Annual Report 2015

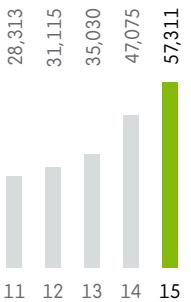
SYZYGY

syzygy.net

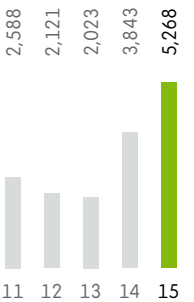
Content

Key financial figures

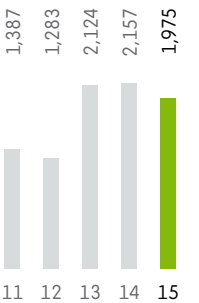
Sales
in kEUR



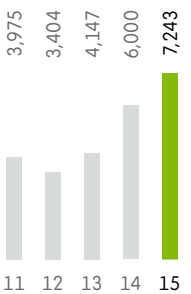
Operating income
in kEUR



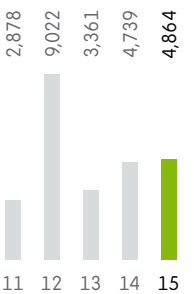
Financial income
in kEUR



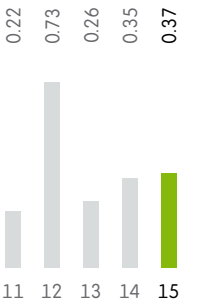
Income before taxes
in kEUR



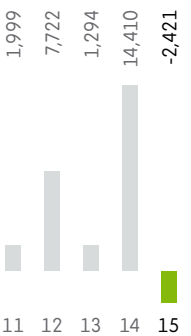
Net income
in kEUR



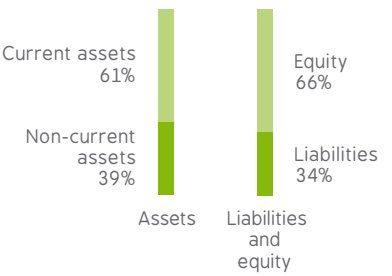
Earnings per share
(undiluted)
in EUR



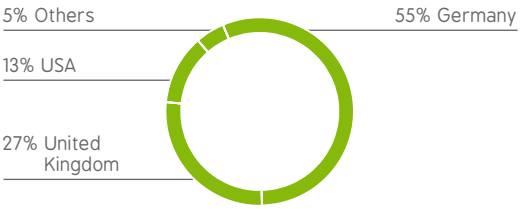
Operating cash flow
in kEUR



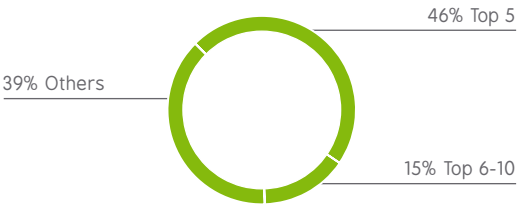
Balance sheet
structure



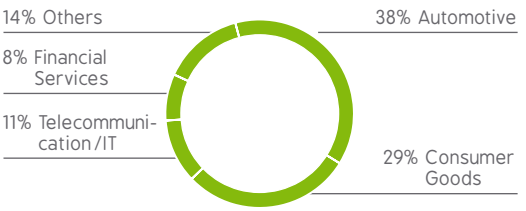
Sales by segments



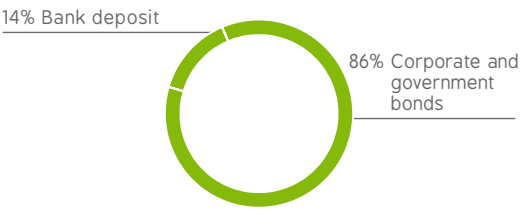
Sales by clients' volume



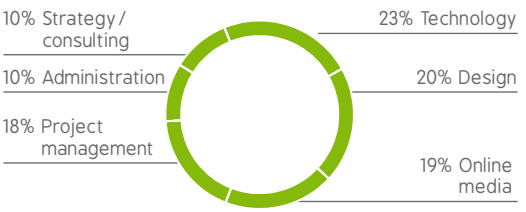
Sales allocation by vertical markets



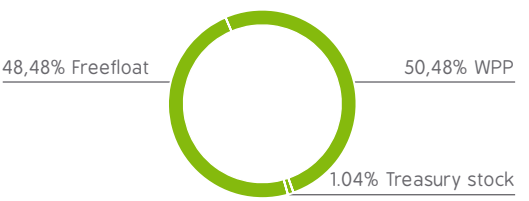
Portfolio structure of cash and marketable securities



Employees by function



Shareholder structure



Board members' statement

Dear Shareholders,

We are pleased to report another record year. The SYZYGY Group again achieved outstanding growth, with sales increasing by 22 per cent to EUR 57.3 million. For the fourth year in a row, SYZYGY has posted double-digit sales growth, with growth over the past four financial years averaging around 20 per cent.

This figure is due almost entirely to organic growth. The company's profitability is also increasing, as reflected in a disproportionate rise in operating income. Based on the positive outlook and an excellent balance sheet, we will be proposing a full distribution at the Annual General Meeting, raising the dividend by EUR 0.02 to EUR 0.37 per share. Although the SYZYGY share price rose by 39 per cent in the course of the year, this figure represents an above-average dividend yield of more than 4 per cent for the seventh year in succession. It also confirms the status of SYZYGY shares as an attractive dividend stock.

The Group's financial results

The SYZYGY Group continued its strong performance of recent years, with sales up 22 per cent to EUR 57.3 million. It is particularly noteworthy that both the German and the international business segment contributed to growth. This growth is the result of expanding the firm's business with existing clients and acquiring significant new clients.

Operating income (EBIT) rose disproportionately by 37 per cent to EUR 5.3 million, representing an EBIT margin of 9.2 per cent. This was a significant rise compared with the previous year's figure of 8.2 per cent. Financial income amounted to EUR 2.0 million. Total pre-tax income was EUR 7.2 million, up 21 per cent on the previous year. Net income after taxes was EUR 4.9 million.

The company's tax rate rose from 21 per cent to 33 per cent, due in particular to higher income in the US. The SYZYGY Group's operating cash flow was EUR -2.4 million, down as a result of timing-related factors. SYZYGY AG continues to have no financial liabilities and holds liquidity reserves of EUR 26.8 million as at year-end.

Marco Seiler, CEO

SYZYGY stock

The trading volume in EUR increased last year by a further 20 per cent to an average of around EUR 194 thousand a day. The 39 per cent price rise in 2015 far exceeded the performance of major indices such as the DAX (+10%), TecDAX (+34%) and the SDAX (+27%).

The SYZYGY Group operates in a market with exciting prospects, allowing it to combine dynamic growth with an attractive dividend policy. The company also has extensive reserves and a pristine balance sheet with zero debt. All in all, the company has a set of attributes that make SYZYGY shares extremely attractive.

Erwin Greiner, CFO

Business segments and activities

The German companies significantly expanded their work for existing clients, with sales increasing by 22 per cent to EUR 33.7 million. EBIT growth was even stronger, rising 35 per cent to EUR 5.1 million.

The Group's international business has gained momentum, particularly through the expansion of business relationships in the US. At EUR 26.7 million, sales generated by the UK, US and Polish companies were 22 per cent above the previous year's figure. Here again, EBIT increased disproportionately by 38 per cent to EUR 4.3 million.

