

Annual Report
2003



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FINANCIAL SUMMARY
(BASED ON IAS)

ZUSAMMENFASSUNG WESENTLICHER ERGEBNISSE
(NACH IAS)

KEY FACTS / WESENTLICHE EREIGNISSE:

- ⊢ *Catalis has achieved operating profitability in each of the four quarters of the fiscal year 2003 and has overall achieved a sustained turnaround*
- ⊢ *Operating profit up to 1,0 million for the fiscal year 2003 from euro -2,4 million for the fiscal year 2002*
- ⊢ *Net profit up to euro 822.000 for the fiscal year 2003 from euro -2,4 million for the fiscal year 2002*
- ⊢ *Revenues in the test services division up to euro 4,2 million from euro 3,7 million in fiscal year 2002. Overall revenues (including revenues from now exited test equipment division) down to euro 4,4 million for the fiscal year 2003 from euro 6,4 million for the fiscal year 2002*
- ⊢ *Strategic focus on continued growth in the test services business*
- ⊢ *New business unit "CD Copy Protection" set up*
- ⊢ *Successful capital increase of 7,149,000 new shares*
- ⊢ *Cash position up to euro 3.2 million by the end of December 2003 from euro 1.7 million by the end of the fiscal year 2002*
- ⊢ *Continued focus on profitable growth*
- ⊢ Catalis hat im abgelaufenen Geschäftsjahr in jedem der 4 Quartale operativ profitabel gearbeitet und den Turnaround nachhaltig vollzogen
- ⊢ Der operative Gewinn stieg auf EUR 1,0 Mio. für das Gesamtjahr im Vergleich zu einem Minus von EUR -2,4 Mio. im Vorjahr
- ⊢ Der Nettogewinn stieg auf EUR 822.000 von EUR -2,4 Mio. im Vorjahr
- ⊢ Umsätze im Bereich Testdienstleistungen stiegen auf EUR 4,2 Mio. von EUR 3,7 Mio. im letzten Jahr. Die Gesamtumsätze fielen auf EUR 4,4 Mio. von EUR 6,4 Mio. Hierbei sind jedoch Umsätze des mittlerweile geschlossenen Bereiches Test Equipment enthalten
- ⊢ Der strategische Fokus liegt auf kontinuierlichem Wachstum im Bereich Testdienstleistungen
- ⊢ Ein neues Geschäftsfeld wurde im Bereich „CD Copy Protection“ gegründet
- ⊢ Eine Kapitalerhöhung um 7,149,000 Aktien wurde erfolgreich platziert
- ⊢ Der Barmittelbestand erhöhte sich von EUR 1,7 Mio. zum 31.12.2002 auf EUR 3,2 Mio. am 31.12.2003
- ⊢ Catalis plant, sich auch weiterhin auf profitables Wachstum zu konzentrieren

Key Figures / Wesentliche Finanzdaten

		2003	2002	2001
Total Sales	Umsatz	4.414	6.426	7.753
<i>Test Equipment*</i>	<i>Testgeräte</i>	205	2.695	5.106
<i>Test Services</i>	<i>Testdienste</i>	4.210	3.731	2.647
Gross Profit	Rohertrag	2.510	2.704	1.061
<i>Gross Margin</i>	<i>Rohmarge</i>	56,8%	42,1%	13,7%
Operating Profit	Operativer Gewinn	957	-2.353	-14.901
<i>Operating Margin</i>	<i>Operative Marge</i>	21,7%	-36,6%	-192,2%
Net Income	Nettogewinn	822	-2.391	-14.754
<i>Net Income Margin</i>	<i>Nettomarge</i>	18,6%	-37,2%	-190,3%
Cash Flow	Kapitalfluss	1.485	-1.308	-6.495
Total Equity	Eigenkapital	4.188	2.647	4.952
Total Assets	Vermögensgegenstände	4.873	3.733	8.054
Number of Employees	Anzahl der Mitarbeiter	48	97	130
Earnings per Share	Gewinn je Aktie	0,06	-0,33	-2,27
Shares Outstanding	Anzahl der Aktien	14,3	7,1	6,5



MANAGEMENT BOARD REPORT / BERICHT DES VORSTANDES

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

After a challenging year 2002 which was characterised by a number of difficult and far reaching decisions including closures and redundancies, the management is pleased to report Catalis' turnaround is successfully completed within the fiscal year 2003. Catalis turned to profitability in each of the four quarters of the fiscal year 2003, has finally achieved a sustained turnaround and is now well prepared to master the challenges of the future and benefit from the opportunities ahead. The company is now looking forward to a bright and profitable future.

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

Nach einem Jahr 2003 voller Herausforderungen, welches von Schliessungen, Kürzungen und Kündigungen geprägt war, ist die Catalis heute eine Unternehmen, welches den Turnaround nachhaltig vollzogen hat. Jedes einzelne der vier Quartale im abgelaufenen Geschäftsjahr wurde mit einem positiven Ergebnis abgeschlossen. Auf dieser Basis ist die Catalis nun in der Lage, die vor Ihr liegenden Gelegenheiten zu nutzen und Herausforderungen zu meistern. Das Unternehmen steht vor einer hervorragenden Zukunft.

Corporate Developments

During the year a number of corporate changes have taken place including:

Change of name from aeco N.V. to Catalis N.V.

With effect from January 7, 2003, aeco N.V. has changed its name to Catalis N.V. The name change was performed in connection with the finalisation of the restructuring program and the changed focus of the business towards the provision of services rather than equipment.

Change in the board of directors of Catalis N.V.

Johann Ostermayer resigned from his position as a member of the management board effective from July 31, 2003. The decision was made conjointly with the company's Supervisory Board. No replacement for Mr. Ostermayer was hired.

Successful capital increase

In order to further strengthen the Company's balance sheet, Catalis N.V. has successfully issued 7.149.000 new shares in July 2003. Cash proceeds to

Entwicklungen auf Konzernebene

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

Namenswechsel von aeco N.V. zu Catalis N.V.

Zum Stichtag 7. Januar 2003 hat die damalige aeco N.V. ihren Namen in Catalis N.V. geändert. Die Änderung stand im Zusammenhang mit dem Abschluß des Restrukturierungsprogrammes und der damit zusammenhängenden Fokussierung auf den Testdienstleistungsbereich.

Veränderung im Vorstand der Catalis N.V.

Zum 31. Juli 2003 ist Herr Johann Ostermayer im Einvernehmen mit dem Aufsichtsrat aus dem Vorstand der Catalis N.V. ausgeschieden. Seine Position wurde nicht neu besetzt.

Erfolgreiche Kapitalerhöhung

Im Juli 2003 hat die Catalis N.V. im Rahmen einer Barkapitalerhöhung 7.149.000 neue Aktien ausgeben und dabei einen Kapitalzufluß für die

Catalis N.V. were euro 714,900. The offering was structured as a rights issue with an issue ratio of 1:1 (one new share for each existing share) and an issue price of euro 0.10 per new share. The subscription period was from July 16, 2003 to July 29, 2003. The offering was successfully placed.

Gesellschaft in Höhe von EUR 714.900 erzielt. Die Kapitalmaßnahme erfolgte unter Ausgabe von Bezugsrechten für die Altaktionäre im Verhältnis 1:1 (eine neue Aktie je existierende Aktie). Die Bezugsfrist zur Zeichnung der neuen Aktien war vom 16. Juli 2003 bis zum 29. Juli 2003. Der Ausgabepreis betrug EUR 0,10 je Aktie. Die Kapitalerhöhung wurde erfolgreich platziert.

