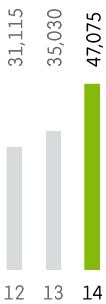
Annual Report 2014

SYZYGY

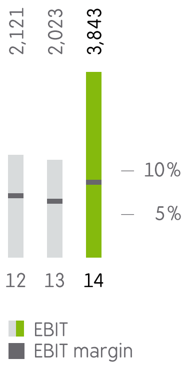
syzygy.net

Key financial figures

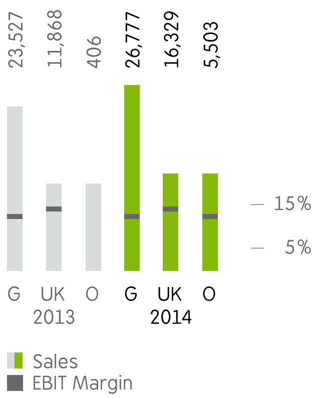
*Sales
in kEUR*



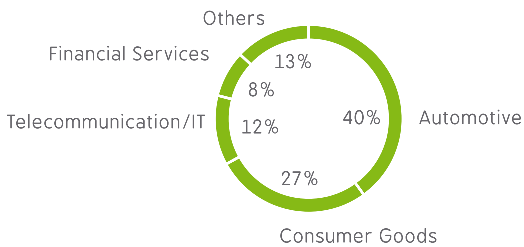
*EBIT in kEUR
and EBIT margin*



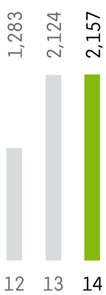
*Sales in kEUR and
EBIT margin by segments*



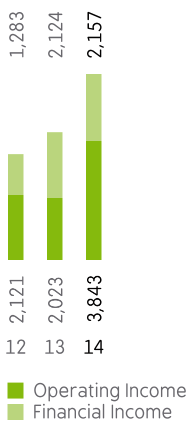
*Sales Allocation by
vertical markets*



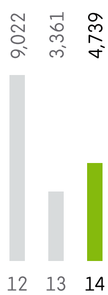
*Financial income
in kEUR*



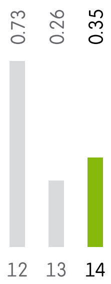
*Ratio of operating income
to financial income
in kEUR*



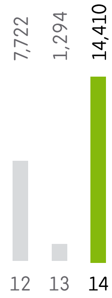
*Net income
in kEUR*



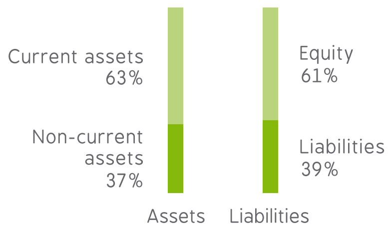
Earnings per share in EUR



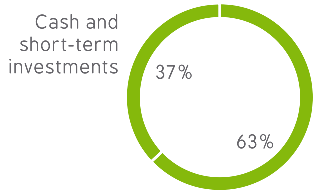
Development of operating cash flow in kEUR



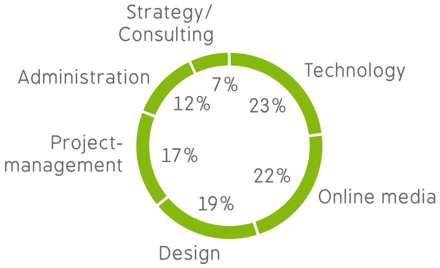
Balance sheet structure



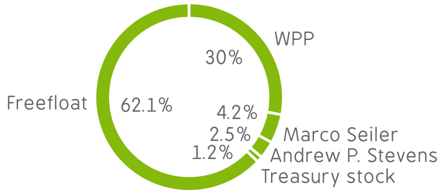
Portfolio structure of cash and marketable securities



Employees by function



Shareholder structure



Board members' statement

Dear Shareholders,

We are pleased to report on an outstanding financial year, in which the company saw the strongest growth since its IPO in 2000. Targets were significantly exceeded: sales climbed from EUR 35 million to EUR 47 million, representing growth of more than 34 per cent. Based on the strong business results and positive outlook, we will be proposing an increase in the dividend of 25 per cent to EUR 0.35 to the Annual General Meeting. This equates to a dividend yield of around 5 per cent for the sixth year in a row.

The Group's financial results

SYZYGY beat the previous year's impressive growth in 2014 to set a new record. Growth has increased continuously in recent years, with SYZYGY posting an average annual rise in sales of 22 per cent for the past three years. This strong growth is the result of expanding the firm's business with almost all top 10 clients and acquiring significant new clients.

Operating income (EBIT) rose disproportionately by 90 per cent to EUR 3.8 million, representing an EBIT margin of 8.2 per cent. In the previous year, the figure was 5.7 per cent. Financial income amounted to EUR 2.2 million. Total net income after taxes was EUR 4.7 million, up 41 per cent on the previous year. Due to strong cash flow, the SYZYGY Group held liquidity reserves of EUR 35.2 million as at year-end.

Earnings per share and dividend

Taking into account the shares held by minority shareholders, undiluted earnings per share were EUR 0.35. Due to the strong cash position and positive outlook for the SYZYGY Group, the Management Board and Supervisory Board have decided to propose a dividend of EUR 0.35 to the Annual General Meeting. This corresponds to the entire earnings for the financial year, i.e. a full distribution. This resolution is in accord with the company's dividend policy, which aims to provide shareholders with a sustained share in profits in the form of a constant or rising dividend. Although the SYZYGY share price rose by 24 per cent last year, the dividend yield of 5.5 per cent based on the Xetra closing price on December 30, 2014 (EUR 6.35) remains very attractive.

Marco Seiler, CEO

SYZYGY stock
SYZYGY shares have long since attracted the interest of a broader investor base. The trading volume increased last year by a further six per cent to an average of around 27,500 shares a day. The 24 per cent price rise in 2014 far exceeds the performance of major indices such as the DAX (+2.7%), TecDAX (+17.5%) and the DAXsector Software (-0.7%). The Group's market capitalisation exceeded the EUR 100 million mark in the current financial year for the first time, pushing it further onto the radar of institutional investors.

SYZYGY shares still offer major potential since they represent a new category of company that combines high growth with a high dividend while also holding extensive cash reserves.

Business segments and activities
All segments contributed to the strong performance of the SYZYGY Group.

The German companies significantly expanded their work for existing clients, with sales increasing by 14 per cent to EUR 26.8 million. EBIT saw disproportionate growth, rising 25 per cent to EUR 3.8 million. The addition of BMW Motorrad as a client in December 2014 is another major success that will help to boost the Group's growth in the current financial year.

The UK segment was buoyed by international expansion of the existing client relationships with Mazda and AVIS. The partnership with both companies was extended to additional markets, driving forward the Group's international expansion in the reporting year. SYZYGY now acts for Mazda worldwide, including Japan, the car manufacturer's home country, Australia, Taiwan, Russia, South Africa and North America. At EUR 16.3 million, sales of the UK companies were around 38 per cent up on the previous year's figure. Here again, EBIT increased disproportionately by 73 per cent to EUR 2.4 million.

Companies Hi-ReS! New York and Ars Thanea contributed sales of EUR 5.5 million and operating income of EUR 0.7 million to the Group's overall performance.

Expansion of the Management Board
In October 2014 the Supervisory Board of SYZYGY AG decided to appoint Mr Erwin Greiner to the Management Board as its third member, with effect from January 1, 2015. In the newly created post of Chief Financial Officer, he will be responsible for Finance, Legal, Administration and Investor Relations.

Erwin Greiner has been with SYZYGY AG since 2001, and has served as head of finance since 2003. In this role he regularly achieved outstanding financial results and, together with the Management Board, successfully implemented all the Group's acquisitions.

This included responsibility for smooth integration of the companies and their systems. Through his expertise and personal commitment, Mr Greiner has made a substantial contribution to the company's growth and success in recent years. The Management Board and Supervisory Board are pleased that Mr Greiner, as a new member of the Management Board, will continue to drive the positive development of the Group going forward.

Outlook

The SYZYGY Group celebrates its 20th anniversary this year. It has every reason to look to the future with confidence. Large companies are becoming aware that an online brand platform requires a long-term strategy and that such platforms play a key role in acquiring customers and generating loyalty. In this context, performance marketing tools are increasingly becoming the method of choice to capture people's attention and drive traffic to brand platforms.

Erwin Greiner, CFO

At the same time, smartphones and tablets have given rise to a new culture of now, with the inherent expectation that needs must be satisfied instantly. Modern consumers are in permanent communication mode and also expect companies to provide services, information and products 24/7. Brands therefore need strategies to address these demands.

Against this backdrop, our essay this year, "The Wow of Now" (see page 14), and the Digital Innovation Day we are staging on June 16, 2015 in Frankfurt are dedicated to the various aspects of real-time marketing.

The dynamic growth seen in recent years and the acquisition of major accounts demonstrate that the SYZYGY Group's service portfolio is in greater demand than ever among large companies. The Group will continue to expand organically and is establishing an attractive new agency location in Munich accordingly; this will be the fifth SYZYGY Group office in Germany. This step reflects a desire on the part of clients to have collaborative facilities in their immediate area where innovative solutions can be developed for communication in the digital age.

The Group's positive performance has significantly raised the profile of the SYZYGY brand in the financial press and in specialist journals for advertising and marketing. By delivering strong financial results, winning a number of awards for our creative work, organising the Digital Innovation Day and seeing Management Board member Marco Seiler honoured by industry magazine Horizont as "Agency Person of the Year", we have been able to extend our position as a leading agency group in Germany and the UK.

The outlook for the SYZYGY Group remains positive. The new clients gained in 2014 and the expansion of existing client relationships have created a solid basis for further growth in the current financial year. Based on present knowledge, the Management Board expects sales to rise by about 20 per cent to around EUR 55 million. Operating income is expected to increase by a larger margin.

Acknowledgements

Our sincere thanks go to all the people whose daily contribution underpins the performance of the SYZYGY Group thanks to their commitment, expertise and trust. That applies in particular to the more than 500 people who make up SYZYGY and fill it with life: with compelling ideas, outstanding professional skills and a constant willingness to go the crucial extra mile. Some have been with the SYZYGY Group since it was formed almost 20 years ago, many for more than a decade.

Andy Stevens, COO

Our thanks are also due to our valued shareholders, who have remained loyal to SYZYGY – likewise for many years in some cases – and who provide stability for the company's shares in the financial markets.

We would also like to take this opportunity to thank our clients for their trust and strong engagement. Their motivation to be among the winners in the digital age drives us to give our best each and every day.

We would also like to express our very special thanks to the members of the Supervisory Board: to the Chairman, Michael Mädel, who has supported the Group for 19 years and has chaired the Supervisory Board for 15 years now; and to Board members Wilfried Beeck and Thomas Strerath. The SYZYGY Group's success would be unthinkable without their professional expertise, experience and enormous commitment.

The Management Board

The SYZYGY Group

SYZYGY is an international digital marketing agency group with more than 500 employees and offices in London, New York, Berlin, Frankfurt, Hamburg, Bad Homburg, Warsaw, and Munich.

SYZYGY

Digital Communication

SYZYGY develops award-winning digital communication- and marketing solutions in London, Frankfurt, Bad Homburg, and, since 2015, also in Munich. The largest customers include Mazda, Daimler, Jägermeister and O_2.

syzygy.de
syzygy.co.uk

unique

Online Media

The service portfolio of uniquedigital encompasses display media, search engine marketing and optimisation, Facebook advertising, affiliate marketing and social media as well as consultancy in the area of web analytics, conversion optimization and cross-channel marketing. Client portfolio includes AVIS, OTTO, .comdirect, and Telekom, among others.

uniquedigital.de
uniquedigital.co.uk

By keeping our fascination and curiosity for technology, brands and cultures, we create interactive experiences, that build relationships and deliver results for our clients.

Creative & Technology

At Hi-ReS!, highly decorated creatives work hand in hand with technology experts to develop high-quality digital projects for brands such as Chanel, Versace, BMW and McDonald's. Offices are situated in London and Berlin.

hi-res.net
hi-res.de

Advertising & Production

Warsaw-based agency Ars Thanea is internationally known for their outstanding output in the field of digital illustration, motion design and interactive design. Brands such as LifeProof, HBO, Nike, NUTRICIA, TUI, and LOT Polish Airlines trust in this first league 70-strong team of professionals.

arsthanea.com

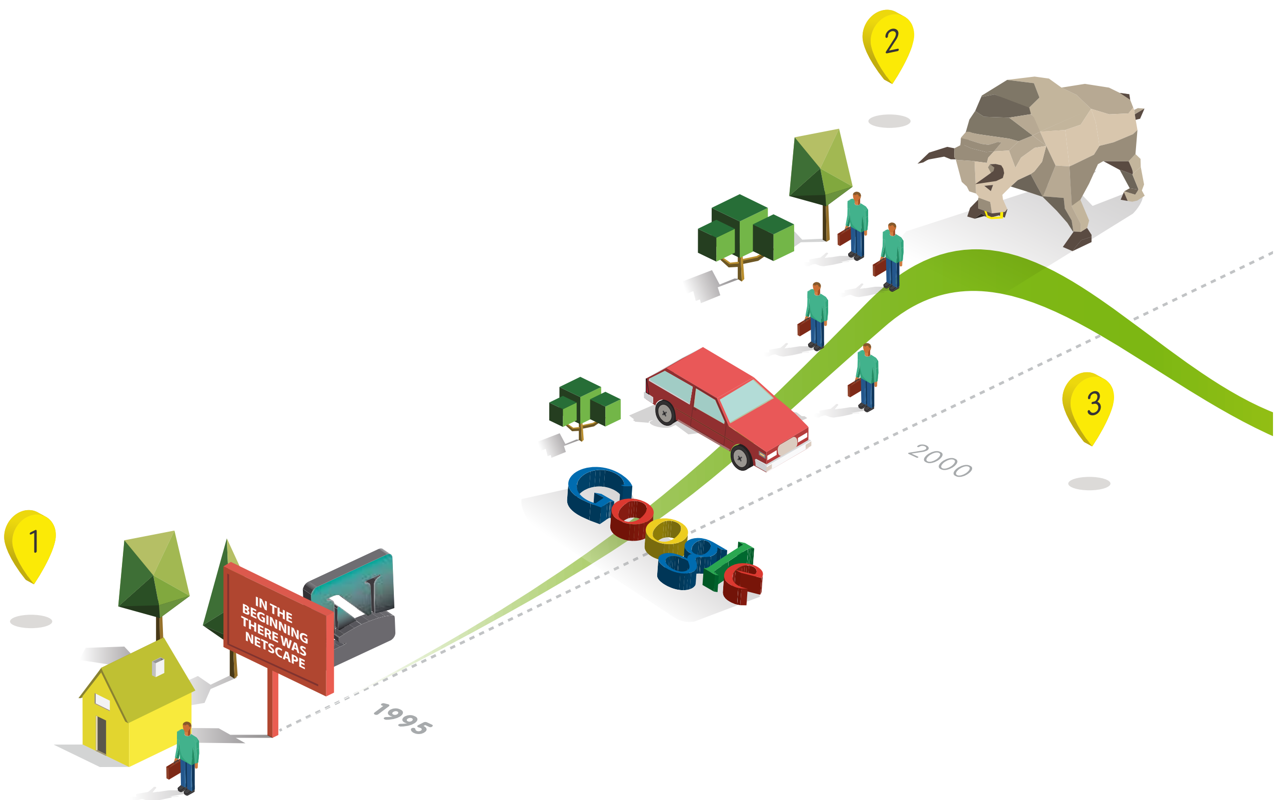
WOW.

This year SYZYGY Group celebrates its 20th anniversary at a time when it has never been more exciting to be a digital agency.

When we began two decades ago, less than half of one percent of the world was online. Digital was a niche affair. Today, in developed markets, smart connected devices outnumber total populations. We're all online, multiple times over and "digital natives" born into our connected world now make up the mainstream majority.

SYZYGY Group is there to serve the new needs and new expectations of our new world, where digital is no longer a channel but woven seamlessly into the fabric of life.

We are proud of what we have achieved so far – and we are looking forward to what is yet to come.



1 / 1995: Launch
Establishment of United Media in Frankfurt and SYZYGY in London

2 / 2000: Bullish
Companies merged to create SYZYGY AG. IPO on the Neuer Markt exchange in Frankfurt

3 / 2000: Broken dreams
The dot.com crash plunges the sector into a deep crisis

4 / 2006-2008: Bouncing back
Three acquisitions in three years: unique Hamburg, unique London and Hi-ReS!

5 / 2010: Cześć, Warszawa!
Ars Thanea joins the Group

6 / 2012: Expansion continues
Opening of a new office in Frankfurt and establishment of Hi-ReS! Berlin

7 / 2014: New York, New York
The Group's seventh location is established on Broadway

8 / 2015: Bavaria beckons
After winning the BMW Motorrad account, SYZYGY opens an office in Munich

Need for Speed

The Wow of Now

Digital technology is making our world an impatient place. Digital signals can travel at the speed of light, and so we expect digital delight at the speed of light.

by Dr. Paul Marsden

In a world where instant gratification takes too long, we're all live-streaming, fast-shipping, multi-tasking, speed-dating, selfie-snapping, hash-tagging, geo-tagging, time-shifting, heart-beat tracking, paycheck-checking, net-flixing, home-automating, instant-messaging, insta-gramming, we-chatting, yik-yakking, you-tubing, whats-apping, snap-chatting... It's exhausting, but we're "Generation Now": We want it all and we want it now as we "Carpe" the tech out of "Diem".

When we look at this effect that digital is having on our lives, we realise that it's less about the "New Economy" and more about the "Now Economy". Digital both makes us impatient, and solves our impatience. And it's why "convenience tech" has become the new black in Silicon Valley, delivering instant gratification and saving that most precious commodity of all, time.

For example, check out the latest winners of the digital innovation Oscars, known as the "Crunchies" – they have little to do with doing anything new and everything to do with doing stuff now. Overall winner Uber is the real-time taxi app that'll get a cab to you now. Runner-up Tinder is a real-time hook-up app that will, well, hook you up now. Finalists Stripe and SnapChat deliver in the now through real-time transactions and real-time "ephemeral" messaging. The quick-fix for winning in the Now Economy is to deliver the quick-fix.

