

SYZYGY



Key financial figures

Sales
in EUR'000



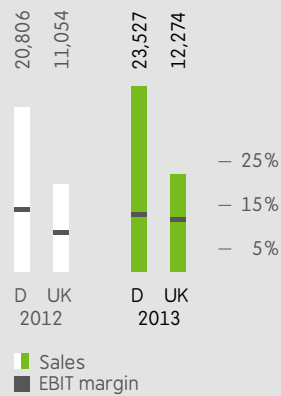
EBIT
in EUR'000



EBIT margin
in %



Sales and EBIT margin
by segments
in EUR'000



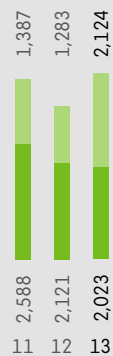
Sales allocation by
vertical markets



Financial income
in EUR'000



Ratio of operating income
to financial income
in EUR'000



Net income
in EUR'000



Operating income
Financial income

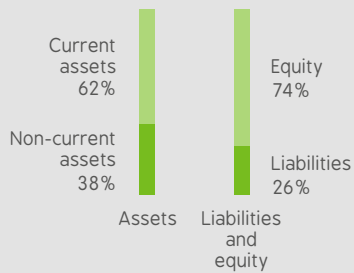
Earnings per share
in EUR



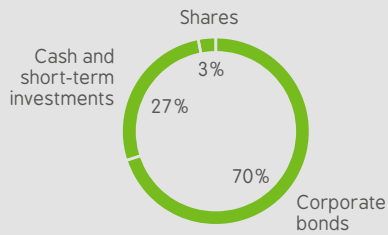
Development of
operating cash flows
in EUR'000



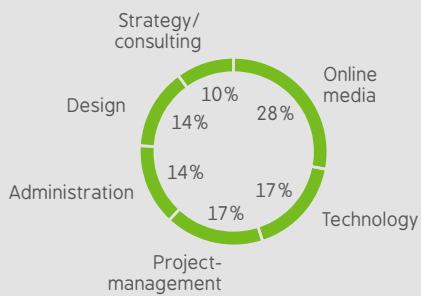
Balance sheet
structure



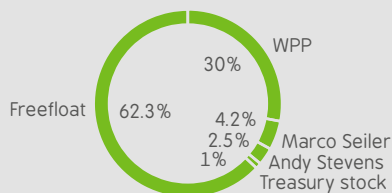
Portfolio structure of
cash and marketable
securities



Employees by
function



Shareholder
structure





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Board members' statement

Dear Shareholders,

2013 was one of the most successful financial years in the history of the SYZYG Group. Consolidated sales increased organically by 13 per cent to EUR 35.0 million – the best performance in recent years. The company thus achieved double-digit growth for the second time in a row. Based on the positive outlook and very strong balance sheet, we are again proposing a 12 per cent increase in the dividend to the Annual General Meeting, bringing it to EUR 0.28 per share. Although the SYZYG share price rose sharply at the end of 2013, this figure represents an above-average dividend yield of more than 5 per cent for the fifth year in succession. It also confirms the status of SYZYG shares as an attractive dividend stock.

The Group's financial results

The SYZYG Group continued its strong performance of the previous year, with sales up 13 per cent to EUR 35.0 million. It is noteworthy that the German and UK companies both contributed to this growth. Operating income of EUR 2.0 million was somewhat below the prior-year figure. The excellent financial income of EUR 2.1 million corresponds to a 66 per cent rise over 2012. Total net income after taxes was EUR 3.4 million. The company held liquid funds of EUR 24.8 million as at December 31.

Earnings per share

After deducting the shares held by minority shareholders, net income of EUR 3.4 million represents undiluted earnings per share of EUR 0.26.

SYZYG AG's stated dividend policy is to provide shareholders with a constant or rising share in profits. Together with the Supervisory Board, we have therefore decided to increase the dividend again and to request our shareholders to approve a distribution of EUR 0.28 per share. Based on the XETRA closing price as at December 30, 2013, this is equivalent to a dividend yield of 5.5 per cent, confirming SYZYG shares as an extremely interesting small-cap, as in previous years.



Andy Stevens
COO



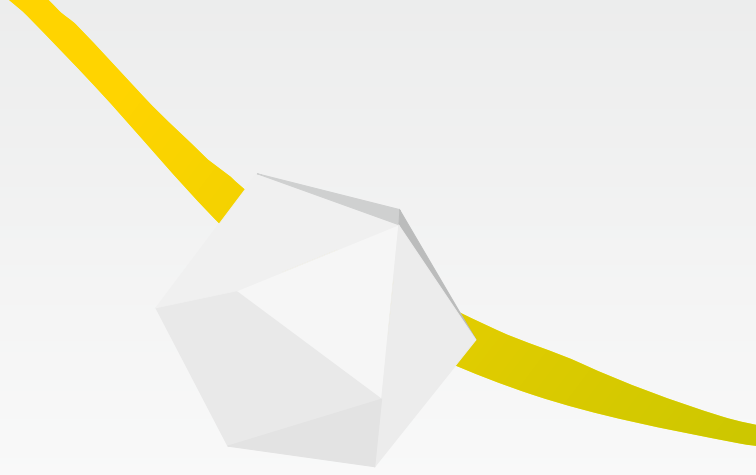
Marco Seiler
CEO

The trade press has also shown an unprecedented appreciation of our company's performance. The positive reporting in investor magazines such as Börse Online ("Growth through Change", 35/2013), Focus Money ("Runaway Success of the Year", 52/2013) and Der Aktionär ("Dividend Gem", 08/2013) bears testimony to this. Interest in SYZGY shares increased significantly among investors in the year under review. This is reflected in rising trading volumes: an average of around 26,000 shares traded each day means that the share's liquidity has more than doubled compared with the previous year. This also provides SYZGY shares with stability and makes them more attractive to investors.

Business segments and activities

The Germany segment was able to boost sales by 13 per cent to EUR 23.5 million. The acquisition of new clients had a substantial impact on growth of the segment, with the addition of BMW as a client having a particularly positive effect. The operating income of the German companies rose 3 per cent to EUR 3.1 million.

In a tough economic environment, the Group's UK segment succeeded in generating excellent results following several years of stagnating or slightly declining sales. Sales increased by 11 per cent to EUR 12.3 million. Operating income rose disproportionately by 41 per cent to EUR 1.4 million.



We are only just beginning

“If you’re not digital, you’re out”, read a headline by the editor-in-chief of German business publication *Wirtschaftswoche* at the end of February 2014. From the mobile revolution and the success of social media to the never-ending growth of e-commerce, embracing the digital age is not an option, but an absolute necessity for many sectors. It is not just a matter of advertising products effectively; marketing in the holistic sense is required, where digital marketing ideally becomes part of the product.

We are pioneers in our industry and will celebrate our 20th anniversary next year. We have built a reputation as a leading provider of media, creative and technological services, in Germany and beyond. And we are only just beginning: the changes required in the marketing and sales activities of large companies are gradually gaining momentum. Over the next few years, these changes will transform existing structures. The year ahead will see us focusing on digital brand platforms with all their various aspects. Such platforms play a major role in acquiring customers and generating loyalty. As such, they continue to offer major potential for the growth of our company.

Brand platforms live and breathe content, whether product information, interactive stories involving brands and companies, or self-help relating to products. As a result, content marketing is a key trend in our industry this year. It is also the topic to which the essay in this year’s annual report is dedicated; please see page 10.

Increased stake in Ars Thanea

Increasing our shareholding in Polish agency Ars Thanea to 70 per cent enabled us to tap into additional talent as a full member of the Group in February of this year. Award-winning work for top international brands and the success of the new iPad/iPhone blockbuster “Another Case Solved” are an impressive demonstration of the potential the firm brings to the Group. In cooperation with SYZYGY companies such as Hi-ReSI London, Ars Thanea has recently played an important role for clients such as Chanel and Paramount. “The ARK experience”, a recent project by Ars Thanea and Hi-ReSI is showcased on page 18 of this annual report.

Outlook

The Management Board of the SYZYGY Group would like to thank our clients and you, our valued, loyal shareholders. We are delighted that SYZYGY shares are appreciated by more and more shareholders as an investment. Our sincere thanks also go to all the people, now numbering almost 450, and their families who comprise and support the SYZYGY Group. We are proud of the people in the SYZYGY Group. They are among the best in the industry.

Special thanks are due to the members of the Supervisory Board, whose wealth of experience and expertise has been key to the development of the SYZYGY Group. The Supervisory Board has been instrumental in ensuring that the SYZYGY Group's strategy has delivered the success we see today.

The SYZYGY Group expects a good financial year in 2014. Based on present knowledge, Group sales will exceed EUR 40 million, corresponding to growth of at least 15 per cent. Operating income is expected to be at least EUR 3.2 million, representing an EBIT margin of 8 per cent.

The Management Board

The SYZYGY group

SYZYGY is an international digital marketing agency group with some 450 employees and offices in Bad Homburg, Berlin, Frankfurt, Hamburg, London, New York and Warsaw.

SYZYGY

Digital Communication

SYZYGY develops international websites and platforms, which bring brands to life online and boost sales. Always driven by a deep understanding of strategic brand management, technology, and user expectation.

syzygy.co.uk
syzygy.de

unique

Online Media

The service portfolio of unikedigital encompasses display media, search engine marketing and optimisation, affiliate marketing and social media as well as consultancy in the area of webanalytics, conversion optimization and cross-channel marketing. unique's work has been honored with several renowned effectiveness awards.

unikedigital.co.uk
unikedigital.de



By keeping our fascination and curiosity for technology, brands and cultures, we create interactive experiences, that move people and simplify processes. And which deliver results for our clients.

HI/RES/

Design Studio

Multi-disciplinary design studio Hi-ReS! enjoys an enviable worldwide reputation for its interactive creativity. Clients of the boutique include brands like Jägermeister, BMW, Chanel, Hogan, Dunhill, The Economist and Edun.

hi-res.net

arsthaneia

Design Studio

Warsaw-based agency Ars Thanea is internationally known for their high-quality output in the field of digital illustration, motion design and interactive design. Brands such as Discovery Channel, Nike, Ubisoft, Visa, Nutricia and Nvidia trust in this first league team of professionals.

arsthanea.com





AT last: *We are family!*

They have felt like a member of the family for a long time, but since the beginning of 2014 it has been official. More than 50 colleagues from Warsaw-based agency Ars Thanea are now part of the SYZYGY Group. On February 6, SYZYGY AG increased its stake in the company from 26 to 70 per cent.

Alongside its exceptional talent, the team led by Peter Jaworowski, Bartłomiej Rozbicki and Paweł Piotrkowski also brings many exciting brands to the Group, including Discovery Channel, Disney, General Electric, Nike, Nvidia, Ubisoft and Visa.

Subsidiary AT Games has made a name for itself internationally as a game developer – after its iPhone/iPad blockbuster “Puzzle Craft”, it has now scored a worldwide hit with “Another Case Solved”.

We would like to extend a very warm welcome, and we look forward to continuing to work together!



Content marketing: beyond the hype

by Dr. Paul Marsden



The hype surrounding “content marketing” has reached fever pitch in 2014. Content marketing has been heralded as the saviour of everything from digital display advertising to the thirty-second spot. Is there substance behind the spin?



Ultimately, digital is not about pipes and platforms; it's about the content that populates the pipes and platforms.



Content is King (Again)

Way back in 1996, Microsoft chairman Bill Gates coined what was to become digital marketing's most overused cliché; "Content is King". Ultimately, digital is not about pipes and platforms; it's about the content that populates the pipes and platforms. Create compelling digital content and digital audiences will follow. Today, marketers have rediscovered this truth and "content marketing" has become the new black in digital marketing – and a burgeoning US\$ 44 billion industry.

But what exactly is content marketing? If you talk to ten digital marketers, you'll get ten different definitions – we're all too busy relabeling whatever we do as content marketing to make much sense. But at its heart, content marketing is simple – it's the use of publishing channels as opposed to advertising channels to achieve marketing goals. It's about publishing YouTube content as opposed to advertising on YouTube; it's about publishing e-books, guides, apps and podcasts as opposed to advertising in them; it's about publishing editorial content as opposed to advertising around editorial content. In short, it's about publishing as opposed to advertising.

For marketers, it was Red Bull's "Stratos" campaign in 2012 that really put content marketing on the map and made it cool. This space-diving, sales-driving (+13%!) "content spectacular" on YouTube – featuring Austrian skydiver Felix Baumgartner – was the first kiss in marketing's love affair with content marketing. Today, 90% of consumer brands and 92% of business-to-business brands are wedded to – and invest in – content marketing. In the past few months we've seen Unilever rocking the digital world with Dove Real Beauty Sketches, a feel-good short film that demonstrates to women that they are more beautiful than they think they are (143 million+ views). We've had Volvo publishing a hugely popular YouTube clip featuring an ageing but buff Muscles from Brussels, Jean-Claude Van Damme doing a full side splits between two reversing Volvo trucks (70m+ views). And not to be outdone by Austrian space antics, we've had NASA publishing its own space-cover of David Bowie's Sitting-in-a-Tin-Can classic, sung from the US wing (for copyright reasons) of the International Space Station (20 million+ views). With content marketing, there seems to be a new macho mindset; real marketers don't pay for audiences, they win them.

Content marketing doesn't stop with these "content spectaculars" though; at a more granular level, content marketing has evolved into "native advertising" – the new name for sponsored/advertorial content. Touted as the saviour of display advertising, native advertising is being offered by big media companies – Yahoo, The New York Times, The Economist, Forbes, Time, The Atlantic, The Huffington Post – and big brand owners – Unilever, Nestlé, Pepsi, BMW – are buying.

Why now?

What's behind this resurgence in content marketing? Why now? Content marketing is certainly not new; Michelin has been publishing the perennial poster child for content marketing – Michelin Guides – for over a century, and advertorials are nearly as old as newspapers. But two things have happened to make content marketing popular right now.

The first is the simple fact that you are now more likely to be struck by lightning than click on a banner ad*. Advertising around online content – with the notable exception of search results – often struggles to live up to expectations. As a result, the display advertising industry is busy reinventing itself with new formats, better targeting and more appealing content. In doing so, the industry has hit on an elegant solution; if audiences won't click around the content, be the content.

The second driver of content marketing is technology. The digital revolution in publishing means that brands can now commission, produce, and publish their own quality content faster and more cost-effectively than ever before. The digital medium has liberated content from the confines of the display ad or 30-second spot format. Dove Sketches runs for three minutes, not thirty seconds; and Apple's content marketing is location-based, providing in-stock product reviews for in-store shoppers via their handsets. In short, content publishing technology is driving the content marketing trend.

Why not?

But there is a problem. In fact there are two big problems with content marketing as currently envisioned by many digital marketers. The first is mathematical. Given that the volume of content on the Web is doubling every few months, the amount of content out there is pretty much – to all practical intents and purposes – infinite. But human attention is definitely not infinite; it is very finite. Any finite number divided by infinity is zero, therefore the average attention captured by content marketing is trending to zero. Therefore content marketing is a bad bet. QED.

* Based on 1/3333 probability of clicking on banner ad (Adage <http://bit.ly/Om7155>) vs. 1/3000 chance of being struck by lightning (National Geographic <http://bit.ly/1eVhDXS>)

Of course, exceptions exist, but the increasing amounts of time, skill and money required to attract audiences makes content marketing an increasingly unviable proposition. For every Baumgartner, Beauty Sketches or Van Damme, there are a myriad of failed attempts. Furthermore, to keep audiences, you need to keep pumping out content. This is expensive and risky, and with a sobering precedent; early "soap opera" television series were so-called because they were first actually produced by soap manufacturers themselves. But these manufacturers soon realised that what they were really good at was manufacturing and not making entertainment, and so they stopped making content and started sponsoring it. Of course, manufacturers can play at being entertainment companies but it's a high-risk strategy that can detract focus and resource from core competencies. It also a strategy that makes marketing harder because it contributes to marketing clutter. Detractors of content marketing call this "Content Shock" – and they have a point.

Secondly, content marketing is not without reputational risk. We're not talking errant tweets from brands (@VodafoneUK: "is fed up of dirty h***s and is going after beaver", @ChryslerAutos: "I find it ironic that Detroit is known as the #motorcity and yet no one here knows how to f***ing drive")... No, the reputational risk stems from the fact that much content marketing often relies on duping audiences into believing that what they are seeing is something other than advertising. For example, in the case of native advertising, it's about dressing up paid media as earned media – advertorial as editorial. This may be fine if audiences don't notice or don't care, but if they do then there is a risk to brand image; perceptions of trust, integrity and authenticity may be eroded.

Beyond the Hype

Does this mean that the current content marketing craze is just another short-term fad in the faddish world of digital marketing? Beyond the hype of high-risk "content spectaculars" and tricky "native advertising", we think there is a third exciting future for content marketing that has long-term promise. And that is to bake digital content into the product.

Through digital content, brands can make their products and services better – more helpful, more entertaining – and more profitable.

Take, for example, the latest generation of fitness bands from Fitbit, Jawbone and Nike. These exercise trackers are all exercises in pure content marketing; they generate content that is real-time, helpful and personal. For these products, content is integrated into the product; it's not about the beauty and biceps of others in some Dove or Van Damme ad spot, it's about your beauty and biceps. As a result of the content they generate, the fitness tracker experience becomes more shareable and, more importantly, more worthy of sharing. In other words, the content markets the product. For Nike's early FuelBand experiment, this virality resulted in an 18% sales jump for its equipment division.

Or take Domino's Pizza; the fast food chain recently baked entertaining digital content into its pizzas – or rather pizza boxes – and sold out of pizzas across Japan. Simply point a smartphone at a Domino's pizza box and one of Japan's biggest popstars, Hatsune Miku – a virtual anime idol living in holograph form – appears on your screen and plays a personal concert for you. Here again, content is integrated into the product experience.

Even retailers, so long the laggards in digital marketing, are now incorporating digital content into their own "product" – the in-store retail experience. Through smartphone apps, digital screens and tablet stations, brands such as Burberry and Apple are reinventing retail with digital experiences that are both helpful and entertaining. Once more, content is integrated into the experience.

Such a vision of content marketing, where content becomes part of the product experience, is neither a craze nor a fad; it is the very essence of marketing excellence. Not interruptive messaging, but value delivery. Through digital content, brands can make their products and services better – more helpful, more entertaining – and more profitable. That's why the future of content marketing is neither the "content spectacular" nor the "native ad"; the future of content marketing is the product.



Structural change:

A revolution on four wheels

The sales concept for the new BMWi attracted international attention: BMW is the only European premium automotive manufacturer to sell fully configurable vehicles online. It's a minor revolution, but only the beginning of a process of deep structural change in the automotive sector. BMW is working with Hi-ReS! Berlin on new online sales solutions and service products to develop its worldwide brand presence.

More than 80 per cent of new car buyers and almost 100 per cent of used car buyers start their research online, according to the results of an international survey by McKinsey. The trip to the dealer our parents' trusted for years, has long since become outmoded. Brand loyalty is on the decline – partly because the car has largely lost its appeal as a status symbol, especially among young people. For them, mobility is a question of flat-rate data plans, not car ownership. In heavily congested cities in particular, owning a vehicle has become increasingly less appealing.

Car manufacturers need to develop intelligent strategies around mobility, service and sales in order to attract new buyers and at the same time bolster dwindling brand loyalty.

The BMW Group has set itself a clear objective: by 2020, it wants to be the leading global supplier of premium products and services in the personal mobility sector. As worldwide digital lead agency, Hi-ReS! Berlin has been helping BMW to develop and implement this objective since 2013. CarConnect, eServices and DriveNow, digital showrooms, online sales, etc. – with all this change taking place, the future of mobility certainly remains exciting!

The ARK Experience:

A myth becomes reality

For the human race, a good story – whether told out loud, drawn or written – has been a source of entertainment and a way of imparting knowledge or preserving a common culture since time immemorial. The medium has changed over the millennia, but the magical power that stories exert over both young and old remains the same.

For NOAH, the new blockbuster by renowned director Darren Aronofsky, Hi-ReSI London and Ars Thanea combined the ancient art of storytelling with modern technology to create an interactive 3D experience: The ARK Experience.

Everyone has heard of it, but no one has ever seen it: the ark. As part of a three-stage digital campaign leading up to the cinema release of Paramount epic NOAH, Hi-ReSI and Ars Thanea used text sources, designs and the power of their imagination to re-create the legendary vessel. The Ark Experience takes visitors on a fascinating tour inside the depths of the ark. Using impressive 3D imagery with minimal words, the experiences of the inhabitants on their long, uncertain voyage during the storm are brought to life. Over three decks, each one perfectly designed to meet the varying needs of birds, mammals and reptiles, we are shown the quarters, workshops, herb gardens and the furnace – the source of all-important warmth for Noah and his family.

Only a few days after its launch at the end of February, the site had already clocked up a five-figure number of unique visitors. 70 per cent of them clicked and tapped their way through the entire experience on their PC, tablet or smartphone – compared with other Paramount sites, that is a significantly above-average rate. And it's also the best proof that a good story never loses its ability to fascinate.