Operating Developments

Business Unit Test Equipment

As a result of the restructuring in 2002, Catalis N.V. has exited the business unit test equipment. In March 2003 Catalis N.V. has reached an agreement between its subsidiary aeco Ltd., Welshpool, United Kingdom and DaTARIUS Technologies GmbH, Austria, which allowed the transfer of remaining operating assets, customer relationships as well as service obligations to DaTARIUS. The company will be compensated through a base payment combined with a long-term royalty agreement.

Furthermore an agreement has been reached with a purchaser relating to the premises owned by and formerly used by aeco Ltd. in Wales. Catalis N.V. is confident that the transaction will be finalised during the first half of fiscal year 2004. Catalis N.V. expects to raise significant cash from this transaction.

Business Unit Test Services

Major resources in 2003 have been focused on the test services unit, which has been further diversified and grown significantly and was profitable throughout the year.

Entwicklungen auf Operativer Ebene

Geschäftsbereich Testgeräte

Auf Basis der begonnenen Restrukturierung hatte die Catalis N.V. den Geschäftsbereich Testgeräte bereits im Jahr 2002 operativ eingestellt. Im März 2003 konnte im Rahmen des Verkaufes aller Vermögensgegenstände der aeco Ltd., Welshpool, United Kingdom, einer 100%igen Tochtergesellschaft der Catalis N.V., an die DaTARIUS Technologies GmbH, Österreich, die Schließung dieses Geschäftsbereiches vollständig abgeschlossen werden. Im Zuge des Verkaufes wurden auch Kundenbeziehungen und Serviceverpflichtungen übertragen. Als Gegenleistung erhielt die Catalis N.V. eine Kaufpreiszahlung gepaart mit einem langfristigen Lizenzvertrag.

Darüberhinaus wurde eine Einigung mit einem Käufer für das ehemalige Firmengelände der aeco Ltd. in Welshpool erzielt. Das Management der Catalis N.V. geht davon aus, daß der Verkauf im Verlauf der ersten Jahreshälfte des Geschäftsjahres 2004 abgeschlossen werden kann und erwartet aus der Transaktion einen signifikanten Kapitalzufluss.

Geschäftsbereich Testdienstleistungen

Im Geschäftsjahr 2003 wurden weitreichende Ressourcen auf den Geschäftsbereich Testdienstleistungen fokussiert, welcher weiter diversifiziert wurde und im Verlauf des Jahres signifikant und profitabel gewachsen ist.

Description and Success Factors

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

Developments

In the fiscal year 2003 our test services business has grown by 13% compared to the fiscal year 2002. Excluding currency effects (e.g. strong euro vs. USD and British Pound), the growth would have amounted to 17%.

Main objective for the business unit test services in the year 2003 was further profitable growth of the business and a reduction of risks by continued diversification:

Beschreibung und Erfolgsfaktoren

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

Entwicklungen

Im Geschäftsjahr 2003 konnte der Geschäftsbereich Testdienstleistungen ein Wachstum gegenüber 2002 in Höhe von rund 13% erzielen. Ohne Währungseffekte (insbesondere starker Euro gegenüber dem US-Dollar und dem Britischen Pfund) hätte das Wachstum rund 17 % betragen.

Wesentliche Elemente unserer Strategie im Jahre 2003 waren Ziel des weiteren profitablen Wachstums und die Reduzierung des Risikos durch verstärkte Diversifikation:

(1) The types of services offered were increased through a broadened offering targeting a greater number of different steps in the production process and value chain.

(2) A number of new clients were added to our customer list, while none were lost.

The regional expansion into the German market failed. All operating activities in the German subsidiary in Ludwigsburg have been ceased in July 2003. Business was transferred to the site in the United Kingdom.

Testronic has established its new business area "CD Copy Protection" in December 2003. Testronic Laboratories London won the Recording Industry Association of America (RIAA) contract for testing CD Audio Copy Control Technologies (CCT) under a comprehensive program to minimize compatibility risks across the music industry. The music industry is introducing various anti-piracy methods, including CCT applications in an ongoing program to reverse the declining market trend. Through entering this marketplace under a contract with the RIAA Testronic is well positioned to benefit from one of the largest industry trends in the music industry.

Furthermore our activities in the 2003 were focused on the improvement of internal processes. Our process controls are consistent and have proven effective and will be enhanced with implementation of the SAP management system during the second quarter 2004.

(1) Die Arten von angebotenen Testdienstleistungen wurden erweitert. Dabei werden nun gezielt weitere Elemente der Produktionswertschöpfungskette abgedeckt.

(2) Neue Klienten konnten gewonnen werden. Es wurden keine Kunden verloren.

Die geplante regionale Expansion insbesondere in Deutschland muß als gescheitert erachtet werden. Dementsprechend wurde die in 2002 eröffnete Dependence in Ludwigsburg wieder geschlossen. In Deutschland aufbebaute Geschäftsbeziehungen wurden überwiegend erfolgreich nach Großbritannien transferiert.

Im Dezember 2003 wurde der neue Geschäftsbereich „CD Copy Protection“ eröffnet. Startschuß für den Einstieg in diesen Bereich war die Tatsache, daß die Testronic Laboratories London im Rahmen einer erfolgreich gewonnen Ausschreibung von der „Record Industry Association of America“ (RIAA) beauftragt wurde, eine weitreichende Testinfrastruktur aufzubauen und Tests anzubieten, welche „Copy Control Technologies“ (CCT) umfassend überprüfen und somit Kompatibilitätsrisiken in der Musikindustrie reduzieren helfen. Hintergrund ist die Tatsache, daß die Musikindustrie derzeit weitreichende „Anti-Piraterie“ Maßnahmen einführt, darunter CCT Anwendungen. Wir sind davon überzeugt, daß die Testronic gerade aufgrund der Zusammenarbeit mit der RIAA äußerst gut in einem Bereich positioniert ist, welcher derzeit einen der wichtigsten Aspekte der weltweiten Musikindustrie darstellt.

Darüberhinaus hat sich das Management im Jahre 2003 auf die weitere Verbesserung interner Prozesse konzentriert. Unsere Prozesse und Kontrollmechanismen haben sich in der Vergangenheit effizient dargestellt und werden durch die Implementierung eines SAP Systems im 2ten Quartal 2004 weiter verbessert.

Strategy

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

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

We aim to execute our strategy through focus on profitable organic growth, but also seek external opportunities.

Strategy

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

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

Das Management plant, die Strategie des profitablen Wachstums organisch, aber auch unter Einbezug externer Akquisitionen umzusetzen.

Financial Statements

As of December 31, 2003, Catalis N.V. was quoted on the "General Standard" segment of the Frankfurt Stock Exchange in Germany. The registered office of the company is in Eindhoven, The Netherlands. The results for 2003 and the comparative results for 2002 are stated in euro in accordance with IAS (International Accounting Standards).

Total sales

Overall sales decreased by 31% from euro 6.4 million in 2002 to euro 4.4 million in 2003.

Finanzdaten

Catalis N.V. mit Sitz in Eindhoven, Niederlande, ist an der Frankfurter Wertpapierbörse im Börsensegment „General Standard“ gelistet. Alle nachfolgenden Finanzdaten für die Geschäftsjahre 2003 und 2002 sind in Euro angeführt und entsprechen den IAS Standards (International Accounting Standards).