Changes to the Supervisory Board, management team and Management Board of the SYZYGY Group

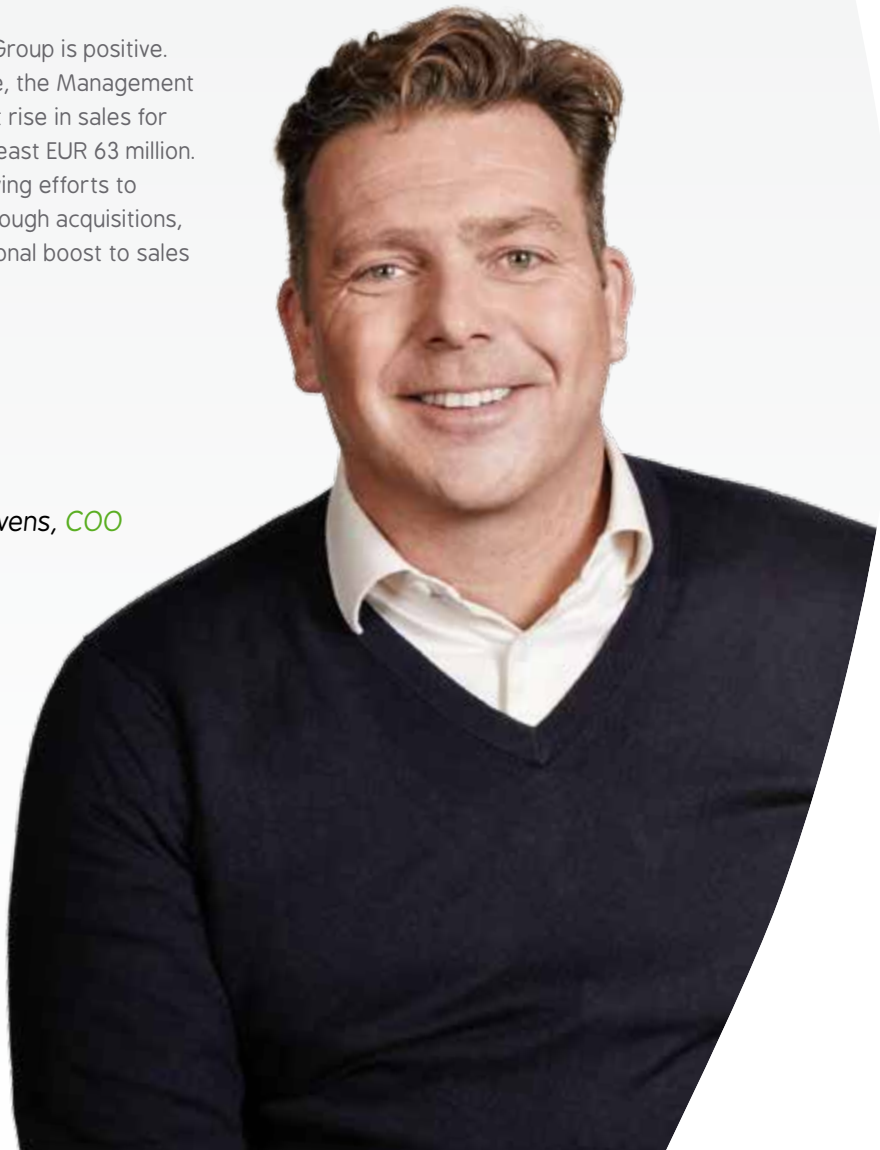
The Annual General Meeting appointed Mr Ralf Hering to the Supervisory Board on May 29, 2015. As a highly experienced businessman in the communications sector, Mr Hering brings valuable expertise to the company's boards at a key phase in the growth of our company. In addition, high-level international responsibilities were transferred to two experienced managers in the SYZYGY Group. Mr James Briscoe was promoted to Chief Media Officer. In this role, he takes full responsibility for the Group's media business. Mr Florian Schmitt was appointed the company's Chief Creative Officer at the same time. He is one of the most high-profile creative professionals in the digital industry and thus symbolises the Group's creative product.

The Supervisory Board also appointed Mr Lars Lehne to the Group's Management Board with effect from April 1, 2016. Mr Lehne is one of the most experienced digital managers in Germany. He was responsible for the agency business at Google Germany for more than six years, allowing him to gain deep insights into the sector. As of September 1, 2016, he will become chairman of the Management Board as successor to Mr Marco Seiler, who has been a member of the Management Board since the IPO in October 2000. After 21 years with the SYZYGY Group, Mr Seiler is stepping down from the Management Board and leaving the SYZYGY Group with effect from August 31, 2016.

Outlook

The SYZYGY Group operates in a market with exciting prospects, as demonstrated by the dynamic growth of recent years. Digital transformation is a huge challenge for companies. The fact that a new generation of younger managers is taking up the reins at DAX heavyweights such as BMW, Allianz and, in the near future, Daimler, is just one indication that companies are adapting their organisations to meet the needs of the digital age. But the process is only just beginning. Companies will be affected by digital transformation issues for many years to come. Accordingly, the SYZYGY Group's service portfolio is in greater demand than ever among large companies.

The outlook for the SYZYGY Group is positive. Based on present knowledge, the Management Board expects a double-digit rise in sales for the fifth time in a row, to at least EUR 63 million. The company is also intensifying efforts to achieve inorganic growth through acquisitions, which could deliver an additional boost to sales performance.



Andy Stevens, COO

Acknowledgements

The Management Board of the SYZYGY Group would like to thank its customers and also you, the loyal and valued shareholders of SYZYGY AG. Our sincere thanks also go to all the people and their families who comprise and support the SYZYGY Group. The SYZYGY Group employs professionals and senior managers who are among the best in the industry. We are proud of the individuals in the SYZYGY Group who strive every day to help make our clients winners in the digital age.

Special thanks go once again to the members of the Supervisory Board. As in previous years, the Supervisory Board's wealth of experience and expertise has been an important cornerstone for the development of the SYZYGY Group.

The Management Board

The SYZYGY Group

SYZYGY is an international digital marketing agency group with more than 550 employees and offices in London, New York, Berlin, Frankfurt, Hamburg, Munich and Warsaw.

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

Our Services

Customer Experience Design

Going beyond user experience, we create relevance for customers – with products and services which are both meaningful and useful and differentiate brands in a heavily commoditised market. We create happiness for customers and results for brands.

Creative & Technology

Creative technology is a key part of our offering. Enhancing our methods to suit new technologies – whilst maintaining strong focus on the creative ideas – enables us to create the optimal, most creative solution for our clients' digital channels.

Innovation & Service Design

Using innovative ideation methods, we create customer centric tools and services to engage with a wide range of audiences with one goal: To maintain existing relationships and create new ones.

Business Transformation

We digitise business processes with portals that enhance convenience for users and optimise costs for our clients. We have vast experience in sales solutions – from revenue optimisation to digital point of sale innovation.

Online Media & Data Science

We invest over 100 million euros a year in digital advertising on behalf of our customers. From Search Engine Marketing (SEM), Facebook advertising and affiliate marketing to display and real-time advertising – we cover the entire spectrum and always keep a careful eye on the ROI.

Digital Production

Our production services integrate seamlessly into all other services, from film and computer generated imagery, animation, illustration to original music, photo shoots and retouching, we craft work that has emotional impact.

Welcome to the Experience Economy

Senior Producer Linda Murphy-Ericsson hosts a roundtable discussion with our Chief Creative Officer Florian Schmitt, Chief Media Officer James Briscoe, and our Digital Strategist Dr. Paul Marsden.

Six trillion dollars. That's the size of the opportunity for digital technology to improve customer experience, according to a recent industry report. The size of the prize explains why customer experience (CX) is now systematically rated the number one digital priority for brands and agencies alike.

How we feel about the quality of our interactions with a company and its products (the simple definition of customer experience) is linked to lots of good things; willingness to pay a premium, purchase frequency, propensity to repurchase (loyalty), and propensity to recommend (advocacy). With this in mind, our international strategy team sat down to discuss the new customer experience opportunity for the SYZYGY Group.

Linda: We're seeing our clients rank "customer experience" as their #1 priority moving forward, why all the interest in customer experience now?

James: In an increasingly commoditized world many brands are realising that one of the only remaining points of differentiation is the experience they create for their customers. People today have more information and choice than ever before and are only one click or call away from the competition.

Paul: I think it's all about the money. There's compelling evidence out there linking customer experience to business success – Bain & Co have repeatedly shown that category leaders in customer experience can grow at double the rate of the category average. CX leaders can also outperform in terms of shareholder return, generating 3x return of the market average. Forrester and McKinsey have published similar findings. So it makes sense for any business interested in growth to focus on customer experience. And digital can help. So yes, I agree it's to do with the commoditization you mention James, but it's also about standing next to the money.

James: I think there's a realisation that technology is just an enabler of solutions, the best technology solutions are those that work seamlessly in our lives. Unless you are looking through the eyes of your customers then you can go down many expensive solutions that offer limited value. To get the right answers you need to make sure you have multi discipline teams working together to come up with different answers.

Paul: I agree – I'm not too fond of the whole "CXO" trend thing – but I guess if you're going to have a C-insert-letter-here-O, surely a top priority should be a Chief Customer Officer, someone who see the world through the eyes of the customer, and brings the voice of the customer to the table. Why? Because customers are the ultimate paymaster, the people who ultimately pay salaries and dividends. CX brings the voice – and wallet – of the customer into business decisions.