Ark Experience



Avian Deck



Mammal Deck



Reptile Deck

The stock

Basic share facts

ISIN	DE0005104806
WKN	510480
Symbol	SYZ
Reuters	SYZG.DE
Bloomberg	SYZ:GR
Listing segment	Regulated Market, Prime Standard
Stock exchanges	XETRA, Berlin, Dusseldorf, Frankfurt, Hamburg, Hannover, Munich, Stuttgart
Total number of shares	12,828,450 non-par value bearer shares
Thereof own shares	125,000
Market capitalisation	EUR 65.55 million (basis: closing price of EUR 5.11 on 30.12.2013)
Freefloat (definition Dt. Börse)	69.0%
Freefloat market capitalisation	EUR 45.23 million
Sector	Software

Stock statistics 2013

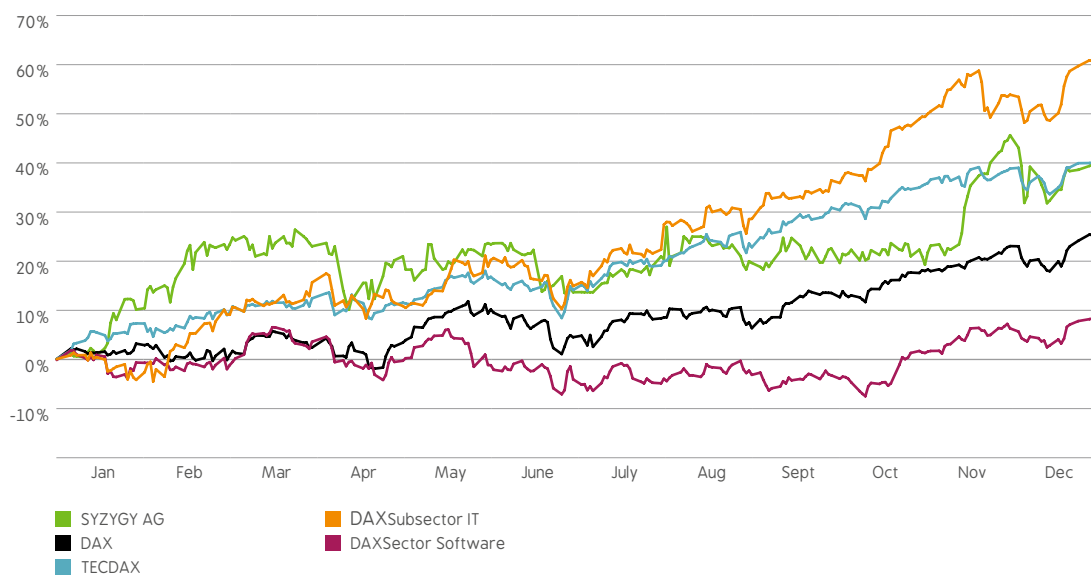
12 month ranking TecDax	Rank market capitalisation: 57 (2012: 62) Rank turnover: 66 (2012: 85)
Ordinary dividend	EUR 0.25 (17.06.2013)
Average daily turnover	25,935 shares/EUR 116,197 (thereof XETRA: 15,642 shares/EUR 70,034)
XETRA closing price on 28.12.2012	EUR 3.63
XETRA closing price on 30.12.2013	EUR 5.11
Highest XETRA closing price	EUR 5.31 (29.11.2013)
Lowest XETRA closing price	EUR 3.64 (7.01.2013)
Price performance as at 30.12.2013	EUR 1.48 (+41%)
Overall performance as at 30.12.2013	EUR 1.73 (+48%)

Designated Sponsor

HSBC Trinkaus & Burkhardt AG (until 30.09.2013)
equinet Bank AG (since 01.10.2013)

Analysts

Cosmin Filker (GBC AG)
Philipp Rigters/Adrian Pehl (equinet Bank AG)



Equity market

The 2013 stock market year held a number of pleasant surprises in store for investors.

Although analysts had mostly predicted rising prices, actual performance significantly exceeded expectations.

In addition to the easing of the euro crisis and recovery in the global economy, the main driver of stock markets was the policy of extremely low interest rates adopted by central banks. A lack of lucrative investment alternatives and the prospect of attractive dividends pushed prices higher in 2013.

While experts had on average forecast a rise of around 5 per cent for the DAX, the German benchmark index rose 25.5 per cent by year-end. In doing so, it not only broke through the 8,000 point barrier, untouched since 2007; the 9,589 points reached on December 27 was the highest level since the index was launched in 1992.

Small caps followed this trend, also reaching previously unscaled heights. The mDAX, sDAX and TecDAX each rose around 40 per cent to achieve new all-time highs. Indices in which SYZYGY shares are included posted widely varying results. The DAXsubsector IT, for example, closed the year with a gain of more than 60 per cent, while the DAXsector Software only rose by around 9 per cent.

Performance of SYZYGY shares and dividend

SYZYGY shares participated fully in the general upward trend on the stock market. Backed by positive business performance, they posted strong price gains as early as the first quarter, significantly outperforming the benchmark indices. Compared with the XETRA closing

price for 2012 (EUR 3.63), the share price rose 27 per cent by March 22 to reach a provisional peak of EUR 4.60.

When a significant fund position was liquidated, it led to exceptionally high turnover of some 130,000 shares on April 8. SYZYGY shares lost some of their gains to end the trading day substantially lower at EUR 4.14.

The price recovered in the following weeks, although initially without breaking through the resistance zone between EUR 4.50 and EUR 4.60. The share price finally punched higher in the autumn: on November 13, the closing price for the shares was quoted at EUR 4.77 for the first time, peaking two weeks later at EUR 5.31.

SYZYGY shares ended the stock market year at EUR 5.11, up EUR 1.48 or almost 41 per cent.

Taking into account the ordinary dividend of EUR 0.25, SYZYGY shares returned 48 per cent.

SYZYGY AG was again able to offer its shareholders an attractive dividend yield despite the significant increases in price. Based on the XETRA closing price on the date of the 2013 Annual General Meeting, the yield was 5.6 per cent (previous year: 6.0%).

In 2013, liquidity of SYZYGY shares more than doubled in comparison with the previous year. In total, more than 6.5 million shares were traded across all German stock exchanges, corresponding to an average volume of 25,935 shares per trading day. In 2012, the average figure was 12,524 shares.

Shareholder structure

The company's shareholder structure changed slightly in the reporting year. WPP remained the biggest shareholder. At the start of the year it increased its stake by just under two percentage points to its current level of 29.99 per cent.

Both members of the SYZYGY AG Management Board sold shares in the company in 2013. As a consequence, the proportion held by Marco Seiler went down from 4.9 per cent to 4.2 per cent, while Andy Stevens held 2.5 per cent of the shares as at year-end (previous year: 2.9%).

Including the Supervisory Board members, the board members of SYZYGY AG hold a total of almost 8 per cent of the company.

Based on the authorisation granted by the Annual General Meeting of May 28, 2010, SYZYGY bought back 100,000 shares through the stock market in the year under review. This increased treasury stock to a total of 125,000 shares or 0.97 per cent.

As defined by Deutsche Börse, the freefloat was thus 69.04 per cent.

Investor relations

SYZYGY AG pursues a transparent, prompt information policy and attaches great importance to an ongoing, comprehensive dialogue with shareholders, investors, financial journalists and interested members of the public.

In order to showcase the business model and report regularly on the strategy and development of the Group, representatives of the management team attended a total

of four capital market conferences in the year under review: the Capital Markets Day and the German Equity Capital Forum in Frankfurt, the Zurich Capital Market Conference (ZKK) and the Munich Capital Market Conference (MKK). A roadshow was also held within Germany in conjunction with BHF Bank.

The management team was available to analysts, investors and representatives of the business and financial press for individual discussions between these events.

GBC AG and GSC Research GmbH were engaged to deliver analysis of our company in order to provide the market with regular up-to-date assessments and forecasts about the performance and future development of the Group.

HSBC Trinkaus handled designated sponsoring up to September 30, with equinet Bank AG responsible for market relations since October 1, 2013. In the course of these changes, the second research mandate was also transferred from GSC Research GmbH to equinet, which commenced coverage in November by providing an initial assessment.

The Investor Relations section of our website at ir.syzygy.co.uk offers the opportunity to find out about events relating to the capital market and the Group at any time in English language.

Report of the Supervisory Board

Dear Shareholders,

The Supervisory Board continuously monitored the work of the Management Board and provided support and advice throughout the past financial year. This included monitoring actions taken by the Management Board in terms of their legality, regularity, appropriateness and commercial viability. The Management Board reported to the Supervisory Board regularly in writing or verbally, providing up-to-date, comprehensive information about recent developments as well as the economic and financial situation of the Group and its subsidiaries. The Supervisory Board was involved in all important decisions affecting the SYZGY Group.

The Management Board fully complied with its duty to provide information. Reports provided by the Management Board complied with the legal requirements with regard to both content and scope, and also satisfied the Supervisory Board's information needs. The Supervisory Board also requested additional information where necessary. The Supervisory Board critically examined the information and reports provided, assessing them with regard to plausibility.

Meetings and attendance

A total of six ordinary meetings of the Supervisory Board were held together with the Management Board in the 2013 financial year, on January 24, March 25, April 30, July 31, October 29 and on December 18. All Management Board and Supervisory Board members were either present at these meetings in person or took part by telephone and all important events were discussed and the necessary decisions taken. The following topics were discussed and debated regularly at the meetings:

- / operational performance of the individual companies and the Group as a whole
- / personnel appointments for key positions
- / mergers & acquisitions
- / strategic direction of the SYZGY Group
- / risk situation of the SYZGY Group
- / acquisition of new clients
- / competitive situation
- / budgeting and financial planning
- / share price

Particularly significant topics discussed at the individual meetings are listed below:

The meeting held on January 24, 2013 was mainly devoted to defining the budget for 2013 and to financial planning. The dividend proposed by the Management Board was also discussed and jointly agreed.

The Group's strategic direction together with activities and opportunities relating to mergers & acquisitions were likewise dealt with at the meeting.

The accounts review meeting was held on March 25, 2013. After carefully reviewing all the documents, the Supervisory Board received detailed information on the financial statements for the 2012 financial year from the members of the Management Board. The auditors also attended, presenting the key aspects and results of their checks. All questions were answered by the Management Board and auditors to the Supervisory Board's full satisfaction. The Supervisory Board was thus able to verify that the audit had been conducted correctly and the audit reports properly prepared. Following the presentations, the annual financial statements and the consolidated financial statements were approved and adopted.

During the meeting, the agenda for the 2013 Annual General Meeting was also agreed. This included a decision to propose the appointment of BDO AG as auditors to the Annual General Meeting.

At the meeting held on April 30, the Supervisory Board discussed and approved the figures for the first quarter of 2013. There was also a detailed discussion of marketing activities, new business development activities and innovation issues. The focus was on holding the first Digital Innovation Day (DID13), which aims to generate further growth for the SYZYG Group.

On July 31, the Supervisory Board discussed and approved the figures for the period to June 30, 2013. This included revising the forecast for the second half of 2013. As part of the financial planning process, the investment strategy was discussed, with particular attention being paid to reviewing the securities portfolio. Restructuring of the Group's UK-based companies was a further topic of discussion at the meeting. The aim of the changes is to simplify legal structures in the UK segment.

Additionally, the Management Board and Supervisory Board decided on July 31 to buy back up to 100,00 shares via the stock exchange.

At the Supervisory Board meeting of October 29, the figures for the first nine months of the year were discussed and approved. The Management Board also presented the outlook for the rest of the financial year. The Declaration on Corporate Governance, which had been submitted in writing to the Supervisory Board in due time before the meeting, was approved and signed jointly by the Management Board and Supervisory Board.

Given the interest expressed by existing client AVIS in working with us in the North American market as well, the Management Board and Supervisory Board discussed a corresponding realignment of Hi-ReS! New York.

At the sixth and last meeting of the year, which took place on December 18, the Management Board and Supervisory Board agreed the budget for 2014. At the same meeting, a decision was taken to increase the stake in Polish company Ars Thanea from 26 per cent to 70 per cent.

Following the signing of an agency support agreement with AVIS, the opening of a new office in New York was also agreed.

In the current financial year, a Supervisory Board meeting was held on March 24 to adopt the 2013 financial statements. There was also continual dialogue between the Management Board and Supervisory Board between these dates. In particular, the Management Board provided regular written reports about the company's performance and other important events.

Membership and committees

The Supervisory Board of SYZYG AG comprises Michael Mädel, Wilfried Beeck and Thomas Strerath, all of whom are independent members and shareholder representatives. For all members, the term of office is the period up to the end of the Annual General Meeting for the 2013 financial year, which will take place on June 6, 2014 in Frankfurt.

On June 14, 2013 the Annual General Meeting elected Thomas Strerath as a Supervisory Board member to succeed Adriaan Rietveld, who resigned for health reasons with effect from October 31, 2012. The Management Board had submitted an application to the District Court of Bad Homburg to cover the period after his departure. The Court passed a decision on October 4, 2012, duly appointing Thomas Strerath as a new Supervisory Board member with effect from November 1, 2012.

Due to its size, the Supervisory Board did not form any committees during the year under review. Wilfried Beeck, a financial expert with extensive knowledge of accounting and internal control procedures, took a particular interest in the financial statements, auditing and election of the auditor.

The Annual General Meeting on June 14, 2013 discharged the members of the Supervisory Board and Management Board in relation to the 2012 financial year.

Corporate governance

On October 29, 2013, the Supervisory Board and Management Board jointly published the declaration of conformity with the German Corporate Governance Code in accordance with Article 161 of the German Stock Corporation Act (AktG), as part of the more extensive Declaration on Corporate Governance. The Corporate Governance Declaration is based on the version of the Code in force at this time, dated May 13, 2013.

SYZGY AG continues to broadly comply with the principles of the Code.

The remuneration report, which discloses the amount of remuneration for the Management Board and Supervisory Board and how it is structured, must be published in the Management Report or the Notes. The remuneration for the Management Board and Supervisory Board are detailed in this Annual Report on pages 38 and 87.

Annual and consolidated financial statements, appropriation of net profit

Following a proposal by the Supervisory Board, the Annual General Meeting appointed Frankfurt-based BDO AG Wirtschaftsprüfungsgesellschaft as auditors on June 14, 2013. The Supervisory Board has not identified any circumstances that could give rise to a lack of impartiality on the part of the auditors. The auditor himself has issued a statement of independence. Apart from auditing the financial statements, the auditor did not provide any other services.

BDO audited the annual financial statements and Management Report, the consolidated financial statements and the Group Management Report for the 2013 financial year on behalf of the Supervisory Board and granted an unrestricted auditor's certificate in each case.

The annual financial statements were prepared in accordance with the provisions of the German Commercial Code (HGB) and the consolidated financial statements in accordance with International Financial Reporting

Standards (IFRS). All documents relating to the financial statements, audit reports and the Management Board's proposal regarding the appropriation of profits were provided to all members of the Supervisory Board in a timely manner for their deliberations. The auditor also reported to the Supervisory Board on the audit of the accounting-related internal control and risk management system, which did not reveal any weaknesses.

After carefully reviewing all documents, the Supervisory Board received detailed information on the financial statements for the 2013 financial year from the members of the Management Board at its meeting of March 31, 2014. The auditors also attended, presenting the key aspects and results of their checks. All questions were answered by the Management Board and auditors to the Supervisory Board's full satisfaction. The Supervisory Board was thus able to verify that the audit had been conducted correctly and the audit reports properly prepared.

On the basis of its own checks and taking the audit reports into consideration, the Supervisory Board raised no objections. Consequently the Supervisory Board approved and adopted the annual financial statements and Management Report of SYZYG AG and the consolidated financial statements and the Group Management Report. The Supervisory Board also approved the Management Board's proposal regarding the appropriation of net profit.

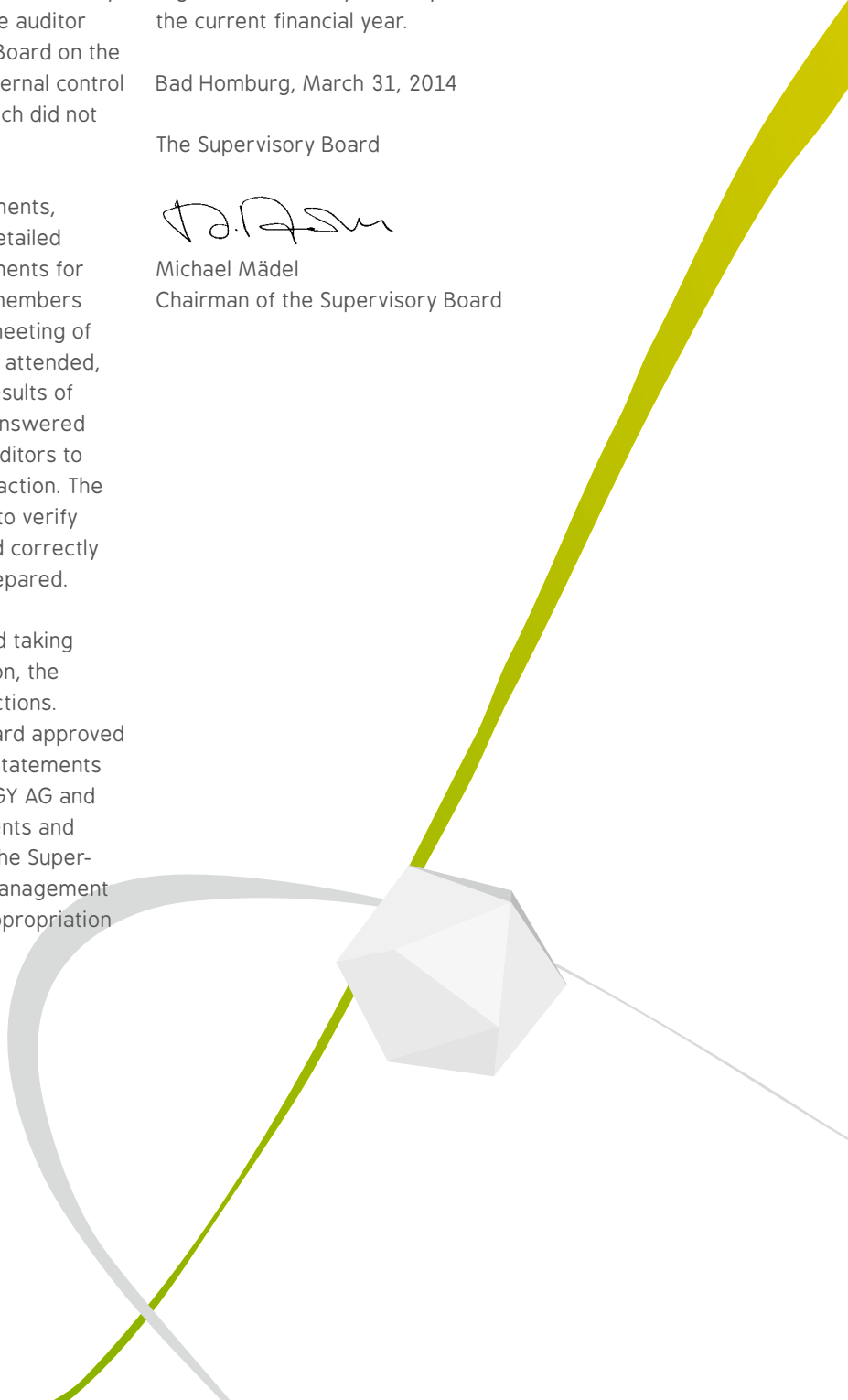
The Supervisory Board thanks the members of the Management Board and all employees of the SYZYG Group for their commitment. We look forward to continuing to work together and wish you every success for the current financial year.

Bad Homburg, March 31, 2014

The Supervisory Board



Michael Mädel
Chairman of the Supervisory Board



Corporate Governance

“Corporate Governance” describes a set of internationally recognized standards and regulations for the responsible and transparent governance of listed companies. In Germany, these standards have been laid down in the German Corporate Governance Code (GCGC), which was adopted in 2002 and has been subject to various amendments ever since then. The code presents recommendations (“shall”) as well as suggestions (“should”). Companies may deviate from the recommendations, but have to disclose the exceptions in a yearly declaration of conformity pursuant to §161 of the German Stock Corporation Act (AktG).

In 2009, transparency law was extended. With coming into force of the German Accounting Law Modernization Act (“BilMoG”), §289a was added to the German Commercial Code (HGB).

As of this, the declaration of compliance has to be part of a more elaborate corporate governance statement.

In detail, this statement encompasses:

1. the declaration of conformity with the German Corporate Governance Code in accordance to §161 AktG
2. relevant information on employed corporate governance practices beyond legal requirements
3. a description of the working methods of the Management and Supervisory Board as well as information on the composition and working methods of their committees.

Already in the past, SYZGY AG publicly avowed its willingness to abide by nationally and internationally recognized standards of fair and responsible corporate governance. In its first declaration in 2002, SYZGY AG officially recognized the principles, as they are stipulated in the German Corporate Governance Code (GCGC).

SYZGY AG complies with the current version of the Code as amended on May 13, 2013 with exceptions as stated in the Declaration of Compliance 2013.

The elaborate corporate governance statement pursuant to § 289a HGB which encompasses the declaration of compliance as well as the composition and working methods of the Management Board and the Supervisory Board are permanently available on our IR-website ir.szygy.co.uk

Information on the amount of remuneration for the Management Board and Supervisory Board and how it is structured, are detailed in this Annual Report on pages 38 and 87.

Declaration of Compliance 2013 with the German Corporate Governance Code as amended on 13 May 2013

Pursuant to Art. 161 of the German Stock Corporation Act (AktG), the Management and Supervisory Board of SYZGY AG hereby declare that the recommendations of the German Corporate Governance Code (GCGC) as amended on 13 May 2013 have been and are met with the following exceptions:

- (1) Filling of managerial positions in consideration of diversity and, in particular, in appropriate consideration of women (section 4.1.5):
In the company's best interest, the Management Board of SYZGY AG fill managerial positions with respect to professional qualification and personal suitability. Gender is not given top priority. If more than one candidate should be suitable for the vacant post, the Management Board will decide in favor of the person who will enhance the diversity of the management team.
- (2) Appointment of Management Board Members in consideration of diversity and, in particular, in appropriate consideration of women (section 5.1.2):
Again, the Supervisory Board of SYZGY AG appoint Management Board members on the basis of professional qualification and personal suitability. If more than one candidate should be suitable for the vacant post, the Supervisory Board will decide in favor of the person who will enhance the diversity of the Management Board.