Umsatzentwicklung

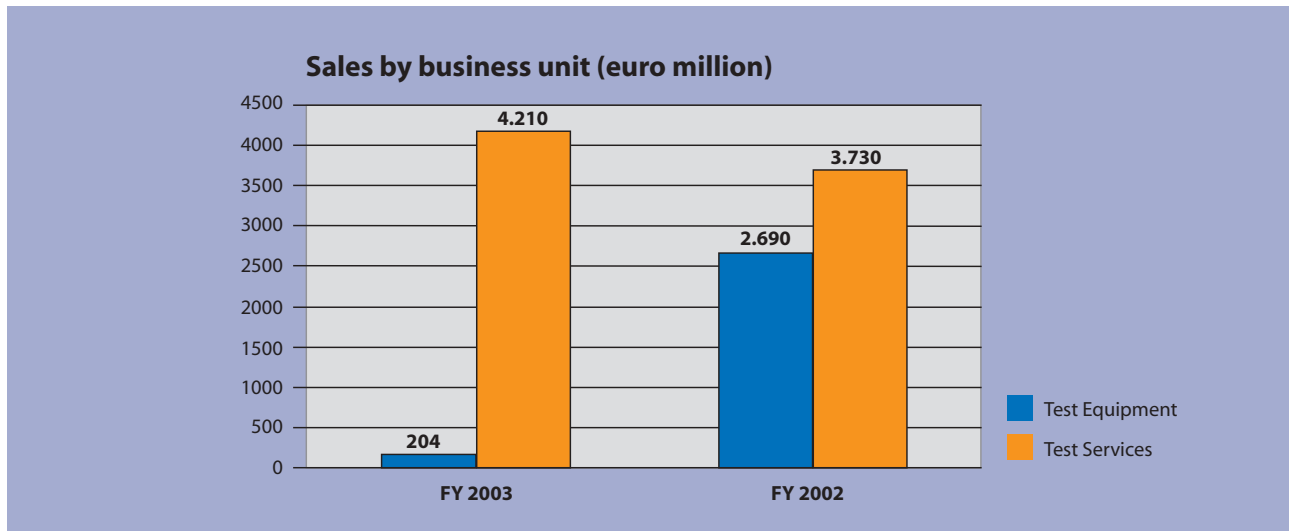
Die Umsätze verringerten sich um 31% von EUR 6,4 Mio. im Geschäftsjahr 2002 auf EUR 4,4 Mio. im Geschäftsjahr 2003.

Sales by business unit

The following table shows a breakdown of sales for 2003 by business unit:

Umsatzentwicklung nach Geschäftsbereichen

Die nachfolgende Graphik zeigt die Umsatzaufteilung nach Geschäftsbereichen.



Due to the exit out of the business unit test equipment in 2002 sales in this business unit decreased 93% from euro 2.7 million in 2002 to euro 0.2 million in 2003. The business unit test equipment accounted for approximately 5% of total sales in 2003 (2002: 42%). Sales of the test services business unit increased from euro 2.7 million in 2002 to euro 4.2 million in 2003 and accounted for approximately 95% of total sales in 2003 (2002: 58%).

Die Umsätze im Geschäftsbereich „Test Equipment“ verringerten sich als Folge der Einstellung der Geschäftsaktivitäten in diesem Bereich um 93% von EUR 2,7 Mio. im Geschäftsjahr 2002 auf EUR 0,2 Mio. im Geschäftsjahr 2003. Somit verringerte sich auch der Umsatzanteil am Gesamtumsatz des Geschäftsbereiches „Test Equipment“ auf 5% in 2003 im Vergleich zu 42% in 2002. Die Umsätze im Geschäftsbereich „Test Service“ entwickelten sich erfreulich von EUR 3,7 Mio. in 2002 auf EUR 4,2 Mio. in 2003 und stellen im Geschäftsjahr 2003 einen Anteil am Gesamtumsatz in Höhe von 95% dar. Der Anteil am Gesamtumsatz betrug im Geschäftsjahr 2002 noch 58%.

Gross profit

The overall gross profit in the fiscal year 2003 was euro 2.5 million (2002: euro 2.7 million). This reflects a gross profit margin of 55.8 % in 2003 compared to 42.1 % in the fiscal year 2002. The significant increase is mainly due to a switch away from the test equipment business which was characterised by relatively low gross margins.

Rohertrag

Der Rohertrag verringerte sich im Geschäftsjahr 2003 im Vergleich zum Geschäftsjahr 2002 von EUR 2,7 Mio. auf EUR 2,5 Mio. Dies entspricht einer Rohertragsmarge von 55,8 % für 2003 im Vergleich zu 42,1% in 2002. Dieser signifikante Anstieg der Rohertragsmarge ist auf die Fokussierung auf den Geschäftsbereich „Test Services“ zurückzuführen, der eine höhere Rohertragsmarge ausweist als der in 2002 eingestellte Geschäftsbereich „Test Equipment“.

Operating profit/(loss) and expenses

Operating profit/(loss) in the fiscal year 2003 amounted to euro 1.0 million (2002: euro (2.4) million). Overall, operating expenses decreased from euro 5.1 million in 2002 to euro 3.5 million in 2003.

Marketing and sales expenses decreased by 50% from euro 0.5 million in 2002 (7.5% of sales) to euro 0.3 million in 2003 (6.4% of sales). Most of the marketing expenses in 2002 were related to the business unit test equipment.

Expenses for research and development decreased by 100% from euro 1.6 million in 2002 (25.5% of sales) to euro 0 million in 2003. All of the research & development expenses in 2002 were related to the business unit test equipment. Due to the nature of the business unit test services it is not necessary to invest in research & development on a continuous basis.

General and administration expenses decreased by 43% from euro 2.3 million in 2002 (36.5% of sales) to euro 1.3 million (28.7% of sales) in 2003 as a result of the exit of the test equipment business unit.

Financial income / loss-net

The net financial loss was euro 0.03 million in 2002, compared to euro 0.13 million loss in 2003. The increase is mainly caused by adverse currency developments and related significant exchange rate losses during the course of the fiscal year 2003.

Ergebnis der gewöhnlichen Geschäftstätigkeit und Aufwendungen

Das Ergebnis der gewöhnlichen Geschäftstätigkeit für das Geschäftsjahr 2003 beträgt EUR 1,0 Mio. im Vergleich zu einem negativen Ergebnis der gewöhnlichen Geschäftstätigkeit in 2002 in Höhe von EUR -2,4 Mio. Die Gesamtbetrag für Aufwendungen reduzierte sich von EUR 5,1 Mio. in 2002 auf EUR 3,5 Mio. in 2003.

Die Marketing- und Vertriebskosten verringerten sich von EUR 0,5 Mio. in 2002 (entspricht 7,5% des Umsatzes) auf EUR 0,3 Mio. in 2003. Dies entspricht einem Prozentsatz von 6,4% am Umsatz. Wesentliche Marketing- und Vertriebskosten in 2002 waren dem Geschäftsbereich „Test Equipment“ zuzurechnen.

Die Aufwendungen für Forschung und Entwicklung reduzierten sich um 100% von EUR 1,6 Mio. in 2002 (entspricht 25,5% vom Umsatz) auf EUR 0 Mio. in 2003. Die gesamten Forschungs- und Entwicklungskosten in 2002 sind dem Geschäftsbereich „Test Equipment“ zuzurechnen. Im Bereich „Test Services“ ist es aufgrund des Geschäftsmodells nicht notwendig, kontinuierlich in den Bereich Forschung und Entwicklung zu investieren.