Live Marketing

For marketers, today's "Cult of Now" means that real-time is the new prime-time. When only the current has currency, brands need to live in the "Now". This means doing things differently.

Most importantly, we need to change how we do marketing, moving from an old "batch-processing" model to a real-time model. Like early computers, marketers are used to processing things in batches, carefully planning and producing campaigns in batches in advance, and then releasing them in batches according to carefully scheduled media plans.

Batch processing may have been fine in yesteryear's world of broadcast mass media where media schedules ruled the airwaves and our lives. But in today's world of on-demand digital media, batch marketing is as useless as a cathode ray tube in a tablet screen. As with computing, the future of marketing lies not in batch processing but in real-time processing.

For example, at SYZYGY we're using live interactive technology to bring product launches to life, in real-time. So for one of our automotive clients we not only created an online live video feed of their new car as it was revealed for the first time, but we also gave site visitors live remote control of the studio lighting revealing the car. In the Now Economy, it is this kind of live digitally-enhanced experiential marketing that brings campaigns and brands to life.

Newsjacking

A popular solution for delivering marketing magic in the Now Economy has been to dust off defunct social media departments and rebrand what they do as real-time content marketing. The sell is simple. Social media is real-time media and so to reach audiences in real-time, use real-time social media. How? Simple again. Use the tried and tested PR technique of "newsjacking"; hi-jacking live news, sports and celebrity stories with entertaining branded commentary.

For example, Adidas offered live commentary and images on Twitter during the 2014 World Cup. And when Uruguayan star Luis Suárez took a World Cup bite out of the shoulder of Italy's Giorgio Chiellini, Mars scored nearly 50,000 retweets with an image of a Snickers bar captioned "More Satisfying than Italian".

Done right, real-time newsjacking delivers positive publicity for a brand in social media and beyond. Last year's "Billion Dollar Tweet" at the 2014 Academy Awards is a case in point. Samsung, a major sponsor of the Oscars to the tune of $20m, reaped rewards as host Ellen DeGeneres prominently showed off her white Samsung smartphone during the live broadcast to 43m viewers. Picking top stars and award nominees from the audience, DeGeneres challenged them to gather around her Samsung device and snap a group selfie that would break the record for the world's most re-tweeted image.

And it worked. The Samsung selfie stunt scored nearly 3.5 million retweets, the most ever, garnering 32.8 million impressions within the first 24 hours. And the story was widely picked up by news media. Maurice Levy, CEO of Samsung's agency Publicis, valued the overall publicity at $1bn. Of course, how much a retweet or a media mention is worth is up for debate. Nevertheless, Samsung showed how to get real-time value out of a sponsorship deal.

Minority Report

Remember Minority Report? The Hollywood movie showcased a future where ads would follow us around in real-time and in real-life. It's happening today, and it's another way marketers can win big in the Now Economy. Location-based surveillance technology such as iBeacon can track us in real-time and ping ads to our mobile devices as we pass by. For example, the AT&T football stadium in San Francisco uses this kind of surveillance technology to follow fans" movements and send them mobile ads and offers at opportune moments and places.

Similar real-time surveillance tech means billboard ads can adapt in real-time as we pass by. For example, the British Airways "Look Up" digital billboard features a boy who points to real-world BA planes as they fly overhead in the sky. And back at the desktop, real-time surveillance is helping eke out efficiencies in display advertising by tracking people's browsing habits in real-time and buying up ad inventory accordingly. Through real-time programmatic bidding and real-time "retargeting" advertisers are optimising both the efficiency and effectiveness of their online ad budgets.

Uberfication

But it's perhaps a third digital approach to delivering the "Wow of Now" that is most exciting. And that is digital innovation. Connected mobile technology is giving marketers an unprecedented opportunity to service people's needs at their precise point and place of need.

Uber is the disruptive innovator of record here, leading the charge on the digital transformation of taxi and delivery services. But with its $40bn valuation, Uber is far more than a taxi service. Uber is a new framework for winning in the Now Economy with innovative on-demand mobile services that deliver instant gratification.

Today, there's an Uber for everything, from on-demand child-care to beauty services, cleaning to marijuana delivery. Touch screen, get service. Now. Through Uber-style services, marketers are putting the "now" into marketing know-how.

The Wow of Now

It is through this kind of digital innovation that marketers can deliver the real "Wow of Now". By digitally enhancing products and services, we can offer the Now Generation what it wants; instant gratification and immediate satisfaction.

For some marketers, this innovation focus to winning in the Now Economy may appear beyond the messaging remit of their marketing brief. But take a look at the industry definition of marketing. Real marketing is as much about creating and delivering value as communicating it. As digital marketers, we are in the value-creation and value-delivery business. And through on-demand digital technology, we are uniquely placed to deliver delight for the Now Economy.

This is exactly what industry legend Regis McKenna meant when he coined the term "real-time marketing" two decades ago. For McKenna, real-time marketing had nothing to do with advertising or PR communication, and everything to do with digital service innovation "focusing on real-time customer satisfaction, providing the support, help, guidance, and information necessary to win customers" loyalty".

In today's Now Economy, this original real-time vision of marketing as a service has never held so much transformative promise and potential. And our first step is easy. As marketers, we will begin to own the Wow of Now when we place a single simple question at the heart of everything we do – "How can we help you, right here, right now?"

Mazda:

A new dimension of mobility

With connected cars hitting the road and driverless vehicles just around the corner, automotive brands are buckling up for the most disruptive decade since Henry Ford introduced the assembly line.

One of SYZYGY's own automotive clients, Mazda – a partner for over 15 years – is up for the challenge, investing heavily in innovation and putting digital at the heart of its strategy.

Mazda's global web platform is a key part of this digital-first approach. The platform – developed by SYZYGY for Mazda in Europe – was identified as best in class by Mazda Corporation and selected for global roll out.

Australia, Japan, Canada, Thailand, Taiwan and South Africa have now been on-boarded, joining the 26 European markets already live. The localisation model is tailored to Mazda's global business: a core technical product ensures efficiencies on every roll out, but there's also room to flex for local needs.

Integrating with the "Fourth Screen"

The web platform may currently provide the centrepiece, but the channels Mazda customers use to connect with the brand continue to evolve. This is why SYZYGY has also helped Mazda digitalise other parts of the customer journey, from a content portal to drive brand familiarity, to a dealer sales iPad app.

The new battleground however, may be over the "fourth screen" the digitally connected display unit within the car. It's this screen that excites the leading Silicon Valley technology companies and where the major disruption is likely to happen. As Mazda's global digital partner, SYZYGY relishes the challenge of helping the manufacturer deliver compelling services to its customers, now and in the future.


AXELA
見るものをドライビングへと
駆り立てる、魂動デザイン。
デザイン・カラー
インテリア
安全機能

McDonald's:

Spicing up the Burger Battle

With 70 different ingredients and unlimited possibilities, it's not only dedicated fast food fans who start licking their lips when McDonald's invites consumers to enter what is perhaps Germany's tastiest competition. Contestants in the legendary McDonald's Burger Battle create burgers with their own unique flavour combinations and put them to the vote.

Personalised advertising materials showcase the new creations at their very best and help to generate support. Only four winning recipes will go into production and be sold in the 1,500 McDonald's restaurants across Germany. Time to put those ideas to the taste test and win over the world's most critical jury: real customers. Consumers can vote for their favourite new burger using the QR code on the product packaging.

Hi-ReS! Berlin was entrusted with handling the six-month campaign. The digital creative agency was responsible for concept design and the user experience, plus full technical implementation of the sophisticated responsive design campaign platform. In view of dramatic changes in user behaviour, the infrastructure was totally redesigned and the concept expanded to incorporate a mobile first approach. An innovative interface that is extremely user-friendly on a range of end devices makes burger building even more fun. Voting works in a similar way to the popular Tinder dating app: consumers simply swipe the screen one way or the other to decide whether a new burger recipe is hot or not.

To experience the battle of the flavours, visit *http://www.burgerbattle.de*


BURGER VOTEN
BURGER BATTLE
Baden-Württemberg präsentiert
SMOKEY PORKY
ALEX
FLOP
TOP
PLATZ 9
ZUTAT (3/5)
ZURÜCK
SAUCE (2/2)
WEITER
DIE AKTION
BAUE DEINEN BURGER
BURGER BEWERTEN
HIGHSCORE
MEINE BURGER

LifeProof:

Leave nothing behind

Global smartphone users worldwide achieved the number of almost 2 billion, therefore the production of mobile-case seems as a definite big business. In the third quarter of 2014, the company which makes one of the best-selling and most durable cases worldwide, approached Ars Thanea to create four outstanding visuals to launch their remarkable iPhone 6 cases.

Four was not a coincidence, the LifeProof product is designed to "proof" the device for life through protecting it from: water, snow, dirt and dropping it. Ars Thanea's goal was clear – to create imagery that fully illustrated the product's remarkable protection abilities and to give an expression of "Leaving nothing behind". Ars Thanea captured that action sequence of that day out on the trail, the road, the lake, and the slopes and presented that as beautifully as possible. Campaign launched in January 2015 during CES Conference of Innovation and Business in Las Vegas.

The delivery of key illustrations, now recognizable around the world, sealed the beginning of an effective cooperation. Over the next few months, Ars Thanea gained other brands from the company's portfolio and now works also for LifeActiv, QuickMount, Classic Accessories and FRE Power, covering packaging design and marketing content production.


LEAVE
NOTHING
BEHIND!
SHOW US HOW YOU
#LIVELIFEPROOF
WATERPROOF, DROP PROOF CASES FOR IPHONE 6 THAT GO WHERE YOU GO
GET YOURS NOW AT LIFEPROOF.COM
LIFEPROOF
LEAVE
NOTHING
BEHIND!
SHOW US HOW YOU
#LIVELIFEPROOF
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NOTHING
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LIFEPROOF

AVIS:

Creating value in commoditised markets

Car hire is a highly commoditised and broker-driven market. For 10 years now, we have helped AVIS in Europe to digitally stand out in this extremely competitive sector and to position the brand as an authoritative voice in travel – and we continue to deliver exceptional year on year growth from their digital channels. Which is one of the reasons why in 2014, we were entrusted to work for AVIS in North America as well.

Ten years is a lot to cover, but one of the ways we differentiate AVIS is by tapping into the emotions consumers associate with travel:

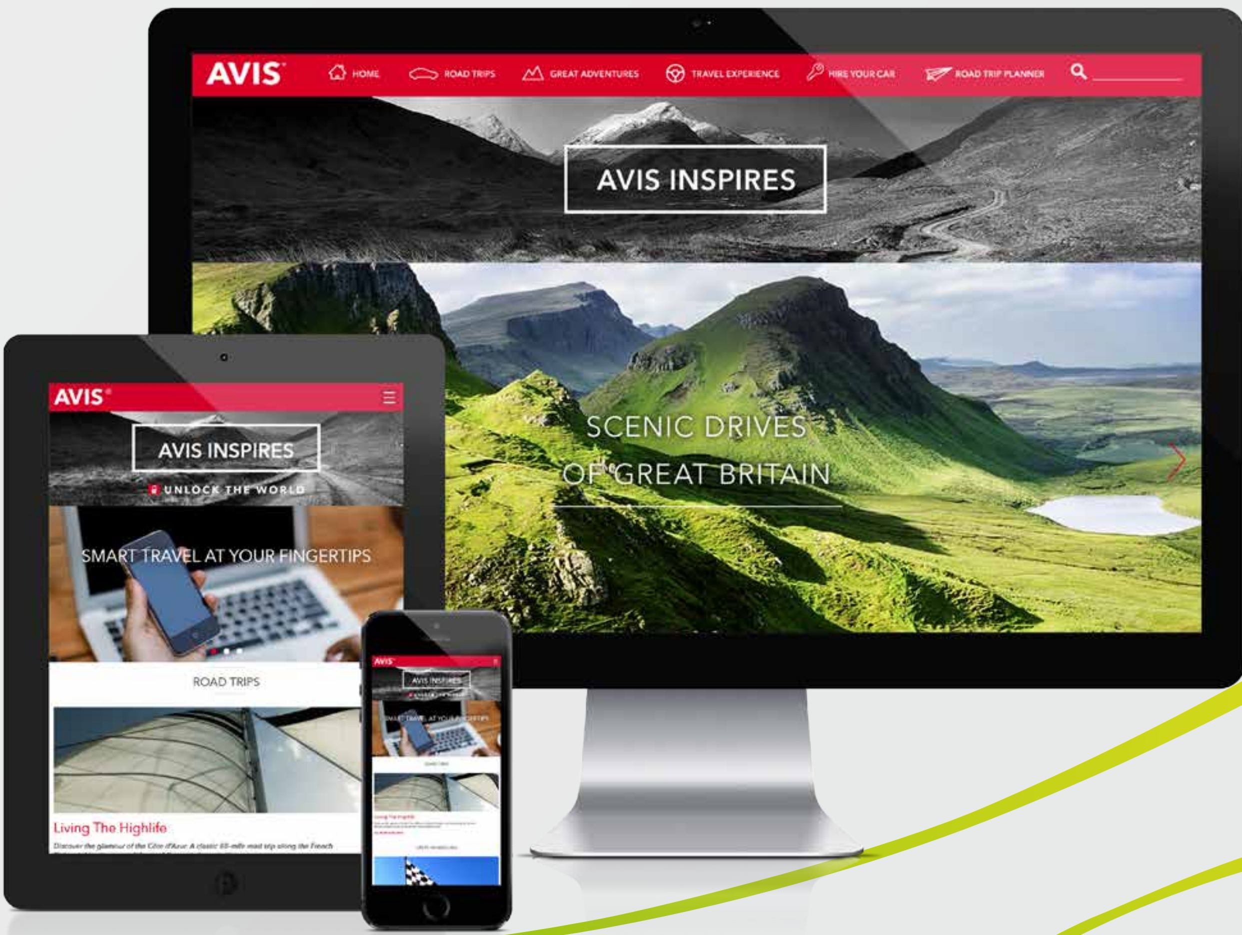
We created a digital editorial magazine that features trending travel itineraries and articles the audience are looking for in real time. The strategic approach of "Audience first" planning was used to inspire content storyline and themes. All content was distributed across AVIS' social channels and integrated with a full SEO strategy. By doing so, we encapsulated the sense of wanderlust in great content and tied it to the AVIS brand.

Performance content is fuelled by insight into search demand and translated to high quality travel content, elegantly designed by us in-house, against direct response targets.

Thanks to high levels of social media engagement and links to the content we continue to strengthen our search rankings across Europe and North America.

http://blog.avis.co.uk


VIENNA
AVIS
Paris
LE CONSULAT
AVIS
BERLIN
AVIS


AVIS
HOME
ROAD TRIPS
GREAT ADVENTURES
TRAVEL EXPERIENCE
HIRE YOUR CAR
ROAD TRIP PLANNER
AVIS INSPIRES
SCENIC DRIVES
OF GREAT BRITAIN
AVIS
AVIS INSPIRES
UNLOCK THE WORLD
SMART TRAVEL AT YOUR FINGERTIPS
ROAD TRIPS
Living The Highlife

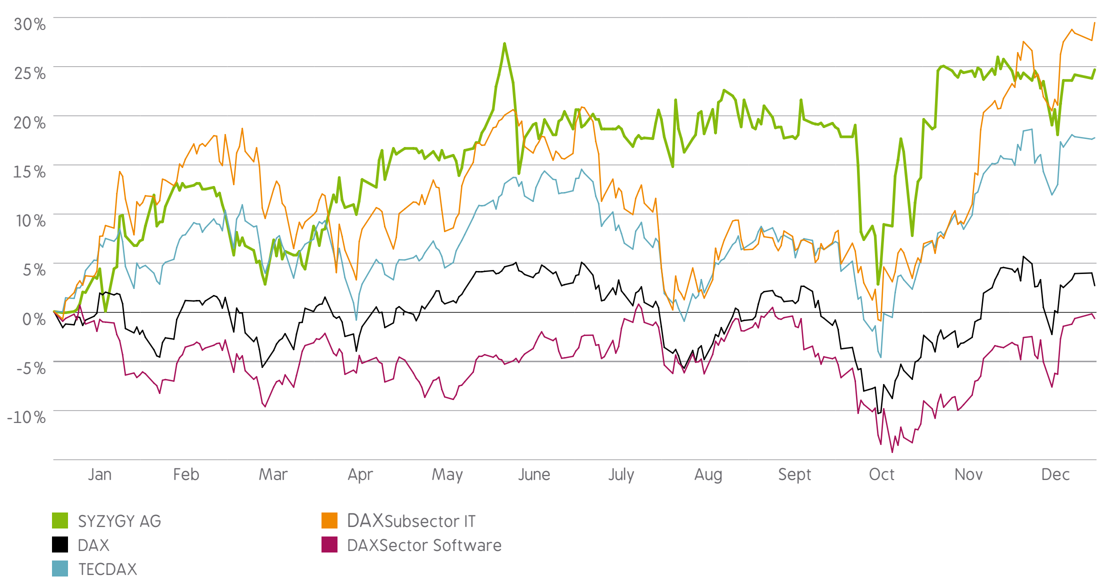
The stock

Basic share facts

ISIN	DE0005104806
WKN	510480
Symbol	SYZ
Reuters	SYZG.DE
Bloomberg	SYZ:GR
Listing segment	Regulated Market, Prime Standard
Stock exchances	XETRA, Berlin, Dusseldorf, Frankfurt, Hamburg, Hannover, Munich, Stuttgart
Total number of shares	12,828,450 non-par value bearer shares
Thereof own shares	150,000
Market capitalisation	EUR 81.6 million (basis: closing price of EUR 6.36 on Dec. 30, 2014
Freefloat (definition Dt. Börse)	68,8%
Freefloat market capitalisation	EUR 45.23 million
Sector	Software

Stock statistics 2014

TecDax-Ranking 2014	Rank market capitalisation: 58 (2013: 57) Rank turnover: 62 (2013: 66)
Ordinary dividend	EUR 0.28 (June 10, 2014)
Average daily turnover	27,557 shares/ EUR 160,991 (thereof XETRA: 16,351 shares/ EUR 95,602)
XETRA closing price on Dec. 28, 2014	EUR 5.11
XETRA closing price on Dec. 30, 2014	EUR 6.36
Highest XETRA closing price	EUR 6.49 (June 6, 2014)
Lowest XETRA closing price	EUR 5.10 (Jan. 3, 2014)
Price performance as at Dec. 30, 2014	EUR 1.25 (+24%)
Overall performance as at Dec. 30, 2014	EUR 1.53 (+30%)
Designated Sponsor	equinet Bank AG
Analysten	Cosmin Filker (GBC AG) Konrad Lieder/Adrian Pehl (equinet Bank AG)



The stock market in 2014

Share prices went on a roller-coaster ride in 2014, driven by a number of external factors with conflicting effects. While investors increasingly sought refuge in equities because of extremely low interest rates, thereby pushing prices higher, escalating geopolitical conflicts, weak economic data from the Eurozone and China and the decline in the price of oil repeatedly triggered major setbacks.