- (3) Formation of committees of Supervisory Board Members (sections 5.3.1, 5.3.2 and 5.3.3):
As the Supervisory Board consists of three members only, no committees were and will be set up.
- (4) Specification of concrete objectives regarding the composition of the Supervisory Board (section 5.4.1):
Section 5.4.1 asks the Supervisory Board to specify concrete objectives regarding its composition. The last elections to the Supervisory Board were conducted in May 2009 before section 5.4.1 came into effect. Therefore, an according statement does not yet exist. The Supervisory Board Members of SYZGY AG are designated experts of the IT- and media industry, though.
- (5) Compensation of Supervisory Board Members (section 5.4.6):
By mutual agreement, all Supervisory Board Members receive the same compensation as their amount of work is comparable.

Bad Homburg v. d. H., October 29, 2013
SYZGY AG

The Management and Supervisory Board



Financial statements 2013

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Management report

1. General

The following Group Management Report provides information on the performance of the SYZYGY Group (hereinafter referred to as "SYZYGY" or the "Group"). The consolidated financial statements on which the Group Management Report is based have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial year corresponds to the calendar year.

2. Group profile

2.1 Business activities and structure

SYZYGY is an international service group for digital marketing with some 330 employees on the balance sheet date. As at December 31, 2013, the Group consisted of SYZYGY Aktiengesellschaft and its nine subsidiaries: SYZYGY Deutschland GmbH, SYZYGY UK Ltd, unquedigital GmbH, Unique Digital Marketing Ltd, the design studios Hi-ReSI London Ltd, Hi-ReSI New York Inc, Hi-ReSI Hamburg GmbH, Hi-ReSI Berlin GmbH and Mediopoly Ltd.

The Group also held a 26 per cent stake in Polish design studio Ars Thanea, Warsaw, as at the reporting date. Rather than being fully consolidated in the financial statements for the 2013 financial year, the associated company is taken into account in financial income using the at equity method.

As a provider of technological, creative and media services focusing on digital marketing, SYZYGY helps major international companies to use digital media as an innovative communication and marketing tool. The Group's operating units cover the entire value chain: from strategic consulting to project planning, concepts and design to technical realisation of websites, online campaigns, platforms and mobile applications.

Digital illustrations and animations, search engine marketing and online media planning round off the range of services.

The Group's focus is on the automotive, telecommunications/IT and retail and consumer goods industries, as well as financial services.

2.2 Group management

The SYZYGY Group has a decentralised organisational structure. As the management holding company, SYZYGY AG manages the subsidiaries on the basis of financial and corporate targets (management by objectives). The management teams in the individual companies operate largely independently, within the constraints of their targets and budgets.

A control and reporting system is in place for management and monitoring purposes. It compares the financial figures against the budget on a monthly basis, while also highlighting key opportunities and risks. The key financial figures are billings, sales, earnings before taxes and interest (EBIT) and financial income for SYZYGY AG.

SYZYGY pursues a value-oriented style of corporate management based on sustainability. The objective is to expand the Group over the long term and successfully develop its activities.

As a service provider, the Group's performance depends to a very significant extent on the skill and commitment of its employees. The Group positions itself as an attractive employer in order to retain current employees and recruit new talent. This includes regular internal and external training and development activities, cooperation with universities to promote the next generation of talent, and teambuilding activities.

Digital marketing is in a constant state of change. Innovative technologies and changes in user behaviour require ongoing adaptation of the service portfolio. With the aim of anticipating this change and playing an active role in shaping it, the SYZGY Group organises a Digital Innovation Day, at which international thought leaders and bestselling authors discuss current issues relating to digital marketing.

SYZGY aims to share the Group's success with its shareholders. Accordingly, SYZGY AG's dividend policy is geared towards continuity and provides for annual distribution of constant or rising dividends.

3. Economic report

3.1 General economic development

Supported by the expansionary monetary policy of the European Central Bank, the Eurozone showed signs of a cautious recovery in 2013. Following a weak first quarter (-0.2%), the economy picked up somewhat as the year progressed, reaching growth rates of between 0.1 and 0.3 per cent in subsequent quarters. The 0.5 per cent decline in the Eurozone economy in the fourth quarter of 2012 led to a statistical carry-over effect for 2013. This resulted in economic output remaining 0.4 per cent below the previous year's level overall.

Although tentative, the upward trend was reflected in the quarterly ifo indicator for the economic climate in the Eurozone. It reveals growing optimism among respondents during the past year, both with regard to the current economic situation and to expectations for the next six months. The Economic Sentiment Indicator published by the European Commission showed a similar trend. In December 2013, it reached its highest level since August 2011.

Germany made a major contribution to the modest upturn in the Eurozone, despite the fact that growth in 2013 declined compared with previous years. Gross domestic product (GDP) stagnated in the first quarter partly due to the weather conditions, but rose steadily in the subsequent period. As a result, the German economy grew by 0.4 per cent over the year as a whole. Consumers were the main impetus behind this rise, with the high level of employment, strong wage growth and low interest rates encouraging them to spend. In the year under review, consumer spending was 0.9 per cent above the 2012 level. Exporters on the other hand had a disappointing year. The continuing weakness of the global economy had an adverse impact on export trade and exports were down 0.2 per cent compared with the previous year.

In the UK, the second important market for the SYZGY Group, the economy picked up significantly. Following the major slump of -5.2 per cent in 2009, the country had previously struggled to recover from the fall-out of the economic crisis.

GDP rose 1.9 per cent in 2013, the strongest growth since 2006. Here again, consumers made the main contribution to this good result. The main factors in this respect were the favourable credit terms under the "Funding for Lending" programme and massive support for the real estate market via monetary policy, in addition to positive sentiment. In contrast, companies remained reluctant to invest, showing only a marginally greater willingness at the end of the year.

The export sector likewise failed to deliver meaningful growth. Despite the depreciation of sterling and a fall in imports, a current account deficit of -4.3 per cent remained at year-end, the highest in more than two decades.

3.2 Trends in the advertising market

It must be accepted that the validity and comparability of advertising market statistics is limited. First of all, different survey methods mean the results vary widely or even appear contradictory; secondly, gross advertising figures do not provide any insight into actual cash flows because they are calculated using list prices and do not take account of discounts and special terms. However, the figures do provide insights into the way advertisers split their budgets and thus highlight changes in their media strategies.

In Germany, companies seem to have invested less in advertising in 2013 than in 2012. Although Nielsen found that the gross advertising market grew 2.0 per cent, the Jäschke Operational Media (JOM) agency calculated that it was down 1.5 per cent when adjusted for discounts and price increases. ZenithOptimedia comes to the same conclusion, while the German Advertising Association (ZAW) also assumes a decline (-0.5%).

Online advertising again outperformed the overall market. ZenithOptimedia calculated an increase in sales of 5.3 per cent, MagnaGlobal came up with 9.6 per cent and the German Online Marketing Group (OVK, part of the German Association for the Digital Economy) put the figure as high as 12.0 per cent. This means that almost a quarter of the gross advertising spend is now allocated to digital advertising (23.5%).

As in the previous year, the nascent advertising market for mobile devices such as smartphones and tablets was particularly buoyant. According to the German Association for Information Technology, Telecommunications and New Media (BITKOM), the data volume carried on Germany's mobile networks rose 46 per cent to 228 million gigabytes in 2013. The figure is expected to rise to 330 million gigabytes in 2014. Statistically, every person in the country now has 1.4 mobile phone contracts. As a consequence, advertisers are increasingly shifting their focus to this channel. Although it still accounts for a relatively small part of the total budget, investment in mobile advertising is believed to have risen from around EUR 62 million to EUR 105 million in 2013, corresponding to a 70 per cent increase.

The UK advertising market benefited from the pick-up in the economy and posted a significant increase in sales. While different sources agree on the general upward trend, the specific figures diverge: AA/WARC talks about 3.8 per cent, eMarketer produced a figure of 5.4 per cent, while GroupM's estimate is much higher at 7 per cent.

The UK is regarded as the world's most mature online advertising market. Around 44 per cent of the total budget was allocated to digital advertising in the year under review, indicating that the Internet left all other channels far behind. The online advertising market nevertheless continued to post above-average growth: figures for 2013 range from 14.2 per cent to 17.2 per cent. Around a fifth of the additional spend was invested in mobile advertising.

3.3 Performance and situation of the Group

3.3.1 Results of operations

The SYZYGY Group had been aiming for sales growth of 10 per cent in 2013, together with a disproportionate rise in EBIT. Another target was to achieve earnings per share of EUR 0.25.

Sales generated (+13%) and earnings per share of EUR 0.26 exceeded expectations, while the targets for operating income were missed.

The drop in operating income was due chiefly to restructurings within the Group, in particular losses at Hi-ReSI New York resulting from realignment of its operations. In addition, break-even at Hi-ReSI Berlin was not reached until the second half of 2013. These factors dragged operating income down by around EUR 0.8 million.

Earnings per share exceeded the budget figure of EUR 0.25 because strong financial income of EUR 2.1 million was significantly above the prior-year figure and estimates, which were EUR 1.3 million and EUR 1.4 million respectively.

The following table shows a multi-year comparison of key financial figures:

	2009	2010	2011	2012	2013
Sales in EUR'000	28,833	27,247	28,313	31,115	35,030
EBIT in EUR'000	3,556	3,168	2,588	2,121	2,023
EBIT margin	12%	12%	9%	7%	6%
Earnings per share in EUR	0.28	0.30	0.22	0.72	0.26

3.3.2 Sales

The SYZYGY Group reports billings and sales. The sales figures are arrived at by deducting media costs from billings. Media costs are incurred in the online marketing subsidiaries as transitory items on the revenue and expenses side.

The SYZYGY Group achieved strong growth with regard to both key figures. Billings were up 17 per cent, totalling EUR 90.6 million at year-end, while sales saw a 13 per cent increase to EUR 35.0 million.

A positive aspect to note is that both the German and UK companies made a significant contribution to the good results. The substantial rise in sales is attributable to both the acquisition of new clients and expansion of business with existing clients.

The breakdown of sales by sector saw around a third of sales (36%) accounted for by the automotive industry. This figure is 11 percentage points above the prior-year level due to the acquisition of car manufacturer BMW as a new client and coverage of additional markets for Mazda. A quarter of sales (25%) was generated with companies in the retail and consumer goods sector, while the telecommunications/IT sector accounted for 13 per cent. SYZGY generated just under 10 per cent of its revenue from clients in the financial sector. The remaining 16 per cent are attributable to companies that cannot be assigned to any of these four industries.

61 per cent of total sales were attributable to the Group's ten largest clients.

3.3.3 Operating expenses and depreciation

The cost of sales rose slightly faster than net sales, amounting to EUR 26.0 million, i.e. 17 per cent above the prior-year figure. Gross margin thus fell by almost three percentage points to 26 per cent.

There are several reasons for this trend. Firstly, break-even at the Hi-ReSI Berlin subsidiary established in 2012 was not reached until the second half of 2013. This was contrary to expectations, with the result that start-up costs were still being incurred in the first half of the year.

Other expenses amounting to around EUR 0.3 million were incurred at Hi-ReSI Hamburg when moving business to sister companies and restructuring within the Group.

Hi-ReSI New York ran up losses of EUR 0.3 million in 2013. The company was realigned in the second half of the year so that it can also develop online marketing business going forward.

Sales and marketing costs increased 10 per cent to EUR 3.3 million because the Group stepped up its investment in acquisition activities. This included holding the Digital Innovation Day for the first time in 2013 (DID13). Featuring an array of high-profile speakers, the exclusive conference is targeted primarily at clients and potential clients. The event aims to anticipate technological change and the evolution of user behaviour in order to create new potential for digital marketing and consequently also for further growth of the SYZGY Group.

General administrative expenses remained at the previous year's level of EUR 4.0 million.

3.3.4 Operating income and EBIT margin

Despite the substantial increase in sales, operating income fell as a result of the above-mentioned special charges. At EUR 2.0 million, it was 5 per cent below the previous year's figure. The EBIT margin also went down accordingly, from 7 to its current level of 6 per cent.

3.3.5 Financial income

SYZGY generated a return of 8.8 per cent on average available liquidity reserves. Overall, financial income amounted to EUR 2.1 million. This exceeded the budgeted figure of EUR 1.4 million by a considerable margin and was 66 per cent above the prior-year level. In addition to interest income from corporate bonds, the realisation of gains on securities of around EUR 1.0 million made a contribution to the result. As in the previous year, around EUR 0.1 million of the income was attributable to the stake in Ars Thanea.

3.3.6 Income taxes, net income, earnings per share

Since strong financial income more than compensated for the slight fall in EBIT, the SYZGY Group's pre-tax income rose by 22 per cent to EUR 4.1 million.

Due to special tax-related circumstances which led to substantial tax refunds of some EUR 5.3 million in the 2012 financial year, net income was down 63 per cent on the prior year, at EUR 3.4 million.

The tax rate was 19 per cent as a result of losses carried forward and a lower general tax rate in the UK (23%).

With an average of 12,778,168 shares qualifying for participation in the profits, this represents basic earnings per share of EUR 0.26 for the 2013 financial year (previous year: EUR 0.73).

Taking outstanding options into account, the average number of shares qualifying for participation in the profits is 12,895,585. Diluted earnings per share are likewise EUR 0.26.

3.3.7 Segment reporting

In line with the management approach, SYZGY uses geographical criteria to report segments and thus distinguishes between Germany and the UK.

The Germany segment was able to follow up the growth it achieved in the previous year, with sales up 13 per cent to EUR 23.5 million. Particularly strong momentum was generated by Hi-ReSI Berlin through its work for BMW. However, the company's start-up costs in the first half of the year and the closure of Hi-ReSI Hamburg reduced operating income. At EUR 3.1 million, it was only slightly above the previous year's figure (+3%). Profitability fell marginally as a result, to 13 per cent.

After several years of declining or stagnating sales, the UK returned to significant growth. Sales increased by 11 per cent to EUR 12.3 million. Operating income improved highly disproportionately, growing by 41 per cent to EUR 1.4 million. The EBIT margin rose by three percentage points to 12 per cent.

It is particularly noteworthy that this performance was delivered by all the UK companies. Business was boosted both by gaining new clients and by significantly expanding existing client relationships.

In terms of both sales and operating income, around two thirds was attributable to the German segment, with the UK segment accounting for the other third.

Hi-ReSI New York is allocated to the UK segment, since the agency does not fulfill the criteria of IFRS 8.13 to form an independent geographical segment due to low sales and assets. This allocation is also in line with the Group's management approach as well as with the comparability of products, services and the client structure to the UK segment. The company was restructured in 2013 so that it can also support online marketing clients going forward. Losses of EUR 0.3 million were incurred as a result. The reason for realigning the company is the expansion of the client relationship with AVIS. Starting in 2014, SYZGY Group will also be supporting the car rental firm in the North American market.

3.3.8 Financial position and cash flow

The very positive business performance was accompanied by an increase in working capital, resulting in a decrease in liquid funds and securities. Overall liquidity totalled EUR 24.8 million at the reporting date, around EUR 2.0 million less than at December 31, 2012.

As at the balance sheet date, liquid funds and securities comprised the following: 70 per cent of funds were invested in corporate bonds, 27 per cent in overnight and bank deposits, and 3 per cent in equities. The average residual maturity of the bonds was 6.9 years. Please refer to the notes to the consolidated financial statements, sections 6.3.2 and 6.3.3, for further details of the investment strategy.

SYZYG generated cash flow totalling EUR 0.6 million in the period under review.

The company received EUR 1.3 million from operating activities, with net income of EUR 3.4 million having an especially strong impact on liquidity. Expansion of the business also led to a rise in accounts payable, which were up EUR 1.3 million.

The level of capital commitment also increased, however, with a negative effect on cash flow: a rise in accounts receivable and other assets led to cash outflows totalling EUR 3.5 million.

Gains from the sale of securities (EUR 1.0 million), which are already included in net income, were deducted since they do not relate to the Group's operating activities.

Cash flow from the Group's investment operations amounted to EUR 3.0 million, resulting chiefly from investment management activities. The reduction in the securities portfolio led to substantial cash inflows during the year covered by the report. The balance of bought and sold securities was EUR 3.8 million.

Conversely, investments of EUR 0.9 million in intangible assets and fixed assets resulted in a reduction of cash flow.

Cash flow from financing activities was negative since the distribution of the ordinary dividend (EUR 3.2 million) and the buy-back of shares (EUR 0.4 million) led to cash outflows totalling EUR 3.6 million.

Accounts receivable and payable are due on a short term basis. The high level of liquid funds and securities ensures that liquidity is available within the Group at all times.

3.3.9 Investments, research and development

In 2013, the SYZYG Group invested EUR 0.9 million in intangible assets and fixed assets. Of this amount, EUR 0.4 million was incurred for purchases and leasehold improvements related to Hi-ReS! Berlin's move to new offices.

SYZYG also invested in software and hardware, as well as other equipment for the Group's employees, with the Group's expansion resulting in an 8 per cent increase in the number of employees.

As a service provider that does not offer any products of its own, SYZYG had no research and development expenses in the 2013 reporting year.

3.3.10 Asset situation

Total assets of the SYZGY Group rose slightly by 3 per cent to EUR 66.1 million in the period under review.

On the assets side of the balance sheet, this change is due almost entirely to an increase in current assets. Strong sales growth was accompanied by a rise in accounts receivable, which were up by EUR 3.1 million to EUR 12.9 million (+32%). Other assets also increased by EUR 1.2 million to EUR 3.1 million. In relation to these changes, EUR 0.8 million is owed by the tax authorities and EUR 0.4 million by companies in which a stake is held.

Liquid funds and securities declined by 8 per cent to a total of EUR 24.8 million due to the strong sales, which required the financing of higher working capital.

On the financing side, equity remained largely constant. The deduction item "Treasury stock" rose by EUR 0.4 million because SYZGY made use of the authorisation granted by the Annual General Meeting to buy back 100,000 shares through the stock market last year.

The key factors behind the increase in total assets were changes in current liabilities and provisions. The principal factor is the creation of other provisions, which increased by EUR 1.4 million to a total of EUR 4.2 million (+ 47%) following the growth in sales. As the business was expanded, both accounts payable (EUR 8.1 million) and advance payments received (EUR 3.0 million) also rose by around EUR 0.4 million in each case.

The equity ratio thus fell slightly by two percentage points to 74 per cent.

3.3.11 Employees

The SYZGY Group had a total of 326 permanent employees as at the reporting date, 8 per cent more than at December 31, 2012.

Two thirds of the workforce were employed in the German companies, one third by the UK entities. Three members of staff worked for Hi-ReSI New York, while the associated firm Ars Thanea had 46 employees. An average of 20 freelance employees also worked for the Group.

Distribution in terms of function remains largely unchanged: online media accounted for the largest proportion, with a 28 per cent share of the overall workforce. 17 per cent of staff worked in technology-related roles and likewise 17 per cent in project management, with 14 per cent in each of the areas design and administration. Approximately one tenth of the workforce worked in strategy consulting for clients.

Including 20 freelancers but excluding Ars Thanea employees, SYZGY employed around 350 people on average during the year. Sales per head were therefore around EUR 100,000.

4. Remuneration report

4.1 Remuneration system for the Management Board

The remuneration system for the Management Board is laid down by the SYZYGY AG Supervisory Board. The overall remuneration package comprises the following components:

- / non-performance related remuneration
- / performance related remuneration
- / other benefits.

The non-performance related remuneration is paid each month as a basic salary. Performance based remuneration includes two components: a performance-related bonus is paid on the basis of achieving the year's financial targets. These targets are set in the yearly planning and decided upon by the Supervisory Board. In addition, members of the Management Board benefit from share price-based bonus agreements, with up to 40 per cent being exercisable after two years and a further 60 per cent after three years.

The members of the Management Board receive other benefits in the form of payment of contributions to pension and accident insurance as well as private use of a company car or a car allowance of up to EUR 15,000 per year.

Commitments in the event of termination

No retirement benefits have been promised to the Management Board of SYZYGY AG to date. If an employment contract is terminated prematurely, a severance payment will be made in line with legal obligations, being the amount of the outstanding, appropriate on-target salary for the remainder of the contract period. Where necessary, a post contractual competition prohibition of 12 months may be agreed following premature termination of the contract. In this case, the Management Board member will receive compensation of 50 per cent of his or her most recently received average contractual remuneration.

Details of the remuneration of the Management Board for the 2013 financial year can be found in the notes to the financial statements.

4.2 Remuneration system for the Supervisory Board

Remuneration of the Supervisory Board is set out in Article 6 (8) of SYZYGY AG's Articles of Association and dates from a resolution passed by the Annual General Meeting on June 4, 2003. In addition to having their expenses reimbursed, each member of the Supervisory Board receives remuneration consisting of a fixed and a variable component. The fixed remuneration amounts to EUR 15,000. This fixed remuneration increases by EUR 5,000 if the Company's market capitalisation has risen by at least 20 per cent in the financial year concerned. The capitalisation figures used for this purpose are based on the mean closing price of the stock in the XETRA trading system on the Frankfurt Stock Exchange during the first five trading days of a financial year and during the first five trading days of the subsequent financial year. Supervisory Board members who have not been in office for the whole of the financial year are remunerated on a pro rata basis.

6. Supplementary report – Material events after the balance sheet date

On February 6, 2014, SYZYGY AG increased its share in the agency Ars Thanea s.k.a. from 26 per cent to its present level of 70 per cent. The remaining shares continue to be held by the agency's management. The contribution made by Ars Thanea to sales is expected to be around EUR 1.5 million in the current financial year.

7. Outlook report

7.1 Outlook

As with any private-sector business, the SYZYGY Group is subject to factors over which it has no control. Changes in the general economic environment and sentiment, both actual and perceived, can have a positive or negative impact on the Group's growth.

All statements about the future of the Group are based on information and findings that were known and available at the time this Annual Report was prepared. Since this information is subject to constant change, forecasts invariably involve a number of uncertainties. As a result, actual results may differ.

The SYZYGY Group draws up its forecasts on the basis of its organic development. Acquisitions can have a positive or negative effect on the future growth of the Group.

Business performance can also benefit from the acquisition of major new clients and from expanding existing client relationships by gaining additional budgets above and beyond scheduled projects.