Die Aufwendungen im Bereich Verwaltung sanken um 43% von EUR 2,3 Mio. in 2002 (entspricht 36,5% vom Umsatz) auf EUR 1,3 Mio. (entspricht 28,7% vom Umsatz) in 2003. Auch dieser Effekt resultiert aus der Einstellung des Geschäftsbereichs „Test Equipment“.

Finanzergebnis

Der Verlust im Finanzergebnis beträgt EUR -0,13 Mio. in 2003 im Vergleich zu einem Verlust von EUR 0,03 Mio. in 2002. Dieser Anstieg des Verlustes im Finanzergebnis ist im wesentlichen auf Verluste durch Währungsdifferenzen im Geschäftsjahr 2003 zurückzuführen.

Income tax

Catalis N.V. effective tax rate was 0% in 2002 and 2.2% in 2003.

Profit/(loss) after tax

Profit/(loss) after tax increased from euro (2.4) million in 2002 to euro 0.8 million in 2003, mainly due to the successful implementation of the restructuring program.

Cash flow

The net cash generated in operating activities in 2003 increased from euro (1.1) million in 2002 to euro 0.9 million in 2003. The improvement results from the focus on the area of test services.

Proposal for allocation of profits

We will propose to the Annual Shareholders' Meeting to include the profit after tax of euro 0.8 million to retained earnings, resulting in an accumulated deficit of euro 15.5 million.

Employees

Our average staffing level has decreased by 49 people from an average of 97 in 2002 to 48 in 2003. There were 47 people employed in our test equipment business unit and 0 in our test services business unit. The staff of the holding Catalis N.V. consisted of 1 people in 2003.

Capital expenditures

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

Acquisitions

No acquisitions were made in the fiscal year 2003.

Steuern

Die Steuerquote der Catalis N.V. steigt von 0% im Geschäftsjahr 2002 auf 2,2% im Geschäftsjahr 2003.

Ergebnis nach Steuern

Das Ergebnis nach Steuern verbesserte sich von EUR -2,4 Mio. in 2002 auf EUR 0,8 Mio. in 2003. Diese Verbesserung ist im wesentlichen auf die erfolgreiche Umsetzung des Restrukturierungsprogramms zurückzuführen.

Cash Flow

Der operative Cash Flow stieg von EUR -0,9 Mio. im Geschäftsjahr 2002 auf EUR 0,9 Mio. im Geschäftsjahr 2003. Der Anstieg des operativen Cash Flows ist hauptsächlich auf die Fokussierung auf den Geschäftsbereich „Test Services“ zurückzuführen.

Vorschlag zur Verwendung des Ergebnisses

Das Management schlägt der Hauptversammlung vor das Ergebnis nach Steuern in Höhe von EUR 0,8 Mio. auf neue Rechnung vorzutragen und in die Kapitalrücklage einzustellen.

Mitarbeiter

Die durchschnittliche Mitarbeiteranzahl verringerte sich um 49 Mitarbeiter von 97 Mitarbeiter in 2002 auf 48 Mitarbeiter in 2003. 47 Mitarbeiter sind im Bereich „Test Services“ tätig und 0 Mitarbeiter im Bereich „Test Equipment“. Die Holding Catalis N.V. beschäftigt 1 Mitarbeiter in 2003.

Investitionen

Im Geschäftsjahr 2003 wurden EUR 0,1 Mio. für Investitionen im Anlagevermögen verwendet. Der wesentliche Anteil der Investments begründet sich auf Neuanschaffungen und den Austausch von Testgeräten im Bereich Testdienstleistungen.

Akquisitionen

Es wurden im Geschäftsjahr 2003 keine Akquisitionen durchgeführt.

Financial Outlook

Catalis N.V. expects a profitable growth in turnover of approximately 10% for the year 2004 with margins comparable to 2003 or slightly improved. The management envisages a net profit of euro 1,1 – 1,3 million for the fiscal year 2004.

*Eindhoven, The Netherlands
March 31, 2004*

Board of Managing Directors


Erich Hoffmann


Dr. Michael Hasenstab


Robert Kaess

Finanzausblick

Catalis N.V. erwartet auch im Jahr 2004 ein profitables Wachstum von in etwa 10% des Umsatzes, wobei das Management von ähnlichen oder leicht verbesserten Margen im Vergleich zu 2003 ausgeht. Das Management strebt einen Nettogewinn von EUR 1,1 – EUR 1,3 Mio. für das Geschäftsjahr 2004 an.

Eindhoven, Niederlande
31. März 2004



SUPERVISORY BOARD REPORT / BERICHT DES AUFSICHTSRATES

The Supervisory Board comprises of three members. Five plenary meetings of the Supervisory Board took place during 2003, according to the Articles of Association of Catalis NV. The Supervisory Board regularly received verbal and written report from the management on the financial situation of Catalis N.V. and its subsidiaries.

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

- *Organisational structure to meet the requirement for efficient corporate management;*
- *Change in the board of directors of Catalis N.V.*
- *Reporting about development in the operating units*
- *Sale of aeco Ltd. assets to DaTARIUS*
- *Increase of share capital in July 2003;*
- *Budget 2004;*
- *Name change to Catalis N.V.;*

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

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

Der Aufsichtsrat der Catalis N.V. besteht aus drei Personen. Im Jahr 2003 haben fünf ordentliche Sitzungen des Aufsichtsrates entsprechend der Satzung der Gesellschaft stattgefunden. Der Aufsichtsrat wurde vom Vorstand regelmäßig mündlich und schriftlich über die finanzielle Situation der Catalis N.V. und ihrer Tochterunternehmen informiert.

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

- Organisationsstruktur
- Änderung im Vorstand der Gesellschaft
- Berichte über aktuelle Entwicklungen in den Tochtergesellschaften
- Verkauf des Vermögens der aeco Ltd. an DaTARIUS
- Kapitalerhöhung im Juli 2003
- Budget 2004
- Änderung des Namens der Gesellschaft zu Catalis N.V.

Die konsolidierten Finanzdaten der Catalis N.V. wurden entsprechend der „International Accounting Reporting Standards“ (nach IAS) erstellt. Die Finanzdaten wurden von unseren unabhängigen Wirtschaftsprüfern der Gesellschaft Moore Stephens geprüft.