Florian: Funny thing is that for years I have been telling fashion and luxury clients they need to see their online stores like they view their brick and mortar stores. As a brand temple where yes, they can impress with their brand and product but more importantly with their knowledge of the customer to offer them added value. I used to call it site intelligence but it's really just common sense. Respect your customer, learn about them and treat them the way you would in your real store and they will feel valued and come back. Find out about their needs and intents by putting yourself in their shoes, and surprise and delight them. It wasn't until we started looking at websites as digital services rather than brochures that the penny dropped for clients and they saw that their service is their brand.

Dr. Paul Marsden

Florian Schmitt

Linda: But isn't CX just UX – User Experience – reinvented?

Paul: No I don't think so – UX is product-centric, not human-centric. A user is a user of a product – or service – and that puts the product or service, at the centre of everything, not the human. The problem with this product-centric thinking, and with UX in general, is that we can miss the big picture – the place of a product or service in people's lives and, of course, their place in the success of a business. And with UX you can end up with arcane and inane conversations about where to put the hamburger menu on a screen. Sure it may matter, but a CX perspective puts it all in perspective and focuses design on what matters to people and business.

James Briscoe

James: I agree Paul it's all about perspective; if you look at mobile marketing, it's no longer a specialism sitting on the side, it's at the heart of how many customers want to interact with brands. UX would merely optimise the channel, whereas CX puts it at the forefront for many brands and services. The modern consumer is online across a number of devices at different times over the day and expects to be able to access the content without barriers. Walk in the shoes of your customers and you soon shift your view on the importance of mobile.

Paul: That's a key point James, a CX perspective means walking in the shoes of your customers, feeling what they feel and then working to make those feelings positive. So for me, I guess it's all about putting digital to the service of our clients by putting digital to the service of their customers. Ultimately that means that CX is about the so-called "Golden Rule" – treating others as you'd like to be treated. That's a good goal for digital. Digital for good.

Florian: I am with you both. Yes, UX is about the human but only to optimise the product for use. You can have the most usable fully responsive site, but if your service offering isn't useful you're missing the point. Likewise, you may have a wonderfully useful service which is being hampered by poor UX.

Paul: You're so right Florian – if UX is about usability, then CX is about being useful. A CX mindset promotes a service mentality in digital where we think of digital assets as useful products and services and we think of users as valued customers.

Linda: Okay, so if CX is not UX, what exactly is "customer experience"?

Paul: So there are a bunch of ways to skin the customer experience cat, but I guess for there are two parts to the answer. First, a customer – as opposed to a consumer – is someone who does business with a provider or supplier. That makes the customer the top business priority – as Tom Peters famously noted, every business has just two core functions – winning customers and keeping them. "Experience" is a slippery concept, as it's super personal, but that's the point – customer "experience" is all about how you personally feel about the interactions you have with a business and what it sells. So CXM – customer experience management – is all about making the interactions with what you sell and how you sell it as positive as possible.

Florian: As we said before, it really is in the name and it's high time the term user is being phased out in our industry. A user, apart from reminding of a drug user, just defines a data point – who wants to be called a user? The term customer acknowledges the person at the other end and if done well, we will have made sure that what we communicate (as a brand) is addressing the needs of that person, rather than the perceived communication needs of a brand. Once you look at brands from this point of view, it's fascinating to see which succeed and which don't.

James: One thing for sure, good UX is no longer enough. You can have a good experience as a "user" but still be unsatisfied as a customer, especially when things go wrong. Its when normal processes fail that a brand's CX program is truly put to the test.

Linda: So, bottom line, for SYZYGY what are the big business opportunities now in CX?

Paul: I think the big opportunity for us is to help make it easier for customers to do business with brands. There's a lot of lofty brand talk about creating "wow experiences", but the research out there suggests that what people really want is an effortless experience. Digital is about making things easier for people to get stuff done. Wasn't it Apple that said the best technology is invisible technology? This fits with our Group focus on "convenience tech" in today's "Now Economy". The whole "wow experience" thing is an expensive red herring.

James: You can see the conversations with CMOs already changing, traditional focus on big brand marketing is shifting to thinking about customer experience delivering the commercial performance. So the main opportunity is this change in attitude and the demand for a new way of thinking. I think we will start seeing briefs that are more open and start with questions around customers rather than specific technology, media or marketing approaches. It's going to be a very exciting few years.

Florian: It really is encouraging to see that we are finally moving out of the long dark shadow of Edward Bernays and into the light towards a more meaningful and purposeful interaction between brands, services and people. I believe there are still industries where brands cannot just be seen as interchangeable – take the luxury and fashion sectors who still command a high, sometimes irrational, brand image based loyalty, and more traditional aspirational communication still works. But within automotive, finance or travel, there are huge opportunities for us to make a difference by creating a superior customer experience.

Linda: And future opportunities? What are the future CX opportunities for SYZYGY?

Paul: For me the future of CX is convenience tech – making it quick and easy for people to do business with our clients, and quick and easy to do the things that matter to them. If you want "wow" experiences, you've got sunsets, art, science and human relationships. Forget cats on skateboards. At SYZYGY, I think our big opportunity is help our clients reposition digital as a service, helping people get things done and experience the things that matter to them, rather than trying to become the experience that matters.

Florian: Paul, totally with you on the convenience tech but cats will always be important. Seriously though, I wonder if convenience couldn't just become another commodity at some point. CX could be convenience plus X maybe? X being delight, surprise? Cherry on top.

This year our annual Digital Innovation Day is all about Customer Experience, see more here: *http://did.syzygy.net/en/*

BMW Group

Accelerating into the mobile age

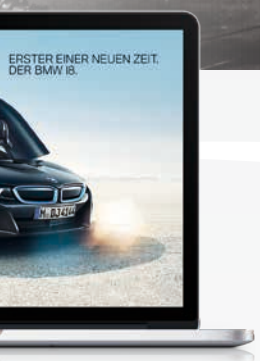
The focus of our expanding partnership with BMW is on promoting the brand as a premium player with regard to web technology and the customer experience.

BMW's brand promise around design and technology needs to be reflected in the digital domain, which requires tight integration of design, concept creation and technology. And as digitisation progresses, the demands made on a company's global web platform also change.

The SYZYGY Group has been handling the worldwide digital account for BMW's car division since 2013. Working closely with BMW, we continue to push the boundaries of web technology, as well as advising on strategic direction. Thanks to a dedicated team of back-end developers, the company's websites and car configurator can now be used on all devices including mobile devices in almost every market. Rapid and effective realisation was a key feature of this project. Less than six months after the pilot phase, the first milestone was reached with roll-out in more than 50 markets – incredibly fast for a project of this type.

We have also been responsible for the website in BMW's domestic market since 2013. We handle the entire customer-facing German content for all digital channels: from design and concepts through support for new model launches to implementation of campaigns and specials. Developing and optimising CRM measures is an additional aspect. This includes designing and editing all newsletters as well as sales support activities. When workloads peak, such as around the IAA trade show or during the celebrations to mark "100 Years of BMW", our close teamwork pays real dividends. Another task performed on behalf of BMW Germany is central management of messages and targets across the digital channels.

We always regard expansion of our partnership with a major company as proof that we are on the right track. In this case, we won the global digital lead account of BMW Motorcycles at the end of 2014, subsequently opening an office in Munich to help serve the client. Our mission is strategic development and ongoing maintenance of the brand platform, the bike configurator and worldwide roll-outs to the markets.



Digital support for product launches and the design and production of international digital campaigns and content are additional aspects. An excellent customer and brand experience across all digital channels and optimum digital support for sales targets are at the heart of our work.

One of the first projects in the content and campaigns arena was a virtual test drive entitled "Your Mission To Ride", which we developed for the model update of the super sport bike S 1000 RR. It enabled bike fans to use their smartphone like a throttle to unleash the superbike's performance – only reality is more real.