7.2 General economic situation

Current expert estimates suggest that the Eurozone economy will continue to recover in the current year. Sentiment indicators such as the Economic Sentiment Indicator published by the EU Commission and the Markit Composite Index have been trending upward. The ifo indicator for the economic climate in the Eurozone also rose further in the first quarter of 2014. The surveyed experts view the next six months positively in almost all member countries of the currency union.

Both the International Monetary Fund (IMF) and the European Commission expect that the recovery, which has so far only been tentative, will stabilise, with Eurozone countries seeing a small amount of GDP growth (1.0 per cent) in 2014. Exports will be the primary driver. In most countries, domestic demand will continue to be held back by high levels of debt affecting both governments and private households.

Experts expect that Germany will see a significant upturn, with forecasts of between 1.6 per cent (IMF) and 1.8 per cent (Bundesbank). Domestic demand will probably remain the main factor. Although export growth of around 4.5 per cent is expected in light of the recovery in international markets, the external trade contribution to GDP is likely to remain slightly negative in 2014 as imports are expected to rise even more strongly, climbing by 5.0 – 5.7 per cent. This is the scenario expected by both the European Commission and the German federal government.

The UK's GDP is still 2.5 per cent below the pre-crisis level of 2008, despite the unexpectedly strong recovery seen in the year covered by the report. Economists are divided with regard to the quality and sustainability of the current upswing. While some point out that indicators have improved across a broad front, others emphasise the fragility of growth that is primarily consumer-driven, and which is additionally debt-financed to a large extent. In particular, many experts take a critical view of the government's massive subsidies for home loans, which enable buyers to purchase their own home with just a 5 per cent deposit.

The hoped-for investment by companies failed to materialise, while the 2014 current account deficit is expected once again to be higher than in the previous year, at -3.3 per cent. Investment and a strong export sector are regarded as key requirements for putting the country's economic recovery on a stable footing.

Over the short to medium term it can be assumed that the UK will be able to maintain the momentum generated in 2013 and will continue to experience significant growth in 2014. The independent forecasts published by the British Chamber of Commerce average 2.7 per cent, the IMF expects 2.4 per cent, while the European Commission is working on the basis of 2.2 per cent.

All in all, it can thus be expected that the SYZGY Group will be operating in a favourable economic environment in 2014. The key features of this backdrop will be positive sentiment and widespread recovery of the European economy.

7.3 Advertising market

In view of the pick-up in the economy, advertising spend in the markets relevant to SYZGY, namely Germany and the UK, is likely to rise in 2014.

For the overall German market, forecasts range from 0.9 per cent (Jäschke Operational Media, JOM) through 1.2 per cent (ZenithOptimedia) to 1.8 per cent (Magna Global). Forecasts for online advertising diverge to an even greater extent: JOM expects growth rates in the "lower single-digit range", while Magna Global and ZenithOptimedia come in with much higher figures of around 9 per cent.

Growth is expected to be somewhat higher in the UK, which is one of the top 5 advertising markets in the world, along with Germany. eMarketer and AA/WARC believe that advertising spend will rise by a total of 5.3 per cent. GroupM's forecast of 6.0 per cent is even more optimistic.

Forecasts for online advertising range from 10.1 per cent (AA/WARC) to around 14 per cent (GroupM and eMarketer). Almost half of all spending (48%) will thus be allocated to Internet advertising in the UK in 2014.

Overall, it can therefore be expected that the proportion of online advertising in the total budget will continue rising. A strong impetus for growth will come from mobile advertising formats in particular, due to increasing use of tablets and smartphones – a trend that is a worldwide phenomenon. According to ZenithOptimedia, 36 per cent of the additional expenditure that will flow into advertising between 2013 and 2016 will be spent on the mobile channel. Conventional online advertising is still expected to make up a quarter of the overall increase.

7.4 Performance of the SYZYGY Group

Experts agree that digital marketing will continue to gain hugely in importance. There is no change in the trend towards cutting the advertising budgets for traditional media – especially newspapers and magazines – and reallocating them to the Internet.

This development is gaining additional momentum through the widespread use of mobile devices such as smartphones and tablets. They have created a whole new media culture within a very short timeframe and changed the rules of marketing at a fundamental level. For example, a quarter of all Germans over the age of 14 now use a tablet computer (26%), up on the previous year's figure of only 13 per cent. Roughly half of the German population (47%) uses a smartphone for Internet access. The data volume passing through German mobile networks has grown exponentially in recent years. It will more than double in just two years, from 156 million gigabytes in 2012 to a projected figure of 330 million gigabytes in 2014. The post-PC era has already begun.

It is essential that businesses overcome traditional ways of thinking and redefine their brand experience for customers. Merely adapting existing websites for different devices and screen sizes is no longer an adequate response. If brands really want to reach out and excite their customers, they have to consider the nature and needs of those customers, then develop ways of making their lives easier or more interesting. Businesses that take an intelligent and customer-oriented approach to mobile devices will gain a decisive edge over their competitors.

Backed by many years' in-depth expertise in media, creative design and technology, the SYZYGY Group is well positioned to support large companies in facing these challenges and tapping into the potential of new technologies.

The SYZYGY Group expects to be able to increase its sales in the current financial year by at least 15 per cent to EUR 40.0 million. Around EUR 1.5 million of that amount will be attributable to Ars Thanea; the company will be fully consolidated in 2014 for the first time, now that the stake has been increased from 26 to 70 per cent. Based on budget figures, the two business segments, Germany and the UK, will make roughly equal contributions to sales growth.

Operating income will grow disproportionately, with the forecast of a 60 per cent rise to EUR 3.2 million. The increase in earnings is due to the higher profitability of the German and UK segments and the elimination of adverse factors.

Earnings per share are likely to be EUR 0.30.

Any acquisitions, which continue to be part of the SYZYGY Group's growth strategy, may affect these forecasts positively or negatively.

8. Risk and opportunities report

The results of the SYZYGY Group are determined by the performance of the operating units and the future interest income of SYZYGY AG.

Material risk factors relate to economic trends in the advertising sector in Germany and the UK and, in particular, the technological momentum of the markets for Internet services.

The Management Board of SYZGY AG monitors risks on an ongoing basis in order to counter negative effects on the net assets, financial position and results of operations at an early stage. Risk assessment relates to the extent of a potential impact on earnings and finances, and also to the likelihood that a risk factor may have an impact.

It is just as important to identify opportunities and make use of them. A functioning system for managing risk and opportunities is therefore an important element in a value-based management approach.

8.1 Risks

Economic risk

The state of the economy is the main factor that determines companies' willingness to invest in advertising and marketing campaigns. A downturn can lead to reduced order volumes and thus to a corresponding drop in sales for SYZGY. Any capacity adjustments which may be necessary become effective with a time lag and involve restructuring costs.

Operating risk

Approximately 61 per cent of the SYZGY Group's sales are generated from its ten largest clients. Losing any one of these clients cannot be compensated for immediately, if at all. In such an event, it is usually not possible to reduce costs accordingly at short notice.

SYZGY's sales are not protected by long-term contracts. Sales are usually generated on the basis of individual contracts that cover a limited period. All planning in relation to sales performance is thus necessarily subject to a large degree of uncertainty.

Sales are predominantly based on fixed price agreements, meaning that unforeseeable losses may be incurred if the calculated project budget is unexpectedly exceeded. SYZGY also assumes the usual guarantee and liability commitments associated with the project, which can lead to follow-on costs for each project.

The services SYZGY performs have public impact, so any defects in quality in the execution of one of its projects may cause widespread damage to SYZGY's image. This kind of damage has the potential to have a significantly negative impact on future business development.

Personnel risk

The Group's performance in the services segment depends to a very significant extent on the performance of its employees. Because of their specific skills, some individuals are particularly important. If the Group is unable to retain these employees, or continuously attract and retain new, highly qualified employees, SYZGY's success could be at risk.

Currency risk

SYZGY generates around one third of its sales in the UK, so exchange rate fluctuations between sterling and the euro can affect sales and annual net income positively or negatively in the event of deviation from the rate used for planning purposes. Nevertheless, SYZGY does not enter into any hedging transactions because sales in the UK market are countered by expenses in sterling. SYZGY is thus only exposed to foreign exchange risk in terms of the amount of the annual net income of the company in the respective country.

Investment risk

Investment strategy relating to liquid funds is geared towards long term income. Liquid funds are therefore invested in corporate bonds and other fixed interest securities in a manner designed to ensure risk diversification. All fixed interest securities are subject to interest rate and default risk. A rise in long-term interest rates has a negative effect on the price of such securities, while a decline has a positive impact. SYZGY minimises default risk by investing in a diversified range of securities with good credit ratings, i.e. largely investment grade. A small volume of bonds with lower ratings are also included in the portfolio.

Risks from acquisitions

Company acquisitions have been and remain part of SYZGY's growth policy. The success of acquisitions depends on how well the new acquisition can be integrated into the existing structure and how successfully SYZGY achieves the desired synergies. If an acquisition cannot be successfully integrated, the possible decrease in value will entail impairment losses. In these circumstances an exceptional depreciation of the book value of the acquisition would prove necessary.

8.2 Opportunities

In recent years the Internet has become almost indispensable as a communication medium for a large part of the population, for both private and job-related use. Widespread use of tablet PCs and continuing leaps in smartphone capabilities have given additional impetus to the integration of digital content into everyday life, opening up entirely new horizons to advertisers for targeting and selling.

The Internet has brought a fundamental change to the rules of marketing, making the advertising market more fragmented and more complex than ever. Service providers must find ways of excelling in this sophisticated world, strategically, creatively and technologically. There are two challenges facing firms in this sector: they must meet the increasing demands of an "always-on" society while also providing support to companies in achieving their goals in relation to sales and reputation. The potential of digital channels for marketing purposes is far from exhausted; rather, it increases with each technological innovation.

SYZGY has been a service company since the early days and can look back on many years of extensive digital capability. The Group is aligning itself with the advancing convergence of online and offline communication by developing cross-company units for digital management of strategy and brands. By doing so, SYZGY can become the first-choice partner for new marketing challenges and increasingly take the role of key partner for high-profile brands.

9. Internal control system

The risk early warning systems used are based on monthly reporting. This reporting includes new business activities and the qualitative performance of the subsidiaries, in addition to financial reporting (budget, updated forecast and actual figures). A risk management system is integrated into financial reporting which ensures that risk identification, risk communication and monitoring of operational risk takes place at monthly intervals. Risks are then aggregated at holding company level and risk management action is initiated by the holding company. The internal control system is supplemented by approval procedures for financial transactions (dual-control principle) and is supported by separation of functions and access rules in the IT system. Additionally, all the subsidiaries are subject to a quarterly review.

After preparation of the SYZYGY Group's quarterly reports, they are examined and approved by the Supervisory Board of SYZYGY AG.

Accounting-related internal control system

The accounting-related internal control system comprises policies, procedures and measures to ensure that the accounting has been conducted correctly. For these purposes the consolidated financial statements and the Group Management Report of the SYZYGY Group are prepared in accordance with IFRS (International Financial Reporting Standards), as they are to be applied in the European Union and in line with the supplementary provisions of Article 315a [1] of the Handelsgesetzbuch (HGB – German Commercial Code).

The Central Finance Department of SYZYGY AG controls the processes for preparing the single-entity and consolidated financial statements and for compiling the management report for the SYZYGY Group. Accounting standards and other bulletins are analysed on an ongoing basis for their impact on SYZYGY Group accounting. Consistent financial reporting throughout the Group and a financial calendar applicable to all entities within the Group ensures that the accounting process is standardised and up-to-date.

In keeping with Article 289 [5] of the Handelsgesetzbuch (HGB – German Commercial Code), one of the ways the accounting requirements of SYZYGY AG are implemented in the subsidiaries is that a largely standard bookkeeping system with a standard chart of accounts is used across the SYZYGY Group. All subsidiaries are subject to an internal audit once a quarter by the Central Finance Department of SYZYGY AG. This involves analysing, checking and ensuring compliance with accounting requirements and scrutinising the procedures for processing data.

The internal control systems are buttressed by external auditing bodies, such as the statutory auditor, and external tax audits.

In addition, accounting staff are kept up to date with statutory requirements via regular internal and external training courses.

10. Declaration on Corporate Governance in accordance with Article 289a of the Handelsgesetzbuch (HGB – German Commercial Code)

On October 29, 2013 the Management Board and Supervisory Board issued and published an updated declaration relating to the Corporate Governance Code.

Operation of the Management Board and Supervisory Board is also described in the declaration on corporate governance.

Both declarations can be viewed on our company website under "Investor Relations" at <http://ir.syzygy.co.uk>.

Responsibility statement by the legal representatives

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Bad Homburg v.d.H., March 24, 2014
SYZYGY AG

The Management Board

Consolidated balance sheet

Assets		31.12.2013	31.12.2012
	Note	EUR'000	EUR'000
Non-current assets			
Goodwill	(3.1)	19,537	19,701
Fixed assets, net	(3.2)	2,657	2,792
Fixed asset investments	(3.3)	641	668
Other assets	(3.4)	583	525
Deferred tax assets	(3.5)	1,845	2,046
Total non-current assets		25,263	25,732
Current assets			
Cash and cash equivalents	(3.6)	6,728	6,103
Marketable securities	(3.6)	18,078	20,693
Accounts receivable, net	(3.7)	12,944	9,840
Prepaid expenses and other current assets	(3.8)	3,124	1,922
Total current assets		40,874	38,558
Total assets		66,137	64,290
Equity and Liabilities		31.12.2013	31.12.2012
	Note	EUR'000	EUR'000
Equity			
Common stock*	(3.9.1)	12,828	12,828
Additional paid-in capital	(3.9.3)	20,207	20,207
Own shares	(3.9.4)	-554	-116
Accumulated other comprehensive income	(3.9.5)	-355	-265
Retained earnings	(3.9.6)	16,789	16,651
Minorities		-238	-260
Total equity		48,677	49,045
Non-current liabilities			
Long term liabilities	(3.13)	132	134
Deferred tax liabilities	(5.7)	88	89
Total non-current liabilities		220	223
Current liabilities			
Tax accruals and liabilities	(3.12)	1,344	1,222
Accrued expenses	(3.11)	4,240	2,885
Customer advances		3,023	2,597
Accounts payable	(3.11)	8,118	7,769
Other current liabilities	(3.13)	515	549
Total current liabilities		17,240	15,022
Total liabilities and equity		66,137	64,290

* Contingent capital EUR 1,200,000 (previous year: EUR 1,200,000).
The accompanying notes are an integral part of the financial statements.

Consolidated statement of comprehensive income

		2013	2012	Change
	Note	EUR'000	EUR'000	
Billings	(5.1)	90,603	77,598	17%
Media costs	(5.1)	-55,573	-46,483	20%
Sales	(5.1)	35,030	31,115	13%
Cost of revenues		-25,997	-22,264	17%
Sales and marketing expenses		-3,334	-3,036	10%
General and administrative expenses		-4,001	-4,071	-2%
Other operating income/expense, net	(5.2)	325	377	-14%
Operating profit		2,023	2,121	-5%
Financial income, net	(5.6)	2,124	1,283	66%
Income before taxes		4,147	3,404	22%
Income taxes	(5.7)	-786	5,618	-114%
Net income of the period		3,361	9,022	-63%
Items that will not be reclassified to profit and loss		0	0	–
Items that will or may be reclassified to profit and loss				
Currency translation adjustment	(5.8)	-218	433	-150%
Net unrealised gains/losses on marketable securities	(3.6)	185	3,184	-94%
Tax effect		-57	-982	-94%
Other comprehensive income		-90	2,635	-103%
Comprehensive income		3,271	11,657	-72%
Thereof income share to other shareholders		22	-272	
Thereof income share to shareholders of SYZYGY AG		3,249	11,929	-73%
Earnings per share from total operations (basic in EUR)	(6.1)	0.26	0.73	-64%
Earnings per share from total operations (diluted in EUR)	(6.1)	0.26	0.72	-64%

The accompanying notes are an integral part of the financial statements.

Statement of changes in equity

							Accum. other comprehensive income			
	Number of shares (in 1,000)	Common stock	Additional paid-in capital	Own shares	Retained earnings	Foreign exchange currency	Unrealised gains and losses	Equity attributable to shareholders of SYZYGY AG	Minority interest	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
1 Jan. 2012	12,828	12,828	20,207	-116	9,918	-1,826	-1,074	39,937	0	39,937
Comprehensive income					9,294	433	2,202	11,929	-272	11,657
Dividend					-2,561			-2,561		-2,561
Changes of first consolidation and shares									12	12
31 Dec. 2012	12,828	12,828	20,207	-116	16,651	-1,393	1,128	49,305	-260	49,045
1 Jan. 2013	12,828	12,828	20,207	-116	16,651	-1,393	1,128	49,305	-260	49,045
Comprehensive income					3,339	-218	128	3,249	22	3,271
Dividend					-3,201			-3,201		-3,201
Purchase of own shares					-438			-438		-438
31 Dec. 2013	12,828	12,828	20,207	-554	16,789	-1,611	1,256	48,915	-238	48,677

The accompanying notes are an integral part of the financial statements.

Consolidated statement of cash flows

	2013	2012
	EUR'000	EUR'000
Period net income	3,361	9,022
Adjustments to reconcile income from continuing operations to net cash provided by operating activities		
– Depreciation on fixed assets	754	704
– Profit and loss on sale of securities	-980	295
– Profit (-)/loss (+) on sale of fixed assets	262	0
– Income of at equity investments	-99	-16
– Other non-cash income and expenses	250	-19
Changes in operating assets and liabilities:		
– Accounts receivable and other assets	-3,542	-1,642
– Customer advances	434	545
– Accounts payable and other liabilities	1,312	992
– Tax accruals and payables, deferred taxes	-458	-2,159
Cash flows provided by operating activities	1,294	7,722
Proceeds from sale of fixed assets	0	3
Changes in other non-current assets	-69	-14
Investments in fixed assets	-892	-910
Purchases of marketable securities	-24,074	-21,424
Proceeds from sale of marketable securities	27,898	15,730
Income from at equity investments	114	0
Cash flows used in investing activities	2,977	-6,615
Dividend	-3,201	-2,561
Cash inflows from issuance of share capital from minority shareholders	0	12
Changes in treasury stock	-438	0
Cash flows from financing activities	-3,639	-2,549
Total	632	-1,442
Cash and cash equivalents at the beginning of the year	6,103	7,533
Exchange rate differences	-7	12
Cash and cash equivalents at the end of the year	6,728	6,103

The accompanying notes are an integral part of the financial statements.

Notes to the Consolidated Financial Statements

1. Accounting principles and methods

1.1 General

The consolidated financial statements of SYZYGY AG (“SYZYGY”, “SYZYGY Group”, “Group” or “Company” in the following) for the 2013 financial year have been prepared in accordance with the principles of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in the applicable version of December 31, 2013, as they are to be applied in the European Union and in line with the supplementary provisions of Article 315a of the Handelsgesetzbuch (HGB – German Commercial Code). The financial year corresponds to the calendar year.

The Company was entered in the Commercial Register at the District Court of Bad Homburg (HRB 6877) on May 1, 2000 under the company name SYZYGY AG. The Company's registered office is in Bad Homburg, Germany. Its address is: SYZYGY AG, Im Atzelnest 3, 61352 Bad Homburg v. d. H., Germany.

1.2 Business activity

SYZYGY is a global service group for digital marketing. SYZYGY AG acts as a management holding company by providing central services relating to strategy, planning, technology development, accounting, IT infrastructure and finance. SYZYGY AG also supports the subsidiaries in relation to new business activities and generated sales from projects with third parties in the 2013 financial year. As operating entities, the subsidiaries are responsible for providing consultancy and other services. With branches in Bad Homburg, Berlin, Frankfurt/Main, Hamburg, London and New York, the Group's subsidiaries offer major companies an integrated portfolio of corporate Internet solutions, from strategic consulting to project planning, concepts, design and technical realisation. SYZYGY's services are complemented by search engine marketing and online media planning. As a service provider for

technology, creative input and media, SYZYGY enables clients to use digital media as innovative tools for communication and marketing. The Group's business focus is on the automotive, telecommunications/IT and retail and consumer goods industries, as well as financial services.

1.3 Scope of consolidation

The consolidated financial statements are based on the annual financial statements of the companies consolidated in the Group, which were prepared in accordance with IFRS-compliant accounting and valuation principles. The reporting dates for these companies correspond to the reporting date for the Group.

As at December 31, 2013, the following subsidiaries were included in the consolidated financial statements of SYZYGY AG as the top-level parent company and fully consolidated, since SYZYGY AG holds the majority of the voting rights, directly or indirectly, and it can control the financial and corporate policy of these companies:

- / Hi-ReS! Berlin GmbH, Berlin, Germany (Hi-ReS! BER)
- / Hi-ReS! Hamburg GmbH, Hamburg, Germany (Hi-ReS! HH)
- / Hi-ReS! London Ltd, London, United Kingdom (Hi-ReS! LON)
- / Hi-ReS! New York Inc., New York City, United States of America (Hi-ReS! NY)
- / Mediopoly Ltd, Jersey, United Kingdom (Mediopoly)
- / SYZYGY Deutschland GmbH, Bad Homburg v.d.H., Germany (SYZYGY Deutschland)
- / SYZYGY UK Ltd, London, United Kingdom (SYZYGY UK)
- / unquedigital GmbH, Hamburg, Germany (unquedigital)
- / Unique Digital Marketing Ltd, London, United Kingdom (Unique Digital UK)

In addition to the fully consolidated subsidiaries, Ars Thanea s.k.a., Warsaw, Poland (Ars Thanea) is also included in SYZYG's consolidated financial statements as a joint venture based on the at equity method.

Joint ventures are companies that are controlled jointly with others.

1.4 Principles of consolidation

The assets and liabilities included in the consolidated financial statements have been reported in line with the standardised accounting and measurement guidelines applicable to SYZYG in accordance with IFRS.