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

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

*Eindhoven, The Netherlands
March 31, 2003*

Board of Supervisory Directors



Dr. J. Bodenkamp, Chairman

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

Eindhoven, Niederlande
31. März, 2003

K. Moser

W. Pagen



CONSOLIDATED BALANCE SHEETS

as at December 31, 2003 and 2002
(in thousands of euros)

KONSOLIDIERTE BILANZEN

zum 31. Dezember 2003 und 2003
(In tausend Euro)

		Note	Consolidated December 31, 2003	Consolidated December 31, 2002
ASSETS	AKTIVA			
Current Assets	Kurzfristige Vermögensgegenstände			
Cash and Cash Equivalents	Liquide Mittel	5	3,212	1,727
Trade Receivables-net	Forderungen aus LuL	6	740	753
Inventories	Vorräte	7	-	122
Other current assets	Andere kurzfr. Vermögensgegenstände	8	565	243
Total Current Assets	Kurzfr. Vermögensggst. gesamt		4,517	2,845
Non-current Assets	Langfristige Vermögensgegenstände			
Goodwill	Firmenwerte	9	140	148
Property, plant and equipment at cost-net	Anlagevermögen	10	216	281
Buildings at revalued amount-net	Gebäude auf Basis einer Neubewertung	11	-	459
Total non-current assets	Langfr. Vermögensggst. gesamt		356	888
Total Assets	AKTIVA gesamt		4,873	3,733
LIABILITIES AND EQUITY	PASSIVA			
Current Liabilities	Kurzfristige Verbindlichkeiten			
Trade and other payables	Verbindlichkeiten aus LuL	12	480	765
Taxes and social securities	Verbindlichkeiten aus Steuern		129	216
Provisions	Rückstellungen	13	76	105
Total current liabilities	Kurzfristige Verbindlichkeiten gesamt		685	1,086
Non-current Liabilities	Langfristige Verbindlichkeiten			
Long-term debt	Langfristige Bankverbindlichkeiten	15	-	-
Total non-current liabilities	Langfristige Verbindlichkeiten gesamt		-	-
Total Equity	Eigenkapital	19		
Share capital	Gezeichnetes Kapital		1,430	715
Capital reserve	Kapitalrücklage		18,360	18,360
Currency translation differences	Währungsdifferenzen		(103)	(107)
Accumulated profit / (deficit)	Bilanzgewinn / -verlust		(15,499)	(16,321)
Total Equity	Eigenkapital		4,188	2,647
Total Liabilities and Equity	Passiva gesamt		4,873	3,733

The accompanying notes to these balance sheets form an integral part of these consolidated financial statements.
Die beigefügten Erläuterungen zu diesen Bilanzen sind wesentlicher Bestandteil des Jahresabschlusses.

CONSOLIDATED INCOME STATEMENTS

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

KONSOLIDIERTE GEWINN- UND VERLUSTRECHNUNG

zum 31. Dezember 2003 und 2003
(In tausend Euro)

		Note	Consolidated December 31, 2003	Consolidated December 31, 2002
Sales	Umsatz	20	4,414	6,426
Cost of Sales	Herstellungskosten	21	1,904	3,722
Gross Profit	Rohertrag		2,510	2,704
Redundancy costs	Restrukturierungsaufwendungen	22	-	268
Marketing & Sales	Marketing & Vertrieb	23	284	482
Research and Development	Forschung und Entwicklung	24	-	1,638
General and Administration	Verwaltung	25	1,269	2,346
Write-offs due to aeco Germany insolvency	Abschreibungen durch den Insolvenz der aeco germany GmbH		-	323
Profit from Operations	Operativer Gewinn		957	(2,353)
Interest Income	Zinseinnahmen		34	75
Currency transaction differences	Währungsdifferenzen		(159)	(102)
Financial Income-net	Finanzergebnis	27	(125)	(27)
Profit before tax	Gewinn vor Steuern		832	(2,380)
Income Tax	Steuern	28	10	11
Net profit	Nettogewinn		822	(2,391)
Earnings Per Share	Gewinn je Aktie	34		
Basic	aktuell		0.06	(0.33)
Diluted	verwässert		0.05	(0.31)

The accompanying notes to these income statements form an integral part of these consolidated financial statements.
Die beigefügten Erläuterungen zu diesen Gewinn- und Verlustrechnungen sind wesentlicher Bestandteil des Jahresabschlusses.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

KONZERN-EIGENKAPITAL- VERÄNDERUNGSRECHNUNG

Zum 31. Dezember 2003, 2002, 2001, 2000
und 1999 (in tausend Euro)

		Share Capital	Capital Reserve	Property Revaluation Reserve	Transaktion Reserve	Accumulated profit/ (loss)	Total
		Stamm kapital	Kapital- rücklage	Ausgleichs- posten Grund- und Boden	Währungs- ausgleichs- posten	Angesammeltes Ergebnis	Summe
Balance at January 1, 1999 (pro-forma combined)	Eigenkapital zum 1. Januar 1999 (pro forma kombiniert)	500	1,694	130	19	(638)	1,705
<i>Dividends aeco Germany GmbH declared</i>	<i>Dividenden aeco Germany GmbH</i>	-	-	-	-	(1,730)	(1,730)
<i>Currency translation differences</i>	<i>Währungsumrechnungs- differenzen</i>	-	-	-	(24)	-	(24)
<i>Profit after tax</i>	<i>Periodenergebnis</i>	-	-	-	-	1,922	1,922
<i>Other</i>	<i>Anderere</i>	-	-	(2)	-	2	-
Balance at December 31, (pro-forma combined)	Eigenkapital zum 31. Dezember 1999 (pro forma kombiniert)	500	1,694	128	(5)	(444)	1,873
<i>Dividends aeco Germany GmbH declared</i>	<i>Dividenden aeco Germany GmbH</i>	-	-	-	-	(1,943)	(1,943)
<i>Goodwill merger Aerosonic</i>	<i>Unternehmenswert aus Fusion mit Aerosonics</i>	-	(1,080)	(128)	5	2,387	1,184
<i>Proceed from issuance of share capital</i>	<i>Barkapitalerhöhung</i>	150	17,758	-	-	-	17,908
<i>Currency translation differences</i>	<i>Währungsumrechnungs- differenzen</i>	-	-	-	7	-	7
<i>Profit after tax</i>	<i>Periodenergebnis</i>	-	-	-	-	824	824
Balance at December 31, 2000	Eigenkapital zum 31. Dezember 2000	650	18,372	-	7	824	19,853
<i>Currency translation differences</i>	<i>Währungsumrechnungs- differenzen</i>	-	-	-	(122)	-	(122)
<i>Proceeds from issuance of share capital</i>	<i>Barkapitalerhöhung</i>	-	(25)	-	-	-	(25)
<i>Loss after tax</i>	<i>Periodenergebnis</i>	-	-	-	-	(14,754)	(14,754)
Balance at December 31, 2001	Eigenkapital zum 31. Dezember 2001	650	18,347	-	(115)	(13,930)	4,952
<i>Proceeds from issuance of share capital</i>	<i>Barkapitalerhöhung</i>	65	13	-	-	-	78
<i>Currency translation differences</i>	<i>Währungsumrechnungs- differenzen</i>	-	-	-	8	-	8
<i>Loss after tax</i>	<i>Periodenergebnis</i>	-	-	-	-	(2,391)	(2,391)
Balance at December 31, 2002	Eigenkapital zum 31. Dezember 2002	715	18,360	-	(107)	(16,321)	2,647



**CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY**

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

**KONZERN-EIGENKAPITAL-
VERÄNDERUNGSRECHNUNG**

Zum 31. Dezember 2003, 2002, 2001, 2000
und 1999 (in tausend Euro)

		Share Capital	Capital Reserve	Property Revaluation Reserve	Transaktion Reserve	Accumulated profit/ (loss)	Total
		Stamm kapital	Kapital- rücklage	Ausgleichs- posten Grund- und Boden	Währungs- ausgleichs- posten	Angesammeltes Ergebnis	Summe
Balance at December 31, 2002	Eigenkapital zum 31. Dezember 2002	715	18,360	-	(107)	(16,321)	2,647
<i>Proceeds from issuance of share capital</i>	<i>Barkapitalerhöhung</i>	715	-	-	-	-	715
<i>Currency translation differences</i>	<i>Währungsumrechnungs- differenzen</i>	-	-	-	4	-	4
<i>Profit after tax</i>	<i>Periodenergebnis</i>	-	-	-	-	822	822
Balance at December 31, 2003	Eigenkapital zum 31. Dezember 2003	1,430	18,360	-	(103)	(15,499)	4,188

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

Die beigefügten Erläuterungen zur Eigenkapital-
veränderungsrechnung sind wesentlicher Bestandteil
des Jahresabschlusses.