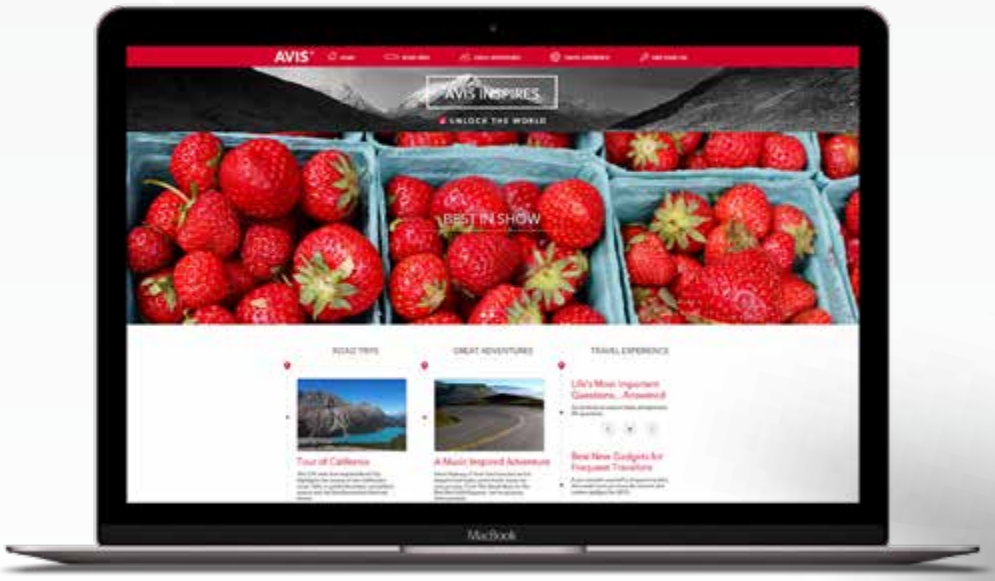
Avis Budget Group

Partnership on an equal footing

In the fast-moving and turbulent digital market, stable long-term relationships between agencies and clients cannot be taken for granted.

The fragmentation of media channels and devices in recent years has led to a division for the agency world as well. Agencies have a new challenge to not only keep their clients constantly relevant to consumers, but they must also reinvent their own client engagement to ensure a business partnership that goes beyond just a traditional agency model. We have not only sustained an 11 year relationship with Avis Budget Group, but have redefined the role of an agency to ensure true business partnership for the future.

The first point of call was to ensure we moved past the role of a marketing partner and define ourselves as a business partner that is fully imbedded to drive results that truly moved the needle for Avis. We took a holistic view on the overall business goals and consumer journey by implementing a consumer centric approach to global planning that was was underpinned by data and insight. We broke down silos by building a multi-discipline team on a global level that span across data, SEO, paid media, content and strategy – all areas that have a direct impact on the Avis customer journey and Avis' bottom line.



A new revenue-share fee model was introduced, which focused both parties on performance and growth with shared risk and shared reward.

This forward thinking approach allowed us to advise across e-Commerce, Finance, Pricing and Marketing Strategy within the the Avis organization.

Telefónica Deutschland

Selling in the modern age

Extending digitisation to the point of sale (PoS) helps to maximise business success. Accordingly, SYZYGY supported Telefónica Deutschland in developing a digital communication channel to "bricks and mortar" retail outlets. The new technology also enables retailers to provide customer advice using a tablet.

Physical outlets are an important channel for Telefónica, which has been a SYZYGY Group client with its premium O_2 brand since 1999. Back in 2009, we were involved in development of the Partner Online System (PartOS), which supports all the main business processes found in offline retailing. At the push of a button, PartOS gives retailers access to all the information they need for their day-to-day work.

This ranges from managing customer contracts and commission accounts to tariff and device information, through to advertising materials, printable forms and web-based training. At the same time, O_2 headquarters receives reports on business performance for monitoring purposes.

The project highlights the broad portfolio of services offered by the SYZYGY Group. We advised Telefónica on all aspects of digitising its business processes, optimised the user experience and design of the system, and implemented the technical side of the project. Our data centres have hosted PartOS operation ever since – a significant sign of client trust, given that this highly sensitive interface is absolutely mission-critical. Users have certainly been won over: alongside O_2's own shops, the system is also used by partners and indirect channels.

Another tool has also been available from SYZYGY since 2012 to streamline processes. A special Sales app makes it possible to provide customer advice using a tablet. Pen and paper have been replaced by the speed and convenience of a digital workflow – displaying tariffs, making personalised offers and sending them to the customer by e-mail.

The Sales app is now available in all German O_2 shops. Looking to the future, additional functionality will add even more value, with customers able to sign directly on the tablet.

The stock

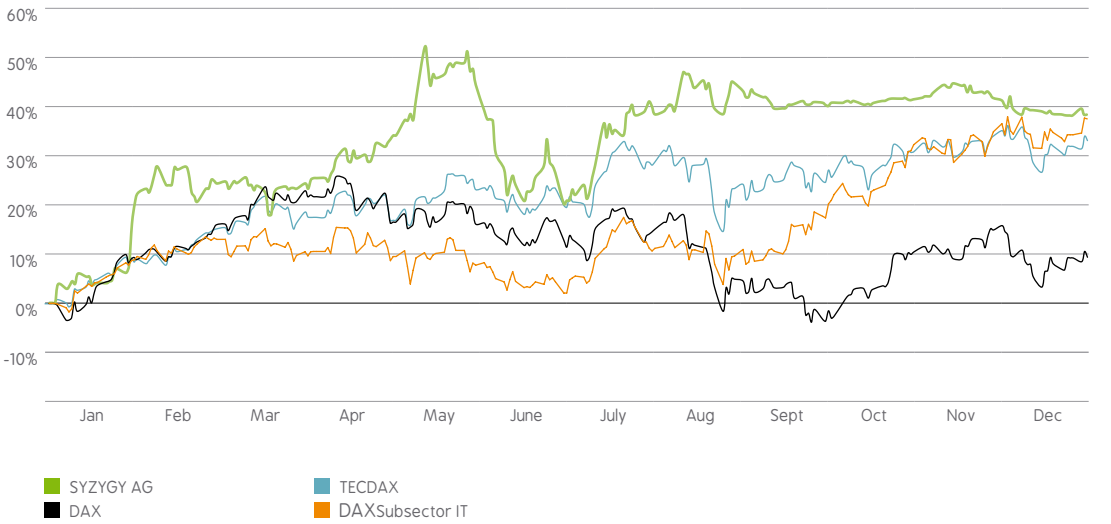
Development of SYZYGY's share price and relevant indices	2015	2014	Change
XETRA closing price (in EUR)	8.82	6.36	39%
Overall performance including dividends	44%	24%	–
DAX	10,743	9,806	10%
TecDAX	1,831	1,371	34%
SDAX	9,099	7,186	27%

Key figures per share	2015	2014	Change
	EUR	EUR	
Ordinary Dividend	0.35	0.28	25%
Earnings per share	0.37	0.35	6%
Highest XETRA closing price	9.70	6.49	49%
Lowest XETRA closing price	6.54	5.10	28%
Price performance	2.46	1.25	39%

Key figures of the SYZYGY share	2015	2014	Change
Total number of shares (non-par value bearer shares)	12,828,450	12,828,450	–
thereof own shares	133,438	150,000	-15%
Market capitalisation, basis XETRA closing price (in Mio. EUR)	113.1	81.6	39%
Freefloat	48.48%	68.80%	n,a,
Freefloat market capitalisation (in Mio. EUR)	54.9	45.2	21%
TecDAX Ranking 2015:			
Market capitalisation (position)	87	58	–
Turnover (position)	54	62	–
Average daily turnover:			
in shares (thereof XETRA 18,262)	22,831	21,557	6%
in EUR (thereof XETRA 156,048)	193,851	160,991	20%

Share data

ISIN	DE0005104806
WKN	510480
Symbol	SYZ
Reuters	SYZG.DE
Bloomberg	SYZ:GR
Listing segment	Regulated Market, Prime Standard
Stock exchanges	XETRA, Berlin, Dusseldorf, Frankfurt, Hamburg, Hannover, Munich, Stuttgart
Sector	Software
Designated Sponsor	equinet Bank AG
Analysts	Cosmin Filker (GBC AG) Simon Heilmann/Adrian Pehl (equinet Bank AG) Felix Ellmann (WARBURG RESEARCH)



SYZYGY in the capital market

Global equity markets remained volatile in 2015, but closed the year under review with substantial gains in some regions. European equities benefited overall from the ongoing expansionary monetary policy being pursued by the European Central Bank (ECB) and from low interest rates. The company's share price rose 39 per cent in the course of the year, outperforming comparable indices such as the SDAX, TECDAX and DAX. The Management Board and Supervisory Board will propose an increased dividend of EUR 0.37 (previous year EUR 0.35) at the Annual General Meeting scheduled for July 8, 2016. This is the fifth dividend increase in succession.

Volatile year in the global markets

European stock markets started 2015 with significant gains. Stock markets were driven higher by the ECB's expansionary monetary policy in particular. In addition to existing measures, the ECB launched a securities purchasing programme (quantitative easing, or QE) for government bonds with a total value of EUR 1.1 trillion. The DAX rose by more than a quarter by the start of April, with share prices reaching unprecedented levels. Subsequently, however, further escalation of the Greek debt crisis had an adverse impact. Concerns about possible knock-on effects as a result of a Greek exit from the Eurozone led to increased volatility.