The capital is consolidated in accordance with IFRS 3 using the purchase method. The carrying values of the subsidiaries are offset against the subsidiary's equity at the time of acquisition. For this purpose, assets, liabilities and contingent liabilities are recognised at their current fair value. The residual difference is reported as goodwill under intangible assets. In line with IFRS 3, existing and purchased goodwill is not amortised, but rather tested for impairment at least once a year or if there are indications of impairment losses, in accordance with the provisions of IAS 36, using a single-stage test procedure. Any impairment would be recorded pro rata in cost of sales, sales and marketing costs and general administrative expenses.

To eliminate inter-company accounts, receivables and payables between all consolidated subsidiaries are netted out. The differences arising from elimination of inter-company accounts are recognised in the consolidated statement of comprehensive income and reported in "Other operating income and expenses".

When consolidating expenses and revenues, inter-company revenues are charged against the corresponding expenditures. If valuation allowances have been recognised in individual financial statements for the shares of consolidated companies or for inter-company receivables, these are reversed during consolidation.

There are no factors that would lead to the elimination of intercompany profits in the consolidated financial statements.

Joint ventures that are included in the consolidated financial statements based on the equity method are recognised on acquisition at their pro rata revalued assets (plus any goodwill), liabilities and contingent liabilities. The goodwill resulting from application of the equity method is not amortised. The carrying amount of the stake resulting from application of the equity method is tested for impairment if there are indications of impairment losses. If the carrying amount of the stake exceeds its recoverable amount, an impairment loss expense corresponding to the difference must be recorded. The recoverable amount is established through the fair value, less selling expenses and value in use. Any impairment would be recorded in financial income.

Income tax effects are taken into account and deferred taxes are recognised during consolidation procedures that affect income.

1.5 Use of assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets, liabilities and financial obligations at the reporting date and income and expenses during the reporting period. Estimates were required in particular when evaluating provisions, receivables associated with work in progress, option rights and correspondingly in the case of goodwill.

Measurement of tangible fixed assets and intangible assets requires estimates for calculating fair value at the date of acquisition, if they were acquired as part of a business combination. The expected useful life of the assets must also be estimated. Assessments made by management are used as a basis for determining the fair value of assets.

The recoverable amount for the cash generating units was calculated on the basis of assessments made by management as part of the impairment test. Section 3.1, Goodwill, contains further details.

Management establishes provisions for doubtful receivables to take account of expected losses resulting from the insolvency of customers. The criteria that management uses to assess provisions for doubtful receivables include the breakdown by maturity of the balances receivable and experience of derecognising receivables in the past, customers' credit ratings and changes to payment terms. If the financial position of customers deteriorates, the actual derecognition may exceed the scope of the expected derecognition.

When determining deferred tax assets and liabilities, the expected actual income tax must also be calculated for each tax object and an assessment made of temporary differences resulting from the different treatment of certain items between the financial statements for IFRS purposes and for tax reporting purposes. Any temporary differences will result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Deferred tax assets are recognised to the extent that they are likely to be used. If there is a change in the impairment test for deferred tax assets, the recognised deferred tax assets (as originally established) must be reduced and recognised in net income or such that net income is not affected, or adjusted deferred tax assets must be capitalised and recognised in net income or such that net income is not affected. The recognition and measurement of provisions depend to a large extent on estimates made by SYZGY. The judgement that a financial liability has arisen or quantification of the possible amount of the payment obligation is based on an assessment of the particular situation by management. Provisions for expected losses are established if it is highly unlikely that performance and consideration relating to the transaction will balance each other and this loss can be reliably estimated. Actual results may differ from these estimates. Assumptions and estimates are always made on the basis of the most recent information available at the time. If the outcome deviates from expectations, the relevant items will be adjusted if necessary.

Please see the breakdown of the individual items in the consolidated financial statements for the carrying amounts of the assets and liabilities subject to estimation uncertainties as at the reporting date.

1.6 Foreign currency translation

The notion of a functional currency is applied to translation of financial statements of consolidated companies prepared in foreign currencies. Since the foreign subsidiaries are economically independent, the local currency is the functional currency of these companies. For this reason, in accordance with IAS 21.38 ff assets and liabilities are translated using the exchange rate at the balance sheet date, whereas income and expenses are translated at the average annual exchange rate. Translation differences are shown in other income in the statement of comprehensive income without affecting net income. In accounting for fixed assets, the position is converted at the start and at the end of the financial year using the exchange rate at the respective date and the remaining items are converted at average rates of exchange. Any difference is shown as an exchange rate difference in a separate line, both for acquisition and production costs and for accumulated depreciation and amortisation.

In the individual financial statements of the consolidated companies, which are prepared in local currency, monetary items in foreign currency are valued at the end of the year in accordance with IAS 21 using the exchange rate at the closing date. Any resulting foreign currency gains or losses directly affect income.

SYZYG Y used the following exchange rates in the year under review:

	Average rate of exchange	Exchange rate as at reporting date, 31.12.
2013		
GBP/EUR	1.18	1.20
2012		
GBP/EUR	1.23	1.22

1.7 Adoption of published standards (IFRS) and interpretations (IFRIC)

Bulletins or amendments to them adopted for the first time in the financial year

In the course of the financial year, SYZYG Y AG observed the following bulletins or amendments to bulletins issued by the IASB for the first time:

- ✓ Presentation of other comprehensive income items (amendment to IAS 1)

The amendments are intended to improve the presentation of other comprehensive income (OCI) items. Entities can choose between presenting the overall result as a single statement or creating separate statements. In future, OCI items will be divided into amounts that can be reclassified to the statement of profit or loss (recycling) and amounts that cannot be reclassified. Entities can still choose between presenting OCI items before and after tax. The income taxes incurred must be shown separately, however, depending on whether they represent reclassifiable or non-reclassifiable elements in future.

First-time adoption of amended IAS 1 does not have any impact on the Group's net assets, financial position or results of operations.

✓ Employee benefits (amendments to IAS 19)

The new version of IAS 19 requires the actuarial gains/losses from pension commitments to be recognised immediately in other comprehensive income, without affecting net profit. In future, management may also no longer calculate interest on the portfolio of plan assets using the expected yield of the plan assets, but must instead apply the discount interest rate used for the liability. In addition, companies are required to provide more disclosures in the Notes in future, including describing and quantifying how the scheme is financed. A sensitivity analysis is also required in order to clarify the impact of major changes in parameters on pension liabilities.

First-time adoption of amended IAS 19 does not have any impact on the Group's net assets, financial position or results of operations.

✓ IFRS 13 Fair Value Measurement

The standard prioritises the measurement of fair value based on market value and defines it as the selling price (exit price). The characteristics of the following elements are taken into account: attributes of the asset being measured, of the transaction (market participants, measurement date, market conditions, reference market) and of the price. Contrary to the current measurement method using the value of goods received and the prices paid to acquire them, fair value measurement under IFRS 13 will in future be based on an exit price. The fair value of liabilities will be measured using a transfer notion (rather than a settlement notion). In addition to the assumptions made when measuring non-financial assets, non-financial liabilities and financial instruments and measurement

when market activity is falling, IFRS 13 deals in particular with the measurement hierarchy, measurement methods and input factors for the measurement.

First-time adoption of IFRS 13 does not have any impact on the Group's net assets, financial position or results of operations.

✓ Deferred taxes: recovery of underlying assets (amendment to IAS 12)

The measurement of deferred tax liabilities and assets depends on whether the carrying amount of the asset is recovered through use or sale of the asset. Real estate held as a financial investment and measured at fair value is particularly subject to difficulties in assessment or an especially high degree of subjective judgement. The amendment introduces the rebuttable assumption that the carrying amount of such real estate will be recovered through sale. However, this does not apply to assets that are re-measured under IAS 16 or 38.

First-time adoption of amended IAS 12 does not have any impact on the Group's net assets, financial position or results of operations.

✓ Hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)

Replacement of fixed dates: the amendment replaced the previous reference to a fixed transition date of 1 January 2004 with the general wording "the date of transition to IFRSs".

Hyperinflation: rules have also been created for the first time to cover circumstances in which entities were unable to comply with IFRS rules for some time before the adjustment because the functional currency was subject to hyperinflation.

First-time adoption of amended IFRS 1 does not have any impact on the Group's net assets, financial position or results of operations.

/ Disclosures — offsetting financial assets and financial liabilities (amendment to IFRS 7)

The amendment introduces a number of disclosure requirements aimed at clarifying the functioning of netting agreements.

First-time adoption of amended IFRS 7 does not have any impact on the Group's net assets, financial position or results of operations.

/ Government loans (amendment to IFRS 1)

The amendments relate to government loans at interest rates that do not correspond to market interest rates. The amendment provides IFRS first-time adopters with an exceptional arrangement to apply the IFRS retrospectively in full when accounting for such loans during the transition to IFRS.

First-time adoption of amended IFRS 1 does not have any impact on the Group's net assets, financial position or results of operations.

/ Annual improvements to IFRS 2009-2011

- IFRS 1 First-Time Adoption of International Financial Reporting Standards: repeated application of IFRS 1 and borrowing costs

Repeated application of IFRS 1 – clarification of scope of application: IFRS must also be applied by entities whose most recent financial statements were not in compliance with IFRS.

Borrowing costs – capitalised borrowing costs in relation to qualified assets for which the date of capitalisation is prior to the transition to IFRS may be carried forward. Starting from the date of transition, only borrowing costs in compliance with IAS 23 may then be capitalised.

- IAS 1 Presentation of Financial Statements: prior year figures, change to accounting policy or restatement/reclassification

Clarification of disclosure for the prior year comparative information if an entity includes more than the required comparative periods. The draft also includes clarification in the event that an entity makes a change to its accounting policies or applies retroactive restatements/reclassifications.

- IAS 16 Property, Plant and Equipment: classification of servicing equipment/spare parts

Servicing equipment will in future be carried as property, plant and equipment under IAS 16.8 when it is expected to be used during more than one period. Otherwise servicing equipment is regarded as inventory.

– IAS 32 Financial Instruments: disclosures and presentation

Clarification of IAS 32.35A that accounting for tax effects related to distributions to equity holders and to costs of an equity transaction shall be accounted for in accordance with IAS 12. This improvement eliminates a redundancy.

– IAS 34 Interim Financial Reporting: total segment assets

Clarification in IAS 34.16A (iv) with regard to total segment assets in interim reporting. This must only be presented if a measure of the assets is provided to the chief operating decision maker and if there has been a material change from the amount disclosed in the financial statements for the last financial year.

First-time adoption of the annual improvements to IFRS 2009-2011 and the amended standards does not have any impact on the Group's net assets, financial position or results of operations.

✓ IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The interpretation refers solely to waste removal costs that are incurred in surface mining activity during the production phase of the mine. The different accounting treatment of these costs in practice requires uniform guidelines. IFRIC 20 describes the requirements for capitalising waste removal costs and the initial and subsequent measurement.

The costs of stripping activity are capitalised as inventory to the extent that the benefit from the stripping activity is realised in the form of inventory produced (IAS 2). If the benefit reflects improved access to extractable ore or minerals, the cost of the stripping activity may be recognised as a non-current asset. The interpretation applies to production stripping costs incurred on or after the beginning of the earliest period presented.

First-time adoption of IFRIC 20 does not have any impact on the Group's net assets, financial position or results of operations.

Standards that have been published and transposed into EU law, but not yet adopted

The following standards, interpretations and amendments had been published by the IASB up to the balance sheet date and transposed into EU law, but do not apply to SYZGY AG until the subsequent period. SYZGY AG has not opted for early adoption.

<i>Amendment/Standard</i>	<i>Publication date</i>	<i>Date of transposition into EU law</i>	<i>Adoption date (EU)</i>
IFRS 10 Consolidated Financial Statements	12 May 2011	11 December 2012	1 January 2014
IFRS 11 Joint Arrangements	12 May 2011	11 December 2012	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities	12 May 2011	11 December 2012	1 January 2014
IAS 27 Separate Financial Statements	12 May 2011	11 December 2012	1 January 2014
IAS 28 Investments in Associates and Joint Ventures	12 May 2011	11 December 2012	1 January 2014
Recoverable Amount Disclosures for Non-Financial Assets (amendments to IAS 36)	29 May 2013	20 December 2013	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (amendments to IAS 39)	27 June 2013	20 December 2013	1 January 2014
Transition Guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	28 June 2012	4 April 2013	1 January 2014
Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)	31 October 2012	20 November 2013	1 January 2014
Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32)	16 December 2011	13 December 2012	1 January 2014

The impact of first-time application of these standards on the SYZGY Group's consolidated net assets, financial position and results of operations is currently still being examined. SYZGY does not, however, expect them to have a material impact.

Standards, interpretations and bulletins that have been published but not yet transposed into EU law and not yet adopted

The following standards, interpretations and amendments had been published by the IASB up to the balance sheet date, but not yet transposed into EU law and have not yet been adopted by SYZYGY AG.

<i>Amendment/Standard</i>	<i>Publication date</i>	<i>Date of transposition into EU law</i>	<i>Adoption date (EU)</i>
IFRS 9 Financial Instruments and subsequent amendments (amendments to IFRS 9 and IFRS 7)	2 November 2009/ 16 December 2011	postponed	—
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	21 November 2013	Q3/2014	1 July 2014
Annual Improvements to IFRSs 2010-2012 Cycle	12 December 2013	Q3/2014	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	12 December 2013	Q3/2014	1 July 2014
IFRIC Interpretation 21 Levies	20 May 2013	Q2/2014	1 January 2014

At present, SYZYGY does not view the amendments as materially relevant to its financial statements.

1.8 Other information

Unless stated otherwise, amounts in the Company's consolidated financial statements are in thousands of euros. The accounts are based on the assumption that the business will be continued as a going concern.

In accordance with application of IAS 1, the balance sheet is divided into non-current and current assets and liabilities. Assets and liabilities which are due within one year are regarded as current. Irrespective of their maturity, inventories and accounts receivable and payable are also regarded as current if they are not sold, consumed, or become due within one year, but are sold, consumed, or become due within the normal course of the operating cycle.

The statement of comprehensive income has been prepared in accordance with IAS 1.103 using the cost of sales method for expenses and income to be reported as net income. Sales are shown against the expenses incurred in generating them. These expenses can be allocated to the functional areas production, sales, and general administration.

2. Significant accounting policies

2.1 Intangible assets, goodwill and fixed assets

Intangible assets comprise goodwill, brand equity and software.

Intangible assets are accounted for in the balance sheet and initially measured in accordance with IAS 38. Consequently, individually purchased intangible assets are recognised at cost and amortised using the straight-line method over their useful life if they have a finite useful life. The scheduled expense resulting from amortisation is reported under functional costs in the statement of comprehensive income, according to allocation of assets to the functional areas of the company.

Intangible assets arising from acquisition of a company are measured at their fair value at the time of the acquisition in accordance with IFRS 3. Subsequent cases of impairment are treated as unscheduled write-downs. If the fair value of assets which have been the subject of an unscheduled write-down increases, the increase is recorded as a reversal.

In accordance with IFRS 3 in conjunction with IAS 36 and 38, intangible assets with indefinite useful lives, such as goodwill from company acquisitions, are not amortised but tested for impairment at least once a year. When carrying out the impairment test, the carrying amounts of the equity capital of the cash generating units underlying the goodwill, including the carrying amounts of the goodwill allocated to the respective cash generating unit, are compared on December 31 with the recoverable amounts of these cash generating units. The recoverable amount is the higher of the fair value less costs

to sell and the value in use. SYZGY defines the individual companies as cash generating units. The values in use are determined using the discounted cash flow (DCF) method. Future cash flows to be discounted using the DCF method are determined using medium-term planning for financial and asset positions and results of operations. Past experience, knowledge of current operational results and management estimates of future developments are all reflected in this planning. Market and sector forecasts by leading industry analysts are also regularly taken into account; please see the corresponding comments in the Management Report. Management estimates of future developments in particular, such as sales performance, involve a high degree of uncertainty. If the carrying amount to be tested exceeds the recoverable amount according to the DCF method, impairment applies and the value is written down to the recoverable amount.

Fixed assets include leasehold improvements and other equipment and are carried at cost less accumulated depreciation. Leasehold improvements are depreciated on a straight-line basis over their estimated useful life or the term of the lease, whichever is shorter. Operational and office equipment is depreciated on a straight-line basis, normally over a period of between three and thirteen years.

If indications of unscheduled impairment losses on intangible assets or tangible fixed assets occur, a decision needs to be made in accordance with IAS 36 as to whether the fixed assets concerned should be written down to their market value or fair value. This is the case if the recoverable amount is lower than the carrying amount. If reasons for unscheduled write-downs of fixed assets – except for goodwill – cease to apply, the write-downs are reversed.

2.2 Financial instruments

Financial instruments with respect to SYZYG include securities and cash.

Securities classified as available-for-sale in accordance with IAS 39 are carried at cost when first reported, generally corresponding to fair value, and subsequently at fair value, which usually corresponds to market values in the financial markets. Unrealised gains and losses are reported in the "Other net income" item in equity capital and in the statement of comprehensive income in "Change in unrealised gains and losses on available-for-sale securities which does not affect income". Exceptions include non-temporary impairment losses, and gains and losses from foreign currency translation of monetary items, which are recognised in the income statement. If an available-for-sale security is sold or a long-lasting or significant impairment is detected, the gains and losses previously accumulated in the revaluation reserve for financial investments are recognised in net income. Impairment of equity instruments recognised in income in the past is not reversed in net income. In contrast, reversals of impairment losses on debt capital instruments are recognised in net income.

Changes in interest rates may lead to fluctuation in the price of fixed-income securities, depending on their duration. No hedging is entered into for this purpose.

2.3 Accounts receivable

Accounts receivable are recorded at the time of revenue recognition, i.e. on delivery to the client. Recognisable risks are taken into account by making value corrections. Accounts receivable are stated at their nominal value if no allowances are necessary due to default risk. Receivables due after more than one year are discounted in line with market rates. Services performed as part of fixed-price projects which are realised according to the percentage of completion method (PoC) as defined in IAS 11 are also shown in accounts receivable (see also section 2.9, Revenue recognition).

2.4 Treasury stock

Treasury stock is reported as a reduction in equity. The total purchase cost is disclosed as an item to be deducted from equity.

Gains from the sale of treasury stock are allocated to additional paid-in capital such that net income is not affected.

2.5 Deferred taxes

Deferred tax assets and liabilities are recognised for temporary differences between the valuations in the consolidated balance sheet in accordance with IFRS and the tax accounts and with regard to tax losses carried forward.

Deferred tax assets and liabilities are shown separately in the balance sheet, unless they can be offset against each other for submission to the same tax authority. Deferred taxes are stated using the statutory tax rates expected to apply in the countries in question at the time of realisation.

The carrying amount of deferred tax assets is examined every year on the reporting date and is marked down if it is no longer likely that a taxable profit will be available against which the deductible temporary difference or the loss carry-forward for income tax purposes can be applied.

2.6 Accounts payable and other provisions

In accordance with IAS 39, current liabilities are shown at the time of acquisition at the settlement amount, which approximates to their market value. Non-current liabilities are determined according to the effective interest method by discounting the settlement amount, a process which is continued until maturity.

Other provisions are formed if a legal or de facto obligation to a third party is incurred, the claim is probable and the amount payable can be reliably assessed. In determining other provisions, all applicable costs are taken into consideration.

2.7 Contingent liabilities

Contingent liabilities are potential obligations resulting from past events, whose existence is conditional on the occurrence or non-occurrence of one or more uncertain future events that are not fully under the control of SYZYG. Contingent liabilities are also present obligations resulting from past events, in which the outflow of resources with economic benefit is unlikely or in which the scope of the obligation cannot be reliably estimated.

Contingent liabilities are carried at fair value if they were acquired in the course of a company acquisition. Contingent liabilities that were not acquired in the course of a company acquisition are not recognised in the accounts.

2.8 Other assets and liabilities

Other assets and liabilities are recognised at their nominal value or settlement amount. Any impairments of other assets are taken into account through individual value adjustments.

2.9 Revenue recognition

SYZYG generates sales from consulting and development services and from implementing advertising campaigns.

Sales from consulting services and from production of digital media content are recognised when the services are rendered in accordance with the terms of the contractual agreement, the payment is reasonably assured and the budget is fixed or determinable.

Consulting services on a fixed-price basis are recognised in line with the percentage of completion method. The percentage of completion of a project is calculated by the ratio of realised time units to all the time units planned for completion of the project. Adjustments are regularly made based on updated planning. Provisions for expected losses on contracts are established in full in the period in which such losses become apparent.

With some projects, milestones are specified. In these cases, sales associated with a particular milestone are recognised when the Company has performed all work related to the milestone and the client has accepted the performance.

Income from interest and comparable items is recognised on an accrual basis.

2.10 Expenses for operating leases

Under current IFRS rules, the beneficial ownership of leased assets is attributed to the contracting partner in a leasing arrangement who bears the major opportunities and risks associated with the leased asset. In an operating lease, the lessor bears the major opportunities and risks, with the result that the leased asset is recognised on the lessor's balance sheet.

In an operating lease, the leasing instalments paid by the lessee during the period of the leasing arrangement are recognised in the income statement.

2.11 Advertising expenses

Advertising expenses are included in the consolidated statement of comprehensive income at the time they are incurred.

2.12 Income taxes

Actual income taxes are determined on the basis of the tax rules applicable in the countries in which the respective company operates. In accordance with IAS 12, calculation of deferred taxes includes tax deferrals on different valuations of assets and liabilities in the accounts prepared for financial accounting purposes (IFRS) and the accounts prepared for tax purposes. Current and deferred taxes are recognised as an expense or income unless they are associated with items whose changes in value are recognised directly in equity. In such cases, the deferred tax is also recognised directly in equity.

2.13 Earnings per share

Earnings per share are calculated in accordance with IAS 33 and correspond to total net income of the Group divided by the weighted average number of shares in circulation during the financial year. The acquisition of treasury stock reduces the number of shares in circulation accordingly.