CONSOLIDATED CASH FLOW STATEMENTS

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

KONSOLIDIERTE KAPITALFLUSSRECHNUNG

zum 31. Dezember 2003 und 2002
(In tausend Euro)

		Consolidated December 31, 2003	Consolidated December 31, 2002
Cash flow from operating activities	Kapitalfluss aus betrieblicher Tätigkeit		
Net Income	Jahresergebnis	822	(2,391)
Depreciation of tangible fixed assets	Abschreibung auf Anlagevermögen	130	256
Amortisation goodwill-Aerosonic, Apex, Testronic USA	Abschreibung von immateriellen Firmenwerten	8	8
Increase / (decrease) provisions	Zu-/ (Abnahmen) von Rückstellungen	(29)	(185)
(Increase) / decrease inventory	(Zu-) / Abnahme von Vorräten	122	1,504
(Increase) / decrease current assets	(Zu-) / Abnahme von kurzfristigen Vermögensgegenständen	(309)	1,139
Increase / (decrease) current liabilities	Zu-/ (Abnahmen) von kurzfristigen Verbindlichkeiten	(372)	(1,831)
Net cash (used in) / provided by operating activities	Aus betrieblicher Tätigkeit erwirtschaftete Zahlungsmittel	372	(1,500)
Cash flow from investing activities	Kapitalfluss aus Investitionen		
Purchase of property, plant and equipment, net	Investitionen in Sachanlagen	(76)	(46)
Disposals of property, plant and equipment, net	Erlöse aus Verkäufen von Sachanlagen	470	-
(Increase) / decrease other non current assets	(Zu-) / Abnahme von anderen Vermögensgegenständen	-	152
Net cash used in investing activities	Für Investitionen eingesetzte Zahlungsmittel	394	106
Cash flow from financing activities	Kapitalfluss aus Finanzierungstätigkeit		
Proceeds from / (payment of) longterm debt and bank overdraft	Einzahlung aus der Aufnahme kurz- und langfristiger Darlehen	715	78
Capital Increase	Kapitalerhöhung	-	-
Dividends paid	Dividendenzahlungen	-	-
Net cash (used in) provided by financing activities	Aus Finanzierungstätigkeit erzielte Zahlungsmittel	715	78
Net effect of currency translation in cash and cash equivalents	Wechselkursbedingte Veränderung der liquiden Mittel	4	8
Net Increase in cash and cash equivalents	Veränderung der liquiden Mittel	1,485	(1,308)
Cash and cash equivalents at beginning of year/period	Liquide Mittel zu Beginn der Periode	1,727	3,035
Cash and cash equivalents at end of period	Liquide Mittel am Ende der Periode	3,212	1,727

The accompanying notes to these cash flow statements form an integral part of these consolidated financial statements.
Die beigefügten Erläuterungen zu diesen Kapitalflussrechnungen sind wesentlicher Bestandteil des Jahresabschlusses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2003 and 2002

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

1. General

Catalis N.V. ("the Company") and its wholly owned subsidiaries (together "Catalis or "the Group") provides testing services for the media industry. The average number of employees of the Group was 48 and 97 in 2003 and 2002 respectively. The office of Catalis is located at Aalsterweg 181a, Eindhoven, The Netherlands.

2. Adoption of International Accounting Standards

The Group has adopted IAS in 2003 and 2002.

3. Summary of Significant Accounting Policies

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

General

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

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

Basis of Preparation

The accompanying financial statements have been prepared under the historical cost convention, except for buildings carried at revalued amounts.

Reporting Currency

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

Principles of Consolidation

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

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

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

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

Cash

Cash includes cash on hand and cash with banks.

Receivables

Receivables are stated at face value, after 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.

Inventories

Inventories, including work-in-progress on service contracts are valued at the lower of cost and net realisable value, after provision for obsolete items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs.

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.

Buildings are stated at revalued amount less accumulated depreciation and accumulated impairment loss. Independent property revaluations are performed once every 5 years with the last valuation performed by Norman Lloyd & Co. as of May 4, 1999. Any increase in a building's valuation is credited to the property revaluation surplus in shareholders' equity; any decrease is first offset against an increase on earlier valuation in respect of the same property and is thereafter charged to the operating profit. Upon the disposal of revalued property, the relevant portion of the revaluation surplus realised in respect of previous valuation is released from the property valuation surplus directly to retained earnings.

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:

<i>Buildings and leasehold improvements</i>	<i>5-30 years</i>
<i>Machinery and equipment</i>	<i>3-10 years</i>
<i>Furniture and vehicles</i>	<i>3-10 years</i>

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

Accounting for Operating Lease

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

Goodwill

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

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

Research and Development

Expenditures for research and development are charged against income in the period incurred except for project development costs which comply strictly with the following criteria:

- the product or process is clearly defined and costs are separately identified and can be measured reliably;*
- the technical feasibility of the product is demonstrated;*
- the product or process will be sold or used in-house;*
- a potential market exists for the product or its usefulness in case of internal use is demonstrated;*
- and adequate technical, financial and other resources required for completion of the project are available.*

Provisions

A provision is recognised when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Use of Estimates

The preparation of financial statements in conformity with IAS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the income statement in the period in which they become known.

Reserves

Property Revaluation Reserve is created in accordance with the requirements of IAS and intended for reflection of revaluation of buildings stated at fair value.

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

Revenue Recognition

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

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

FOREIGN CURRENCIES**Foreign currency transactions**

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

Foreign operations

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

Foreign entities

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

Defined Contribution Plans

The Group sponsors defined contribution plans based on local practices and regulations. The plans cover full-time employees and provide for contributions ranging from 0% to 5% of salary. The Group's contributions relating to defined contribution plans are charged to income in the year to which they relate.

Income Taxes

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

Impairment of Assets

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

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

Segments

Financial information on geographical segments is presented in Note 20.

Contingencies

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

4. Changes in Groups' Organisation

There have been no changes in 2003.

5. Cash and Cash Equivalents

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

6. Trade Receivables - Net

Trade receivables-net include the following:

	At December 31	
	2003	2002
Accounts receivable	762	838
Less: provision for doubtful accounts	(22)	(85)
Total trade receivables – net	740	753

7. Inventories

Inventories include the following:

	At December 31	
	2003	2002
Finished goods	-	-
Work-in-progress	-	61
Raw materials	-	61
Total Inventories	-	122

8. Other Current Assets

Other current assets include the following:

	At December 31	
	2003	2002
Revenue sale building	349	-
Other receivables and prepaid expenses	202	196
Taxes	14	47
Total other current assets	565	243

9. Goodwill

The movement in goodwill is as follows:

	2003
Cost	
Cost at January 1 and December 31	165
Accumulated Amortization 2003	
Accumulated at January 1	17
Amortization for the year	8
Accumulated amortization at December 31	25
Net book value	140

10. Property, Plant and Equipment at Cost-Net

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

	At December 31	
	2003	2002
Cost		
Cost at January 1	545	2,173
Additions	76	211
Disposals	(15)	(1,839)
Currency translation differences	(74)	-
Cost at December 31	532	545
Accumulated Depreciation		
Accumulated depreciation at January 1	264	1,694
Depreciation for the year	88	244
Disposals	-	(1,674)
Currency translation differences	(36)	-
Accumulated depreciation at December 31	316	264
Net book value	216	281

11. Buildings at Revalued Amount-Net

Buildings are stated at revalued amount. Independent valuations are performed periodically with the last valuation performed by the independent valuer Norman Lloyd & Co. on May 4, 1999.