Following a modest recovery in share prices in July, events were dominated by reports of slowing growth in China, turbulence in the Chinese equity market and uncertainty about the timing of interest rate changes by the US central bank. Against this backdrop, stock market prices in Europe and the USA fell markedly in August. Fears also emerged that the US economy could already have reached

its cyclical peak. October then saw the start of a strong recovery, with many equities able to recoup some of the earlier losses. A further fall in the price of oil and disappointment about the ECB's decision not to extend its bond-buying programme led to very volatile prices in December. Overall, equity markets in Germany performed very well, with technology stocks seeing particularly robust rises.

Accordingly, the surge of 34 per cent experienced by the TecDAX significantly outstripped the SDAX, which was up 27 per cent, and also beat the DAX's 10 per cent rise. The DAX exceeded the 12,000 point mark in April 2015 for the first time, reaching a new all-time high of 12,375 on April 10. In Japan, the Nikkei index was up 9 per cent over the year, while in the US the Dow Jones fell 2 per cent in the course of the year.

Performance of SYZYGY shares

Supported by excellent business figures for 2014 and the announcement that the dividend would be increased from EUR 0.28 to EUR 0.35, SYZYGY shares strongly outperformed the major indices. Starting at EUR 6.36, SYZYGY's stock made a flying start to the new year and gained up to 22 per cent by the end of January.

This was followed by a phase in which the share price moved sideways, until again posting dynamic increases from the beginning of April. This positive trend continued in the weeks up to the date of the Annual General Meeting, with the share price reaching its highest closing level on May 11, 2015, at EUR 9.70. As expected, the share price declined after payment of the dividend of EUR 0.35. It then moved in a range between EUR 7.70 and EUR 8.50 until mid-July. The announcement of the half-year results gave the share price another boost, pushing it to around EUR 9.00. On August 7, 2015, WPP made public its intention of making a voluntary takeover offer to the shareholders. The share price then rose briefly to EUR 9.40, before settling at the announced offer price of EUR 9.00.

Despite periods of turbulence in the equity markets, with the DAX down about 20 per cent by the end of September, the takeover offer meant that SYZYGY shares fell only marginally below the offer price of EUR 9.00.

This price trend continued after the end of the offer phase and through to the end of the year, with the stock continuing to trade in a narrow range between EUR 8.80 and EUR 9.20. The announcement of the results for the 9-month period once again provided support for the share price. Even in a highly volatile and somewhat fragile stock market environment, SYZYGY's share price thus remained very stable, closing the year at EUR 8.82.

The SYZYGY share price was up around 39 per cent by the end of the stock market year, having significantly outperformed the DAX and TecDAX. Taking into account the dividend payment of EUR 0.35, SYZYGY shares returned 44 per cent overall.

On May 29, 2015, the Ordinary General Meeting of SYZYGY AG approved distribution of a dividend of EUR 0.35, which was paid starting from June 1. Based on the XETRA closing price on the date of the General Meeting, the dividend yield was 3.8 per cent and thus remained at a high level (previous year: 4.3%).

The liquidity of SYZYGY shares remained constant year-on-year, with an average of 22,800 shares being traded across all German stock exchanges each day.

Takeover offer by the WPP Group

WPP Jubilee Ltd. announced on August 7, 2015 that it intended to make a voluntary takeover offer to acquire all SYZYGY shares against payment of a cash consideration of EUR 9.00. The offer document from WPP Jubilee Limited, a subsidiary of WPP plc, was published on September 16, 2015.

WPP set an initial acceptance period from September 16 to October 14, 2015 and a subsequent acceptance period from October 20 to November 2, 2015. The offer was subject to the condition that the EBITDA of the SYZYGY Group would not fall by more than EUR 0.5 million. There were no other conditions attached to the offer.

On September 28, 2015, the Management Board and Supervisory Board issued a joint statement recommending acceptance of the offer.

In the initial acceptance period, 16.97 per cent of the shares were tendered to WPP and a further 3.51 per cent in the second acceptance period, with the result that WPP now holds 50.48 per cent of SYZYGY shares.

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 as follows during the reporting period: WPP remains the biggest shareholder, with just over 50 per cent.

SYZYGY AG Management Board members Marco Seiler and Andy Stevens tendered all their shares in the course of the takeover offer, as did Supervisory Board members Wilfried Beeck and Michael Mädel, such that none of the board members held any shares as at December 31, 2015.

All in all, board members held a total of around 7 per cent of the company prior to the takeover offer being made.

The authorisation granted by the Annual General Meeting as of May 28, 2010 to buy back shares lapsed in 2015. The General Meeting of May 29, 2015 renewed the resolution to acquire treasury stock. The company did not make use of this authorisation in the 2015 financial year. 16,562 shares were transfered to the agency's minority shareholders in the course of acquiring the outstanding shares in Hi-ReS! London. Compared with the previous year, treasury stock thus decreased slightly to 133,438 shares or 1.0 per cent.

The freefloat as defined by Deutsche Börse was 48.5 per cent as at December 31.

Investor relations

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

In order to showcase the business model and report regularly on the strategy and development of the Group, representatives of the management team attended a total of four capital market conferences in the year under review: the German Equity Capital Forum in Frankfurt, the Investors' Day organised by Solventis Wertpapierhandelsbank, the Zurich Capital Market Conference (ZKK) and the Munich Capital Market Conference (MKK). Visits were also made to a number of institutional investors in the course of one-on-one talks or round-table events. Roadshows were also held with equinet Bank AG, BHF-Bank and GBC AG.

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

Four analysts now provide regular up-to-date assessments and forecasts on the performance and future development of the Group. These are: GBC AG, equinet Bank AG, Solventis Wertpapierhandelsbank GmbH and Warburg Bank. 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 at any time, in both German and English.

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 five ordinary meetings of the Supervisory Board were held together with the Management Board in the 2015 financial year, on January 27, March 27, April 28, October 22 and December 14. The Supervisory Board and Management Board also held two extraordinary meetings, on August 18 and September 28, 2015.

In addition, the Supervisory Board and Management Board held a three-day meeting from July 15-17, 2015 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 27, 2015 focused on discussing the 2015 budget and the Group's strategic development. The provisional figures for 2014 and the company's financial position were also discussed. In conclusion, the Management Board and Supervisory Board decided to propose a dividend of EUR 0.35 at the Annual General Meeting.

The accounts review meeting was held on March 27, 2015 in the presence of the auditor. After carefully reviewing all the documents, the Supervisory Board received detailed information on the financial statements for the 2014 financial year from the members of the Management Board. The auditor presented the key aspects and results of its checks. All questions were answered by the Management Board and auditor 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 2015 Annual General Meeting was also agreed. This included a decision to propose the appointment of BDO AG Wirtschaftsprüfungsgesellschaft as auditor to the Annual General Meeting.

At the Supervisory Board meeting of April 28, 2015, 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 2015 were discussed and subsequently approved. Another focus of the meeting was the Digital Innovation Day (DID2015), which deals with various aspects of digital innovation and is a key element of the SYZYGY Group's marketing strategy.

In the course of the three-day meeting held on July 15-17, 2015, the figures for the first half of 2015 were discussed and approved. The Management Board also presented the outlook for the rest of the financial year. Organic and inorganic growth, the trend in new business and the management structure of the SYZYGY Group were also discussed in depth at the three-day meeting. Elements of the Corporate Governance Declaration for 2015 were also the subject of discussion.

The next meeting was unscheduled. It was held on August 18, 2015 and dealt with the voluntary takeover offer by the WPP Group. This meeting initially comprised a discussion of the takeover offer process and subsequent steps.

At the meeting held on September 28, 2015, the Supervisory Board and Management Board discussed in detail their joint position on the voluntary takeover offer and adopted it by mutual agreement.

The ordinary Supervisory Board meeting of October 22, 2015 started off with a discussion of the nine-month figures, which were duly approved. The Management Board again presented an updated outlook for the rest of the year.

The last meeting of the year was held on December 14, 2015. It dealt with the outlook for 2016 and the risks and opportunities presented by the acquisition of a potential 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.

The financial position of the SYZYGY Group was also presented at the meeting and the investment strategy for cash assets was discussed in detail.

Following completion of the takeover offer by WPP and the resulting shareholding of 50.5 per cent, the implications for SYZYGY were also discussed.

The first Supervisory Board meeting of the current financial year, 2016, was held on February 1, 2016. The 2016 budget was discussed at this session. The provisional business figures for 2015 were also presented. Following in-depth discussion and subsequent approval of the provisional figures, the Supervisory Board decided to propose a dividend of EUR 0.37 at the Annual General Meeting.