The key German index, the DAX, ended the first trading day of the new year at 9,400 points, down 150 compared with year-end 2013. This was followed by a highly volatile sideways trend lasting into April. The DAX then finally started to move upwards. Supported by speculation about another cut in the main European interest rate, prices soared, exceeding the historic level of 10,000 points in June for the first time. Although the key index initially stabilised at a high level, it fell sharply again starting in July. In addition to poor economic data from Europe, the downing of a civilian aircraft in Eastern Ukraine fuelled fears of further escalation of the conflict with Russia.

An interim low of 9,009 points was reached at the start of August, which then gave way to a renewed rise until mid-September when the index hit 9,799 points. The subsequent drop was all the steeper: against a backdrop of continuing weak economic data from the Eurozone, the DAX lost almost 13 per cent of its value within just four weeks. On October 16, it was down to 8,583 points, its low for the year (-10.3%). From that point on, a year-end rally drove the index to new heights. On December 5, it ended trading at a new record level of 10,087 points. Following another slump of some 7 per cent within just six trading days, the DAX ended 2014 at 9,805 points, up only 2.7 per cent overall for the year.

The TecDAX was similarly volatile, largely tracking the movement of the key German index. Unlike the DAX, which spent sustained periods below the level of December 30, 2013, the Technology index gained up to 11 per cent in the first quarter. It then mostly held onto these gains throughout the year. At -4 per cent, the low for the year of 1,120 points recorded in mid-October was much less extreme than the DAX. The dynamic rally at the end of the year saw the TecDAX make impressive gains. On December 30, it ended trading at 1,371 points, up 17.5 per cent and only slightly short of the all-time high of 1,381 points reached a few days previously.

Performance of SYZYGY shares

Backed by strong business figures, SYZYGY shares outperformed the major indices by a significant margin. Starting at EUR 5.11, the stock made a flying start to the new year and gained up to 12 per cent by mid-February.

This was followed by a brief period of weakness which saw the shares giving up a large part of their gains, hitting the low for the year on March 14 at EUR 5.25. From then until the date of the Annual General Meeting the share price made steady progress. The high for the year was reached on June 6, 2014 at EUR 6.49, representing a rise of 27 per cent. As expected, the share price declined after payment of the dividend of EUR 0.28. It then moved sideways at around EUR 6.00 until the start of October. Investors in SYZYGY shares were also affected by the generally pessimistic sentiment now taking hold in the international equity markets. The stock lost around 14 per cent in value within a few trading days, falling back again to the level of EUR 5.25 by October 15. The downward movement was short-lived, though, and by November the share price had climbed back to around EUR 6.40. This was followed by a sideways trend, after which SYZYGY shares ended the year at EUR 6.36. The corresponding gain of around 24 per cent represented significant outperformance compared to the DAX and TecDAX. Taking into account the dividend payment of EUR 0.28, SYZYGY shares returned 30 per cent overall.

On June 6, 2014 the Ordinary General Meeting of SYZYGY AG approved distribution of a dividend of EUR 0.28, which was paid starting from June 9. Based on the XETRA closing price on the date of the General Meeting, the dividend yield of 4.3 per cent remained at a high level (previous year: 5.6%).

The liquidity of SYZYGY shares remained constant year-on-year, with an average of 25,557 shares being traded across all German stock exchanges each day.

Shareholder structure

As at the reporting date, the total number of shares is 12,828,450, as in the previous year. The shareholder structure changed only marginally during the reporting period. WPP remained the biggest shareholder, with just under 30 per cent.

The shareholdings held by SYZYGY AG Management Board members Marco Seiler and Andy Stevens remained unchanged at 4.2 per cent and 2.5 per cent respectively, as at December 31, 2014. Michael Mädel, Chairman of the Supervisory Board, reported the purchase of 8,000 additional shares to the company in June 2014.

All in all, board members held a total of around 8 per cent of the company.

Based on the authorisation granted by the Annual General Meeting on May 28, 2010, SYZYGY bought back 100,000 shares through the stock market in July and August of the year under review, at a weighted average price of EUR 6.03721.

75,000 shares were sold to the agency's minority shareholders in the course of acquiring Ars Thanea. Compared with the previous year, treasury stock thus increased slightly to 150,000 shares or 1.2 per cent.

The freefloat as defined by Deutsche Börse was 68.08 per cent as at December 31, 2014.

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 three capital market conferences in the year under review: the German Equity 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 equinet Bank AG.

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 equinet Bank AG were engaged to deliver analysis of the SYZYGY Group in order to provide the market with regular up-to-date assessments and forecasts about the performance and future development of the Group. equinet Bank also held the Designated Sponsoring mandate.

The Investor Relations section of our website at www.syzygy.net offers the opportunity to find out about events relating to the capital market and the Group.

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 SYZYGY 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 fully 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 eight ordinary meetings of the Supervisory Board were held together with the Management Board in the 2014 financial year, on January 22, March 3, March 31, April 29, June 5 and 6, July 30 and October 31.

The Supervisory Board and Management Board also held a three-day meeting from September 15–17 in order to discuss the current development of the SYZYGY Group, its strategic direction and opportunities for inorganic growth.

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.

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

The meeting held on January 22, 2014 focused on the strategic development and inorganic growth of the Group. Payment arrangements for the acquisition of additional shares in the Polish agency Ars Thanea were discussed and agreed. There was also a detailed discussion of another potential acquisition target.

Other items on the agenda included the financing of the SYZYGY Group and business development in New York.

In conclusion, the Management Board and Supervisory Board decided to propose a dividend of EUR 0.28 to the Annual General Meeting.

At the meeting on March 3, the boards discussed possible scenarios for integrating an acquisition candidate and specified them in greater detail. The acquisition negotiations were subsequently abandoned due to insufficient common ground.

The accounts review meeting was held on March 31, 2014 in the presence of the auditors. After carefully reviewing all the documents, the Supervisory Board received detailed information on the financial statements for the 2013 financial year from the members of the Management Board.

The auditors presented 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 2014 Annual General Meeting was also agreed. This included a decision to propose the appointment of BDO AG Wirtschaftsprüfungsgesellschaft as auditors to the Annual General Meeting.
It was also decided that the company will settle obligations resulting from the 'stock Option Plan 2012" approved on June 27, 2012 in cash.

At the Supervisory Board meeting of April 29, the Management Board informed the Supervisory Board in detail about current business developments. In the course of this meeting, the figures for the first quarter of 2014 were discussed and subsequently approved.

Another focus of the meeting was the Digital Innovation Day (DID2014), which deals with various aspects of digital innovation and is a key element of the SYZYGY Group's marketing strategy.

On the evening before the ordinary General Meeting, on June 5, 2014, the Management Board provided the Supervisory Board with an overview of the latest business developments. They also discussed the securities portfolio and the strategy for investing the company's liquid funds.

The General Meeting on June 6 was followed by another Supervisory Board meeting, which approved the buy-back of up to 100,000 SYZYGY shares via the stock exchange. The buy-back was based on the authorisation granted by the Annual General Meeting of May 28, 2010 and was limited until December 6, 2014.

The main purpose of the session held on July 30 was to discuss and approve the business figures for the first half of 2014. The Management Board also presented the outlook for the rest of the financial year.

The last ordinary Supervisory Board meeting of 2014, held on October 31, started off with discussion and approval of the 9-month figures. The Management Board again presented an updated outlook for the rest of the year.

This was followed by a detailed discussion of the opportunities and risks of potentially acquiring a takeover candidate.
Another item on the agenda was the Declaration on Corporate Governance, which includes the declaration of conformity with the German Corporate Governance Code. The Declaration had been submitted in writing to the Supervisory Board in due time before the meeting. It was approved and signed jointly by the Management Board and Supervisory Board.

Lastly, it was decided to appoint Mr Erwin Greiner as Chief Financial Officer with effect from January 1, 2015. The outstanding expertise and personal commitment of Mr Greiner were the decisive factors for the appointment. He has made a substantial contribution to the growth and success of the SYZYGY Group in recent years. In this newly created post, he will be responsible for Finance, Legal, Administration and Investor Relations.

The first Supervisory Board meeting of the current financial year, 2015, was held on January 27. The members discussed and approved the 2015 budget. Following an in-depth discussion and subsequent approval of the provisional figures for the 2014 financial year, the Supervisory Board decided to propose a dividend of EUR 0.35 to the Annual General Meeting.

A Supervisory Board meeting was also held on March 27, 2015 to adopt the financial statements. The auditor attended this meeting.

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 term of office for members of the Supervisory Board of SYZYGY AG ended on conclusion of the General Meeting responsible for discharging the members in relation to the 2013 financial year. Accordingly, new elections were held at the ordinary General Meeting of June 6, 2014. All the members of the Supervisory Board in office on this date stood for re-election and were confirmed in office by the General Meeting.

The Supervisory Board of SYZYGY AG consists of Mr Michael Mädel as Chairman, Mr Wilfried Beeck and Mr Thomas Strerath. It thus continues to comprise three independent members who solely represent shareholder interests.

The term of office covers the period until conclusion of the General Meeting responsible for discharging the members in relation to the 2018 financial year.

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 6, 2014 discharged the members of the Supervisory Board and Management Board in relation to the 2013 financial year.

Corporate governance

On October 31, 2014, the Supervisory Board and Management Board jointly published the declaration of conformity with the German Corporate Governance Code (DCGK) 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 June 24, 2014.

SYZYGY AG broadly complies with the principles of the Code. The exceptions are presented in the relevant declaration and reasons given.

The remuneration report, which discloses the level of remuneration for the Management Board and Supervisory Board and how it is structured, must be published in the Management Report or Notes to the consolidated financial statements as specified in the Code, in accordance with the specimen tables attached to the Code. The remuneration for the Management Board and Supervisory Board is detailed in the Notes to the consolidated financial statements in the 2014 Annual Report.

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 6, 2014. 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 itself has issued a statement of independence. Apart from auditing the financial statements, audit-related services worth kEUR 6 in fees were awarded to BDO AG Wirtschaftsprüfungsgesellschaft.

BDO audited the annual financial statements and Management Report, the consolidated financial statements and the Group Management Report for the 2014 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.

After carefully reviewing all documents, the Supervisory Board received detailed information on the financial statements for the 2014 financial year from the members of the Management Board at its meeting of March 27, 2015. 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 SYZYGY 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 would like to thank the members of the Management Board and all employees of the SYZYGY 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 27, 2015
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, SYZYGY 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, SYZYGY AG officially recognized the principles, as they are stipulated in the German Corporate Governance Code (GCGC).

SYZYGY AG complies with the current version of the Code as amended on 24 June 2014 with exceptions as stated in the Declaration of Compliance 2014.

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.syzygy.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 54 and 102.

1. Declaration of Compliance 2014 with the German Corporate Governance Code as amended on 24 June 2014

Pursuant to Art. 161 of the German Stock Corporation Act (AktG), the Management and Supervisory Board of SYZYGY AG hereby declare that the recommendations of the German Corporate Governance Code (GCGC) as amended on 24 June 2014 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 SYZYGY 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 SYZYGY 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):
   To the benefit of shareholders, employees, clients, and other stakeholders, it has always been common practice at SYZYGY AG to strive for the highest possible expertise in the Supervisory Board – independent of characteristics such as gender or age. A special focus is on a deep understanding of the digital- and media industry's business as well as on an international perspective and a profound knowledge of accounting and controlling. In its present constitution, the Supervisory Board comprehensively meets these requirements. Due to the small size of the Board, no record of detailed requirements has been made. Furthermore, the Advisory Board has not specified an age limit as it is not considered to be meaningful.

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 31, 2014
SYZYGY AG

The Management and Supervisory Board

Financial statements 2014

Management report

1. General

The following Group Management Report provides information on the performance of the SYZYGY Group (hereinafter referred to as "SYZYGY", the "Group" or the "Company"). 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

The SYZYGY Group is an international provider of creative, technological and media services for digital marketing. Overall, the Group had around 500 employees, including freelancers, at locations in Germany, the UK, Poland and the US as at the balance sheet date.

The Group consists of SYZYGY AG as the holding company and eight subsidiaries: Ars Thanea ska, Hi-ReS! Berlin GmbH, Hi-ReS! New York Inc, Hi-ReS! London Ltd, SYZYGY Deutschland GmbH, SYZYGY UK Ltd, uniquedigital GmbH and Unique Digital Marketing Ltd.
Polish agency Ars Thanea ska was fully consolidated for the first time in the first quarter of 2014, when SYZYGY increased its stake from 26 per cent to 70 per cent, effective February 6, 2014. Mediopoly Lt., a non-operational company, was shut down and deconsolidated with effect from May 19, 2014. Hi-ReS! Hamburg GmbH was retroactively merged with SYZYGY Deutschland GmbH as acquiring legal entity with effect from January 1, 2014.

The SYZYGY Group's operating units cover the entire digital marketing value chain: from strategic consulting to project planning, concepts and design to technical realisation of brand platforms, business applications, websites, digital campaigns and mobile apps. Online marketing services such as media planning, search engine marketing/optimisation and affiliate programmes are also a major business area. Digital illustrations, animations and the development of games for smartphones and tablets round off the range of services.

The business focus is on the automotive, telecommunications/IT and consumer goods industries, as well as financial services.

2.2 Group management

The organisational structure of the SYZYGY Group is decentralised. As the management holding company, SYZYGY AG manages the subsidiaries on the basis of quantitative and qualitative 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 within the Group. It compares the financial figures against the budget on a monthly basis, while also highlighting key opportunities and risks.

DRS 20 stipulates that financial and non-financial performance indicators must be included in reporting if they are also used for the Group's internal management.

Financial performance indicators
The main financial performance indicators used for managing the SYZYGY Group are sales and earnings before interest and taxes (EBIT). They are presented and explained in detail in the following Management Report.

Non-financial performance indicators
SYZYGY does not use any non-financial performance indicators for managing the Group or for management decision-making.

In line with its style of corporate management, which is based on sustainable growth, SYZYGY has nonetheless identified non-financial factors that are considered to be important for the long-term success of the Group. Some of these are listed below.

Employees
As a service provider, the Group's performance depends to a very significant extent on the skill and commitment of its employees. In order to retain them and gain new talent, SYZYGY seeks to offer its staff an interesting, diverse and pleasant working environment. This includes regular internal and external training and development activities, attractive locations, cooperation with universities to promote the next generation of talent, and corporate events.

SYZYGY has also introduced a standardised pension scheme in the form of direct insurance, which is subsidised by the company.

Awards
Winning prestigious awards for creative work and efficiency is an important indicator of the Group's performance. It also raises the Group's attractiveness to (potential) clients and employees. SYZYGY regularly participates in national and international competitions. During the period covered by the report, it won a total of 23 prizes in eight different contests with twelve different projects, including the iF Communication Design Award, the Red Dot Design Award and the ADC competition. The SYZYGY Group was in the top 10 of the digital ranking compiled by trade journal *PAGE* last year.

Marco Seiler, founder and CEO of the SYZYGY Group, was awarded the highly regarded "Agency Person of the Year" prize in January 2015. It is conferred annually by marketing industry magazine *Horizont*.

Capacity for innovation
Digital marketing is in a constant state of flux. Innovative technologies and changes in user behaviour require ongoing adaptation of the service portfolio and the constant development of internal skillsets.

With the aim of anticipating this change and playing an active role in shaping it, the SYZYGY Group organises a Digital Innovation Day, at which international thought leaders and bestselling authors discuss innovation issues relating to digital marketing.

At operational level, regular training and development activities ensure that employees in software development, IT management, design, information architecture, consulting and project management are at all times familiar with the latest technologies, design principles and methods.

3. Economic report

3.1 General economic development

Two very different factors impacted on the Eurozone economy in 2014: one tended to boost the economy, while the other acted as a brake. The low price of oil, significant fall in value of the euro and a surprisingly robust US economy all provided support. On the other hand, the ongoing debt crisis in Greece, the economic slow-down in China and the escalating conflict in Ukraine led to a loss of confidence on the part of businesses and a reduction in their willingness to invest.

The situation was exacerbated by budget deficits and economic crises in several member states, with the result that overall economic output in the Eurozone remained below expectations. The subdued start to the year, with just 0.3 per cent growth in the first quarter, was followed by six months of virtual stagnation before the economy picked up slightly by 0.3 per cent at year-end. All in all, gross domestic product (GDP) increased by 0.8 per cent in the reporting period compared with 2013.

The individual Eurozone countries performed very differently. While Ireland, Portugal and Spain made good progress in overcoming the crisis and were able to increase their gross domestic product, there were no significant signs of growth in France and Italy with their much larger economies. France only achieved a small gain of 0.4 per cent compared with the previous year, which was itself marked by weak performance. With a 0.4 per cent fall in economic output, Italy experienced a recession for the third year in a row.

The German economy posted dynamic growth at the start of the year, due partly to the mild winter. Growth of 0.8 per cent was recorded at the end of the first quarter, but this early success was not repeated in the months that followed. GDP fell by 0.1 per cent in the second quarter, followed by stagnation in the subsequent three months. The ifo index of business sentiment also gradually declined in parallel with this trend. As early as February, the surveyed companies became increasingly sceptical about the next six months, but from April onwards their assessment of the current situation also deteriorated steadily. It was not until November that sentiment recovered, reflecting an upturn in the economy and a rise in GDP of 0.7 per cent in the fourth quarter.

Over the year as a whole, German economic output increased by 1.6 per cent, significantly exceeding the level of the previous two years.