The movement in buildings at revalued amount is as follows:

	At December 31	
	2003	2002
Revalued Amount		
Revalued amount at January 1	529	527
Additions	-	-
Currency translation differences	(60)	2
Revalued amount at December 31	469	529
Accumulated Depreciation		
Accumulated depreciation at January 1	70	56
Depreciation for the year	42	14
Currency translation differences	8	-
Accumulated depreciation at December 31	120	70
Net Book Value	349	459
Revenue from Sale	(349)	-
Closing Value	-	459

The historical cost price of the building amounts to approximately euro 375.

12. Trade and Other Payables

Trade and other payables include the following:

	At December 31	
	2003	2002
Accounts payable trade	188	246
Advances on sales orders	-	100
Accrued expenses	292	419
Total trade and other payables	480	765

13. Provisions

Provisions at December 31, 2003 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 2002	105
Provisions made during the year	-
Provisions used during the year	(29)
Balance as December 2003	76
Current portion of provisions	76

14. Bank Overdrafts

As per December 31, 2003 and 2002 the Group has no credit facilities.

15. Long-Term Debt

As per December 31, 2003 the Group has no long term debts (2002: euro: nil).

16. Employee Benefits Obligations

Defined Contribution Plan

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

Defined contribution obligations were not significant as of December 2003 and 2002, respectively. These obligations are presented under other payables.

Share Option Plan

Catalis' policy for the remuneration of the key employees has as objective to attract and retain high quality people and motivate them towards excellent performance, in accordance with Catalis' strategic and financial goals. The remuneration package consists of a base salary and a long-term incentive, currently in the form of stock options. Long-term incentives are linked to long-term drivers and sustained shareholders value creation.

Information on outstanding options as at 31 December, 2003

	Outstanding December 31, 2003	Outstanding December 31, 2002	Exercise Price	Last Expiration Date
Erich Hoffman	99,999	99,999	0.12	22-11-2007
	100,000		0.18	22-11-2006
	500,000		0.22	22-11-2006
Johannes Ostermayer*1)	0	99,999	0.12	22-11-2007
Han van Eijden	5,000	5,000	0.37	15-01-2007
Han van Eijden	125,000	125,000	14.00	21-07-2005
Jacques Fiers	100,000	100,000	1.40	30-06-2006
Key employees 1	6,000	84,000	0.15	08-11-2004
Key Employees 2	48,000		0.18	08-11-2005
	983,999	513,998		

*1) Johann Ostermayer resigned as a member of the board in 2003. Johann Ostermayer has not exercised any of his options in the past. Furthermore his right to exercise any options in the future has ceased.

A total of 78.000 stock options were exercised by key employees in 2003. Accordingly, a total amount of TEUR 29 was accounted for as personal expenses in the 2003 profit and loss account.

A total of 758,999 of the 983,999 options granted are currently in the money. Catalis N.V. does not have any own shares in stock. Exercising all 858,999 "in the money" options at the balance date share price of euro 0,56 per share would have a pro forma impact on the profit and loss account of approximately euro 274,000.-.

17. Other Options

Background

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

Option Agreements

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

Information on outstanding other options as at 31 December, 2003

	Outstanding December 31, 2003	Outstanding December 31, 2002	Exercise Price	Last Expiration Date
Robert Kaess	99,999	99,999	0.12	22-11-2007
Beratungs GmbH *1)	100,000		0.18	22-11-2006
	500,000		0.22	22-11-2006
Bright Eye GmbH *2)	99,999	99,999	0.12	22-11-2007
	100,000		0.18	22-11-2006
	500,000		0.22	22-11-2006
	1,399,998	199,998		

*1) Options held by Robert Kaess Beratungs GmbH were formerly held by Adval AG. Robert Kaess as shareholder and director of Robert Kaess Beratungs GmbH has full authority to exercise any rights related to the options or any shares being issued as a result of exercising the options.

*2) Options held by Bright Eye GmbH were formerly held by Ascendo Associates GmbH. Michael Hasenstab as shareholder and director of Bright Eye GmbH has full authority to exercise any rights related to the options or any shares being issued as a result of exercising the options.

All of the 1,399,998 options are currently in the money. Exercising all 1,399,998 „in the money“ options at the balance date share price of euro 0,56 per share would have a proforma impact on the profit and loss account of approximately euro 504,000.

18. Third Party Transactions

The company has entered into a loan agreements borrowing euro 105,000 to Michael Hasenstab and euro 105,000 to Robert Kaess. Both loans are fully secured by assets. The interest rate is 4%.

19. Share Capital

The authorised share capital of the Company amounts to euro 2,000 divided into 20 million common shares each having a nominal value of euro 0.10 per share.

	2003	2002
Common shares, euro 0.10 par value		
Authorised 20 million; issued and outstanding		
14.30 million in 2003 and 7.15 million in 2002	1,430	715

Movements in share capital:

	Shares (thousands)		Amount	
	2003	2002	2003	2002
Common Shares				
Issued and paid-in				
January 1	7,149	6,500	715	650
Issuance	7,149	649	715	65
December 31	14,298	7,149	1,430	715

	2003	2002
Equity per share		
Basic	0.29	0.37
Diluted	0.26	0.34

20. Segment Information

Geographical Segment Data

The geographical allocation of sales is as follows:

	2003	%	2002	%
Europe	3,274	74.2	3,379	52.6
Asia	34	0.8	1,563	24.3
The Americas	1,106	25.0	1,484	23.1
Total sales	4,414	100.0	6,426	100.0

21. Cost of Sales

Cost of sales comprises the following:

	2003	2002
Materials	16	1,001
Personnel expenses	1,208	1,996
Depreciation	110	174
Repair and maintenance expenses	6	8
Rent expense	-	46
Other	563	428
Total cost of sales	1,904	3,653

22. Redundancy Costs

Catalis N.V. had no redundancy costs in 2003 (euro 268 redundancy costs in 2002).

23. Marketing and Sales

Marketing and sales costs comprises the following:

	2003	2002
Personnel expenses	100	115
Marketing expenses	77	123
Advertising expenses	6	34
Depreciation	9	10
Rent expense	-	5
Other	92	195
Total marketing and sales costs	284	482

24. Research and Development

Research and development expenses comprises the following:

	2003	2002
Personnel expenses	-	1,315
Materials	-	157
Depreciation	-	20
Rent expense	-	51
Other	-	95
Total research and development expenses	-	1,638

25. General and Administration

General and administration expenses comprise the following:

	2003	2002
Personnel expenses	479	1,209
Depreciation	11	54
Audit, consulting and legal expenses	399	440
Rent expense	204	204
Amortisation goodwill	8	8
Other	168	431
Total general and administration expenses	1,269	2,346

26. Personnel

Personnel expenses are summarised as follows:

	2003	2002
Wages and salaries	1,613	4,018
Pension expenses	25	105
Other social expenses	149	512
Redundancy costs	-	268
Total personnel expenses	1,787	4,903

The average number of employees for the year was:

	2003	2002
The Netherlands	1	3
Germany	3	42
United Kingdom	25	40
United States of America	19	12
Total average number of employees	48	97

27. Financial income/ (loss)-Net

Financial income comprises the following:

	2003	2002
Interest expense	(11)	(8)
Interest income	45	83
Currency translation differences	(159)	(102)
Other Expenses	-	-
Total financial income - net	(125)	(27)

28. Income Taxes

The income tax liability for the years 2003 and 2002 comprises current taxes. The effective tax rate for financial statement purposes differs from the statutory tax rate in The Netherlands as the Company is subject to taxation in various countries with different statutory tax rates and has suffered losses which could not be compensated with taxable income from the past.