Another extraordinary Supervisory Board meeting was held on February 22, 2016, in which the budget for the 2016 financial year was approved. In addition, Mr Marco Seiler resigned from his office as Chairman of the Management Board of SYZYGY AG with effect from August 31, 2016. At the same meeting, the Supervisory Board appointed Mr Lars Lehne as an additional Management Board member effective April 1, 2016 and nominated him as Chairman of the Management Board with effect from September 1, 2016.

The Supervisory Board met on March 2, 2016 to discuss the M&A strategy and a potential takeover candidate.

A Supervisory Board meeting was also held on March 29, 2016 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

Supervisory Board member Mr Thomas Strerath was dismissed by the Annual General Meeting on May 29, 2015. Mr Ralf Hering was elected in his place for the remaining term of office; he accepted his election to the Board.

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

The term of office of all Supervisory Board members covers the period until conclusion of the General Meeting that discharges the members in relation to the 2018 financial year.

Due to its small 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 May 29, 2015 discharged the members of the Supervisory Board and Management Board in relation to the 2014 financial year.

Corporate governance

On December 14, 2015, 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 current version of the Code, dated May 5, 2015.

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 Group Management Report which is included in the 2015 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 auditor on May 29, 2015. The Supervisory Board has not identified any circumstances that could give rise to a lack of impartiality on the part of the auditor. The auditor himself has issued a statement of independence. Apart from auditing the financial statements, services in an insignificant extent have been provided by BDO AG.

BDO AG audited the annual financial statements and Management Report, the consolidated financial statements and the Group Management Report for the 2015 financial year on behalf of the Supervisory Board and granted an unrestricted auditor's certificate in each case.

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

After carefully reviewing all documents, the Supervisory Board received detailed information on the financial statements for the 2015 financial year from the members of the Management Board at its meeting of March 29, 2016. The auditor also attended, presenting the key aspects and results of its checks. All questions were answered by the Management Board and auditor 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 29, 2016
SYZYGY AG

The Supervisory Board

Michael Mädel
Chairman of the Supervisory Board

Corporate Governance

In this declaration, the Management Board and Supervisory Board report on corporate governance as required under section 289a of the German Commercial Code (HGB) and on the corporate governance of SYZYGY AG in accordance with No. 3.10 of the German Corporate Governance Code ("DCGC" below). The DCGC describes internationally recognised principles of responsible and transparent company management and supervision. Since it was first adopted in 2002 it has been updated and extended on several occasions, most recently on May 5, 2015.

The Management Board and Supervisory Board are committed to a style of corporate management based on sustainability. They identify with the purpose of the DCGC, i.e. to promote trust-based management for the benefit of investors, employees and customers.

The DCGC includes recommendations. Companies can deviate from them, but are then obliged to disclose this in an annual Declaration of Conformity as required under section 161 of the German Public Companies Act (AktG) and to justify the deviations.

Since May 1, 2015, the Declaration on Corporate Governance additionally includes, in accordance with section 289a No. 4 of the German Commercial Code, the establishment of targets intended to facilitate equal participation of women and men in management positions.

The Declaration on Corporate Governance as defined in section 289a of the German Commercial Code covers the following:

1. The Declaration of Conformity with the German Corporate Governance Code in accordance with section 161 of the AktG;

2. Relevant information on corporate governance practices applied at the company that go beyond statutory requirements;

3. A description of the working methods of the Management Board and Supervisory Board, and the composition and working methods of their committees;

4. Information about the targets established for the female proportion of management positions and the extent to which these targets are reached.

SYZYGY AG complies with the Code as updated on May 5, 2015, apart from a few exceptions. These exceptions are listed and explained in the following Declaration of Conformity.

Since publishing the last declaration of conformity on October 31, 2014, SYZYGY AG has complied with the recommendations of the old version of the Code, dated June 24, 2014, with the same exceptions as noted in the current Declaration of Conformity.

1. Declaration by the Management Board and Supervisory Board of SYZYGY AG in relation to the German Corporate Governance Code as updated on May 5, 2015, pursuant to section 161 of the AktG

The Management Board and Supervisory Board of SYZYGY AG declare pursuant to section 161 of the AktG that the company complies with the recommendations of the Government Commission's German Corporate Governance Code as updated on May 5, 2015, with the following exceptions:

(1) Diversity when filling managerial positions, in particular aiming for an appropriate consideration of women (No. 4.1.5):
The Management Board has already engaged with the DCGC's requirements for greater diversity, in particular for an appropriate consideration of women in managerial positions. In the interests of the company, when filling managerial positions the management of SYZYGY AG selects the individual who matches the requirements profile most closely on the basis of his or her professional qualifications and personal aptitude. Gender is not a primary factor when making a decision. If several candidates, both male and female, all with equal qualifications, apply for the same vacant position, the Management Board will choose the person who adds to the diversity of the management team.

(2) Diversity when filling Management Board positions, in particular aiming for an appropriate consideration of women (No. 5.1.2):
When filling Management Board positions, the decision for a particular candidate is also taken solely on the basis of professional qualifications and personal aptitude. If several candidates, both male and female, all with equal qualifications, apply for the same vacant position, the Supervisory Board will appoint the person who adds to the diversity of the Management Board.

(3) Formation of committees with sufficient expertise by the Supervisory Board as stipulated in No. 5.3.1, an Audit Committee as required in No. 5.3.2 and a nomination committee in accordance with No. 5.3.3:
The Supervisory Board of SYZYGY AG comprises three persons. This size has proved to be very effective, since both general strategic topics and detailed issues can be discussed intensively in the plenary Supervisory Board sessions and decisions taken. Due to there being only three Supervisory Board members, we do not consider it appropriate to form committees.

(4) Specification of concrete objectives regarding the composition of the Supervisory Board, an age limit and diversity on the Supervisory Board (No. 5.4.1)
Since SYZYGY AG was established, the company has been committed to serving the interests of shareholders, employees and customers by having a Supervisory Board with the greatest possible professional expertise, both company-specific and industry-specific, regardless of attributes such as age or gender. A particular focus in this respect is in-depth knowledge of the communications and digital sector, an international outlook and an extensive skillset in accounting and internal control procedures. In its current composition, the Supervisory Board satisfies these requirements in full. Due to the small size of the Supervisory Board, the company does not produce a written specification of detailed requirements. The Supervisory Board also does not specify an age limit and a normal limit for the appointment period, since it does not consider stipulations of this kind to be useful in this professional context. Likewise, proposals for the election of Supervisory Board members are, in the company's interest, based primarily on the required knowledge, skills and professional experience. When making proposals in future,

the Supervisory Board will take into account diversity aspects, in particular with regard to an appropriate representation of women, while giving due regard to the company-specific situation.

(5) Compensation of Supervisory Board members (No. 5.4.6):
All Supervisory Board members receive the same compensation by mutual agreement, since all members have comparable workloads.

2. Corporate governance practices

The Management Board of SYZYGY AG runs the business with the due care of a prudent and conscientious businessman, in compliance with the statutory requirements, the provisions of its Articles of Association and the German Corporate Governance Code (DCGC) in accordance with section 161 of the AktG (German Public Companies Act), with the exceptions stated in the corresponding declaration. There are no relevant corporate governance practices at SYZYGY AG that go beyond these requirements.

3. Working methods of the Management Board and Supervisory Board

Dual management system

As required by law, SYZYGY AG operates a dual management system in which the Management Board manages the company independently, while the Supervisory Board is responsible for monitoring the actions of the Management Board. The two boards are strictly separate, both in terms of the persons appointed to them and their competencies.

Composition and working methods of the Management Board

The Management Board of SYZYGY AG comprises three persons: Chief Executive Officer, Chief Operating Officer and a Chief Financial Officer. Since the Management Board has only three members, no committees have been or will be formed.
The Management Board conducts the business of the company in accordance with the law, the Articles of Association and its Rules of Procedure. It defines long-term objectives for the good of the company and its sustained growth, both for the Group and its subsidiaries, and develops strategies on that basis.
In doing so, it works closely with the company's Supervisory Board in the context of a trusting relationship.
Each member of the Management Board is responsible for specific business areas, for which he takes personal responsibility.
When performing their duties the members cooperate and inform each other of important measures and activities in their respective area of responsibility. Responsibility for overall management is borne collectively by all Management Board members.