The British economy returned to the pre-crisis level of 2008 for the first time in 2014, following several years of strong growth. Although critics have repeatedly questioned the sustainability of the recovery due to structural weaknesses, the UK continued to make progress in the period under review. While growth in recent years was largely driven by consumer spending, 2014 also saw the first indications of an increasing willingness to invest on the part of corporate players. Supported by domestic demand, gross domestic product increased in each quarter by between 0.5 and 0.8 per cent. The year ended with a rise of 2.6 per cent, the highest increase since 2007.

3.2 Advertising market performance

Advertising market statistics only have limited information value as reference figures for the performance of the SYZYGY Group. This is partly due to the different survey methods used, many of which are not transparent, which means that the results are not readily comparable and can even be contradictory in some cases. Also, gross advertising figures, e.g. as compiled by Nielsen, 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.

In addition, the SYZYGY Group only generates part of its sales through the digital advertising covered by the statistics, such as placing banners and video ads, search engine marketing and optimisation, or affiliate programmes. Budgets that are available for the creative and technological development of brand platforms, business applications or mobile apps, for example, are not covered by the surveys. Although changes in media budgets do provide indications as to general shifts in advertisers' media strategy, it cannot be simply assumed that all areas of the multi-faceted digital sector will be affected in the same way.

As in previous years, advertisers disproportionately increased their budgets for digital advertising in 2014. While conventional media (i.e. excluding digital advertising) grew globally by around 1.6 per cent according to media agency Magna Global, digital channels saw a rise of 17.2 per cent, with the increasingly strong focus on mobile devices being a major driver. The budget increase of 5 per cent worldwide calculated by the Carat media network also takes digital media into account. The survey reports that the digital media market itself achieved growth of 16.1 per cent, meaning that it now accounts for almost 21 per cent of total advertising spending.

In Germany and the UK, the two core markets for the SYZYGY Group, the situation is comparable.

In Germany, advertising budgets rose moderately in the lower single-digit range. Nielsen based its 4.5 per cent rise on figures for gross sales, while Carat, Magna Global and PwC calculated growth of 1.0 per cent, 1.8 per cent and 1.9 per cent respectively, based on net sales.

For digital advertising, the figures range from 4.0 per cent (Nielsen), through 6.8 per cent (German Online Marketing Group (OVK, part of the German Association for the Digital Economy)) to 8.1 per cent (PwC).

However different the individual figures may be, the surveys all attest to particularly sharp increases for advertising formats involving mobile devices – even though their share is still low in absolute terms. According to estimates by the OVK, expenditure on mobile display advertising went up by 65 per cent to EUR 107 million in 2014. Nielsen puts the increase at 72.5 per cent. PwC, meanwhile, calculated a rise of just under 40 per cent to EUR 298 million.

In the UK, the strong economy also had a positive impact on the advertising industry. With advertising spend rising by a total of 6.4 per cent, the industry saw the strongest growth among the highly developed advertising markets in 2014, according to Group M. In their joint study, the Advertising Association and Warc (AA/Warc) reported an increase in advertising expenditure of 5.8 per cent, while the statistics compiled by Carat produce a figure of 7.5 per cent.

The quarterly IPA Bellwether Report recorded the highest average growth rate for the year 2014 in its 15-year history. Rather than determining absolute figures, the Report makes statements about general trends (i.e. the difference between the percentage of respondents who intend to increase/reduce their marketing spend). Although the very high balance of the first quarter (20.4 per cent) fell continuously as the year progressed, an average of 13.6 per cent was achieved overall.

As expected, digital advertising performed even more dynamically. Although the UK alongside the USA is the most highly developed online market in the world, growth rates remained at a very high level: statistics from Group M, eMarketer, AA/Warc and Carat indicate figures of between 14.4 and 17.5 per cent. As in Germany, mobile advertising exceeds these figures several times over. According to the International Advertising Bureau (IAB UK), GBP 701 million was invested in mobile advertising formats in the first half of the year alone, a rise of 68 per cent. AA/Warc assumes 56 per cent growth for the whole year.

All in all, the SYZYGY Group thus operated in a favourable market environment. Although the European economy continued to display weakness and did not recover from the crisis to the extent hoped for, the trend in the Group's two core markets, Germany and the UK, was dominated by growth and widespread positive sentiment. The trend towards increasing budgets for digital advertising continued, with mobile formats in particular achieving above-average growth rates.

3.3 Employees

The headcount at the SYZYGY Group rose sharply in the period covered by the report. As at December 31, 2014, the Group had a total of 453 permanent employees, 127 or 39 per cent more than as at the reporting date in the previous year. Around half of this increase in headcount is due to organic growth, while the other half is attributable to full consolidation of Ars Thanea.

The number of freelancers increased from 37 to 45 as a result of the high order backlog.

237 people (52%) worked in the four German companies and 142 (31%) in the UK agencies. Ars Thanea employed 68 members of staff (15%) as at year-end, while Hi-ReS! New York had 6 employees.

In terms of employees by function, there were changes during the period under review. The technology section posted a strong increase from 56 to 102 people, with its share of the total rising accordingly from 17 per cent to 23 per cent. This was primarily due to the acquisition of Ars Thanea and expansion of the developer team at SYZYGY UK.

The disproportionately high number of designers at Ars Thanea also led to a substantial strengthening of the design section, namely by 5 percentage points to the present level of 19 per cent. At 88 employees, this represents the addition of 41 people compared to year-end 2013.

In online media the number of employees rose marginally from 91 to 98 persons. In percentage terms, the proportion fell from 28 per cent to 22 per cent.

Project management grew in line with the overall trend, thus remaining constant at 17 per cent.

55 people worked in administration, in relative terms a slight drop to 12 per cent.

The SYZYGY Group employed 420 people on average during the year. Including an average of 35 freelance employees, annualised sales per head were EUR 103,000 (previous year: EUR 100,000)

3.4 Investments, research and development

The SYZYGY Group invested around EUR 1.4 million in intangible and tangible assets in the reporting period, some 51 per cent more than in the previous year. There were two reasons for this: firstly, the sharp rise in the number of employees, for whom software and hardware were purchased, as well as other equipment; secondly, both Ars Thanea and Hi-ReS! New York moved into new office space in 2014, resulting in expenses of EUR 0.1 million and EUR 0.5 million, respectively.

3.5 Net assets, financial position and results of operations of the SYZYGY Group

3.5.1 Results of operations

In the 2013 Annual Report, the SYZYGY Group forecast that it would be able to increase its sales in the 2014 financial year by "at least 15 per cent to EUR 40.0 million". For EBIT, "a 60 per cent rise to EUR 3.2 million" was forecast. Earnings per share were expected to be EUR 0.30 in the 2014 financial year.

Due to the very strong performance of the business, these estimates were revised upwards in the six-month figures and again in the nine-month figures. The most recent forecast, made in October 2014, offered the market the prospect of sales growth to EUR 44.0 million (+26% compared to 2013), EBIT of EUR 3.6 million (+80%) and earnings per share of EUR 0.33 (+27%).

SYZYGY ultimately exceeded its own growth forecasts by a considerable margin, achieving sales of EUR 47.1 million (+34%). At EUR 3.8 million, EBIT is also up 90 per cent, significantly outperforming expectations. Earnings per share of EUR 0.35 (+35%) also represented an additional increase.

The following table shows the multi-year trend in key financial figures:

	2010	2011	2012	2013	2014
Sales in kEUR	27,247	28,313	31,115	35,030	47,075
EBIT in kEUR	3,168	2,588	2,121	2,023	3,843
EBIT margin	11.6%	9.1%	6.8%	5.8%	8.2%
Earnings per share in EUR	0.30	0.22	0.72	0.26	0.35

3.5.2 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.

In the period under review, the SYZYGY Group achieved very strong growth with regard to both figures. Billings exceeded the EUR 100 million mark for the first time, increasing by 43 per cent to EUR 129.6 million.

At EUR 47.1 million, sales also reached a new record level, corresponding to a 34 per cent rise compared with 2013.

The key factors in this strong performance include significant acquisition of new clients, major growth of existing client relationships and business expansion to new markets with clients Mazda and AVIS.

A positive aspect to note is that all segments made a significant contribution to the strong results.

SYZYGY generated 40 per cent of its sales from clients in the automotive industry, 4 percentage points more than in the prior year. The consumer goods sector accounted for around 27 per cent of sales (previous year: 25 per cent), while 12 per cent was generated with companies from the IT and telecommunications industry (previous year: 13%). The proportion of sales attributable to clients from the financial sector fell by two percentage points to 8 per cent. Around 13 per cent came from firms that cannot be assigned to any of these four key areas.

In absolute terms, growth was achieved across all industries.

61 per cent of the SYZYGY Group's sales were generated from its ten largest clients, i.e. exactly the same level as the previous year.

3.5.3 Operating expenses and depreciation

The cost of sales totalled EUR 34.3 million. As such, they rose by 32 per cent and increased at a slightly slower rate than in the previous year. As a result, gross margin moved up two percentage points to 28 per cent.

As the business was expanded, expenses for sales and marketing rose by 30 per cent to EUR 4.3 million. In addition to personnel expenses, this item also includes the cost of holding the Digital Innovation Day and intensive promotional campaigns at Ars Thanea.

Expenses for moving into new office space in New York were also incurred in the third quarter.

General administrative expenses benefited from economies of scale, rising by just 28 per cent to EUR 5.1 million.

At EUR 2.6 million, depreciation is around EUR 1.8 million above the previous year's level. The main reason for this rise is a need for impairment in the amount of EUR 1.3 million at Hi-ReS! London. This is largely attributable to the fact that the co-founder and Managing Creative Director moved to SYZYGY AG in the year under review in order to drive forward projects that are strategically important across the Group in his role as Chief Creative Officer. This will significantly reduce his ability to work for Hi-ReS! London, giving rise to a need for depreciation. There are also plans to integrate Hi-ReS! London into SYZYGY UK.

3.5.4 Operating income and EBIT margin

Operating income (EBIT) rose disproportionately relative to sales since adverse factors were eliminated in Germany and New York and economies of scale in administration had a positive impact on income, which rose 90 per cent to EUR 3.8 million. As a consequence the Group's profitability also improved, as reflected in the higher EBIT margin of 8.2 per cent. This compares with a margin of 5.7 per cent in the previous year.

3.5.5 Financial income

SYZYGY again generated strong financial income of EUR 2.2 million in the reporting period through active management of liquid funds. This figure is at the previous year's level and corresponds to a return of 7.7 per cent on average available liquidity reserves. The main contributors to this excellent result include interest income from corporate bonds and the realisation of gains on securities.

3.5.6 Income taxes, net income, earnings per share

Buoyant business performance at the SYZYGY Group is reflected in a 45 per cent increase in pre-tax income to EUR 6.0 million. After income taxes, net income was EUR 4.7 million, up 41 per cent on the previous year.

Undiluted earnings per share were EUR 0.35 (+35%) based on the average available 12,723,469 shares qualifying for participation in the profits and after deducting minority shares of EUR 0.3 million.

Since the Company adopted a resolution to pay the difference between exercise price and share price in cash if outstanding stock options are exercised, the figure for basic earnings is EUR 0.35 correspondingly (previous year: EUR 0.26).

3.5.7 Segment reporting

In accordance with IFRS 8, which is based on the management approach, SYZYGY uses geographical criteria to report segments and thus distinguishes between Germany, the UK and the other segments. The latter segments include Ars Thanea and Hi-ReS! New York. Under IFRS 8.13, these companies are not big enough to be reported as geographically independent segments. It should be noted that "Other segments" comprised only Hi-ReS! New York in 2013, since Ars Thanea was not fully consolidated until February 2014.

All segments contributed to the strong performance of the SYZYGY Group.

The German companies boosted their sales by 14 per cent to EUR 26.8 million, thanks to acquiring new clients and also expanding existing client accounts. Due to the elimination of factors that had adversely affected operating income in 2013, EBIT rose disproportionately by a quarter to EUR 3.8 million. The EBIT margin thus improved to 14 per cent (previous year: 13%).

The UK companies generated sales of EUR 16.3 million, corresponding to a 38 per cent rise. This strong growth is due in particular to a significant expansion of business with long-standing clients Mazda and AVIS. SYZYGY UK has been doing work for Mazda in a number of other markets since 2014, such as Japan, Australia, South Africa and Taiwan. Unique Digital has successfully expanded the relationship with AVIS to the US market, with a positive impact both on the UK segment and on other segments. The operating income of the British companies amounted to EUR 2.4 million, 43 per cent above the previous year's level. The EBIT margin of 15 per cent represents a rise of one percentage point.

Other segments also contributed to the overall performance of the SYZYGY Group in the period under review. In the previous year they generated low sales and were loss-making, posting operating income of EUR -0.3 million. Ars Thanea and Hi-ReS! New York generated EBIT of EUR 0.7 million on sales of EUR 5.5 million despite incurring expenses for moving into new office space in New York and Warsaw. The EBIT margin was 13 per cent.

Overall, 55 per cent of sales came from the Germany segment, 34 per cent from the UK and 11 per cent from the other segments. The respective shares of operating income are 55 per cent, 35 per cent and 10 per cent.

3.5.8 Financial position

The SYZYGY Group had a high level of overall liquidity amounting to EUR 35.2 million as at December 31, 2014. This represents an increase of 42 per cent on the previous year's figure of EUR 24.8 million. It is largely due to timing effects, mainly in the online media business. A high level of accounts payable, advance payments from clients and other provisions led to a sharp drop in working capital, with a positive impact on operating cash flow.

At EUR 13.0 million, liquid funds represented around 37 per cent of cash reserves (previous year: EUR 6.7 million). These funds were earmarked for liabilities becoming due in the short term. Securities accounted for 63 per cent, having risen from EUR 18.1 million to EUR 22.2 million in the reporting period. The average weighted residual maturity of the bonds was 7.3 years. Please refer to the notes to the financial statements, sections 6.3.2. and 6.3.3, for further details of the investment strategy.

Total cash flow of the SYZYGY Group amounted to EUR 5.3 million as at year-end.

The principal reason for the result was exceptionally strong operating cash flow of EUR 14.4 million. In addition to the high net income of EUR 4.7 million, cash inflows were obtained from the significant rise in accounts payable and the provisions. They increased in line with sales growth and as a result of the above-mentioned timing effects by a total of EUR 7.3 million. A sharp rise in advance payments of EUR 3.7 million received from clients additionally boosted operating cash flow.

Conversely, the higher level of capital commitment had a negative effect, due to a rise of EUR 2.1 million in trade receivables and other assets.

Cash flow from investment operations amounted to EUR -5.3 million, resulting chiefly from active management of liquidity reserves. The sale of securities held as current assets in the amount of EUR 34.8 million was offset by purchases totalling EUR 38.0 million.

Other cash outflows of EUR 0.9 million were due to the acquisition of Ars Thanea.

Investments in intangible assets and fixed assets reduced the cash flow from investment operations by a further EUR 1.4 million.

The main factor impacting cash flow from financing activities was the payment of an ordinary dividend of EUR 3.6 million. The buy-back of treasury shares involved a further reduction of EUR 0.2 million.

3.6.9 Asset situation

Strong business performance and the acquisition of Ars Thanea resulted in substantial balance sheet extension in the reporting period, with total assets growing by 26 per cent to EUR 83.5 million.

On the fixed assets side, goodwill saw substantial changes and totalled EUR 25.4 million, 30 per cent above the previous year's figure. Major factors in this respect included the acquisition of Ars Thanea, as a result of which goodwill rose by around EUR 6.5 million. Currency effects of some EUR 0.6 million also contributed to the increase in goodwill. On the other hand, the write-down on Hi-ReS! London of around EUR 1.3 million had a negative effect on this balance sheet item.

In the previous year's report, long-term equity interests included the shares in Ars Thanea, which were reduced to zero as a consequence of full consolidation.

Other assets of EUR 0.6 million comprise security deposits for the office space rented in the UK. Their value has risen slightly due to the euro weakening against the British pound.

Current assets increased by a total of EUR 12.0 million to EUR 52.9 million (+29%). The high level of liquidity reserves in particular had a positive impact. They rose by 42 per cent to EUR 35.2 million as a result of cash flow being disproportionately strong due to the particular reporting date. Of this amount, EUR 13.0 million (37%) was held in bank and overnight deposits, while EUR 22.2 million (63%) was invested in securities. Accounts receivable increased by 24 per cent to EUR 16.0 million in line with sales growth.

Other receivables fell by around half to EUR 1.7 million since the item in the previous year included an amount owed by the tax authorities in the form of tax refunds. Since 2014, any available loss carry-forwards are taken into account when calculating advance payments, with the result that future receivables will be correspondingly lower.

With regard to liabilities, there were minor changes to equity. At EUR 51.0 million, equity was 5 per cent above the figure as at December 31, 2013.

Other net income rose by EUR 1.4 million and had a positive impact. Of this amount, EUR 1.2 million is due to currency effects and EUR 0.2 million to unrealised gains on securities.

The sale of treasury shares to the minority shareholders of Ars Thanea boosted paid-in capital by around EUR 0.1 million, since the proceeds of the sale exceeded the acquisition costs. Overall, the reserve amounted to EUR 20.3 million at the reporting date.

The implementation of a share buy-back programme for 100,000 shares increased the corresponding deduction item to EUR 0.8 million (previous year: EUR 0.6 million).

At EUR 3.4 million, non-current liabilities posted a substantial rise. They include earn-out payments agreed with the minority shareholders of Ars Thanea that will become due in the first quarter of 2019.

Current liabilities and receivables totalled EUR 28.9 million, 68 per cent above the previous year's figure. In addition to general expansion of the Group's business, this development is largely due to the operations of US company Hi-ReS! New York. As an online media service provider, it manages major media budgets for AVIS: as at December 31, the company reported a total of EUR 7.3 million for accounts payable, other provisions and advance payments received in relation to the particular reporting date.

Together, accounts payable and other provisions increased by 59 per cent to EUR 19.6 million. Advance payments received totalled EUR 6.9 million, representing a 129 per cent rise.

Other liabilities comprise VAT liabilities, which increased by 47 per cent to EUR 2.2 million as a result of growth within the Group.

4. Outlook

4.1 Forecasts

As with any private-sector business, the SYZYGY Group is subject to external influences 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 in subsequent periods.

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.

4.2 General economic development in the main markets of the SYZYGY Group

Most experts believe that overall economic development in the Eurozone remains fragile. Geopolitical crises, especially the military conflict in Ukraine and the resulting trade sanctions between Russia and the EU, are causing a high degree of volatility in the financial markets, making businesses reluctant to invest and leading to lost exports.