The Company has tax loss carry forwards available of approximately euro 15.0 million and euro 16.0 million as per December 31, 2003 and 2002 respectively, for which no deferred tax asset is recognised in the balance sheet due to uncertainty of its recoverability. This is caused due to the fact that most of the carry forward losses have their origin in the exited activities in Germany and the United Kingdom. It is not certain at the moment that the tax authorities will recognise these losses completely.

29. 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, 2003 under non-cancellable operating lease are as follows:

	2003	2002
Within 1 year	122	261
1 year through 5 years	68	258
After 5 years	-	-
Total future minimum lease payments	190	519

30. 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.

According to the preliminary reports of the trustee of the insolvency of aeco Germany GmbH it is not be expected that there will be any liabilities for the Group in the future. All of the realized and expected losses due to the insolvency are reported separately as loss in 2002.

31. Risks

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

32. List of Consolidated Subsidiaries

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

33. Emoluments of the Board of Directors

Directors' total remuneration approximated euro 201 in 2003 and euro 103 in 2002 respectively. In 2003 the supervisory board's remuneration was in total euro 10.

Shares held by members of the Board of Directors as at 31 December 2003:

<i>Family Hoffmann</i>	<i>Member of the Board</i>	<i>1,763,728</i>
<i>Robert Käß</i>	<i>Member of the Board</i>	<i>2,028,716</i>
<i>Michael Hasenstab</i>	<i>Member of the Board</i>	<i>2,028,716</i>
<i>Wolfgang Paggen</i>	<i>Member of the Supervisory Board</i>	<i>1,428</i>

34. Earnings per Share

Basic earnings per share are calculated by dividing the net loss / net profit for the period attributable to common shareholders by the number of common shares outstanding at the balance date.

For the purpose of calculating diluted earnings per share, the net result attributable to common shareholders and the number of shares outstanding are adjusted for the effects of all dilutive common shares from exercise of share options. The number of common shares is the number of common shares plus the number of common shares which would be issued on the conversion of all options „in the money“ into common shares. Share options are deemed to have been converted into common shares on the date when the options were granted.

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

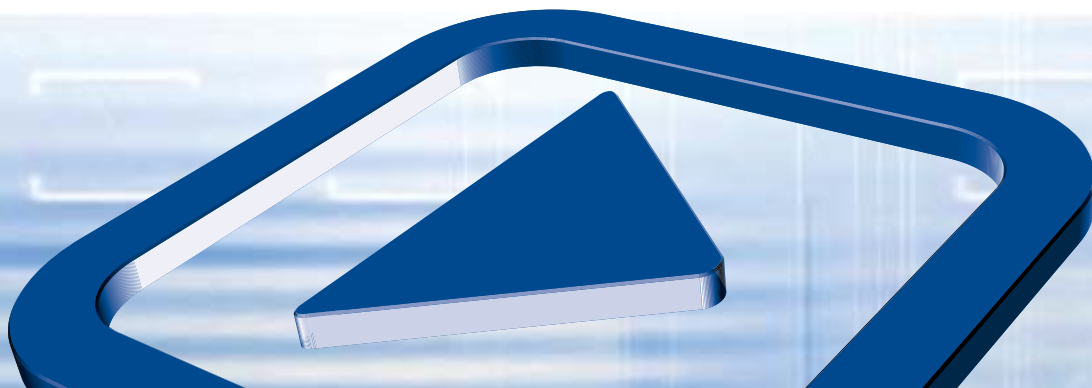
	<i>For the year ended 2002</i>		
	<i>Income</i>	<i>Number of Shares (thousands)</i>	<i>Earning Per Share Amount</i>
Basic Earnings per Share			
<i>Net loss attributable to common shareholders</i>	(2,391)	7,149	(0.33)
<i>Add: Assumed exercise of share options</i>	-	480	
Diluted Earnings per Share			
<i>Net loss attributable to common shareholders afters assumed conversion</i>	(2,391)	7,629	(0.31)

COMPANY-ONLY BALANCE SHEETS

as at December 31, 2003 and 2002

(in thousands of euros)

	December 31, 2003	December 31, 2002
ASSETS		
Current Assets		
Cash and cash equivalents	2,235	667
Receivables - group	1,953	1,964
Other current assets	10	64
Total Current Assets	4,198	2,695
Non-Current Assets		
Goodwill	140	148
Investment in group companies	56	31
Property, plant and equipment at cost - net	1	5
Total Non-Current Assets	197	184
Total Assets	4,395	2,879
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Trade and other payables	210	232
Total Current Liabilities	210	232
Total Equity		
Share capital	1,430	715
Capital reserve	18,360	18,360
Currency translation differences	(103)	(107)
Accumulated deficit	(15,499)	(16,321)
Total Equity	4,188	2,647
Total Liabilities and Equity	4,395	2,879



COMPANY-ONLY INCOME STATEMENTS

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

	December 31, 2003	December 31, 2002
<i>Profit/Loss after taxes</i>	801	(760)
<i>Profit/Loss from investments</i>	21	(1,631)
Net Loss	822	(2,391)

NOTES TO COMPANY-ONLY FINANCIAL STATEMENTS

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

1. General

The description of the Company's activities and the Group structure, as included in the notes to the consolidated financial statements, also apply to the Company-only financial statements.

2. Summary of Significant Accounting Policies

General

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

Investment in group companies

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

3. Investment in Group Companies

The movement in the investment in group companies as follows:

	2003	2002
<i>Book value at January 1</i>	31	782
<i>Investments (forgiven loan)</i>	-	829
<i>Incorporation subsidiaries</i>	-	43
<i>Income from subsidiaries</i>	21	(1,631)
<i>Currency translation differences</i>	4	8
Book value at December 31	56	31

OTHER INFORMATION

Appropriation of Net Profit after Taxes

The Articles of Association of the company provide that the appropriation of the profit after taxes for the year is decided upon at the Annual General Meeting of Shareholders. Awaiting the decision by the shareholders, the net profit for the year is added to the accumulated profit.

MOORE STEPHENS VAN DEN BOOMEN

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REPORT OF THE INDEPENDENT AUDITORS

Introduction

We have audited the consolidated balance sheet as at December 31, 2003 and 2002, the related consolidated statement of changes in equity, cash flow and income statements for the years 2003 and 2002 of Catalis N.V. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

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

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the company as at December 31, 2003 and 2002, and of the results for the years ended December 31, 2003 and 2002 in accordance with International Accounting Standards.



Moore Stephens Van den Boomen
Accountants

Waalre, (Eindhoven), The Netherlands
March 29, 2004