differences	(57)	12
Book value at December 31	**3,770**	**1,368**

The reclassification is due to the negative net asset value of Catalis Development Services Ltd. A list of major subsidiaries as required by articles 379 and 414 of Part 9, Book 2 of the Netherlands Civil Code is included in section 27 of the notes to the consolidated financial statements.

37. Non current investments

Notes on the non current investments may be found in section 9 of the notes to the consolidated financial statements.

38. Deferred tax

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

	Year ended December 31, 2006	Year ended December 31, 2005
Balance as of January 1,	1,050	1,000
Additions to deferred tax assets through Income Statement	309	92
Remeasurement of deferred tax relating to changes in enacted tax rates	-96	-42
Balance as of December 31,	1,263	1,050

Notes on the deferred tax assets may be found in section 23 of the notes to the consolidated financial statements.

39. Liabilities – group

Intercompany group liabilities comprise of several current accounts.

40. Trade and other payables
Trade and other payables mainly relate to amounts to be paid for the acquisition of Kuju Ltd and PMTC N.V. as well as several accrued costs.

41. Deferred tax liability
Deferred tax liability relates to the temporary difference of the equity component of the convertible bond. Movements in deferred tax assets are as follows:

	Year ended December 31, 2006	**Year ended December 31, 2005**
Balance as of January 1,	219	0
Release of deferred tax liability through Income Statement	-62	0
Remeasurement of deferred tax relating to changes in enacted tax rates	-22	
Other	-	219
Balance as of December 31,	135	219

The other movement in 2005 relates to the tax effect of the recognition of the equity component of the convertible bond, for which the comparative figures have been adjusted. The movement during 2006 of € 62,000 is due to the change of the fair value of the liability component of the convertible bond through profit.

42. Convertible bond
Notes on the convertible bond may be found in section 13 of the notes to the consolidated financial statements.

43. Long term debt
Notes on the long term debt may be found in section 14 of the notes to the consolidated financial statements.

44. Equity
Notes on the equity may be found in section 17 of the notes to the consolidated financial statements.

45. Personnel
During the reporting year, the company employed 1 employee.

46. Related parties

Included in the profit after taxes is an amount of € 1.9 million regarding charged licence fees and management fees to subsidiaries. The remuneration paid to the Board of Directors and Supervisory Board is disclosed in the notes to the consolidated financial statements.

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.

Post balance sheet events

On January 9, 2007, Catalis Development Services Limited, a 100% owned subsidiary of Catalis Group, acquired 83.3 % ownership of Kuju plc. The minimum take over quote of 75 % was exceeded and the acquisition of Kuju plc came to fruition.

With a public offer and an acceptance, Catalis Development Services Limited attained a stake of 91.9 % in the games development company Kuju plc. On February 19, 2007, Catalis Development Services Limited removed the Kuju plc listing and all shares from the AIM segment of the London Stock Exchange. Catalis N.V. declared itself ready to takeover the remaining shares that were not acquired during the public offer with a squeeze out procedure.

As of March 21, 2007, the delisting of Kuju plc from the London Stock exchange had officially taken effect. Following these actions, the structural integration of Kuju plc into the Catalis Group began.

On September 28, 2007 the company announced the conversion of the outstanding zero-coupon convertible bond 2005/2009 at the end of October 2007. With the conversion of the bond into shares the company aims to simplify its capital structure.

On October 3, 2007 the company announced its intention to change the corporate form to a European Company (Societas Europaea, S.E.) in order to reflect the multinational character of Catalis N.V. Simultaneously, the current dualistic leadership structure shall be replaced by a single Management Board consisting of managers with operating responsibilities (Executives) and managers without operating responsibilities (Non-Executives). The company also intends to establish divisional holding companies for its operating businesses

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AUDITOR'S REPORT

To the supervisory board and shareholders of Catalis N.V.

Report on the financial statements

We have audited the accompanying financial statements 2006 of Catalis N.V., statutory seat at Amsterdam, which comprise the consolidated and company balance sheet as at December 31, 2006, the profit and loss accountant, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

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

DRV
ACCOUNTANTS EN BELASTINGADVISEURS

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Catalis N.V. as at Decenber 31, 2006, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

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

Rotterdam, November 13, 2007

DRV Accountants en Belastingadviseurs

C.J. Hogendoorn AA

DRV Accountants en Belastingadviseurs is a member of the Moore Stephens International Limited group of independent firms.

Supervisory Board Report

The Supervisory Board of Catalis N.V. comprises of three members. Over the course of 2006, four plenary meetings of the Supervisory Board took place according to Catalis N.V.'s Articles of Association.

The Supervisory Board was frequently in written and verbal contact with the Board of Directors, concerning the financial situation of the company.

During the plenary meetings, the Supervisory Board were updated on the activities and policies of Catalis N.V. the financial situation was identified and provided their consultation on the issue raised.

Matters considered by the Supervisory Board throughout the course of the year included:

- Entrance into the new testmarket
- Acquisition PMTC
- Listing Galileo Medien AG
- Reports on the latest updates in the subsidiaries
- Budget 2007
- Corporate Governance Actions
- Acquisition of Kuju plc

The consolidated statements of Catalis N.V. were drawn up according to the International Financial Reporting Standards (IFRS). The financial data has been audited by the independent auditors DRV auditors and tax consultants (Member of Moore Stephens International).

The Supervisory Board has approved the financial statements for the Catalis Group and the management report has been prepared by the Catalis N.V.'s Board of Directors.

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

The Supervisory Board would like to extend its gratitude to the Board of Directors for its commitment to the company, hard work and for the consistently of trustworthy and fruitful dialogue.

Imprint

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