There was also tough wrangling between the institutions and the government in Greece, freshly elected in January 2015. The debate about the financial future of the highly indebted country has led to uncertainty in the real economy and in the financial sector. It is also contributing to the instability of a recovery that remains tentative.

Two out of the three biggest economies in the Eurozone, namely France and Italy, are also struggling to achieve growth. This is adversely affecting the economy in major European trading partners, thereby dragging down the performance of the monetary union as a whole.

By contrast, support may come from a robust US economy, continuing low oil prices and a weak euro.

Although macroeconomic risks appear to predominate at present, forecasts suggest an economy that will be somewhat more dynamic than in 2014. In its annual report, the German Council of Economic Experts estimates that Eurozone countries will increase their gross domestic product by 1.0 per cent in 2015. The International Monetary Fund sees slightly greater potential, with estimated growth of 1.2 per cent.

The estimates for Germany diverge much more widely. The German Council of Economic Experts is the most cautious at 1.0 per cent, the International Monetary Fund forecasts 1.3 per cent and the German federal government predicts 1.5 per cent growth. Economic research institute DIW Berlin expects that Germany will "more or less" maintain the level of growth seen in 2014, which would mean 1.6 per cent.

According to the German Council of Economic Experts, the trend in the UK "currently points more towards a sustained upturn". It forecasts growth of 2.6 per cent for the UK economy in 2015. The British Chamber of Commerce comes to the same conclusion, although its previous forecasts were 0.2 per cent higher. The Office for Budget Responsibility expects that growth in the current year will be weaker than in 2014 at 2.4 per cent. It sees the causes primarily in falling foreign demand and a decline in private consumer spending, which has been a major driver of growth in recent years.

4.3 Advertising market

The following comments on forecasts for the trend in advertising spending are subject to the same reservations as discussed in section 3.2 above. Although they provide indications as to general trends and shifts in media budgets, they are only suitable to a very limited extent as a benchmark for the expected performance of the SYZYGY Group.

Driven by the increasing importance of smartphones and tablets plus catch-up effects in emerging markets, digital advertising budgets will continue to grow at a disproportionate rate. In terms of worldwide expenditure, Magna Global, Carat and eMarketer name figures of 15.1 per cent, 15.5 per cent and 16.4 per cent, respectively. Forecasts for the overall market are about 5 per cent, on the other hand, according to surveys conducted by Carat and eMarketer.

The forecasts for Germany are generally lower. The estimates from PwC, Carat, Magna Global and eMarketer for the whole advertising market range from 1.4 to 2.0 per cent.

Up-to-date statistics for purely online advertising are much thinner on the ground. Only PwC ventures a prediction – a rise of 7.1 per cent. Growth in mobile advertising is expected to be 32.8 per cent.

The overall market in the UK will grow by 5.7 per cent according to GroupM and AA/Warc; Carat (4.7%) and IPA (4.1%) are rather more cautious. In relation to online advertising, the forecasts of Group M and AA/Warc are again very similar at just under 13 per cent, while eMarketer's figure is lower at a little over 10 per cent.

4.4 Expected performance of the SYZYGY Group

Two factors provide the SYZYGY Group with a very favourable backdrop for further growth: the generally positive macroeconomic outlook for Germany and the UK; and the ongoing shift of marketing budgets to the digital channel. Having said that, purely online advertising, to which the above statistics refer, represents just one aspect of the complex digital marketing sector and only makes up part of the Group's portfolio of services.

Conventional marketing tools such as print and broadcast advertising, mail shots and outdoor advertising are losing their effectiveness. Customers are now exceptionally well-informed thanks to the Internet and are becoming ever more demanding and impatient. Consumer goods manufacturers are increasingly confronted with the challenge of creating additional added value for users, above and beyond the benefits of the product itself.

Technology can help companies become more desirable and, in doing so, boost their relevance. Online brand platforms play a key role in acquiring customers and generating loyalty. Marketing managers have recognised the importance and complexity of such platforms – and thus also the need to make available the sums required for development and maintenance. This has resulted in larger budgets and longer project duration.

As smartphones and tablets become more and more widespread, brand perception will increasingly be influenced by apps that add value for the user, whether for entertainment or by offering a wide range of services to enhance the user's private and professional life. With the support of experienced and technologically sophisticated brand specialists such as SYZYGY, digital marketing offers huge potential for companies to create innovative services, establish new customer loyalty schemes and deliver a compelling and entertaining retail experience.

The SYZYGY Group expects to be able to increase its sales organically in the current financial year by around 20 per cent to approximately EUR 55.0 million. Operating income, defined as earnings before interests and taxes, is expected to increase disproportionately compared to sales. The segments will contribute to this growth in roughly equal measure.

Earnings per share are likely to rise to EUR 0.40.

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

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

5. Risks and opportunities of future business development

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 SYZYGY 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 of a sustainable management approach.

The information currently available shows no indication of risks that would jeopardise the continued existence of SYZYGY AG and its subsidiaries as a going concern.

5.1 Material risks

Operating risk

Approximately 61 per cent of the SYZYGY 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 fixed costs accordingly at short notice.

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

SYZYGY'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.

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

The risk of a significant adverse impact on operating income is assessed as low overall.

This risk is regarded as low due to very stable client relationships, especially among the top 10.

Investment risk
Available liquidity reserves are actively managed at SYZYGY by the CFO. 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. SYZYGY minimises default risk by investing in a diversified range of securities with good credit ratings, i.e. largely investment grade (minimum rating of BBB-).

The risk of a significant adverse impact on financial income is assessed as low overall.

Economic risk
The state of the economy can affect companies' basic 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 SYZYGY. Any capacity adjustments which may be necessary become effective with a time lag and may result in restructuring costs.
The risk is assessed as low.

Currency risk
SYZYGY 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, SYZYGY does not enter into any hedging transactions because sales in the UK market are countered by expenses in sterling. SYZYGY 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.
This applies equally to the companies in the USA and Poland, which collectively generate around 12 per cent of Group sales. Risk arising from currency fluctuations is assessed as low.

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, SYZYGY's success could be at risk.
The risk is assessed as low.

Risks from acquisitions
Company acquisitions have been and remain part of SYZYGY's growth policy. The success of acquisitions depends on how well the new acquisition can be integrated into the existing structure and the extent to which the Company is able to generate 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 could prove necessary.
The risk is assessed as low.

5.2 Opportunities
The increasing number of products and channels has pushed traditional marketing tools to their limits. It is also apparent that brand loyalty is decreasing. The Internet opens up opportunities for brands to engage directly with customers and to deliver real added value above and beyond the actual advertising message.

Online brand platforms play a key role in this respect. More and more, they are becoming the central focus of the increasingly complex marketing mix deployed by major companies. This is reflected in larger projects with longer implementation times.

Intelligent content marketing enables companies to expand their reach to a far greater extent than when using conventional corporate communications – and without incurring additional media costs. Up-to-date content and offerings with a high degree of relevance for people represent a huge opportunity to reinforce customer loyalty. Mobile devices play a crucial role in this respect, since they have become a key element of daily life for many people. Apps that assist the user, provide entertainment or information can make a decisive contribution towards a positive perception of the brand. Digital brands offer almost unlimited potential for companies to develop innovative services, new customer loyalty schemes and compelling retail experiences.

SYZYGY is one of the leading digital agencies in Germany and the UK, with 20 years' experience in developing and implementing digital communication. A strong technology arm and an internationally recognised design team allows SYZYGY to position itself as the partner of choice for new digital marketing challenges.

While digital agencies have long been perceived as specialists in a niche market, they are now increasingly being engaged to handle strategic brand management. The ongoing shift in marketing budgets towards digital channels bears witness to the fact that companies are turning more and more to digital marketing for their communication needs. SYZYGY expects this trend to continue.

6. 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 quarterly intervals. Risks are then aggregated and managed at the level of SYZYGY AG, or action is initiated by SYZYGY AG. 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.

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 a review 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.

7. Remuneration report

7.1 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.

The remuneration for the Management Board is presented in table format in accordance with section 4.2.5 of the German Corporate Governance Code in the version of June 24, 2014, divided into the benefits and payments granted in the respective year, as follows:

Benefits granted *Marco Seiler, CEO*	2013	2014	2014 Minimum	2014 Maximum
	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	250	250	250	250
Fringe benefits	15	15	15	15
Total	265	265	265	265
One-year variable remuneration	30	37	0	37
Multi-year variable remuneration				
- Option scheme 2012	0	0	0	0
Total	30	37	0	37
Pension expenses	12	12	12	12
Total remuneration	307	314	277	314

Benefits granted *Andrew P. Stevens, COO*	2013	2014	2014 Minimum	2014 Maximum
	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	219	231	231	231
Fringe benefits	16	16	16	16
Total	235	247	247	247
One-year variable remuneration	31	37	0	37
Multi-year variable remuneration				
- Option scheme 2012	0	0	0	0
Total	31	37	0	37
Pension expenses	14	14	14	14
Total remuneration	280	298	261	298

Payment	Marco Seiler, CEO		Andrew P. Stevens, COO	
	2014	2013	2014	2013
	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	250	250	231	219
Fringe benefits	15	15	16	16
Total	265	265	247	235
One-year variable remuneration	37	30	37	31
Multi-year variable remuneration				
- Option scheme 2012	148	0	0	0
Total	185	30	37	31
Pension expenses	12	12	14	12
Total remuneration	462	307	298	278

Erwin Greiner was appointed as Managing Finance Director with effect from January 1, 2015.

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.

7.2 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 6, 2014. 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 20,000. 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.

Details of the remuneration of the Supervisory Board for the 2014 financial year can be found in the notes to the financial statements.

8. Disclosure relating to acquisition in accordance with Article 315 [4] of the Handelsgesetzbuch (HGB – German Commercial Code)

/ The subscribed capital of SYZYGY AG amounts to EUR 12,828,450 and is divided into 12,828,450 ordinary no par value bearer shares. Different classes of shares were not formed.

/ SYZYGY shares are not subject to restrictions on transferability. SYZYGY AG is not aware of any restrictions relating to the exercise of voting rights or to the transfer of SYZYGY shares.

/ At the balance sheet date, SYZYGY AG held 150,000 treasury shares, which grant the Company no voting rights or other rights.

/ The WPP Group notified the Company that it holds a total of 30.4 per cent of the shares, taking into account the treasury shares held by SYZYGY AG. It should additionally be noted that the Chairman of the Management Board holds 4.2 per cent and the Chief Operating Officer (COO) of SYZYGY AG 2.5 per cent of the shares.

/ None of the SYZYGY AG shares issued carry special rights.

/ SYZYGY AG does not exercise voting control in the case of employees with an interest in the capital.

/ The requirements for appointment and dismissal of members of the Management Board are in accordance with Article 84 of the Aktiengesetz (AktG – German Stock Corporation Act). SYZYGY AG's Articles of Association also stipulate that the Management Board must be composed of at least two people. Changes to the Articles of Association can only be made by the Annual General Meeting, in line with Article 119 of the AktG. The Articles of Association, together with Article 179 of the

AktG, permit the Supervisory Board to agree changes to the Articles of Association which only concern the wording.

- The Annual General Meeting's resolution of May 29, 2009 authorised the Management Board to increase the common stock of SYZYGY AG, with the agreement of the Supervisory Board, by up to EUR 1,200,000 in the period to May 28, 2014 by issuing a total of 1,200,000 option rights for one SYZYGY AG no par value share each (contingent capital 2009). At the Annual General Meeting on June 6, 2014, a resolution was adopted to reduce contingent capital 2009 by EUR 900,000 to EUR 300,000.

- The Annual General Meeting's resolution of June 6, 2014 authorised the Management Board to increase the common stock of SYZYGY AG, with the agreement of the Supervisory Board, by EUR 900,000 in the period to June 6, 2019 by issuing a total of 900,000 option rights for one SYZYGY AG no par value share each (contingent capital 2014).

- In line with the Annual General Meeting's resolution of May 28, 2010, the Management Board is authorised, within 5 years, to buy back shares up to a total of 10 per cent of the common stock via the stock exchange or via a public offer to buy directed at all shareholders.

- The Annual General Meeting's resolution of May 27, 2011 authorises the Management Board to increase the common stock of the company, with the agreement of the Supervisory Board, on one occasion or on several occasions up to an overall maximum of EUR 6,000,000 in the period to May 27, 2016 by issuing new bearer shares against cash contributions and/or contributions in kind (authorised capital 2011).

- SYZYGY AG has made no material agreements that would be triggered by a change of control.

- No compensation agreements have been entered into with members of the Management Board or employees for the event of a takeover bid. Holders of share options can, however, exercise their options within a month at a fixed price of EUR 1.00 per option.

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

No events took place after December 31, 2014 that would have been of particular significance for assessing the earnings, the financial situation or net assets of the SYZYGY Group.

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

On October 31, 2014 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

Bad Homburg v. d. H., March 24, 2015
SYZYGY AG

The Management Board

Marco Seiler

Andrew P. Stevens

Erwin Greiner

Consolidated balance sheet

Assets	Note	Dec. 31, 2014 kEUR	Dec. 31, 2013 kEUR
Non-current assets			
Goodwill	(3.1)	25,362	19,537
Fixed assets, net	(3.2)	3,335	2,657
Fixed asset investments	(3.3)	0	641
Other assets	(3.4)	635	583
Deferred tax assets	(3.5)	1,238	1,845
Total non-current assets		30,570	25,263
Current assets			
Cash and cash equivalents	(3.6)	13,017	6,728
Marketable securities	(3.6)	22,157	18,078
Accounts receivable, net	(3.7)	16,039	12,944
Prepaid expenses and other current assets	(3.8)	1,670	3,124
Total current assets		52,883	40,874
Total assets		83,453	66,137

Equity and Liabilities	Note	Dec. 31, 2014 kEUR	Dec. 31, 2013 kEUR
Equity			
Common stock*	(3.9.1)	12,828	12,828
Additional paid-in capital	(3.9.3)	20,294	20,207
Own shares	(3.9.4)	-831	-554
Accumulated other comprehensive income	(3.9.5)	1,042	-355
Retained earnings	(3.9.6)	17,610	16,789
Minorities		91	-238
Total equity		51,034	48,677
Non-current liabilities			
Long term liabilities	(3.13)	3,373	132
Deferred tax liabilities	(5.7)	120	88
Total non-current liabilities		3,493	220
Current liabilities			
Tax accruals and liabilities	(3.12)	174	365
Accrued expenses	(3.11)	8,172	4,240
Customer advances		6,913	3,023
Accounts payable	(3.11)	11,467	8,118
Other current liabilities	(3.13)	2,200	1,494
Total current liabilities		28,926	17,240
Total liabilities and equity		83,453	66,137

* 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

		January - December		
		2014	2013	Change
	Note	kEUR	kEUR	
Billings	(5.1)	129,559	90,603	43%
Media costs	(5.1)	-82,484	-55,573	48%
Sales	(5.1)	47,075	35,030	34%
Cost of revenues		-34,288	-25,997	32%
Sales and marketing expenses		-4,328	-3,334	30%
General and administrative expenses		-5,130	-4,001	28%
Other operating income/expenses, net	(5.2)	514	325	58%
Operating profit		3,843	2,023	90%
Financial income, net	(5.6)	2,157	2,124	2%
Income before taxes		6,000	4,147	45%
Income taxes	(5.7)	-1,261	-786	60%
Net income of the period		4,739	3,361	41%
thereof net income share to other shareholders		340	22	1,445%
thereof net income share to shareholders of SYZYGY AG		4,399	3,339	32%
Items that will not be reclassified to profit and loss		0	0	n.a.
Items that will or may be reclassified to profit and loss:				
Currency translation adjustment	(5.8)	1,169	-218	n.a.
Net unrealized gains/losses on marketable securities, net of tax	(3.6)	228	128	78%
Other comprehensive income		1,397	-90	
Comprehensive income		6,136	3,271	88%
thereof income share to other shareholders		340	22	1,445%
thereof income share to shareholders of SYZYGY AG		5,796	3,249	78%
Earnings per share from total operations (basic in EUR)	(6.1)	0.35	0.26	35%
Earnings per share from total operations (diluted in EUR)	(6.1)	0.35	0.26	35%

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

Statement of changes in equity

						Accum. other compre-hensive 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
		kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
January 1, 2013	12,828	12,828	20,207	-116	16,651	-1,393	1,128	49,305	-260	49,045
Net income of the period					3,339			3,339	22	3,361
Other compre-hensive income						-218	128	-90		-90
Comprehensive income					3,339	-218	128	3,249	22	3,271
Dividend					-3,201			-3,201		-3,201
Purchase of own sales				-438				-438		-438
December 31, 2013	12,828	12,828	20,207	-554	16,789	-1,611	1,256	48,915	-238	48,677
January 1, 2014	12,828	12,828	20,207	-554	16,789	-1,611	1,256	48,915	-238	48,677
Net income of the period					4,399			4,399	340	4,739
Other compre-hensive income						1,169	228	1,397		1,397
Comprehensive income					4,399	1,169	228	5,796	340	6,136
Changes from first consolidation and in shares									-11	-11
Dividend					-3,578			-3,578		-3,578
Sale of own shares			87	328				415		415
Purchase of own shares				-605				-605		-605
December 31, 2014	12,828	12,828	20,294	-831	17,610	-442	1,484	50,943	91	51,034

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

Consolidated statement of cash flows

	2014	2013
	kEUR	kEUR
Period net income	4,739	3,361
Adjustments to reconcile income from operations to net cash provided by operating activities		
– Depreciation on fixed assets	2,554	754
– Profit and loss on sale of securities	-1,034	-980
– Profit (-)/loss (+) on sale of fixed assets	61	262
– revaluation effects from first consolidation of Ars Thanea	-2,031	0
– Income of at equity investments	0	-99
– Other non-cash income and expenses	841	250
Changes in operating assets and liabilities:		
– Accounts receivable and other assets	-2,058	-3,542
– Customer advances	3,680	434
– Accounts payable and other liabilities	6,141	1,312
– Tax accruals and payables, deferred taxes	1,517	-458
Cash flows provided by operating activities	14,410	1,294
Changes in other non-current assets	122	-69
Investments in fixed assets	-1,380	-892
Purchases of marketable securities	-37,972	-24,074
Proceeds from sale of marketable securities	34,817	27,898
Acquisition of consolidated entities	-907	0
Income from at equity investments	10	114
Cash flows used in investing activities	-5,310	2,977
Dividend	-3,578	-3,201
Cash inflows from issuance of share capital from minority shareholders	-11	0
Changes in treasury stock	-190	-438
Cash flows from financing activities	-3,779	-3,639
Total	5,321	632
Cash and cash equivalents at the beginning of the period	6,728	6,103
Exchange rate differences	968	-7
Cash and cash equivalents at the end of the period	13,017	6,728

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

Notes to the consolidated financial statements

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 2014 financial year have been prepared in accordance with the principles of the International Financial Reporting Standards (IFRS) 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, 2014, 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
The SYZYGY Group is an international provider of creative, technological and media services for digital marketing.