Management Board meetings may be convened by any member of the Management Board. They are held at regular intervals and additionally as required. The Management Board adopts resolutions by simple majority, unless unanimity is required by law. Transactions that may only be conducted with the consent of the Supervisory Board are laid down in the Rules of Procedure. Management Board resolutions are documented and archived.
The Chairman of the Management Board acts as spokesperson. He coordinates the individual business areas and represents the company externally.

SYZYGY AG has taken out D&O insurance for all members of the Management Board and Supervisory Board. In accordance with the current Corporate Governance Code, this provides for an excess in the amount prescribed by law.

Composition and working methods of the Supervisory Board

The Supervisory Board of SYZYGY AG has three members. In line with statutory requirements, one of these members is a financial expert with extensive knowledge of accounting and internal control procedures.

When performing its duties, the Supervisory Board works together with the other boards of the company for the good of the enterprise. It monitors and advises on the Management Board's actions in terms of legality, regularity, appropriateness and commercial viability.

The Management Board reports 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 is directly involved in all important decisions affecting the SYZYGY Group.

Supervisory Board meetings are held regularly once a quarter and additionally as required. Meetings are convened in writing by the Chairman with fourteen days' notice. A written agenda is distributed to the members of the Supervisory Board before each meeting. Resolutions require a majority of the votes cast or are adopted unanimously, as the case may be.

The company's performance is discussed at every meeting of the Supervisory Board. The Supervisory Board also requests additional information from the Management Board. In particular, the Supervisory Board studies the quarterly reports on a regular basis and approves them following discussion with the Management Board.
The Supervisory Board Chairman coordinates the work of the Board and chairs the meetings. Each year he outlines the work of the Supervisory Board in his report to the shareholders and Annual General Meeting. More detailed information on the work of the Supervisory Board throughout 2015 can be found in the Report of the Supervisory Board in this Annual Report.

4. Total shareholdings of Management Board and Supervisory Board

According to No. 6.2 of the DCGC, the total ownership of shares in the company or related financial instruments by Management Board and Supervisory Board members shall be reported in the Corporate Governance Report if these holdings exceed 1 per cent of the shares issued by the company. At the time of publishing the Declaration, Management Board and Supervisory Board members do not hold any shares issued by the company.

The long-term incentive schemes are based on the price performance of SYZYGY shares. When options are exercised or stock-based remuneration programmes are implemented, new shares are not issued; rather, the difference between the option price and the exercise price is paid in cash.

Since the remuneration for the Management Board is included in the Management Report, the relevant information for the financial year is contained in the this Annual Report.

5. Target figures for equal participation of women and men in management positions

The Management Board and Supervisory Board have already engaged with the DCGC's requirements for greater diversity, in particular for an appropriate consideration of women in managerial positions, on the Management Board and on the Supervisory Board. When filling managerial positions and when appointing Management Board members and in determining the composition of the Supervisory Board, SYZYGY AG is primarily under an obligation to serve the interests of the company; the candidate's qualifications and personal aptitude for the relevant duties must thus be the main consideration when filling vacant positions. Diversity is not defined solely by gender or nationality, but also and especially by professional diversity and a balanced mix of expertise from different specialist areas.

The German "Law on Equal Participation of Women and Men in Management Positions in the Private and Public Sector", which came into force on May 1, 2015, requires the definition of target figures for the female quota on the Supervisory Board, on the Management Board and in the two top management levels below the Management Board. The target figures for the Supervisory Board and Management Board are set by the Supervisory Board, while the figures for the two top management levels are defined by the Management Board. The targets must be established by September 30, 2015 for the first time and must be reached by June 30, 2017.

At present, the Supervisory Board consists of three members, each with extensive experience in the communications and software sector, as well as international relationships with clients and agencies. The Supervisory Board is elected to serve until the General Meeting that discharges the members in relation to the 2018 financial year. Consequently, the next Supervisory Board elections are expected to be held in 2019. If all the Supervisory Board members remain in office for the full term, the Supervisory Board will consist solely of male members until the reference date, June 30, 2017. In these circumstances, the Supervisory Board decided when setting a target figure not to change the current female quota on the Supervisory Board in the period up to June 30, 2017.

SYZYGY AG does seek to promote women. At the next Supervisory Board elections, it will endeavour to propose a female candidate to the General Meeting, such that a target quota of at least 30 per cent will be in place for the next Supervisory Board elections.

The Management Board of SYZYGY AG comprises three male members, each with extensive experience in the communications and software sector or many years of financial expertise. The existing Management Board contracts have each been concluded for a period of three years and end in the case of the Finance Director on December 31, 2017, and in the case of the other two directors on June 30, 2018. If all the Management Board members remain in office for the full term and no further Management Board members are appointed, the Management Board will consist solely of male members until the reference date, June 30, 2017. In these circumstances, the Supervisory Board decided when setting a target figure not to change the current female quota on the Management Board in the period up to June 30, 2017.

SYZYGY AG does seek to promote women. In future appointments to the Management Board or if the Management Board is expanded, the company will consider the person who adds greater diversity to the Management Board, in addition to professional qualifications and personal aptitude. Going forward, the company will seek a target quota of at least 30 per cent female Management Board members.

The current make-up of the first and second management level of SYZYGY AG below the Management Board is two thirds male employees and one third female, so a female quota of 30 per cent has already been reached. As such, the Management Board of SYZYGY AG has decided to maintain a female quota of at least 30 percent in the first and second management level during the period up to June 30, 2017. SYZYGY AG does seek to promote women. With regard to future staff development and the nomination of senior managers, it will take gender diversity into consideration as one of the criteria.

Bad Homburg v. d. H., December 14, 2015
SYZYGY AG

The Management and Supervisory Board

Financial statements

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 were prepared in accordance with Article 315 of the Handelsgesetzbuch (HGB – German Commercial Code) in conjunction with Article 315a [1] HGB. The financial year corresponds to the calendar year.

SYZYGY AG has been a fully consolidated company of WPP plc, St. Helier, Jersey, since November 2015 by virtue of control.

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 530 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 nine subsidiaries: Ars Thanea Rozbicki s.k.a., Hi-ReS! Berlin GmbH, Hi-ReS! London Ltd, SYZYGY Deutschland GmbH, SYZYGY Digital Marketing Inc (formerly Hi-ReS! New York Inc), SYZYGY München GmbH, SYZYGY UK Ltd, uniquedigital GmbH and Unique Digital Marketing Ltd. A new agency was established in August 2015 in Munich to improve support for local clients, but also in order to gain additional clients in southern Germany. SYZYGY AG holds 100 per cent of the shares in SYZYGY München GmbH.

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, hosting, 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 Group 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 performance indicators that are considered to be important for the long-term success of the Group. Some of these are listed below, even though they are not used explicitly as key indicators for managing the business.

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 that provide an inspiring work environment and welcoming office space with room for creativity, interaction and personal contacts, an open and communicative management culture, flexible working hours, 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 enhances 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 27 prizes in 17 different contests for 11 different projects, including the iF Communication Design Award, the Red Dot Design Award and the German Digital Award. The SYZYGY Group was in the top 10 of the digital ranking compiled by trade journal PAGE last year, taking seventh place. SYZYGY is also one of the industry's top 30 most creative agencies in the 2016 PAGE ranking. 2015 saw SYZYGY being listed for the first time in the digital-creative ranking compiled by the German Association for the Digital Economy (BVDW), in which it took ninth place. In the 2015 Internet agency ranking (based on fees in 2014) compiled by the BVDW, SYZYGY was placed eighth, and came top in the Business Transformation section, which is a sub-category of the Internet agency ranking.

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

The Eurozone economy experienced a modest upturn in 2015 and grew by an average of 1.5 per cent. This trend was mainly driven by consumer spending, which benefited from a further fall in oil prices and higher incomes. Export growth was subdued due to declining demand from China, Russia and Brazil, but the weaker euro did provide support for exporters overall. In the six months of summer 2015, European industrial production lost momentum, with negative growth of 0.1 per cent in the second quarter and a marginal rise of 0.1 per cent in the third quarter. This was due to a softening of economic activity in emerging markets accompanied by increasing uncertainty, together with a downward revision of the growth outlook in these countries.

Gross fixed asset investment and net exports both slowed, leading to weak growth of real gross domestic product (GDP) in the second and third quarter of 2015, at just 0.5 and 0.4 per cent. Robust demand in the private (0.4%) and public (0.6%) sectors was unable to fully offset the drop in aggregated economic activity.