In addition to the outstanding shares, all outstanding options which have not been exercised and whose intrinsic value during the reporting period was positive are taken into consideration when calculating diluted earnings. The intrinsic value is the difference between the fair value and exercise price of an option. The number of additional shares to be taken into consideration according to this principle is calculated by offsetting the proceeds generated by exercising the shares against the market value of the shares. The difference between these two figures, expressed as the number of shares at fair value, corresponds to the dilution effect which would have arisen if these options had been exercised.

2.14 Stock option plans

According to IFRS 2, the cost of issuing stock options should be recorded in the income statement as a personnel expense if it is highly likely that the option scheme will not be implemented in shares, but rather in cash (bonus agreement based on share price). SYZYGY AG expects that this will be the case with its present option scheme, for two reasons: firstly, the Company has a choice with regard to the method of implementation; secondly, financial circumstances and experience from previous option schemes are factors against implementation in the form of issuing new shares. The market value of the option is determined as at the balance sheet date and the relevant expense is recognised up to the exercise date on a pro rata basis. The Company's obligation was reported as a provision.

3. Notes to the consolidated balance sheet

3.1 Goodwill

Reported goodwill of kEUR 19,537 (previous year: kEUR 19,701) arose from the acquisition of unquedigital in Hamburg, Unique Digital UK in London and Hi-ReSI LON. Goodwill includes exercising the option to acquire the outstanding 20 per cent of the shares in Hi-ReSI LON.

SYZYG defines the individual companies as cash generating units. The values in use are determined using the discounted cash flow (DCF) method. Future cash flows to be discounted using the DCF method are determined using medium-term planning for financial and asset positions and results of operations. In the course of determining the EBIT figures, the underlying planning was adjusted accordingly. The adjustments to the option entitlement in relation to Hi-ReSI LON led to a deduction from goodwill of kEUR 2 (previous year: kEUR 66) in the 2013 financial year.

Goodwill and intangible assets with indefinite useful lives acquired in the course of business combinations were allocated to the following cash generating units for impairment testing:

- / unquedigital
- / Unique Digital UK
- / Hi-ReSI LON

The following table shows the carrying amounts of the goodwill allocated to the cash generating units, intangible assets with indefinite useful lives and the recoverable amounts.

kEUR	unquedigital			Unique Digital UK			Hi-ReSI LON			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
Goodwill	8,841	8,841	8,841	8,521	8,663	8,450	2,175	2,197	2,204	19,537	19,701	19,495
Intangible assets	0	0	0	131	133	130	178	181	176	309	314	306
Recoverable amount	17,776	14,762	22,592	14,079	15,808	15,293	3,218	2,852	5,558	35,073	33,422	43,443

An impairment test of goodwill as of December 31, 2013 revealed that there was no need to recognise an impairment loss. The recoverable amount for the cash generating units was calculated on the basis of the value in use using cash flow forecasts as at December 31, 2013. The forecasts are based on financial planning approved by management for a period of the next five years, updated each year. The most important assumptions underlying the determination of fair value include assumptions of growth rates, margin development and discount rate. Since internal planning assumptions are used, the resulting market values or fair values are allocated to Level 3 of the fair value hierarchy (see section 6.6)

In the case of the Unique Digital UK and Hi-ReSI LON cash generating units in Great Britain, a risk-free interest rate of 3.72 per cent (previous year: 2.89 per cent), a risk premium of 5.8 per cent (previous year: 5.8 per cent) and a sector beta of 0.51 (previous year: 0.59) were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 6.7 per cent (previous year: 6.3 per cent) after tax, or 8.8 per cent (previous year: 8.5 per cent) before tax. An average tax rate of 21.75 per cent was applied (previous year: 26 per cent). In subsequent periods, a tax rate of 21 per cent will apply in Great Britain. The relevant business plans are based on expected sales growth at Hi-ReSI LON of 38 per cent p.a. (previous year: 22 per cent) for 2014 and 5 per cent p.a. (previous year: 5 per cent) for the years 2015 to 2018 and a terminal value of 0 per cent. In the case of Unique Digital UK, the business plans for 2014 are based on expected sales growth of 24 per cent p.a. (previous year: 38.6 per cent) and sales growth of 10 per cent p.a. (previous year: 10 per cent) from 2015 to 2018, and a terminal value of 0 per cent. For 2014, the growth rate

corresponds exactly to the budget plans of the cash generating units, while subsequent developments are in line with the general market performance of the respective country.

Market research institutes expect the online advertising market in the UK to grow by 10 per cent in 2014 (previous year: 10 per cent). Based on the underlying information, management did not identify any need in the updated analysis for impairment either at Unique Digital UK or Hi-ReSI LON. Goodwill of kEUR 8,521 (previous year: kEUR 8,663) for Unique Digital UK and kEUR 2,175 (previous year: kEUR 2,197) for Hi-ReSI LON is allocated to the respective cash generating units.

In the case of unquedigital in Germany, a risk-free interest rate of 2.86 per cent (previous year: 2.21 per cent), an unchanged risk premium of 5.8 per cent and a sector beta of 0.51 (previous year: 0.59) were assumed, producing a WACC (Weighted Average Cost of Capital) of 5.8 per cent (previous year: 5.6 per cent) after tax, or 8.3 per cent (previous year: 8.0 per cent) before tax. An unchanged average tax rate of 30 per cent was applied. The business plan envisages sales growth of 20 per cent p.a. (previous year: 24 per cent) for 2014 and 10 per cent p.a. sales growth (previous year: 10 per cent) for the years 2015 to 2018. The terminal value is set at 0 per cent.

Market research institutes expect the online advertising market in Germany to grow by 9 per cent in 2014. Based on the underlying information, management did not identify any need in the updated analysis for impairment at unquedigital, to which unchanged goodwill of kEUR 8,841 is allocated.

If the key assumptions regarding interest rates, growth rates and margin development change, different values in use for the cash generating units will result. A rise of 100 basis points in the interest rate for 30-year government bonds would result in a rise in WACC before tax of the same extent in Germany and consequently a 15 per cent drop in values in use due to the higher discount factor. The effect on values in use in the UK would be similar. However, this did not result in any impairment of a CGU.

If the growth rates for the online marketing companies unquedigital and Unique Digital UK decline from 10 per cent p.a. to 5 per cent p.a. from 2014 onwards, there would still be no need for depreciation. If the growth rates at Hi-ReSI LON decline from 5 per cent p.a. to 3 per cent p.a. from 2014 onwards, there would likewise be no need for depreciation (previous year: KEUR 955).

3.2 Goodwill, intangible assets and fixed assets

Fixed assets changed as follows in the financial year:

<i>in kEUR</i>	Goodwill	Intangible assets	Leasehold improvements	Operational and office equipment	Total
Cost January 1, 2013	19,701	911	1,411	5,876	27,899
Additions	14	41	301	555	911
Disposals	-2	-13	-135	-1,038	-1,188
Exchange rate changes	-176	-8	-2	-22	-208
Cost December 31, 2013	19,537	931	1,575	5,371	27,414
Accumulated amortisation, depreciation and write-downs January 1, 2013	0	498	680	4,228	5,406
Additions	0	49	132	573	754
Disposals	0	-13	-65	-846	-924
Exchange rate changes	0	0	-3	-13	-16
Accumulated amortisation, depreciation and write-downs December 31, 2013	0	534	744	3,942	5,220
Carrying amount at December 31, 2013	19,537	397	831	1,429	22,194

Fixed assets changed as follows in the previous year:

<i>in kEUR</i>	Goodwill	Intangible assets	Leasehold improvements	Operational and office equipment	Total
Cost January 1, 2012	19,495	926	1,258	5,358	27,037
Additions	8	91	151	668	918
Disposals	-66	-120	0	-174	-360
Exchange rate changes	264	14	2	24	304
Cost December 31, 2012	19,701	911	1,411	5,876	27,899
Accumulated amortisation, depreciation and write-downs January 1, 2012	0	563	567	3,847	4,977
Additions	0	52	112	540	704
Disposals	0	-120	0	-171	-291
Exchange rate changes	0	3	1	12	16
Accumulated amortisation, depreciation and write-downs December 31, 2012	0	498	680	4,228	5,406
Carrying amount at December 31, 2012	19,701	413	731	1,648	22,493

Intangible assets include brand equity of kEUR 309 (previous year: kEUR 314) after foreign currency effects. This brand equity is due to first-time consolidation of Hi-ReSI LON and Unique Digital UK. It is fully allocated to the UK segment and has an indefinite useful life, since there is no foreseeable end to the economic life of these brands. Operational and office equipment mainly refers to hardware and office fittings. There were no indications of a need for unscheduled amortisation in the financial year.

3.3 Financial investments measured at equity

On August 3, 2011, SYZYG AG acquired 26 per cent of the shares in Polish design studio Ars Thanea s.k.a., Warsaw. Ars Thanea is included in the consolidated financial statements as a joint venture based on the at equity method, since the control attributes required for full consolidation do not exist.

The purchase price of PLN 2,400,000 was paid in cash in 2011, corresponding to kEUR 531. As at the reporting date, Ars Thanea had non-current assets of kEUR 2,274 (previous year: kEUR 2,292) and current assets of kEUR 683 (previous year: kEUR 468). Total assets are thus kEUR 2,957 (previous year: kEUR 2,760). Current liabilities amount to kEUR 46 (previous year: kEUR 11), while non-current liabilities total kEUR 451.

(previous year: kEUR 0). In 2013, Ars Thanea generated sales of kEUR 1,877 (previous year: kEUR 1,692) and after-tax earnings of kEUR 241 (previous year: kEUR 63). SYZYG AG is entitled to 26 per cent of the generated earnings, amounting to kEUR 63 (previous year: kEUR 16). These earnings have been recorded in financial income in SYZYG's income statement and have the effect of increasing the stake. The value of the stake has also decreased by kEUR 11 (previous year: kEUR 48 increase) as at the reporting date due to exchange rate changes that have been unfavourable to SYZYG AG. This change in value is shown in other income in the statement of comprehensive income without affecting net income. The stake in Ars Thanea is carried at kEUR 641 (previous year: kEUR 668) as at the reporting date.

3.4 Other non-current assets

Other non-current assets are recognised in the amount of kEUR 583 (previous year: kEUR 525). They include rent deposits of kEUR 577 (previous year: kEUR 522), which were almost completely attributable to SYZYG UK.

3.5 Deferred tax assets

Deferred tax assets of kEUR 1,845 (previous year: kEUR 2,046) were reported in the financial year, of which kEUR 2,419 was attributable to loss carry-forwards at SYZYG AG (previous year: kEUR 2,540). There are also deferred tax liabilities resulting from different valuations for the securities, amounting to kEUR 610 (previous year: kEUR 556), which were offset. Non-tax deductible provisions relating to Investor Relations at SYZYG AG resulted in deferred tax assets of kEUR 15 (previous year: kEUR 31).

At SYZYG Deutschland GmbH, deferred tax assets amounting to kEUR 21 (previous year: kEUR 31) were recognised due to different valuations of SYZYG Deutschland's fixed assets. The composition of deferred tax assets is disclosed in section 5.7, Income taxes.

3.6 Financial assets and financial instruments

Cash, bank deposits and time deposits with maturities under 3 months are shown in the table below:

<i>in kEUR</i>	31.12.2013	31.12.2012
Cash and cash equivalents	6,728	6,103

Cash and cash equivalents are measured at fair value on each reporting date and recognised in net income. The cash and cash equivalents disclosed in the consolidated statement of cash flows comprise exclusively the amounts indicated in this balance sheet item. There are no restrictions on disposal of the assets indicated here.

The "Securities" item covers debt instruments publicly issued by companies and equities.

As in the previous year, all securities are classified as available-for-sale as at the balance sheet date and are therefore recognised at market value. As can be seen in the following table, the market value of all securities as at December 31, 2013 was kEUR 1,820 above the acquisition cost (previous year: kEUR 1,722). kEUR 1,971 (previous year: kEUR: 1,716) was attributable to unrealised price gains and kEUR 151 (previous year: kEUR 80) to unrealised price losses. Security purchases and sales are recorded on the value date. kEUR 650 of valuation gains and kEUR 2 of valuation losses were realised in 2013 from other comprehensive income as at December 31, 2012. kEUR 703 of valuation losses were realised in the previous year.

Market value is determined using quoted market prices. The unrealised price losses are reported in "Net unrealised gains/losses on marketable securities" in the statement of comprehensive income. Non-temporary impairment losses are recognised in net income.

31.12.2013

<i>in kEUR</i>	Cost	Unrealised gains	Unrealised losses	Reversal of an impairment loss	Effective rate of interest	Carrying value/market value
Securities (available-for-sale)	16,258	1,971	-151	0	0	18,078

31.12.2012

<i>in kEUR</i>	Cost	Unrealised gains	Unrealised losses	Reversal of an impairment loss	Effective rate of interest	Carrying value/market value
Securities (available-for-sale)	18,971	1,716	-80	0	86	20,693

The following table shows the maturities of securities as per December 31, 2013:

<i>in kEUR</i>	< 1 year	1-5 years	5-10 years	Indefinite	Total
Securities (available-for-sale)	0	3,807	13,639	632	18,078

The following table shows the maturities of securities as per December 31, 2012:

<i>in kEUR</i>	< 1 year	1-5 years	5-10 years	Indefinite	Total
Securities (available-for-sale)	0	8,418	12,275	0	20,693

The performance of the securities portfolio is dependent on changes in interest rates and credit spreads. On average, the portfolio has a duration of around 6.9 (previous year: 6.4), so a change in valuation parameters of 1 per cent results in a corresponding change in the securities portfolio. This means that if credit spreads rise by 100 basis points and interest rates stay the same, the value of the securities portfolio will decline by around 6.9 per cent.

SYZGY reduces default risk on securities by ensuring that a rating of at least BBB- (i.e. investment grade) is required in the case of new investments. All investments are continually monitored with regard to changes in rating and the investment decision is reviewed. As a matter of policy, maximum exposure to a single issuer is limited to EUR 2.0 million. In the case of new investments with a BBB- rating, exposure is limited to EUR 1.0 million. All securities with a maturity date are also subject to price changes which depend on credit spread changes and the remaining term to maturity.

Securities with an indefinite term relate to equities in the portfolio amounting to kEUR 632, which were acquired in 2013. SYZYGY did not hold, acquire or sell any equities from other issuers in 2012.

3.7 Accounts receivable

These items comprise the following:

<i>in kEUR</i>	31.12.2013	31.12.2012
Accounts receivable	12,037	9,664
Accounts receivable in line with PoC method	907	176
	12,944	9,840

Receivables and sales of kEUR 907 (previous year: kEUR 176) are disclosed in line with the percentage of completion method for services not yet billed. Costs of kEUR 854 (previous year: kEUR 164) were incurred for projects realised using the percentage of completion method. This results in a margin of kEUR 53 (previous year: kEUR 12).

According to IAS 39, accounts receivable fall into the "Loans and receivables" valuation category.

The following table shows the term structure of receivables.

Of which not written down at the reporting date and overdue in subsequent time periods:

<i>Accounts receivable (after valuation allowances) in kEUR</i>	0-90 days	91-180 days	181-360 days	More than 360 days
As of December 31, 2013	12,307	590	46	1
As of December 31, 2012	9,335	394	111	0

Appropriate individual value adjustments are made for recognisable default risks, while uncollectable receivables are written off. No individual value adjustment was made in either the Germany segment (previous year: kEUR 11) or the UK segment (previous year: kEUR 14).

3.8 Other assets

Other assets as of December 31, 2013 and 2012 consist of the following:

<i>in kEUR</i>	31.12.2013	31.12.2012
Tax receivables	1,484	615
Prepaid expenses	588	635
Interest receivables	520	593
Other	532	79
	3,124	1,922

All other assets are due within 12 months. The interest receivables fall into the "Loans und receivables" valuation category in accordance with IAS 39 and represent realisable financial instruments. They are shown in the following breakdown by maturity:

<i>in kEUR</i>	0-90 days	91-180 days	181-360 days
Interest receivables			
as of Dec. 31, 2013	191	240	89
as of Dec. 31, 2012	121	336	136

Prepaid expenses include advance payments for rent, Internet connections and insurance.

3.9 Equity

3.9.1 Subscribed capital

As of December 31, 2013, the Company's subscribed capital amounted to EUR 12,828,450, as in the previous year. It comprised 12,828,450 no-par value bearer shares. These shares have a stated value of EUR 1.00. At December 31, 2013, 125,000 of them belonged to treasury stock.

The shareholders' structure of the Company at the reporting date was as follows:

<i>In thousands</i>	Shares	Percentage
WPP Group (UK) Ltd. (directly and indirectly)	3,849	30.0
Marco Seiler	538	4.2
Andrew Stevens	325	2.5
Free float	7,991	62.3
Treasury stock	125	1.0
	12,828	100.0

3.9.2 Authorised and contingent capital

At the Annual General Meeting on May 27, 2011, the resolution regarding a possible increase in common stock was renewed. Accordingly, the Management Board is authorised, subject to the approval of the Supervisory Board, to issue additional ordinary no-par value bearer shares, which may be issued until the period ending May 27, 2016. Authorised capital totals EUR 6,000,000.00, divided into 6,000,000 no-par value bearer shares.

Furthermore, at the Annual General Meeting on May 29, 2009, the Management Board was authorised to issue a maximum of 1,200,000 additional shares (contingent capital) within five years in connection with the employee stock-based compensation plan. In 2013, no options were issued; in the previous year, 300,000 options were issued. Section 3.10 contains details of the stock option programme.

3.9.3 Additional paid-in capital

Additional paid-in capital includes the premium on the nominal amount resulting from the issue of shares by SYZYG AG.

As in the previous year, there were no effects which had an impact on paid-in capital in 2013.

3.9.4 Treasury stock

On July 31, 2013 the Management Board and Supervisory Board of SYZYG AG approved the additional buy-back of up to 100,000 treasury shares (corresponding to 0.78 per cent of the common stock) via the stock exchange. The buy-back programme was time-limited up to October 31, 2013.

The decision is based on the authorisation granted by the Annual General Meeting of May 28, 2010 to buy back shares equal to up to 10 per cent of the common stock. Treasury shares do not entitle the Company to any dividend or voting rights. SYZYG is authorised to resell or call in treasury shares, to offer them to employees of the Company as compensation, or to offer them to third parties in the course of acquiring companies.

The purchase price per share may not be more than 10 per cent above or below the share's stock market price. The stock market price used for this purpose is based on the mean closing price of the stock in the Xetra trading system during the last five trading days before publication date of the intention to acquire the stock (EUR 4.338).

In 2013, the following buy-backs of shares were conducted:

Date*	Number of shares	Purchase price (EUR)	Total value (EUR)
As per January 1, 2013	25,000		116,430.67
29.08.2013	12,270	4.3000	52,761.00
04.09.2013	1,600	4.3000	6,880.00
09.09.2013	6,759	4.3390	29,325.95
23.09.2013	6,328	4.3990	27,834.97
25.09.2013	9,532	4.4000	41,936.99
01.10.2013	30,000	4.3651	130,953.00
21.10.2013	6,061	4.4000	26,668.40
29.10.2013	3,939	4.3942	17,308.75
31.10.2013	22,000	4.4000	96,800.00
01.11.2013	1,511	4.4000	6,648.40
As per December 31, 2013	125,000		553,548.13

* Value date; purchase date usually 1-2 days earlier.

As at December 31, 2013, SYZGY thus held 125,000 treasury shares.

3.9.5 Other net income

Other comprehensive income after tax summarised under "Other net income" amounted to kEUR -90 (previous year: kEUR 2,635) in the 2013 financial year and can be attributed mainly to unrealised gains or losses from securities after tax (kEUR 128; previous year: kEUR 2,202) and losses from currency translation (kEUR 218; previous year: gains totalling kEUR 433). All changes can be reclassified (recycled) and are consequently only recorded temporarily in other net income. They may be reclassified to the statement of profit or loss at a later stage.

3.9.6 Retained earnings

Dividend distributions are based on the distributable equity disclosed in the annual financial statements of SYZGY AG according to HGB (German Commercial Code). On June 14, 2013, the Annual General Meeting approved a dividend of EUR 0.25 per share (previous year: EUR 0.20), which was distributed starting on June 17, 2013. After allocating kEUR 438 to the reserve for treasury shares, the remaining retained earnings of kEUR 11,398 (previous year: kEUR 6,517) were carried forward to new account and recorded accordingly in the single-entity financial statements of SYZGY AG.

As of December 31, 2013, the financial statements of SYZGY AG showed retained earnings of kEUR 14,192 (previous year: kEUR 15,037).

The consolidated financial statements showed retained earnings of kEUR 16,789 (previous year: kEUR 16,651) as of December 31, 2013.

3.10 Stock-based compensation

At the Annual General Meeting on May 29, 2009, the Management Board was authorised to issue additional shares (contingent capital) in connection with the employee stock-based compensation plan. In the 2012 financial year, the "Stock Option Plan 2012" was approved with effect from June 27, 2012, providing for the issue of up to 1,200,000 options. Of this total, 420,000 options can be issued to members of the Management Board, 420,000 options to Managing Directors of affiliated companies and 360,000 options to employees.

On June 27, 2012, the Company issued a total of 300,000 options at an exercise price of EUR 3.11. Of these options, 40 per cent can be exercised after two years and a further 60 per cent of the options after three years, provided the share price has risen at least 20 per cent over the exercise price. The options expire after five years. Instead of issuing shares, the Company may pay in cash the difference between the exercise price and the share price at the time of exercise. The obligations are accordingly recorded as a provision on a pro rata basis.

The parameters used in valuation of the issued options on the basis of the binomial model are as follows:

	31.12.2013	31.12.2012
Expected term of the options	0.5 to 1.5 years	1.5 to 2.5 years
Risk-free interest rate	0.3355%	0.30%
Expected dividend yield	5.5%	5%
Expected volatility	27%	30%
Exercise price	EUR 3.11	EUR 3.11
Share price as of the balance sheet date	EUR 5.11	EUR 3.63

When carrying out the valuation, it was assumed that the options would be exercised on the earliest possible date. Volatility is based on the closing prices of SYZGY shares in the past two years.