SYZYGY AG acts as a management holding company by providing central services relating to strategy, design, planning, technology development, accounting, IT infrastructure and finance. SYZYGY AG also supports the subsidiaries in new business activities and generates sales from projects with third parties. As operating entities, the subsidiaries are responsible for providing consultancy and other services. With branches in Bad Homburg, Berlin, Frankfurt/Main, Hamburg, London, Warsaw and New York, they offer large global companies an integrated portfolio of solutions, from strategic consulting to project planning, concepts and design to technical realisation of brand platforms, business applications, websites, online campaigns and mobile apps. Online media services such as media planning, search engine marketing/optimisation and affiliate programmes are also a major business area. Digital illustrations, animations and gaming round off the range of services.

The Group's business focus is on the automotive, telecommunications/IT 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, 2014, 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:

- Ars Thanea Rozbicki S.K.A., Warsaw, Poland (Ars Thanea)
- Hi-ReS! Berlin GmbH, Berlin, Germany (Hi-ReS! BER)
- 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)
- SYZYGY Deutschland GmbH, Bad Homburg v.d.H., Germany (SYZYGY Deutschland)
- SYZYGY UK Ltd, London, United Kingdom (SYZYGY UK)
- uniquedigital GmbH, Hamburg, Germany (uniquedigital)
- Unique Digital Marketing Ltd, London, United Kingdom (Unique Digital UK)

In order to strengthen and extend the range of services and achieve greater international expansion, SYZYGY AG acquired a further 44 per cent stake 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 current assets of kEUR 593 and of non-current assets of kEUR 93. Liabilities totalling kEUR 766 were also acquired. Distribution of all the profit reserves to shareholders in the form of a dividend, which was approved on February 5, 2014, and a loss in January 2014 led to negative equity of kEUR 36. Of this amount, a portion amounting to kEUR -11 was allocated to the minority shareholders.

To date, SYZYGY has paid a purchase price of kEUR 987 in cash for Ars Thanea. The purchase price will change under corresponding earn-out clauses if defined income targets are achieved between 2016 and 2018. The formula agreed in the purchase agreement will be applied to average EBIT. Based on the latest budgeting, the Company expects to make an earn-out payment of around kEUR 3,373 in 2019.

The "old" shares (26 per cent) were remeasured at fair value, resulting in a figure of kEUR 2,572. The difference in the amount between the fair value of the "old" shares and the at-equity figure carried forward to the date of full consolidation (or kEUR 541 as amortised cost before the acquisition of further shares) amounting to kEUR 2,031 was recognised in the statement of comprehensive income under "Other operating income/expenses, net".

A difference on the assets side of around kEUR 6,972 was allocated to a trademark right (kEUR 125), which was determined using a trademark valuation based on capitalised value with licence fee, the development of intangible assets (kEUR 280), the stated earnings before taxes for the order backlog (kEUR 22) and reverse deferred tax liabilities (kEUR 81). The residual difference is reported as goodwill of kEUR 6,623, denominated in PLN. In February, Ars Thanea’s other shareholders acquired a total of 75,000 SYZYGY shares worth kEUR 328. SYZYGY used its treasury shares for this purpose.

Since the acquisition date on February 6, 2014, Ars Thanea has contributed sales of kEUR 2,758 to the Group’s sales as reported in the statement of comprehensive income. The contribution to the Group’s sales would have amounted to kEUR 2,865 for the whole financial year. The share of consolidated net income for the period since the acquisition date was kEUR 402; it would have amounted to kEUR 364 for the whole financial year.

Mediopoly Ltd was shut down on May 19, 2014 and deconsolidated. The shares held by Mediopoly Ltd in SYZYGY UK Ltd were transferred to Unique Digital Marketing Ltd as a dividend in kind. In connection with shutting down Mediopoly Ltd, currency losses of kEUR 315 were recognised in the statement of comprehensive income under "Other operating income/expenses, net". These currency losses were previously recorded in equity. The currency differences reported in this manner were due to exchange rate changes between the British pound and the German mark/the euro between the year 2000 and May 19, 2014.

Hi-ReS! Hamburg GmbH was retroactively merged with SYZYGY Deutschland GmbH as acquiring legal entity with effect from January 1, 2014. The merger application was made on August 26, 2014 and the merger was entered in the commercial register on September 23, 2014. All assets and liabilities were transferred from Hi-ReS! Hamburg GmbH to SYZYGY Deutschland GmbH. The merger does not have any impact on the Group's net assets, financial position or results of operations.

On December 17, 2014, SYZYGY AG exercised its call option on the remaining 20 per cent of the shares in Hi-ReS! London. A purchase price equivalent to kEUR 104 was agreed. This amount is to be settled by means of a contractually agreed transfer of 16,562 SYZYGY shares from the company's own treasury stock.

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 SYZYGY 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 remeasured equity at the time of acquisition. For this purpose, assets, liabilities and contingent liabilities are recognised at their current fair value. The residual difference on the assets side is reported as goodwill under intangible assets. Any negative difference is recorded such that net income is affected, following another assessment (remeasurement). Transaction costs are recorded directly in the income statement. 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 the cost of sales, sales and marketing costs and general administrative expenses.

To eliminate inter-company accounts, receivables and payables between all consolidated subsidiaries are not considered. 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 inter-company profits in the consolidated financial statements.

Joint ventures and associated companies that are included in the consolidated financial statements based on the at-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 at-equity method is not amortised. The carrying amount of the stake resulting from application of the at-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 management. 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 presentation 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 the modified reporting date method for establishing exchange rates as defined in IAS 21.38 ff, assets and liabilities are translated using the exchange rate at the balance sheet date, income and expenses are translated at the average annual exchange rate and equity items are translated using historical rates. 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 are directly recognised in the income statement.

SYZYGY used the following exchange rates in the year under review:

2014	Average rate of exchange	Exchange rate as at Dec. 31
GBP/EUR	1.24	1.28

2013	Average rate of exchange	Exchange rate as at Dec. 31
GBP/EUR	1.18	1.20

2014	Average rate of exchange	Exchange rate as at Dec. 31
EUR/USD	1.33	1.22

2013	Average rate of exchange	Exchange rate as at Dec. 31
EUR/USD	1.33	1.38

2014	Average rate of exchange	Exchange rate as at Dec. 31
EUR/PLN	4.18	4.30

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

The following new or amended standards and interpretations are mandatory for the first time in relation to the financial year ending on December 31, 2014 In the course of the financial year, SYZYGY AG observed the following bulletins or amendments to bulletins issued by the IASB for the first time:

/ IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the consolidation requirements of IAS 27. IAS 27 remains in force, but its scope of application is restricted to accounting for subsidiaries, associated companies and joint ventures in the single-entity financial statements of the investor. IFRS 10 now includes the aspects of full consolidation that, until now, had been regulated in general terms in IAS 27 and for special purpose entities in SIC 12. IFRS 10 also includes a uniform consolidation policy. A parent-subsidiary relationship is established on the basis of two criteria, decision-making power and variability in returns, together with the link between these two criteria.

First-time adoption of IFRS 10 does not have any impact on the Group's net assets, financial position or results of operations.

/ IFRS 11 Joint Arrangements

IFRS 11 outlines the accounting for cases in which a company exercises joint control over a joint venture company or a joint operation. IFRS 11 replaces IAS 31 and SIC 13. Under the amended definitions, there are now only two types of joint arrangement: joint operations and joint ventures. Classification as jointly held assets (IAS 31) became joint operations. The previously available option of pro rata consolidation under IAS 31 in the case of jointly held companies has been abolished. Instead, application of the at-equity method for joint arrangements classified as joint ventures is mandatory in the consolidated financial statements. In addition, joint operations are accounted for on a pro rata basis in the single-entity and consolidated financial statements of the higher-level company, as had previously been the case.

First-time adoption of amended IFRS 11 does not have any impact on the Group's net assets, financial position or results of operations.

/ IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 replaces the previous requirements for disclosures in the Notes as set out in IAS 27, IAS 28, IAS 31 and SIC 12. The standard thus provides a uniform approach to the disclosure requirements for all types of interests held in other entities. Companies must make disclosures that enable users of financial statements to evaluate the nature of the risks and financial implications that are associated with the company's interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

Although first-time adoption of IFRS 12 does not have any impact on the Group's net assets, financial position or results of operations, it has given rise to additional disclosures in the Notes.

/ IAS 27 Separate Financial Statements

IAS 27 was changed as a consequence of the new standards for the scope of consolidation (IFRS 10, IFRS 11). Following publication of the new IFRS 10, IAS 27 now only contains guidelines on the accounting and disclosures in the Notes for subsidiaries, joint ventures and associated companies in IFRS single-entity financial statements.

First-time adoption of amended IAS 27 does not have any impact on the Group's net assets, financial position or results of operations.

/ IAS 28 Investments in Associates and Joint Ventures

IAS 28 was likewise changed as a consequence of the amendments to the standards for the scope of consolidation. The revised version differs from the previous version of IAS 28 more in terms of presentation than content. IAS 28 lays down the requirements for application of the at-equity method. In the at-equity method, an investment in a company is initially recognised at acquisition cost. After the date of acquisition, the carrying value is then increased or decreased by the pro rata profit or loss. The definition of an associated company uses the concept of "significant influence", which refers to the power to participate in the financial and operating policy decisions of the investee.

First-time adoption of amended IAS 28 does not have any impact on the Group's net assets, financial position or results of operations.

/ Recoverable Amount Disclosures for Non-Financial Assets (amendments to IAS 36)

The amendments originate from a follow-up amendment to IAS 36 in the wake of publishing IFRS 13. When IFRS 13 was introduced, the disclosure requirements in IAS 36 were too extensive in some cases. For example, the recoverable amount of a cash generating unit would have to be disclosed with goodwill, or the recoverable amount of intangible assets with indefinite useful life, regardless of whether an impairment was recorded. In contrast, the amendments stipulate a requirement to disclose the recoverable amount only if an impairment was actually recorded in the financial year. The amendments also include clarifications and extensions to disclosure requirements for impaired assets whose recoverable amount was established on the basis of their fair value less selling expenses.

First-time adoption of amended IAS 36 does not have any impact on the Group's net assets, financial position or results of operations.

- Novation of Derivatives and Continuation of Hedge Accounting (amendments to IAS 39)

The objective of the amendment is to avoid effects on hedge accounting when derecognising derivatives that become necessary due to novation. As a result of the amendments to IAS 39, derivatives remain designated as hedging instruments in continuing hedging relationships despite any novation if certain criteria are cumulatively fulfilled.

First-time adoption of amended IAS 39 does not have any impact on the Group's net assets, financial position or results of operations.

- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities : Transition Guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)

The amendments serve to clarify the first-time adoption of IFRS 10 and include additional less stringent requirements in all standards for the scope of consolidation. Furthermore, the adjustment of the comparative figures that is necessary due to retrospective adoption is required only for the (immediately) preceding period, even if the reporting covers more than one comparative period.

First-time adoption of amended IFRS 10, IFRS 11 and IFRS 12 does not have any impact on the Group's net assets, financial position or results of operations.

- Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)

The amendments to IFRS 10, IFRS 12 and IAS 27 establish a definition of an investment entity. They also require a parent company that is an investment entity to measure its interests in individual subsidiaries at fair value in the consolidated and single-entity financial statements such that net income is affected. The amendments also include the disclosures in the Notes for investment entities as required in IFRS 12 and the amended IAS 27.

First-time adoption of amended IFRS 10, IFRS 12 and IAS 27 does not have any impact on the Group's net assets, financial position or results of operations.

- Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32)

The amendment to the adoption guideline for IAS 32 includes clarification of some requirements for offsetting financial assets and financial liabilities in the balance sheet. The current offset model is retained and merely specified in greater detail through additional guidelines for adoption. This clarification stipulates the requirement that an entity "currently has a legally enforceable right to set off the recognised amounts", i.e. the right must not be contingent on a future event. The right must be legally enforceable in the normal course of business, or in the event of default, or in the event of insolvency or bankruptcy.

First-time adoption of amended IAS 32 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 SYZYGY AG until the subsequent period. SYZYGY AG has not opted for early adoption.

Amendment/Standard	Publication date	Date of trans-position into EU law	Adoption date (EU)
Annual Improvements to IFRS – 2011-2013 Cycle	Dec. 12, 2013	Dec. 18, 2013	July 1, 2014
Annual Improvements to IFRS – 2010-2012 Cycle	Dec. 12, 2013	Dec. 17, 2013	July 1, 2014
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	Nov. 21, 2013	Dec. 17, 2013	July 1, 2014
IFRIC 21 – Disclosures	May 20, 2013	June 13, 2014	June 17, 2014

The impact of first-time application of these standards on the SYZYGY Group's consolidated net assets, financial position and results of operations is currently still being examined. SYZYGY 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. They have also not yet been adopted by SYZYGY AG.

Amendment/Standard	Publication date	Expected transposition into EU law	Adoption date (EU)
IFRS 9 Financial Instruments	July, 24 2014	2nd half of 2015	January 1, 2018
IFRS 14 Regulatory Deferral Accounts	Jan. 30, 2014	To be decided	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	May, 28 2014	Q2/2015	January 1, 2017
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	Dec. 18, 2014	Q4/2015	January 1, 2016
Disclosure Initiative (Amendments to IAS 1)	Dec. 18, 2014	Q4/2015	January 1, 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Sept. 11, 2014	Q4/2015	January 1, 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	Aug. 12, 2014	Q3/2015	January 1, 2016
Bearer Plants (Amendments to IAS 16 and IAS 41)	June 30, 2014	Q1/2015	January 1, 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	May 12, 2014	Q1/2015	January 1, 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	May 6, 2014	Q1/2015	January 1, 2016
Annual Improvements to IFRS – 2012-2014 Cycle	Sept 25, 2014	Q3/2015	January 1, 2016

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. SYZYGY 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

A financial instrument as defined in IAS 32 is a contractual right or a contractual obligation that results in an inflow or outflow, respectively, of financial assets or the issue of equity rights. On the one hand they comprise non-derivative financial instruments such as receivables, accounts payable and securities, and on the other, financial receivables, financial debt and other financial liabilities.

Non-derivative financial instruments

Non-derivative financial instruments are accounted for as at the date of performance, i.e. the date on which the asset is delivered to or by SYZYGY AG. Non-derivative financial instruments are classified into one of the following four categories, depending on their particular purpose. The classification is reviewed as at the balance sheet date, when it is a factor in reporting assets as non-current or current. It is also a factor in deciding whether the asset is measured at acquisition cost or at fair value.

/ Changes to the fair value of financial assets "measured at fair value through profit and loss" – which are either categorised accordingly on first recognition (fair value option) or are classified as "held for trading" – are recorded immediately in the income statement. They are furthermore reported as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date. The fair value option is not applied in the SYZYGY Group.

/ "Financial assets held to maturity" – which include fixed or determinable payments as at the date of first-time recognition, have a fixed maturity and are expected to be held until then – are recorded at amortised cost and, depending on their maturities, are reported as current or non-current assets. Impairment losses are recognised in the income statement. At present, no financial assets are classified as "held to maturity".

/ Loans and receivables – which have fixed or determinable payments and are not quoted on an active market – are measured at amortised cost, taking account of any valuation allowances that are necessary. Depending on their maturities, they are reported on the balance sheet as current or non-current assets.

/ "Financial assets available for sale" – which have been designated as available for sale as at the date of first-time recognition and have not been allocated to the other categories – are carried at fair value and, depending on their saleability, are reported on the balance sheet as current or non-current assets. Unrealised gains or losses are taken into account in the reserves such that net income is not affected, until derecognition of the asset, while bearing tax effects in mind. In the event that the fair value falls below the acquisition cost significantly or for an extended period, the expense is immediately recognised in the income statement. Reversals of impairment losses on equity instruments are recorded in equity. Reversals of impairment losses on debt capital instruments are recognised in net income. If a price quoted on 3.2an active market is not available and the fair value cannot be reliably established, the assets are carried at acquisition cost.

The liabilities resulting from non-derivative financial instruments may either be carried at their amortised acquisition cost or as financial liabilities measured at fair value through profit and loss. SYZYGY AG measures all financial liabilities at amortised acquisition cost. This corresponds to the acquisition cost, taking into consideration repayments, issue costs and the amortisation of a premium (agio) or discount (disagio). Financial obligations with fixed or determinable payments, which do not correspond to financial debt or derivative financial liabilities and are not quoted on a market, are reported on the balance sheet under other financial liabilities in accordance with their maturities.

In relation to the disclosures required under IFRS 7, classes are formed in line with the items reported on the balance sheet or the measurement category used in accordance with IAS 39.

No hybrid or derivative financial instruments are used in the SYZYGY Group.

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 adjustments through separate value adjustment accounts. 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 and losses 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 the Group. 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

SYZYGY 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 invoice amount 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 separate 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. 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 deferments 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 (bonus agreement based on share price). The Supervisory Board and Management Board agreed in 2014 that settlement should be made in cash.

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 25,362 (previous year: kEUR 19,537) arose from the acquisition of uniquedigital, Unique Digital, Hi-ReS! LON and Ars Thanea.

SYZYGY 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.

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:

/ uniquedigital
/ Unique Digital UK
/ Hi-ReS! LON
/ Ars Thanea

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	Goodwill	Intangible assets	Recoverable amount
2012			
uniquedigital	8,841	0	14,762
Unique Digital UK	8,663	133	15,808
Hi-ReS! LON	2,197	181	2,852
Ars Thanea	0	0	0
Total	19,701	314	33,422
2013			
uniquedigital	8,841	0	17,776
Unique Digital UK	8,521	131	14,079
Hi-ReS! LON	2,175	178	3,218
Ars Thanea	0	0	0
Total	19,537	309	35,073
2014			
uniquedigital	8,841	0	11,893
Unique Digital UK	9,089	139	17,732
Hi-ReS! LON	919	190	1,218
Ars Thanea	6,513	102	20,218
Total	25,362	431	51,061

An impairment test of goodwill on December 31, 2014 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, 2014. 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 value in use include assumptions of growth rates, margin development and discount rate. Since internal planning assumptions are used, these are allocated to Level 3 of the fair value hierarchy (see section 6.6).

In the case of the Unique Digital UK and Hi-ReS! LON cash generating units in the UK, a risk-free interest rate of 2.64 per cent (previous year: 3.72 per cent), an unchanged risk premium of 5.8 per cent (previous year: 5.8 per cent) and a sector beta of 0.87 (previous year: 0.51) were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 7.7 per cent after tax (previous year: 6.7 per cent), or 9.7 per cent before tax (previous year: 8.8 per cent). An average tax rate of 21 per cent was applied (previous year: 21.75 per cent). The relevant business plans are based on an expected drop in sales at Hi-ReS! LON of 4 per cent (previous year: 38 per cent increase) for 2015 and sales growth of 1 per cent p.a. (previous year: 5 per cent) for the years 2016 to 2019 and a terminal value of 0 per cent. In the case of Unique Digital UK, the business plans for 2015 are based on expected sales growth of 4 per cent (previous year: 24 per cent) and sales growth of 10 per cent p.a. (previous year: 10 per cent) from 2016 to 2019, and a terminal value of 0 per cent. For 2015, 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 to 13 per cent in 2015 (previous year: 10 per cent). Based on the underlying information, management did not identify any need for impairment at Unique Digital UK in its updated analysis.

In the case of Hi-ReS! LON, management identified a need for impairment in the amount of kEUR 1,332 which is recorded in the statement of comprehensive income under "Other operating income/expenses, net". This is largely attributable to the fact that the co-founder and Managing Creative Director until 2014 moved to the parent company as Chief Creative Officer in order to provide support for projects and clients that are strategically important across the Group. This will limit his ability to work for Hi-ReS! London, especially on the acquisition of new business. This has been taken into account in the business plans in the form of lower sales growth, such that the achievable amount has been reduced to kEUR 1,218.

Accordingly, remaining goodwill of kEUR 919 (previous year: kEUR 2,175) is allocated to the Hi-ReS! LON cash generating unit.

In the case of uniquedigital in Germany, a risk-free interest rate of 1.59 per cent (previous year: 2.86 per cent), an unchanged risk premium of 5.8 per cent and a sector beta of 0.87 (previous year: 0.51) were assumed, producing a WACC (Weighted Average Cost of Capital) of 6.6 per cent (previous year: 5.8 per cent) after tax, or 9.5 per cent (previous year: 8.3 per cent) before tax. An unchanged average tax rate of 30 per cent was applied. The business plan envisages a drop in sales of 9 per cent (previous year: 20 per cent growth) for 2015 and 10 per cent p.a. sales growth (previous year: 10 per cent) for the years 2016 to 2019. The terminal value is set at 0 per cent growth.

Market research institutes expect the online advertising market in Germany to grow by 7 per cent in 2015 (previous year: 9 per cent). Based on the underlying information, management did not identify any need in the updated analysis for impairment at uniquedigital, to which unchanged goodwill of kEUR 8,841 is allocated.

In the case of Ars Thanea in Poland, a risk-free interest rate of 1.59 per cent, a risk premium of 5.8 per cent, a sector beta of 0.95, a country-specific risk premium of 1.58 per cent and an inflation differential of 100.48 per cent were assumed, producing a WACC (Weighted Average Cost of Capital) of 8.9 per cent after tax, or 10.9 per cent before tax. An average tax rate of 19 per cent was applied. The business plan envisages sales growth of 35 per cent for 2015 and 20 per cent p.a. sales growth for the years 2016 to 2019. The terminal value is set at 0 per cent.

Market research institutes expect the online advertising market in Poland to grow by 15 per cent in 2015. Based on the underlying information, management did not identify any need in the analysis for impairment at Ars Thanea, to which goodwill of kEUR 6,513 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 14 per cent drop in values in use due to the higher discount factor. The effect on values in use in the UK and Poland would be similar. However, this did not result in any impairment of another CGU; at Hi-ReS! London there would be an additional need for depreciation of kEUR 136.

If the growth rates for the online marketing companies uniquedigital and Unique Digital UK decline from 10 per cent p.a. to 5 per cent p.a. from 2016 onwards, there would still be no need for depreciation. If the growth rates at Hi-ReS! LON decline from 1 per cent p.a. to 0 per cent p.a. from 2016 onwards, there would be an additional need for depreciation of kEUR 145. If the growth rates at Ars Thanea decline from 20 per cent p.a. to 5 per cent p.a. from 2016 onwards, there would still be no need for depreciation.

3.2 Goodwill, intangible assets and fixed assets

Fixed assets changed as follows in the financial year:

kEUR	Goodwill	Intangible assets	Leasehold improvements	Operational and office equipment	Total
Cost January 1, 2014	19,537	931	1,575	5,371	27,414
Additions	0	71	493	742	1,306
Disposals	-60	-5	0	-327	-392
Addition from first-time consolidation	6,623	428	32	63	7,146
Exchange rate changes	594	3	35	100	732
Cost December 31, 2014	26,694	1,428	2,135	5,949	36,206
Accumulated amortisation, depreciation and write-downs January 1, 2014	0	534	744	3,942	5,220
Additions	1,332	388	182	652	2,554
Disposals	0	-5	0	-326	-331
Exchange rate changes	0	-15	8	73	66
Accumulated amortisation, depreciation and write-downs December 31, 2014	1,332	902	934	4,431	7,509
Carrying amount at December 31, 2014	25,362	526	1,201	1,608	28,697

Fixed assets changed as follows in the previous year:

kEUR	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

Intangible assets include brand equity of kEUR 431 (prior year: kEUR 309) after foreign currency effects. This brand equity is due to first-time consolidation of Hi-ReS! LON, Unique Digital UK and Ars Thanea. It is allocable to the UK segment in the amount of kEUR 329 and has an indefinite useful life, since there is no foreseeable end to the economic life of these brands. Brand equity for Ars Thanea amounting to kEUR 102 is also included. This was likewise added in the course of acquiring the company and will be amortised on a straight-line basis over a period of five years. This brand equity is allocated to the "Other segments" segment. 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

SYZYGY AG acquired a further 44 per cent stake in Ars Thanea on February 6, 2014. It now holds 70 per cent of the shares. The control attributes required for full consolidation exist from that date and Ars Thanea has been fully consolidated since that point in time. In the previous year, the stake in Ars Thanea was accounted for using the at-equity method and carried at kEUR 641 as at the reporting date. The pro rata income of kEUR -10 due to SYZYGY up to the time at which SYZYGY gained control is reported in the statement of comprehensive income under financial income.

3.4 Other non-current assets

Other non-current assets are recognised in the amount of kEUR 635 (previous year: kEUR 583). They include rent deposits of kEUR 634 (previous year: kEUR 577), which were almost completely attributable to SYZYGY UK.

3.5 Deferred tax assets

Deferred tax assets of kEUR 1,238 (previous year: kEUR 1,845) were reported in the financial year, of which kEUR 1,850 was attributable to loss carry-forwards at SYZYGY AG (previous year: kEUR 2,419). There are also deferred tax assets resulting from different valuations for the securities, amounting to kEUR 696 (previous year: kEUR 610), which were offset. Non-tax deductible provisions at SYZYGY AG resulted in deferred tax assets of kEUR 65 (previous year: kEUR 15).

At SYZYGY Deutschland GmbH, deferred tax assets amounting to kEUR 19 (previous year: kEUR 21) were recognised due to different valuations of SYZYGY 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:

kEUR	Dec. 31, 2014	Dec. 31, 2013
Cash and cash equivalents	13,017	6,728

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.

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. Changes in value are recorded in other income such that net income is not affected. As can be seen in the following table, the market value of all securities as at December 31, 2014 was kEUR 2,148 above the acquisition cost (previous year: kEUR 1,820). kEUR 2,286 (previous year: kEUR 1,971) was attributable to unrealised price gains and kEUR 138 (previous year: kEUR 151) to unrealised price losses. Security purchases and sales are recorded on the value date.

kEUR 544 of valuation gains (previous year: kEUR 650) and kEUR 93 of valuation losses (previous year: kEUR 2) were realised in 2014 from other income as at December 31, 2013.

Market value is determined using quoted market prices. The unrealised price losses are reported in "Change in unrealised gains and losses on available-for-sale securities which does not affect income" in the statement of comprehensive income. Non-temporary impairment losses are recognised in net income.

Dec. 31, 2014

kEUR	Cost	Unrealised gains	Unrealised losses	Carrying value/ market value
Securities (available-for-sale)	20,009	2,286	-138	22,157

Dec. 31, 2013

kEUR	Cost	Unrealised gains	Unrealised losses	Carrying value/ market value
Securities (available-for-sale)	16,258	1.971	-151	18,078

The following table shows the maturities of securities as per December 31, 2014:

kEUR	< 1 year	1-5 years	5-10 years	Indefinite	Total
Securities (available-for-sale)	1,016	2,865	18,276	0	22,157

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

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

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 7.3 (previous year: 6.9), 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 7.3 per cent.

SYZYGY 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.

In 2013, SYZYGY held securities with an indefinite term in its portfolio. These shares were sold in 2014.

3.7 Accounts receivable

These items comprise the following:

	Dec. 31, 2014	Dec. 31, 2013
Accounts receivable	15,020	12,037
Accounts receivable in line with PoC method	1,019	907
	16,039	12,944

Receivables and sales of kEUR 1,019 (previous year: kEUR 907) are disclosed in line with the percentage of completion method for services not yet billed. Costs of kEUR 936 (previous year: kEUR 854) were incurred for projects realised using the percentage of completion method. This results in a margin of kEUR 83 (previous year: kEUR 53).

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

Accounts receivable (after valuation allowances), kEUR	0-90 days	91-180 days	181-360 days	More than 360 days
as of December 31, 2014	14,518	1,496	9	16
as of December 31, 2013	12,307	590	46	1

Appropriate individual value adjustments are made for recognisable default risks, while uncollectable receivables are written off. Adjustments in the amount of kEUR 6 were made in relation to "Other segments". In the previous year, no such value adjustments were made.

3.8 Other assets

Other assets as of December 31, 2014 and 2013 consist of the following:

kEUR	Dec. 31, 2014	Dec. 31, 2013
Prepaid expenses	653	588
Interest receivables	543	520
Tax receivables	217	1,484
Other	257	532
	1,670	3,124

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:

kEUR	0-90 days	91-180 days	181-360 days
Interest receivables			
as of Dec. 31, 2014	224	198	121
as of Dec. 31, 2013	191	240	89

3.9 Equity

3.9.1 Subscribed capital

As of December 31, 2014, 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, 2014, 150,000 of them belonged to treasury stock (previous year: 125,000).

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

In thousands	Shares	Percentage
WPP Group (UK) Ltd. (directly and indirectly)	3,848	30.0
Marco Seiler	538	4.2
Andrew Stevens	325	2.5
Free float	7,967	62.1
Treasury stock	150	1.2
	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 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 in connection with the employee stock-based compensation plan (contingent capital 2009). At the Annual General Meeting on June 6, 2014, this contingent capital was reduced from EUR 1,200,000 to EUR 300,000. Furthermore, at the Annual General Meeting on June 6, 2014, contingent capital 2014 amounting to EUR 900,000 was approved (contingent capital 2014).

In the 2012 financial year, a total of 300,000 options were issued at the exercise price of EUR 3.11 effective June 27, 2012, relating to contingent capital 2009. No options were issued in the 2013 and 2014 financial years. Section 3.10 contains details of the stock option programme.

Contingent capital 2014 has not been used so far.

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 SYZYGY AG.

In 2014, gains from the sale of treasury shares of kEUR 87 were realised and allocated to additional paid-in capital. In the previous year there were no effects which had an impact on paid-in capital.

3.9.4 Treasury stock
SYZYGY is authorised to resell or call in treasury shares or to offer treasury shares to third parties in the course of acquiring companies. Treasury shares do not entitle the Company to any dividend or voting rights. The extent of the share buyback is shown as a separate item to be deducted from equity.

In the first quarter, 75,000 treasury shares were sold from the company's holdings to the minority shareholders of Ars Thanea. Gains from the sale of treasury stock amounting to kEUR 87 were allocated to additional paid-in capital such that net income is not affected.

On June 6, 2014 the Management Board and Supervisory Board of SYZYGY AG approved the buy-back of up to 100,000 shares (corresponding to 0.78 per cent of the common stock) via the stock exchange. The buy-back programme was completed in full by August 5, 2014.

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. The shares may be used for all the purposes specified in the authorisation statement. 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.

The following transactions involving treasury shares were conducted in the year covered by the report:

*Date**	Number of shares	Sale/purchase price (EUR)	Total value (EUR)
As per December 31, 2013	125,000		553,985.25
Feb. 21, 2014	-25,000	4.38	-109,388.65
Feb. 26, 2014	-50,000	4.38	-218,777.30
July 14, 2014	20,000	6.11	122,244.00
July 15, 2014	10,268	6.06	62,245.64
July 22, 2014	29,732	6.06	180,238.36
July 23, 2014	20,000	6.01	120,240.00
July 24, 2014	5,565	5.96	33,177.97
Aug. 5, 2014	14,435	6.01	86,783.22
As per December 31, 2014	150,000		830,748.49

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

As at December 31, 2014, SYZYGY thus held 150,000 treasury shares at an average acquisition cost of EUR 5.54.

3.9.5 Other net income

Other comprehensive income after tax summarised under "Other net income" amounted to kEUR 1,397 (previous year: kEUR -90) in the 2014 financial year and can be attributed mainly to unrealised gains or losses from securities after tax (kEUR 228; previous year: kEUR 128) and gains from currency translation (kEUR 1,169; previous year: losses totalling kEUR 218). All changes can be reclassified (recycling) 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 SYZYGY AG according to HGB (German Commercial Code). On June 6, 2014, the Annual General Meeting approved a dividend of EUR 0.28 per share (previous year: EUR 0.25), which was distributed starting on June 9, 2014. After allocating kEUR 277 to the reserve for treasury shares (previous year: kEUR 438), the remaining retained earnings of kEUR 10,237 (previous year: kEUR 11,398) were carried forward to new account and recorded accordingly in the single-entity financial statements of SYZYGY AG.

As of December 31, 2014, the financial statements of SYZYGY AG showed retained earnings of kEUR 13,094 (previous year: kEUR 14,092).

The consolidated financial statements showed retained earnings of kEUR 17,610 (previous year: kEUR 16,789) as of December 31, 2014.

3.10 Stock-based compensation

In the 2012 financial year, the "Stock Option Plan 2012" was approved, providing for the issue of up to 1,200,000 options.

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 after three years, provided the share price has risen at least 20 per cent above the exercise price. The options expire after five years. Instead of issuing shares, the Company pays in cash the difference between the exercise price and the share price at the time of exercise. The obligations are accordingly recorded in 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:

	Dec. 31, 2014	Dec 31, 2013
Expected term of the options	up to 2.5 years	0.5 to 1.5 years
Risk-free interest rate	0.5%	0.3355%
Expected dividend yield	4.7%	5.5%
Expected volatility	30%	27%
Exercise price	EUR 3.11	EUR 3.11
Share price as of the balance sheet date	EUR 6.38	EUR 5.11

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 SYZYGY shares in the past two years.

Changes in issued options:

in EUR	Number of options	Exercise price	Fair value
As per Dec. 31, 2013	300,000	3.11	2.01
New allocation	0		
Exercised	48,000		
Expired	0		
As per Dec. 31, 2014	252,000	3.11	3.27

Of the 300,000 options, 48,000 options were exercised on August 6, 2014 at the Xetra closing price of August 5, 2014, which was EUR 6.20. 72,000 options have been exercisable since June 27, 2014 and a further 180,000 options may be exercised from June 27, 2015. In 2014 a payment of kEUR 148 was made due to the exercise of options and an allocation, recognised in profit or loss, was made to provisions in the amount of kEUR 502, such that provisions for the exercise of options have increased to kEUR 715 (previous year: kEUR 361).

No further options were issued in the 2014 financial year. There were also no options that were forfeited or had lapsed.

3.11 Accounts payable and other provisions

As at December 31, 2014 and 2013, accounts payable and other provisions consisted of:

kEUR	Dec. 31, 2014	Dec. 31, 2013
Accounts payable	11,467	8,118
Other provisions:		
– Obligations towards other parties	5,721	2,860
– Personnel-related provisions	2,129	1,211
– Other	322	169
	19,639	12,358

Obligations towards other parties essentially relate to outstanding invoices, customer bonuses and personnel-related provisions for employee bonuses and holidays. It also includes provisions for subsidies amounting to kEUR 200 received from Berlin's business development service. It is uncertain whether SYZYGY can provide the required proof of its use of funding for permanent jobs and goods acquired. Written reports must be submitted for a period of five years after conclusion of the investment plans in February 2015. All accounts payable and other provisions are due within one year and can be allocated to the "Financial liabilities at amortised costs" valuation category.

Statement of changes in provisions as of December 31, 2014, kEUR	Carrying value Jan. 1, 2014	Usage	Reversal	Addition	Carrying value Dec. 31, 2014
Invoices not received	2,860	-2,775	-15	5,651	5,721
Personnel-related provisions	1,211	-1,011	0	1,929	2,129
Other provisions	169	-154	-15	322	322
	4,240	-3,940	-30	7,902	8,172

Statement of changes in provisions as of December 31, 2013, kEUR	Carrying value Jan. 1, 2013	Usage	Reversal	Addition	Carrying value Jan.1, 2013
Invoices not received	1,711	-1,639	-32	2,820	2,860
Personnel-related provisions	943	-718	0	986	1,211
Other provisions	231	-231	0	169	169
	2,885	-2,588	-32	3,975	4,240

3.12 Tax liabilities

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

kEUR	Dec. 31, 2014	Dec. 31, 2013
British income taxes	159	344
Polish income taxes	14	21
	174	365

3.13 Other liabilities

The components of other liabilities are detailed in the following:

kEUR	Dec. 31, 2014	Dec. 31, 2013
Liabilities due to contingent purchase price payments	3,477	132
German VAT	1,246	570
Social security, salary and church taxes	522	399
British VAT	151	409
Polish VAT	-60	0
Other	237	116
	5,573	1,626

The following table shows the maturities of other liabilities and non-current liabilities as at December 31, 2014:

kEUR	< 1 year	1-5 years	5-10 years	Indefinite	Total
Other liabilities	2,200	3,373	0	0	5,573

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

kEUR	< 1 year	1-5 years	5-10 years	Indefinite	Total
Other liabilities	1,494	132	0	0	1,626

Other liabilities have been valued on the basis of the "Financial liabilities at amortised 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 and Hi-ReS! LON. The Germany segment comprises Hi-ReS! BER, SYZYGY Deutschland and uniquedigital. Hi-ReS! NY and Ars Thanea do not fulfil the size criteria to qualify as an independent geographical segment. Both units are summarised under "Other segments".