Changes in issued options:

in EUR	Number	Exercise price	Fair value
As per Dec. 31, 2012	300,000	3.11	1.113
New allocation	0		
Exercised	0		
Expired	0		
As per Dec. 31, 2013	300,000	3.11	2.0064

Of the 300,000 options, 120,000 options can be exercised on or after June 27, 2014, and a further 180,000 options on or after June 27, 2015. Additional provisions of kEUR 294 were recognised in the income statement in 2013, such that the provisions for exercising options increased to kEUR 361 (previous year: kEUR 67).

Options were neither issued nor exercised in the 2013 financial year. There were also no options that were forfeited or had lapsed.

3.11 Accounts payable and other provisions

As at December 31, 2013 and 2012, accounts payable and other provisions consisted of:

in kEUR	31.12.2013	31.12.2012
Accounts payable	8,118	7,769
Other provisions:		
– Obligations towards other parties	2,860	1,711
– Personnel-related provisions	1,211	943
– Investor relations and financial reporting	169	231
	12,358	10,654

Obligations towards other parties essentially relate to outstanding invoices, customer bonuses and personnel-related provisions for employee bonuses and holidays. All accounts payable and other provisions are due within one year and can be allocated to the "Financial liabilities at amortized costs" valuation category.

3.12 Tax liabilities

The breakdown of tax liabilities is shown in the following table:

in kEUR	31.12.2013	31.12.2012
German VAT	570	1,014
British VAT	410	116
British income taxes	343	92
Polish income taxes	21	0
	1,344	1,222

3.13 Other liabilities

The components of other liabilities are detailed in the following:

in kEUR	31.12.2013	31.12.2012
Social security, salary and church taxes	399	369
Option obligations	132	134
Other	116	180
	647	683

In respect of Hi-ReSI London Ltd, there is a mutual option to acquire the outstanding 20 per cent of the shares which must be exercised by 2015 at the latest. Due to the long time span, the mutual option is shown as a non-current liability.

Statement of changes in provisions as of December 31, 2013 in kEUR

	Carrying value 1.1.2013	Usage	Reversal	Addition	Carrying value 31.12.2013
Obligations towards other parties	1,711	-1,639	-32	2,820	2,860
Personnel-related provisions	943	-718	0	986	1,211
Investor relations and financial reporting	231	-231	0	169	169
	2,885	-2,588	-32	3,975	4,240

Statement of changes in provisions as of December 31, 2012 in kEUR

	Carrying value 1.1.2012	Usage	Reversal	Addition	Carrying value 31.12.2012
Obligations towards other parties	1,142	-981	-32	1,582	1,711
Personnel-related provisions	737	-718	0	924	943
Investor relations and financial reporting	291	-291	0	231	231
	2,170	-1,990	-32	2,737	2,885

The following table shows the maturities of other liabilities and non-current liabilities as at December 31, 2013:

<i>in kEUR</i>	< 1 year	1-5 years	5-10 years	Indefinite	Total
Other liabilities	515	132	0	0	647

The following table shows the maturities of other liabilities and non-current liabilities as at December 31, 2012:

<i>in kEUR</i>	< 1 year	1-5 years	5-10 years	Indefinite	Total
Other liabilities	549	134	0	0	683

Other liabilities have been valued on the basis of the "Financial liabilities at amortized costs" valuation category.

4. Segment reporting

Application of IFRS 8 requires segment reporting in accordance with the Group's management approach. SYZYGY thus bases segment reporting on geographical criteria.

As the holding company, SYZYGY AG mainly delivers services to the operating units and therefore needs to be considered separately. Sales that SYZYGY AG generates with third parties are reported under the Germany segment, as is the pro rata operating income. The UK segment consists of SYZYGY UK, Unique Digital UK, Hi-ReSI LON, Mediopoly and Hi-ReSI NY, while the Germany segment comprises Hi-ReSI BER, Hi-ReSI HH, SYZYGY Deutschland and unquedigital. Due to its size, Hi-ReSI NY is assigned to the UK segment as it fails to qualify as an independent geographical segment. This assignment also corresponds to the division of responsibilities within the Management Board of the SYZYGY Group. In addition, the products and services, and the customer base, are very similar to those of the UK segment, such that assignment to this segment is also held to be appropriate for qualitative reasons..

Both segments offer large global companies an integrated portfolio of corporate Internet solutions: from strategic consulting to project planning, concepts, design and technical realisation. SYZYGY's services are complemented by search engine marketing and online media planning.

The individual segments apply the same accounting principles as the consolidated entity.

The criteria used by SYZYGY AG to assess the performance of the segments include sales and EBIT. Sales to third parties are allocated on the basis of the registered office of the company unit that makes the sale. Sales included in segment reporting consist of sales to external clients and intersegment sales. Transactions between segments, which are charged at market prices, were eliminated.

Segment assets are equivalent to total assets plus the goodwill attributable to the respective segment, less receivables attributable to companies in the same segment.

Segment investments comprise investments in intangible assets and fixed assets.

Segment liabilities correspond to total liabilities excluding equity plus minority shares attributable to the respective segment, less liabilities attributable to companies in the same segment.

31.12.2013 in kEUR	Germany	United Kingdom	Central functions and consolidation	Total Group
Billings	59,852	31,522	-771	90,603
Media costs	-36,325	-19,248	0	-55,573
Sales	23,527	12,274	-771	35,030
Of which internal sales	3,441	233	-3,674	0
Operating income (EBIT)	3,054	1,433	-2,464	2,023
Financial income	69	-5	2,060	2,124
Assets	21,818	23,296	21,023	66,137
Of which goodwill	8,841	10,696	0	19,537
Investments	829	71	11	911
Depreciation and amortisation	579	161	14	754
Segment liabilities	13,123	7,475	-3,138	17,460
Employees at the balance sheet date	193	112	21	326

31.12.2012 in kEUR	Germany	United Kingdom	Central functions and consolidation	Total Group
Billings	53,116	25,227	-745	77,598
Media costs	-32,310	-14,173	0	-46,483
Sales	20,806	11,054	-745	31,115
Of which internal sales	2,670	35	-2,705	0
Operating income (EBIT)	2,980	1,019	-1,878	2,121
Financial income	61	7	1,215	1,267
Assets	21,938	19,986	22,366	64,290
Of which goodwill	8,841	10,860	0	19,701
Investments	799	98	21	918
Depreciation and amortisation	501	190	13	704
Segment liabilities	13,082	8,812	-6,649	15,245
Employees at the balance sheet date	177	104	21	302

SYZYG generated more than 10 per cent of consolidated sales (EUR 3.5 million) with one client in the Germany segment (previous year: EUR 3.6 million).

In 2013, unlike the previous year, more than 10 per cent of consolidated sales (EUR 3.8 million) was also generated with one client in the UK segment.

5. Notes on the statement of comprehensive income

5.1 Sales

The sales figures include sales revenue from the product areas online marketing and design and technical realisation. The sales figures are arrived at by deducting media costs from billings. Media costs are incurred in the online marketing subsidiaries as transitory items. Billings include all invoices to third parties, i.e. both our own (in the design and technical realisation product area) and those in our own name and for the account of a third party (online marketing). In 2013, the SYZGY Group generated sales of kEUR 28,925 from design and technical realisation (previous year: kEUR 22,313) and billings of kEUR 65,208 (previous year: kEUR 55,757) from online marketing. Online marketing includes media costs of kEUR 55,573 (previous year: kEUR 46,483), resulting in sales of kEUR 9,635 (previous year: kEUR 9,274). Internal sales of kEUR 215 (previous year: kEUR 472) were conducted between the product areas.

5.2 Other operating income and expenses

Other operating income and expenses consist of the following:

<i>in kEUR</i>	2013	2012
Employee usage of company cars	91	99
EU subsidies related to client projects	81	0
Refund from health insurance funds	45	0
Release of provisions	32	34
Subletting	16	17
Refund of ancillary costs	13	103
Exchange rate effects	6	26
Other	41	98
	325	377

5.3 Cost of purchased services

The cost of purchased services mainly contains expenses for freelance workers and outsourced services:

<i>in kEUR</i>	2013	2012
Cost of purchased services	5,205	3,470

5.4 Personnel expenses

Personnel expenses, which are included in various items within the consolidated statement of comprehensive income, are as follows:

<i>in kEUR</i>	2013	2012
Salaries and wages	17,804	16,754
Social security	2,555	2,332
	20,359	19,086

In 2013, the average number of full-time employees in the SYZGY Group was 324 (previous year: 292 employees).

By the end of the 2013 financial year, the total number of SYZGY employees had risen to 326 (previous year: 302). The employees are distributed across the following functional areas within the Company:

<i>Number of persons</i>	2013	2012
Strategy/consulting/project management	86	76
Online marketing/online media	91	82
Technology	56	57
Design	47	42
Administration	46	45
	326	302

5.5 Depreciation and amortisation

Depreciation and amortisation comprises the following:

<i>in kEUR</i>	2013	2012
Amortisation of intangible assets	49	52
Depreciation of fixed assets	705	652
	754	704

5.6 Financial income

<i>in kEUR</i>	2013	2012
Interest and similar income	1,141	1,566
Income from the sale of securities, net	980	-295
Interest expense and similar expenses	-96	-4
Income from at-equity stakes	99	16
	2,124	1,283

Interest and similar income includes interest payments received of kEUR 1,096 (previous year: kEUR 1,396).

Income from the sale of securities includes gains of kEUR 1,024 (previous year: kEUR 286) and losses of kEUR 44 (previous year: kEUR 581). Interest expense and similar expenses include interest expenses of kEUR 2 (previous year: kEUR 4).

Interest and similar income, interest expense and similar expenses and income from the sale of securities are all derived in full from the available-for-sale valuation category.

The income from at-equity stakes is fully attributable to the after-tax earnings of Ars Thanea for the full 2013 financial year to which SYZYGY AG is entitled and a dividend that was distributed in 2013 for the years 2011 and 2012 and which exceeded income accrued for in previous years.

5.7 Income taxes

<i>in kEUR</i>	2013	2012
Current domestic income taxes	189	-3,504
Current foreign income taxes	453	278
Deferred taxes	144	-2,392
	786	-5,618

In Germany, a uniform corporation tax rate of 15 per cent applies. The tax rate amounts to 15.8 per cent when the solidarity surcharge of 5.5 per cent is taken into account. The tax rate for trade tax has not changed for the SYZYGY AG group in comparison with the previous year. The allocation of trade tax between the locations Bad Homburg, Frankfurt and Hamburg remains equally weighted with trade tax rates unchanged. The applicable tax rate for the group parent was 31.0 per cent, as in the previous year.

In the UK, there is a general tax rate of 23 per cent since April 1, 2013, (previous year: 24%). Starting from April 1, 2014, a uniform tax rate of 21 per cent will apply.

In the United States, there is a general federal tax of 34 per cent. The addition of local taxes in the state of New York produces an effective tax rate of 45 per cent for 2013, as in the previous year.

In the 2013 financial year, SYZYGY paid income tax amounting to kEUR 1,239 net, in contrast to the kEUR 5,315 net income tax refund that was received in the previous year.

Deferred tax assets and liabilities can be summarised as follows:

<i>in kEUR</i>	2013	2012
Deferred taxes (assets):		
Loss carry-forwards at SYZYGY AG	2,419	2,540
Fixed assets	21	31
Provisions	15	31
Current assets (securities)	-610	-556
	1,845	2,046
	2013	2012
Deferred taxes (liabilities):		
Effects from first-time consolidation of Hi-ReS! LON	47	47
Effects from first-time consolidation of Unique Digital UK	38	38
Fixed assets	3	4
	88	89

The deferred tax assets at SYZYGY AG as the parent company are recorded on loss carry-forwards, different useful lives of the assets in IFRS and the tax accounts, and on the different valuations of the provision for Investor Relations; these were offset against deferred tax liabilities resulting from valuation differences for securities.

SYZYGY AG has usable tax loss carry-forwards of kEUR 6,953 for corporation tax and kEUR 8,686 for trade tax, which will be used in the next five years.

The deferred tax liabilities result from first-time consolidation of Hi-ReS! LON and Unique Digital UK and from different useful lives of the assets in IFRS and the tax accounts at SYZYGY UK.

Tax transfer:

<i>in kEUR</i>	2013	2012
Income before taxes	4,147	3,404
Non deductible expenses	24	90
Taxable income	4,171	3,494
Expected tax expense	1,293	1,083
Tax rate differences	-119	-62
Tax refunds for previous years	-14	-3,619
Use of tax loss carry-forwards and change in the valuation allowance for deferred tax assets	-374	-3,009
Other	0	-11
Tax charge	786	-5,618

The tax rate differences result from an average tax rate of 31.0 per cent in Germany compared with 23 per cent in the UK. Deferred taxes were accounted for using the future tax rates.

As at December 31, 2013 the Group has tax loss carry-forwards that have not yet been used and are usable without restriction at Hi-ReS! Berlin and Hi-ReS! New York. No deferred tax assets have been recognised in this respect. At Hi-ReS! Berlin the loss carry-forwards for both corporation tax and trade tax amount to kEUR 618 (previous year: kEUR 679) and at Hi-ReS! New York kEUR 486 (previous year: kEUR 216).

In the 2013 financial year, deferred tax liabilities of kEUR 564 (previous year: kEUR 507) were attributable to items that were offset directly against equity. These amounts resulted essentially from taking into account price gains and losses on securities held as current assets such that net income was not affected.

5.8 Notes on currency translation

In accordance with IAS 21.52 in conjunction with IAS 39.9, currency translation differences of kEUR -218 (previous year: kEUR 433) are recorded in the statement of comprehensive income such that net income is not affected.

6. Other notes

6.1 Earnings per share

Earnings per share – diluted and basic – are calculated in accordance with IAS 33 as follows:

	2013	2012
Weighted average number of shares (in thsd.) basic	12,778	12,803
Weighted average number of shares (in thsd.) diluted	12,896	12,825
Net income in kEUR	3,339	9,294
Number of options issued (thousands)	300	300
Earnings per share – basic (in EUR)	0.26	0.73
Earnings per share – diluted (in EUR)	0.26	0.72

6.2 Consolidated statement of cash flows

The consolidated statement of cash flows was prepared in accordance with IAS 7 by applying the indirect method. In 2013, operating cash flow amounted to EUR 1,3 million (previous year: EUR 7.7 million). Cash and cash equivalents exclusively comprise liquid assets. Further information is given in the Group Management Report.

In the course of the financial year, the Group conducted the following non-cash investment and financing transactions, which are reflected in the consolidated statement of cash flows:

- ∕ The Group holds a reverse put/call option whose change in value led to a deduction from goodwill of kEUR 2.
- ∕ Profits attributable to minority shareholders in Hi-ReSI LON of kEUR 14 resulted in an increase in goodwill.
- ∕ The issue of options from the employee stock-based compensation plan resulted in an expense of kEUR 295 (previous year: kEUR 67). Due to the exercise conditions, this expense has not yet resulted in a payment.

∕ The income from the financial investment in Ars Thanea, which is measured at equity, amounted to kEUR 63 (previous year: kEUR 16). This pro rata income attributable to SYZYGY AG was not distributed in 2013 and increased the carrying amount of the stake accordingly. In contrast, the carrying amount of the stake decreased by kEUR 78 due to accrued income from prior years which was distributed in 2013.

6.3 Risk and capital management

With regard to assets, liabilities and planned transactions, SYZYGY is subject to risk arising from changes in currency and interest rates as well as the creditworthiness of securities issuers.

6.3.1 Currency risk

SYZYGY generates around one third of its sales outside Germany, so exchange rate fluctuations between sterling/the US dollar and the euro can affect sales and annual net income positively or negatively in the event of deviation from the rate used for planning purposes. The assets and liabilities of the foreign operating companies are translated into the reporting currency at the balance sheet date and are therefore subject to translation risk. The SYZYGY Group does not hedge this risk. In terms of operations, the Group companies conduct their activities predominantly in their respective functional currency. For this reason, SYZYGY does not enter into any hedging transactions because currency risk does not exceed annual net income/the cash flows of SYZYGY AG. SYZYGY chooses not to hedge these cash flows since the costs and benefits of such cash flow hedges do not appear appropriate and the risk to net assets, financial position and results of operations is regarded as immaterial.

IFRS 7 requires the use of market risk sensitivity analysis to show the effects of hypothetical changes to relevant risk variables on profit or loss and equity. It is assumed that the portfolio as at the reporting date is representative of the year as a whole.

Currency sensitivity analysis is based on the following assumptions:

The major non-derivative financial instruments (liquid assets, receivables, interest-bearing securities, accounts payable and other liabilities) are directly denominated in the functional currency. Changes in exchange rate therefore have no effect on profit or loss and equity.

Interest income and expense from financial instruments are also recognised directly in the functional currency. There is thus no currency risk.

SYZYG is only exposed to currency risk with regard to net income denominated in foreign currency and the associated distributions.

6.3.2 Interest risk

SYZYG is only subject to interest risk with regard to securities. There are no financial liabilities which can create interest risk, and liquid assets were invested at variable rates on overnight terms.

Sensitivity analyses regarding interest rate changes must be presented in accordance with IFRS 7. Since SYZYG classifies securities as available-for-sale as per IAS 39, interest rate changes have no immediate impact on the Company's earnings. Unrealised gains and losses are reported in "Other net income", which is a separate component of equity.

As at the balance sheet date, around EUR 18.1 million (previous year: EUR 20.7 million) was invested in a securities portfolio with a duration of around 6.9 (previous year: 6.4) years. An interest rate change of 100 basis points with regard to the investments would result in a change in the fair value of the portfolio of around 6.9 per cent. This would lead to a change in the fair value of around kEUR 1,249 (previous year: kEUR 1,325). Increases in interest rates have a negative effect on performance of the portfolio, while decreases have a positive effect.

6.3.3 Credit and default risk – risk of changes in credit spreads

SYZYG is exposed to credit and default risk from operations and also with regard to securities investments. SYZYG reduces default risk on securities by ensuring that a rating of at least BBB- (i.e. investment grade) is required in the case of new investments. All investments are continually monitored with regard to changes in rating and the investment decision

is reviewed. As a matter of policy, maximum exposure to a single issuer is limited to EUR 2.0 million. In the case of new investments with a BBB- rating, exposure is limited to EUR 1.0 million. All securities are also subject to price changes which depend on credit spread changes and the remaining term to maturity. A widening of credit spreads in a risk class leads to a corresponding price decrease, depending on the duration of a security. If the duration of the securities portfolio is 6.9 years and average credit spreads widen by 100 basis points, the portfolio's value would fall by 6.9 per cent. This would then lead to a change in the fair value of around kEUR 1,249 (previous year: kEUR 1,325) for SYZGY.

On the operational side, default risk is continuously monitored at the level of the individual companies. SYZGY mainly works for large customers with excellent credit ratings and thus did not suffer any bad debts. The volume of receivables due from individual customers is also not such that it involves an exceptional concentration of risk.

The maximum default risk is equivalent to the carrying amounts of financial assets in the balance sheet.

6.3.4 Derivative financial instruments

As in the previous year, SYZGY did not use derivative financial instruments for risk diversification and portfolio structuring in the 2013 financial year.

6.3.5 Capital management

SYZGY's capital management policy is primarily aimed at financing both organic and inorganic growth and ensuring the ongoing course of business in the operating companies. SYZGY aims to have an equity ratio within the target range of 60 per cent to 80 per cent, since this strengthens the competitiveness of a service provider such as SYZGY. A further capital management objective over the medium term is to raise the return on equity to over 10 per cent. In order to achieve these objectives, SYZGY is seeking organic and inorganic growth together with an increase in profitability.

The key figures with regard to capital management are as follows:

in kEUR	2013	2012
Equity according to the balance sheet	48,677	49,045
Debt capital	17,460	15,245
Total capital	66,137	64,290
Equity ratio	74%	76%
Net income for the period	3,361	9,022
Return on equity	7%	18%

SYZGY does not have any liabilities to banks; debt capital primarily comprises accounts payable, future obligations arising from the acquisition of companies and tax liabilities.

6.3.6 Liquidity risk

SYZGY has implemented a liquidity management system. In order to provide financial flexibility and ensure solvency at all times, SYZGY holds a liquidity reserve in the form of cash and securities that can be converted into cash at any time.

6.4 Contingent liabilities

As at the balance sheet date, the Company's contingent liabilities requiring disclosure amounted to kEUR 319 (previous year: kEUR 319) arising from the provision of rent guarantees for rental space in Bad Homburg, Berlin, Frankfurt and Hamburg. The risk of a claim being made in relation to the guarantee depends on the ability of the companies occupying the rental space to service the obligations resulting from the tenancy and their business operations. SYZYG has also granted a guarantee for the operational business relating to a subsidiary's client amounting to kEUR 175 (previous year: kEUR 175). At present there are no indications that the subsidiaries will be unable to comply with the agreement. SYZYG has agreed an indefinite guarantee loan of kEUR 494 with a financial institution, for which annual commission of 0.3 per cent is charged. A securities portfolio held by SYZYG serves as security and has a carrying value of kEUR 6,027.

6.5 Other financial obligations

The Group companies have concluded leasing and rental agreements with regard to various office premises and vehicles. The future minimum annual payments resulting from these agreements amount to:

<i>in kEUR</i>	31.12.2013	31.12.2012
Within 1 year	1,745	1,682
1-5 years	3,940	4,172
More than 5 years	649	816
Total	6,334	6,670

Total expenses for rent in 2013 amounted to kEUR 2,175 (prior year: kEUR 2,276). Income of kEUR 16 was obtained from subletting in 2013 (previous year: kEUR 17). In 2013, kEUR 154 (previous year: kEUR 156) was spent on leasing obligations.

6.6 Recognised financial assets and liabilities by measurement level

The following table shows financial assets and liabilities recognised at fair value, broken down by measurement level. The measurement levels are defined as follows:

Level 1:

Financial instruments traded on active markets, whose quoted prices were adopted without change for measurement purposes.

Level 2:

Measurement is carried out on the basis of the relevant procedures, using factors that are derived directly or indirectly from observable market data.