All segments offer large 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 primarily 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 within 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.

Dec. 31, 2014 *kEUR*	Germany	United Kingdom	Other segments	Central functions and consolidation	Total
Billings	66,379	35,885	28,829	-1,534	129,559
Media costs	-39,602	-19,556	-23,326	0	-82,484
Sales	26,777	16,329	5,503	-1,534	47,075
Of which internal sales	778	1,054	98	-1,930	0
Operating income (EBIT)	3,806	2,429	689	-3,081	3,843
Financial income	59	4	-9	2,103	2,157
Income before taxes (EBT)	547	2,929	680	1,844	6,000
Assets	28,137	25,916	16,037	13,363	83,453
Of which goodwill	8,841	10,008	6,513	0	25,362
Investments	607	163	531	5	1,306
Depreciation and amortisation	611	1,502	427	14	2,554
Segment liabilities	18,895	5,721	9,391	-1,588	32,419
Employees at the balance sheet date	219	142	74	18	453

Dec. 31, 2013 *kEUR*	Germany	United Kingdom	Other segments	Central functions and consolidation	Total
Billings	59,852	31,116	406	-771	90,603
Media costs	-36,325	-19,248	0	0	-55,573
Sales	23,527	11,868	406	-771	35,030
Of which internal sales	3,441	233	0	-3,674	0
Operating income (EBIT)	3,054	1,698	-265	-2,464	2,023
Financial income	69	-5	0	2,060	2,124
Income before taxes (EBT)	55	1.693	-265	2,664	4,147
Assets	21,818	23,057	239	21,023	66,137
Of which goodwill	8,841	10,696	0	0	19,537
Investments	829	68	3	11	911
Depreciation and amortisation	579	144	17	14	754
Segment liabilities	13,123	6,769	706	-3,138	17,460
Employees at the balance sheet date	193	109	3	21	326

As in the previous year, SYZYGY generated more than 10 per cent (EUR 5.3 million) of consolidated sales with one client in the Germany segment (previous year: EUR 3.5 million).

More than 10 per cent of consolidated sales was also generated with one client (EUR 5.3 million) in the UK segment (previous year: EUR 3.8 million).

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 2014, the SYZYGY Group generated sales of kEUR 35,792 from design and technical realisation (previous year: kEUR 28,925) and billings of kEUR 95,671 (previous year: kEUR 65,208) from online marketing. Online marketing includes media costs of kEUR 82,484 (previous year: kEUR 55,573), resulting in sales of kEUR 13,187 (previous year: kEUR 9,635). Internal sales of kEUR 317 (previous year: kEUR 215) were conducted between the product areas. Sales of kEUR 1,587 were generated by or with the mother company (previous year: kEUR 3,315)

5.2 Other operating income and expenses

Other operating income and expenses consist of the following:

kEUR	2014	2013
Income from remeasurement of the old shares in Ars Thanea	2,032	0
Exchange rate effects	166	6
Employee usage of company cars	96	91
Refund from health insurance funds	56	45
Release of provisions	30	32
Refund of ancillary costs	18	13
Subletting	11	16
EU subsidies related to client projects	10	81
Expenses arising from liquidation of mediopoly	-315	0
Impairment of goodwill Hi-ReS! London	-1,332	0
Other	-258	41
	514	325

5.3 Cost of purchased services

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

kEUR	2014	2013
Cost of purchased services	7,970	5,205

5.4 Personnel expenses

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

kEUR	2014	2013
Salaries and wages	22,923	17,804
Social security	3,001	2,555
	25,924	20,359

In 2014, the average number of full-time employees in the SYZYGY Group was 420 (previous year: 324 employees).

By the end of the 2014 financial year, the total number of SYZYGY employees had risen to 453 (previous year: 326). The employees are distributed across the following functional areas within the Company:

Number of persons	2014	2013
Strategy/consulting/ project management	110	86
Online marketing/ online media	98	91
Technology	102	56
Design	88	47
Administration	55	46
	453	326

5.5 Depreciation and amortisation

Depreciation and amortisation comprises the following:

kEUR	2014	2013
Amortisation of intangible assets	1,720	49
Depreciation of fixed assets	834	705
	2,554	754

5.6 Financial income

kEUR	2014	2013
Interest and similar income	1,143	1,141
Income from the sale of securities, net	1,034	980
Interest expense and similar expenses	-10	-96
Income from at-equity stakes	-10	99
	2,157	2,124

Interest and similar income includes interest payments received of kEUR 1,103 (previous year: kEUR 1,096).

Income from the sale of securities includes gains of kEUR 1,237 (previous year: kEUR 1,024) and losses of kEUR 203 (previous year: kEUR 44). Interest expense and similar expenses include interest expenses of kEUR 2 (previous year: kEUR 2).

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 month of January to which SYZYGY AG is entitled.

5.7 Income taxes

kEUR	2014	2013
Current foreign income taxes	572	453
Deferred taxes	517	144
Current domestic income taxes	172	189
	1,261	786

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 21 per cent since April 1, 2014 (previous year: 23 per cent).

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 2014, as in the previous year.

In Poland there is a uniform tax rate of 19 per cent on corporate earnings since January 1, 2014.

SYZYGY received an income tax refund of kEUR 352 net in the 2014 financial year. Income tax of kEUR 1,239 was paid in the previous year. Due to th euse of loss carry-forward, tax expenses was reduced by kEUR 825 (previous year: kEUR 495).

Deferred tax assets and liabilities can be summarised as follows:

kEUR	2014	2013
Deferred taxes (assets)		
Loss carry-forwards at SYZYGY AG	1,850	2,419
Fixed assets	19	21
Provisions	65	15
Current assets (securities)	-696	-610
	1,238	1,845

kEUR	2014	2013
Deferred taxes (liabilities)		
Effects from first-time consolidation of Hi-ReS! LON	48	47
Effects from first-time consolidation of Unique Digital UK	38	38
Effects from first-time consolidation of Ars Thanea	19	0
Fixed assets	15	3
	120	88

The deferred tax assets at SYZYGY AG as the parent company are recorded on loss carry-forwards and on the different valuations of provisions; these were offset against deferred tax liabilities resulting from valuation differences for securities.

Other deferred tax assets result from different useful lives of the assets in IFRS and the tax accounts at SYZYGY Deutschland GmbH.

SYZYGY AG has usable tax loss carry-forwards of kEUR 5,142 for corporation tax (previous year: kEUR 6,953) and kEUR 6,831 for trade tax (previous year: kEUR 8,686), which will be used in the next five years.

The deferred tax liabilities result from first-time consolidation of Ars Thanea, 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:

kEUR	2014	2013
Income before taxes	6,000	4,147
Non deductible expenses	-91	24
Taxable income	5,909	4,171
Expected tax expense	1,832	1,293
Tax rate differences	-305	-119
Tax refunds for previous years	0	-14
Use of tax loss carry-forwards and change in the valuation allowance for deferred tax assets	-252	-374
Other	-14	0
Tax charge	1,261	786

The tax rate differences result from an average tax rate of 31.0 per cent in Germany compared with 21 per cent in the UK and 19 per cent in Poland. Deferred taxes were accounted for using the future tax rates.

As at December 31, 2014 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 78 (previous year: kEUR 618) and at Hi-ReS! New York kEUR 299 (previous year: kEUR 486).

In the 2014 financial year, deferred tax liabilities of kEUR 666 (previous year: kEUR 564) were attributable to items that were offset directly against equity. The change in the valuation differences of kEUR 102 is recorded in other comprehensive income (previous year: kEUR 57). 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. As at the balance sheet date, there were taxable temporary differences in connection with shares held in subsidiaries amounting to kEUR 118 (previous year: kEUR 84), for which no deferred tax liabilities have been recognised.

5.8 Notes on currency translation

In accordance with IAS 21.52 in conjunction with IAS 39.9, currency translation differences of kEUR 1,169 (previous year: kEUR -218) 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:

	2014	2013
Weighted average number of shares (in thsd.) basic	12,723	12,778
Weighted average number of shares (in thsd.) diluted	12,723	12,896
Net income of SYZYGY AG shareholders in kEUR	4,399	3,339
Number of options issued (in thsd.)	252	300
Earnings per share – basic (in EUR)	0.35	0.26
Earnings per share – diluted (in EUR)	0.35	0.26

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 2014, operating cash flow amounted to EUR 14.4 million (previous year: EUR 1.3 million). The cash and cash equivalents comprise exclusively cash and cash equivalents with a contractual residual term to maturity of less than three months. 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 accordingly in the consolidated statement of cash flows:

- The Group obtained income of kEUR 2,031 from remeasurement of the "old" shares in Ars Thanea and a foreign currency gain of kEUR 35.
- The shutting down of Mediopoly gave rise to a non-cash expense in the amount of kEUR 315 due to resolution of differences arising from foreign currency translation.
- The issue of options and stock options from the employee stock-based compensation plan resulted in an expense of kEUR 571 (previous year: kEUR 295). Due to the exercise conditions, this expense has not yet resulted in a payment.

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/the Polish zloty 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 (cash and cash equivalents, 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.

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

6.3.2 Interest risk

SYZYGY is only subject to interest risk with regard to securities. There are no financial liabilities which can create interest risk. Cash and cash equivalents were invested at variable rates on overnight terms.

Sensitivity analyses regarding interest rate changes must be presented in accordance with IFRS 7. Since SYZYGY 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 carried in other income and reported in equity under "Other net income".

As at the balance sheet date, around EUR 22.2 million (previous year: EUR 18.1 million) was invested in a securities portfolio with a duration of around 7.3 years (previous year: 6.9). 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 7.3 per cent. This would lead to a change in the fair value of around kEUR 1,621 (previous year: kEUR 1,249). 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

SYZYGY is exposed to credit and default risk from operations and also with regard to securities investments. SYZYGY 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. 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 7.3 years and average credit spreads widen by 100 basis points, the portfolio’s value would fall by 7.3 per cent. This would lead to a change in the fair value of around kEUR 1,621 (previous year: kEUR 1,249) for SYZYGY.

On the operational side, default risk is continuously monitored at the level of the individual companies. SYZYGY mainly works for large customers with excellent credit ratings and thus generally does 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, SYZYGY did not use derivative financial instruments for risk diversification and portfolio structuring in the 2014 financial year.

6.3.5 Capital management

SYZYGY'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. SYZYGY 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 SYZYGY. 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, SYZYGY is seeking organic and inorganic growth together with an increase in profitability.

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

kEUR	2014	2013
Equity according to the balance sheet	51,034	48,677
Debt capital	32,419	17,460
Total capital	83,453	66,137
Equity ratio	61%	74%
Net income for the period	4,739	3,361
Return on equity	9%	7%

SYZYGY 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

SYZYGY has implemented a liquidity management system. In order to provide financial flexibility and ensure solvency at all times, SYZYGY 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 guarantees depends on the ability of the companies occupying the rental space to service the obligations resulting from the tenancy and their business operations. SYZYGY 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 their agreements. SYZYGY 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 SYZYGY serves as security and has a carrying value of kEUR 8,604 (previous year: 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:

kEUR	Dec. 31, 2014	Dec. 31, 2013
Within 1 year	2,309	1,745
1-5 years	5,812	3,940
More than 5 years	149	649
	8,270	6,334

Total expenses for rent in 2014 amounted to kEUR 2,634 (prior year: kEUR 2,175). Income of kEUR 4 was obtained from subletting in 2014 (previous year: kEUR 16). In 2014, kEUR 143 (previous year: kEUR 154) 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.

Dec. 31, 2014	Level 1	Level 2	Level 3	Total
Securities	22,157	–	–	22,157
Total financial assets	22,157	–	–	22,157
Conditional purchase price commitment	–	–	3,373	3,373
Total financial liabilities	–	–	3,373	3,373

Dec. 31, 2013	Level 1	Level 2	Level 3	Total
Securities	18,078	–	–	18,078
Total financial assets	18,078	–	–	18,078
Conditional purchase price commitment	–	–	132	132
Total financial liabilities	–	–	132	132

6.7 Statement of controlled investments

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

	Share	Equity	Net income
	%	kEUR	kEUR
Ars Thanea s.k.a., Warsaw, Poland	70	355	402
Hi-ReS! Berlin GmbH, Berlin, Germany	60	-48	547
Hi-ReS! London Ltd, London, UK	100	177	-79
Hi-ReS! New York Inc, New York City, USA	100	-324	187
SYZYGY Deutschland GmbH, Bad Homburg, Germany[2]	100	409	0
SYZYGY UK Ltd, London, UK[1]	100	2,358	1,049
Unique Digital Marketing Ltd, London, UK[1]	100	7,323	1,423
uniquedigital GmbH, Hamburg, Germany[3]	100	40	0

1 – Unique Digital Marketing Ltd holds 100 per cent of the shares in SYZYGY UK Ltd, which operates in the UK. The holding in SYZYGY UK is therefore indirect.
2 – There is a controlling and profit and loss transfer agreement in place between SYZYGY Deutschland GmbH and SYZYGY AG in favour of SYZYGY AG.
3 – There is a profit and loss transfer agreement in place between uniquedigital GmbH and SYZYGY AG in favour of SYZYGY AG.

6.8 Auditor's fee

BDO AG received a total fee of kEUR 89 (previous year: kEUR 81) plus outlay for auditing the consolidated financial statements and the single-entity financial statements of the parent company. In addition, audit-related services worth kEUR 6 in fees were awarded 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 2014, SYZYGY purchased services for client projects amounting to kEUR 13 (previous year: kEUR 156) from Ars Thanea, in which SYZYGY only held 26 per cent of the shares until February 5, 2014. All liabilities were paid in the current year. kEUR 97 were recognised as accounts payable as at the reporting date of the previous year.

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 2014 and 2013.

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

SYZYGY Deutschland GmbH and uniquedigital 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

No 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, SYZYGY Deutschland GmbH and Hi-ReS! Berlin GmbH

Andrew P. Stevens
Management Board
Managing Director, Unique Digital Marketing Ltd, SYZYGY UK Ltd and Hi-ReS! New York Inc

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

In 2014, total remuneration of the Management Board amounted to kEUR 586. Marco Seiler received a basic salary of kEUR 250, fringe benefits of kEUR 15 and a variable salary of kEUR 37. Andrew P. Stevens received a basic salary of kEUR 231, fringe benefits of kEUR 16 and a variable salary of kEUR 37.

Marco Seiler and Andrew P. Stevens each received 120,000 options in 2012, up to 40 per cent being exercisable after two years and 60 per cent after three years. Marco Seiler exercised 48,000 options in 2014. As a result, 192,000 options were still outstanding as at the reporting date, 72,000 in favour of Marco Seiler and 120,000 in favour of Andrew P. Stevens. Provisions amounting to kEUR 364 (previous year: kEUR 236) were established in 2014 for the resulting expenses.

With effect from January 1, 2015, Mr Erwin Greiner was appointed Chief Financial Officer.

6.12.2 Supervisory Board

Michael Mädel
Supervisory Board Chairman
President, J. Walter Thompson Ltd, London

Wilfried Beeck
Supervisory Board member
CEO, ePages Software GmbH, Hamburg

Thomas Strerath
Supervisory Board member
CEO, Ogilvy & Mather GmbH, Frankfurt

The Supervisory Board members each received remuneration of kEUR 25 (previous year: kEUR 20) for the 2014 financial year, of which kEUR 20 (previous year: kEUR 15) is fixed in each case and kEUR 5 is variable, as in the previous year.

6.13 Directors' dealings

Management Board: Shares [Number of shares]	Marco Seiler	Andrew P. Stevens	Total
As per December 31, 2013	538,121	325,000	863,121
Purchases	0	0	0
Sales	0	0	0
As per December 31, 2014	538,121	325,000	863,121

Supervisory Board: Shares [Number of shares]	Michael Mädel	Wilfried Beeck	Thomas Strerath	Total
As per December 31, 2013	12,000	120,000	0	132,000
Purchases	8,000	0	0	8,000
Sales	0	0	0	0
As per December 31, 2014	20,000	120,000	0	140,000

Management Board: Options [Number of shares]	Marco Seiler	Andrew P. Stevens	Total
As per December 31, 2013	120,000	120,000	240,000
Additions	0	0	0
Disposals	-48,000	0	-48,000
As per December 31, 2014	72,000	120,000	192,000

Management Board: Shares [Number of shares]	Marco Seiler	Andrew P. 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 Mädel	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 P. 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

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)
Disclosures in accordance with Article 160 Section 1 No. 8 of the AktG are not required for the 2014 financial year.

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 31, 2014 and is available to all shareholders on the Company's website.

6.16 Date of authorisation for publication
The Management Board approved the consolidated financial statements for publication on March 24, 2015.

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, 2015
SYZYGY AG

The Management Board

Marco Seiler

Andrew P. Stevens

Erwin Greiner

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 2014 to 31 December 2014.

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; [IDW]). 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, 2015
BDO AG
Wirtschaftsprüfungsgesellschaft

sgd. Dr. Rosien	sgd. ppa. Werner
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditors)	

Financial Calendar 2015

Interim Report as per 03/31/2015	/	April 30
General Annual Meeting, Frankfurt	/	May 29
Interim Half-Year Statement 2015	/	July 31
Zurich Capital Market Conference, Zurich	/	September 9
Interim Report as per 09/30/2015	/	October 30
German Equity Forum, Frankfurt	/	November 23-25
Capital Market Conference (MKK), Munich	/	December 8

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