Level 3:

Measurement is carried out on the basis of the relevant procedures, using factors that are not based exclusively on observable market data.

31.12.2013	Level 1	Level 2	Level 3	Total
Goodwill	-	-	19,537	19,537
Securities	18,078	-	-	18,078
Total financial assets	18,078	-	19,537	37,615
Option relating to Hi-ReSI LON	-	-	132	132
Total financial liabilities	-	-	132	132

31.12.2012	Level 1	Level 2	Level 3	Total
Goodwill	-	-	19,701	19,701
Securities	20,693	-	-	20,693
Total financial assets	20,693	-	19,701	40,394
Option relating to Hi-ReSI LON	-	-	134	134
Total financial liabilities	-	-	134	134

6.7 Statement of controlled investments

SYZYG AG holds direct or indirect investments in the following companies:

	Shares	Equity	Net income
	%	kEUR	kEUR
Ars Thanea s.k.a., Warsaw, Poland	26	2,457	298
Hi-ReSI Berlin GmbH, Berlin, Germany	60	-595	55
Hi-ReSI Hamburg GmbH, Hamburg, Germany ¹	100	26	0
Hi-ReSI London Ltd, London, UK	80	242	85
Hi-ReSI New York Inc, New York City, USA	100	-467	-270
Mediopoly Ltd, Jersey, UK ²	100	820	-1
SYZYG Deutschland GmbH, Bad Homburg, Germany ³	100	383	0
SYZYG UK Ltd, London, UK ²	100	1,675	500
Unique Digital Marketing Ltd, London, UK	100	2,546	698
uniquedigital GmbH, Hamburg, Germany ⁴	100	40	0

1 – There is a controlling and profit and loss transfer agreement in place between Hi-ReSI Hamburg GmbH and SYZYG AG in favour of SYZYG AG.

2 – Mediopoly Ltd holds 100 per cent of the shares in SYZYG UK Ltd, which operates in the UK. The holding in SYZYG UK is therefore indirect.

3 – There is a controlling and profit and loss transfer agreement in place between SYZYG Deutschland GmbH and SYZYG AG in favour of SYZYG AG.

4 – There is a profit and loss transfer agreement in place between uniquedigital GmbH and SYZYG AG in favour of SYZYG AG.

6.8 Auditor's fee

BDO AG received a total fee of kEUR 81 (previous year: kEUR 81) for auditing the consolidated financial statements and the single-entity financial statements of the parent company. No further work was given to BDO AG Wirtschaftsprüfungsgesellschaft.

6.9 Information on associated companies and persons

The associated persons include the boards of SYZYGY AG and companies on which SYZYGY can exert a major influence. As a matter of policy, all transactions with associated companies and persons are concluded at normal market terms and conditions.

In 2013, SYZYGY purchased services for client projects amounting to kEUR 156 (previous year: kEUR 30) from Ars Thanea, in which SYZYGY holds 26 per cent of the shares. Of this amount, kEUR 97 (previous year: 0) are still recognised as accounts payable as at the reporting date.

On April 25, 2012, Ars Thanea was also granted a loan of kEUR 50 limited to December 31, 2013 at an interest rate of 2.4 per cent p.a. The loan was paid out on the same day. Ars Thanea was obliged to repay the loan by January 4, 2014 at the latest. In 2013, SYZYGY and Ars Thanea decided to extend the term of the loan to November 15, 2015 and agreed on repayment by November 19, 2015 including interest.

On November 15, 2013, Ars Thanea was granted another time-limited loan of kEUR 400 at an interest rate of 2.2 per cent p.a. The loan was paid out on the same day. Ars Thanea is also obliged to repay this loan by November 19, 2015 including interest.

With the exception of remuneration for members of the Management Board and compensation for the Supervisory Board, no transactions that were not included in the consolidated

financial statements were carried out with associated parties in 2013 and 2012.

6.10 Exemption according to Article 264 Section 3 of the Handelsgesetzbuch (HGB – German Commercial Code)

Hi-ReSI Hamburg GmbH, SYZYGY Deutschland GmbH and unquedigital GmbH have availed themselves of the exemption according to Article 264 Section 3 of the HGB (German Commercial Code).

6.11 Events after the balance sheet date

In order to strengthen and extend the range of services and achieve greater international expansion, SYZYGY AG acquired a further 44 per cent in Ars Thanea on February 6, 2014. It now holds 70 per cent of the shares. Control of financial and corporate policy was transferred on February 6, 2014. Specifically, under IFRS 3.62 the acquisition led to an increase in liquid assets of kEUR 44, the acquisition of accounts receivable of kEUR 577 and of non-current assets of kEUR 2,234. Liabilities totalling kEUR 445 were also acquired. Up to this point in time, a purchase price of kEUR 987 has been paid in cash. In return, Ars Thanea's shareholders undertook to purchase a total of 75,000 treasury shares from SYZYGY. This purchase was also completed in February 2014. The purchase price will increase under corresponding earn-out clauses if defined income targets are achieved between 2016 and 2018. Based on the latest budgeting, the Company expects to make an earn-out payment of around kEUR 2,600 in 2019. This would produce a difference of kEUR 1,750, which would be allocated across goodwill, an order backlog and a trademark right.

No other material events occurred that could have a material impact on the Company's net assets, financial position or results of operations.

6.12 Parent company boards

6.12.1 Management Board

Marco Seiler

Chairman

Managing Director, SYZGY Deutschland GmbH and Mediopoly Ltd

Andrew Stevens

Management Board

Managing Director, Unique Digital Marketing Ltd and SYZGY UK Ltd

The members of the Management Board do not hold supervisory board membership or any similar positions.

In 2013, total remuneration of the Management Board amounted to kEUR 530 (previous year: kEUR 736). Marco Seiler received a basic salary of kEUR 250 (previous year: kEUR 250) and a variable salary of kEUR 30 (previous year: kEUR 12). Andrew Stevens drew a basic salary of kEUR 219 (previous year: kEUR 227; decrease due to exchange rate differences) and a variable element of kEUR 31 (previous year: kEUR 11). Neither the basic salary nor the variable element of any of the Board members changed with regard to 2012.

Frank Wolfram, the Management Board member who resigned with effect from 31 December 2012, drew a basic salary of kEUR 225 in 2012 and a variable element of kEUR 11. In 2013, a variable salary of kEUR 24 was paid to Frank Wolfram for services in 2012. This amount had been accrued in full in 2012.

Marco Seiler and Andrew Stevens received no options in 2013. Each received 120,000 options in 2012. 40 per cent of these options can be exercised after two years and 60 per cent after three years. Provisions amounting to kEUR 236 (previous year: kEUR 53) were established in 2013 for the resulting expenses.

6.12.2 Supervisory Board

Michael Mädler

Supervisory Board Chairman

Chairman, J. Walter Thompson Asia Pacific, Singapore

Wilfried Beeck

Supervisory Board member

CEO, ePages Software GmbH, Hamburg

Thomas Strerath

Supervisory Board member

CEO, Ogilvy & Mather Germany GmbH, Frankfurt

The Supervisory Board members each received remuneration of kEUR 20 for the 2013 financial year, of which kEUR 15 is fixed in each case and kEUR 5 is variable. In 2012, the Supervisory Board members received a fixed remuneration of kEUR 15.

6.13 Directors' dealings

Management Board: Shares (number of shares)

	Marco Seiler	Andrew Stevens	Total
As per December 31, 2012	622,279	375,000	997,279
Purchases	0	0	0
Sales	-84,158	-50,000	-134,158
As per December 31, 2013	538,121	325,000	863,121

Supervisory Board: Shares (number of shares)

	Michael Mädél	Wilfried Beeck	Thomas Strerath	Total
As per December 31, 2012	0	120,000	0	120,000
Purchases	12,000	0	0	12,000
Sales	0	0	0	0
As per December 31, 2013	12,000	120,000	0	132,000

Management Board: Options (number of shares)

	Marco Seiler	Andrew Stevens	Total
As per December 31, 2012	120,000	120,000	240,000
Additions	0	0	0
Disposals	0	0	0
As per December 31, 2013	120,000	120,000	240,000

Management Board: Shares (number of shares)

	Marco Seiler	Frank Wolfram	Andrew Stevens	Total
As per December 31, 2011	622,279	5,500	375,000	1,002,779
Purchases	0	0	0	0
Sales	0	0	0	0
As per December 31, 2012	622,279	5,500	375,000	1,002,779

Supervisory Board: Shares (number of shares)

	Michael Mädél	Adriaan Rietveld	WilfriedBeeck	Thomas Strerath	Total
As per Dec. 31, 2011	0	10,000	120,000	0	130,000
Purchases	0	0	0	0	0
Sales	0	0	0	0	0
As per Dec. 31, 2012	0	10,000	120,000	0	130,000

Management Board: Options (number of shares)

	Marco Seiler	Frank Wolfram	Andrew Stevens	Total
As per December 31, 2011	0	0	0	0
Additions	120,000	0	120,000	240,000
Disposals	0	0	0	0
As per December 31, 2012	120,000	0	120,000	240,000

The members of the Supervisory Board do not hold any options.

6.14 Disclosures in accordance with Article 160 Section 1 No. 8 of the Aktiengesetz (AktG – German Public Companies Act)

January 16, 2013: Notification pursuant to section 26 paragraph 1 WpHG (German Securities Trading Act)

On January 11, 2013, SYZYGY AG was informed of the following:

1. On January 2, 2013, the share of voting rights of WPP plc, St. Helier, Jersey/United Kingdom, in SYZYGY AG has exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% and was then 29.9998% (equivalent to 3,848,514 voting rights). Of these voting rights 29.9998% (equivalent to 3,848,514 voting rights) are attributed to WPP plc pursuant to Sec. 22 paragraph 1 sentence 1 number 1 WpHG.

The voting rights attributed to WPP plc are held through the following affiliates, all of which hold more than 3% of the voting rights in SYZYGY AG:

- WPP 2012 Limited (previously: WPP plc)
- WPP Air 1 Limited
- Lexington International B.V.
- WPP Madrid Square Limited
- WPP 2005 Limited
- WPP LN Limited
- WPP Group (UK) Limited
- Arbour Square B.V.
- WPP Luxembourg Europe SARL
- Vincent Square Holding B.V.
- WPP Luxembourg Germany Holdings 3 Sarl
- WPP Luxembourg Germany Holdings S.à.r.l
- WPP Deutschland Holding GmbH & Co. KG
- WPP Marketing Communications Germany BV
- DSBK Activate GmbH (previously: DSB&K Werbeagentur GmbH)

2. On November 23, 2012, the share of voting rights of NFO (Luxembourg) SARL, Luxembourg, Luxembourg, in SYZYGY AG fell below the thresholds of 3% and 5% and was then 0% (equivalent to 0 voting rights).

3. On January 2, 2013, the share of voting rights of NFO Holding (Luxembourg) S.a.r.l., Luxembourg, Luxembourg, in SYZYGY AG fell below the thresholds of 3% and 5% and was then 0% (equivalent to 0 voting rights).

February 14, 2013: Notification pursuant to section 26 paragraph 1 WpHG/Correction of a notification pursuant to section 26 paragraph 1 WpHG

On February 11, 2013, SYZYGY AG received the following notifications concerning the shares of votings rights in SYZYGY AG of affiliate companies of WPP-Group (convenience translation):

1. Notification pursuant to section 26 paragraph 1 WpHG (German Securities Trading Act)

On 6 January 2011, the share of voting rights of WPP Deutschland Verwaltungs GmbH, Frankfurt am Main, Germany, in SYZYGY AG has exceeded the thresholds of 3% and 5% and was then 6.46% (equivalent to 829,343 voting rights). Of these voting rights, 6.46% (equivalent to 829,343 voting rights) are attributed to WPP plc, pursuant to Sec. 22 paragraph 1 sentence 1 number 1 WpHG.

The voting rights attributed to WPP Deutschland Verwaltungs GmbH are held through the following affiliates, all of which hold more than 3% of the voting rights in SYZYGY AG:

- WPP Deutschland Holding GmbH & Co. KG
- WPP Marketing Communications Germany BV
- DSBK Activate GmbH (previously: DSB&K Werbeagentur GmbH)

2. Correction of a release according to article 26, section 1 WpHG (Securities Trading Act) from January 16, 2013 On 2 January 2013, the share of voting rights of WPP plc, St. Helier, Jersey/United Kingdom, in SYZYGY AG has exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% and was then 29.9998% (equivalent to 3,848,514 voting rights). Of these voting rights, 29.9998% (equivalent to 3,848,514 voting rights) are attributed to WPP plc, pursuant to Sec. 22 paragraph 1 sentence 1 number 1 WpHG.

The voting rights attributed to WPP plc are held through the following affiliates, all of which hold more than 3% of the voting rights in SYZYGY AG:

- WPP 2012 Limited (previously: WPP plc)
- WPP Air 1 Limited
- Lexington International B.V.
- WPP Madrid Square Limited
- WPP 2005 Limited
- WPP LN Limited
- WPP Group (UK) Limited
- Arbour Square B.V.
- WPP Luxembourg Europe SARL
- Vincent Square Holding B.V.
- WPP Luxembourg Germany Holdings 3 Sarl
- WPP Luxembourg Germany Holdings S.à.r.l
- WPP Deutschland Verwaltungs GmbH
- WPP Deutschland Holding GmbH & Co. KG
- WPP Marketing Communications Germany BV
- DSBK Activate GmbH (previously: DSB&K Werbeagentur GmbH)

3. Correction of a release according to article 26, section 1 WpHG (Securities Trading Act) from February 15, 2012

On 6 January 2011, the share of voting rights of WPP Luxembourg Germany Holdings 3 Sarl, Luxembourg, Luxembourg in SYZYGY AG has exceeded the thresholds of 3% and 5% and was then 6.46% (equivalent to 829,343 voting rights). Of these voting rights, 6.46% (equivalent to 829,343 voting rights) are attributed to WPP Luxembourg Germany Holdings 3 Sarl, pursuant to Sec. 22 paragraph 1 sentence 1 number 1 WpHG.

The voting rights attributed to WPP Luxembourg Germany Holdings 3 Sarl are held through the following affiliates, all of which hold more than 3% of the voting rights in SYZYGY AG:

- NFO Holding (Luxembourg) S.a.r.l.
- NFO (Luxembourg) SARL
- WPP Luxembourg Germany Holdings S.à.r.l
- WPP Deutschland Verwaltungs GmbH
- WPP Deutschland Holding GmbH & Co. KG
- WPP Marketing Communications Germany BV
- DSBK Activate GmbH (previously: DSB&K Werbeagentur GmbH)

On 6 January 2011, the share of voting rights of NFO Holding (Luxembourg) S.a.r.l., Luxembourg, Luxembourg in SYZYGY AG has exceeded the thresholds of 3% and 5% and was then 6.46% (equivalent to 829,343 voting rights). Of these voting rights, 6.46% (equivalent to 829,343 voting rights) are attributed to NFO Holding (Luxembourg) S.a.r.l., pursuant to Sec. 22 paragraph 1 sentence 1 number 1 WpHG.

The voting rights attributed to NFO Holding (Luxembourg) S.a.r.l. are held through the following affiliates, all of which hold more than 3% of the voting rights in SYZYGY AG:

- NFO (Luxembourg) SARL
- WPP Luxembourg Germany Holdings S.à.r.l
- WPP Deutschland Verwaltungs GmbH
- WPP Deutschland Holding GmbH & Co. KG
- WPP Marketing Communications Germany BV
- DBSK Activate GmbH (previously: DSB&K Werbeagentur GmbH)

On 6 January 2011, the share of voting rights of NFO (Luxembourg) SARL, Luxembourg, Luxembourg, in SYZYGY AG has exceeded the thresholds of 3% and 5% and was then 6.46% (equivalent to 829,343 voting rights). Of these voting rights, 6.46% (equivalent to 829,343 voting rights) are attributed to NFO (Luxembourg) SARL pursuant to Sec. 22 paragraph 1 sentence 1 number 1 WpHG.

The voting rights attributed to NFO (Luxembourg) SARL are held through the following affiliates, all of which hold more than 3% of the voting rights in SYZYGY AG:

- WPP Luxembourg Germany Holdings S.à.r.l
- WPP Deutschland Verwaltungs GmbH
- WPP Deutschland Holding GmbH & Co. KG
- WPP Marketing Communications Germany BV
- DBSK Activate GmbH (previously: DSB&K Werbeagentur GmbH)

On 6 January 2011, the share of voting rights of WPP Luxembourg Germany Holdings S.à.r.l, Luxembourg, Luxembourg in SYZYGY AG has exceeded the thresholds of 3% and 5% and was then 6.46% (equivalent to 829,343 voting rights). Of these voting rights, 6.46% (equivalent to 829,343 voting rights) are attributed to WPP Luxembourg Germany Holdings S.à.r.l, pursuant to Sec. 22 paragraph 1 sentence 1 number 1 WpHG.

The voting rights attributed to WPP Luxembourg Germany Holdings S.à.r.l are held through the following affiliates, all of which hold more than 3% of the voting rights in SYZYGY AG:

- WPP Deutschland Verwaltungs GmbH
- WPP Deutschland Holding GmbH & Co. KG
- WPP Marketing Communications Germany BV
- DBSK Activate GmbH (previously: DSB&K Werbeagentur GmbH)

February 26, 2013: Notification pursuant to section 26 paragraph 1 WpHG

On February 25, 2013, SYZYGY AG received the following notifications concerning the shares of voting rights in SYZYGY AG of affiliate companies of WPP-Group (convenience translation):

1. On February 13, 2013, the share of voting rights of WPP Jubilee Ltd, London, United Kingdom, in SYZYGY AG has exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% and was then 29.9998% (equivalent to 3,848,514 voting rights). Of these voting rights 29.9998% (equivalent to 3,848,514 voting rights) are attributed to WPP plc pursuant to Sec. 22 paragraph 1 sentence 1 number 1 WpHG.

The voting rights attributed to WPP Jubilee Ltd are held through the following affiliates, all of which hold more than 3% of the voting rights in SYZYGY AG:

- Lexington International B.V.
- WPP Madrid Square Limited
- WPP 2005 Limited
- WPP LN Limited
- WPP Group (UK) Limited
- Arbour Square B.V.
- WPP Luxembourg Europe SARL
- Vincent Square Holding B.V.
- WPP Luxembourg Germany Holdings 3 Sarl
- WPP Luxembourg Germany Holdings S.à.r.l
- WPP Deutschland Verwaltungs GmbH
- WPP Deutschland Holding GmbH & Co. KG
- WPP Marketing Communications Germany BV
- DSBK Activate GmbH

2. On February 13, 2013, the share of voting rights of WPP 2012 Limited, St Helier, Jersey, United Kingdom, and WPP Air 1 Limited, Dublin, Ireland, in SYZYGY AG fell below the thresholds of 3%, 5%, 10%, 15%, 20% and 25% and was then 0% (equivalent to 0 voting rights).

October 7, 2013: Threshold disclosure pursuant to section 26 paragraph 1 of the Securities Trading Act

1. On October 3, 2013, Mr. Marcel Ernzer, Luxembourg, informed us pursuant to section 21 paragraph 1 WpHG that his holding of voting rights in SYZYGY AG fell below the threshold of 3% on October 1, 2013, and amounted to 2.49% (320,000 voting rights) on that day. Thereof, 2.49% of voting rights (320,000 voting rights) are attributable to him pursuant to section 22 paragraph 1 sentence 1 No. 1 WpHG. The voting rights are attributed to Mr. Ernzer via the following controlled subsidiaries, whose share of voting rights in SYZYGY AG is less than 3%:

- FAS S.A.
- Wallberg Invest S.A.

2. On October 3, 2013, FAS S.A., Luxembourg, informed us pursuant to section 21 paragraph 1 WpHG that their holding of voting rights in SYZYGY AG fell below the threshold of 3% on October 1, 2013, and amounted to 2.49% (320,000 voting rights) on that day. Thereof, 2.49% of voting rights (320,000 voting rights) are attributable to FAS S.A. pursuant to section 22 paragraph 1 sentence 1 No. 1 WpHG. The voting rights are attributed to FAS S.A. via the following controlled subsidiary, whose share of voting rights in SYZYGY AG is less than 3%:

- Wallberg Invest S.A.

3. On October 3, 2013, Wallberg Invest S.A., Luxembourg, Luxembourg, informed us pursuant to section 21 paragraph 1 WpHG that their holding of voting rights in SYZYGY AG fell below the threshold of 3% on October 1, 2013, and amounted to 2.49% (320,000 voting rights) on that day.

6.15 Declaration of Compliance with the German Corporate Governance Code in accordance with Article 161, AktG

The declaration of compliance with the German Corporate Governance Code in accordance with Article 161 of the AktG (German Public Companies Act) was issued on October 29, 2013 and is available to all shareholders on the Company's website.

6.16 Date of authorisation for publication

The Management Board will submit the consolidated financial statements to the Supervisory Board for approval on March 31, 2014.

Responsibility statement by the legal representatives

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Bad Homburg v. d. H., March 24, 2014
SYZYG AG

The Management Board



Marco Seiler



Andrew Stevens

Independant auditors' report

We have audited the consolidated financial statements prepared by the SYZYGY AG, Bad Homburg v. d. Höhe, comprising the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January 2013 to 31 December 2013.

The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a para. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IIDW)). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination

of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRS as adopted by the EU, the supplementary requirements of German commercial law pursuant to Sec. 315a para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, March 24, 2014

BDO AG

Wirtschaftsprüfungsgesellschaft

sgd. Dr. Rosien
Wirtschaftsprüfer

sgd. ppa. Werner
Wirtschaftsprüfer

(German Public Auditors)

Financial calendar 2014

Interim report as per March 31	/	April 30
Annual general meeting, Frankfurt	/	June 6
Interim half-year statement	/	July 31
Capital Market Conference, Zurich	/	September 10
Interim report as per September 30	/	October 31
German Equity Forum, Frankfurt	/	November 24-26
Capital Market Conference (MKK), Munich	/	December 9-10

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