Following a strong start to the new year in Germany, the economic situation in 2015 remained very stable right through to year-end. As in the prior year, growth in 2015 was mainly driven by robust domestic demand. The German economy grew at a somewhat slower pace early in the year. According to figures from the Federal Office of Statistics, it posted growth of 0.3 per cent (adjusted for price, season and calendar effects) at the end of the first quarter, compared with the last quarter of 2014. Overall, the economy moved solidly upwards in the first half of 2015, growing by 0.9 per cent compared with the second half of 2014. Exports provided support, together with private and government consumption, while the positive trend in the labour market continued. The German economy thus made substantial progress in the first two quarters, following GDP growth of just 0.5 per cent in the first half of 2014.

The ifo index of business sentiment also pointed steadily upward at the same time. As early as February, the surveyed companies were optimistic in their responses, a trend which continued during the period covered by the report. Apart from minor setbacks in June and October, the ifo index of business sentiment rose six times in succession until April 2015, finally reaching its highest level since June 2014 in April, at 108.6 points. It maintained this level until December 2015, when it stood at 108.7 points.

Having picked up speed in 2014 and achieved growth of 1.6 per cent, German economic output grew by 1.7 per cent in 2015, only marginally exceeding the previous year's performance. Both manufacturing industry and the service sector contributed to this progress. The number of people in employment reached a new peak in 2015.

These figures show that the German economy performed very robustly overall, despite a host of worldwide risks and setbacks, and can be regarded as an anchor of stability in Europe.

The global economic slowdown took its toll on the UK economy in 2015, causing it to lose momentum: gross domestic product (GDP) grew by 2.2 per cent. In 2014, growth of 2.9 per cent made the UK the growth star of the G7 group of leading industrialised nations. However, weakness in China and other emerging markets held the UK economy back in 2015, especially with regard to manufacturing output. According to the head of the UK's central bank, Mark Carney, interest rate hikes are unlikely at present. Experts also expect further delay due to the referendum on whether the UK should leave the EU or remain a member.

The UK economy added 0.5 per cent to output in the last quarter. The key impetus came from the service sector, while exporters suffered from the strong pound and relatively weak foreign demand.

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 the results are not readily comparable and can even be contradictory in some cases. Also, gross advertising figures do not provide any insight into actual cash flows because they are calculated using list prices and do not take account of discounts and special terms.

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 directly affected in the same way.

As in previous years, advertisers substantially increased their budgets for advertising generally and for digital advertising in particular in 2015. The budget increase of 4 per cent worldwide calculated by the Carat media network also includes digital media. According to the survey, the digital media market itself achieved growth of 15.7 per cent, meaning that it already accounts for 24 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 by a low single-digit amount. Nielsen based its 3.5 per cent rise on figures for gross sales, while Carat calculated growth of 1.6 per cent based on net sales.

Advertising on mobile devices remained the fastest growing medium in 2015, with a rise of 58 per cent, while spending on the Internet segment was broadly unchanged compared to the previous year at around EUR 3.0 billion (0.1%).

Even though the proportion of advertising formats for mobile devices is still low in absolute terms, an estimate by Hamburg-based agency group JOM in its annual forecast indicates that expenditure on mobile display advertising increased to more than EUR 300 million in 2015.

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 strong growth in 2015 according to Magna Global.

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: according to the UK Digital Adspend Report, expenditure on digital display advertising grew by 27.5 per cent to GBP 1.3 billion in the UK in the first half of 2015. Spending in the mobile sector rose by 51 per cent to GBP 1.1 billion in the first two quarters of 2015. While growth of the overall advertising market in the UK slowed slightly towards the end of the year, the IPA Bellwether Report nonetheless reported in the fourth quarter of 2015 that the UK advertising market had continued to grow for 13 consecutive quarters. Despite the softening of the overall market, experts reported ongoing strong investment in digital formats, with growth of 7.8 per cent in the third quarter and of 6.9 per cent in the last quarter of the year.

All in all, the SYZYGY Group thus operated in a favourable market environment. Although the European economy continued to exhibit weaknesses and risks, it has recovered well from the crisis. The trend has been robust in the Group's two core markets, Germany and the UK, and has been marked 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, 2015, the Group had a total of 481 permanent employees, 28 or 6 per cent more than as at the reporting date in the previous year. The number of freelancers remained almost unchanged at 49 persons, compared with 45 in the prior year.

287 people (60%) worked in the five German companies and 112 (23%) in the UK agencies. Ars Thanea employed 71 members of staff (15%) as at year-end, while SYZYGY Digital Marketing Inc in New York had 11 employees.

In terms of employees by function, the situation remained largely unchanged during the period under review. The technology and design areas remained stable, accounting for 23 per cent and 19 per cent, respectively. In online marketing the number of employees fell marginally from 98 to 91 persons. In percentage terms, the proportion fell from 22 per cent to 19 per cent. Project management grew in line with the overall trend, posting a small increase from 17 to 18 per cent. 53 people worked in administration, representing a slight drop in relative terms from 12 to 11 per cent. The SYZYGY Group employed 483 people on average during the year. Including an average of 47 freelance employees, annualised sales per head were EUR 108,000 (previous year: EUR 103,000).

3.4 Investments, research and development

Intangible assets and fixed assets remained broadly unchanged compared with the prior year, at around EUR 3.3 million. Depreciation was roughly on a par with replacement purchases of office equipment of around EUR 0.8 million (previous year: EUR 0.8 million) and new leasehold improvements in Munich and Berlin of EUR 0.2 million (previous year: EUR 0.2 million).

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

3.5.1 Results of operations

In the 2014 Annual Report, the SYZYGY Group forecast that it would be able to increase its sales organically in the 2015 financial year by "around 20 per cent to EUR 55.0 million". A "disproportionate" increase in EBIT was anticipated. Earnings per share were expected to be EUR 0.40 in the 2015 financial year.

SYZYGY exceeded its own growth forecasts, achieving sales of EUR 57.3 million (an increase of 22 per cent over the previous year). At EUR 5.3 million, EBIT was up 37 per cent, also significantly exceeding expectations. Although earnings per share of EUR 0.37 (up 6 per cent over the previous year) represented an increase, unexpectedly high tax expenses meant that the forecast of EUR 0.40 was not reached.

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

	2011	2012	2013	2014	2015
Sales in kEUR	28,313	31,115	35,030	47,075	57,311
EBIT in kEUR	2,588	2,121	2,023	3,843	5,268
EBIT margin	9.1%	6.8%	5.8%	8.2%	9.2%
Earnings per share in EUR	0.22	0.72	0.26	0.35	0.37

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 strong growth with regard to both figures. Billings increased by 11 per cent to EUR 143.9 million. At EUR 57.3 million, sales also reached a new record level, corresponding to a 22 per cent rise compared with 2014. The key factors behind this strong performance include the acquisition of new clients, major growth of business with existing clients and expansion into new markets.

The US business in particular performed exceptionally well, with the result that it is no longer reported under Other segments, but separately. The share attributable to the UK segment went down from 33 to 27 per cent. The Germany segment share remained unchanged at 55 per cent. The US now accounts for 13 per cent of sales, while the Poland proportion has gone down slightly from 6 per cent to 5 per cent.

SYZYGY generated 38 per cent of its sales from clients in the automotive industry, 2 percentage points fewer than in the prior year. The consumer goods sector accounted for around 29 per cent of sales (previous year: 27%), while 11 per cent was generated with companies from the IT and telecommunications industry (previous year: 12%). The proportion of sales attributable to clients from the financial sector remained unchanged at 8 per cent. Around 15 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 SYZYGY'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 40.6 million. This represents an increase of 18 per cent and thus a slightly slower rate than in the previous year. Gross margin moved up accordingly by one percentage point to 29 per cent.

As business expanded, expenses for sales and marketing rose by 42 per cent to EUR 6.2 million. In addition to personnel expenses, this item also includes the cost of holding the Digital Innovation Day.

General administrative expenses rose roughly in line with sales, increasing by 21 per cent to EUR 6.2 million.

At EUR 1.1 million, scheduled depreciation of fixed assets and amortisation of other intangible assets were marginally below the previous year's figure of EUR 1.2 million. Unscheduled write-downs of goodwill in the amount of EUR 1.0 million (previous year: EUR 1.3 million) were also realised in the 2015 financial year. As a result, total depreciation/amortisation was around EUR 0.4 million below the prior-year level.

3.5.4 Operating income and EBIT margin

Operating income (EBIT) rose disproportionately relative to sales by 37 per cent, from EUR 3.8 million in the prior year to EUR 5.3 million. As a consequence, the Group's profitability also improved, with the EBIT margin increasing from 8.2 per cent in the previous year to 9.2 per cent in the 2015 financial year. The rise in profitability was largely due to higher sales per employee.

3.5.5 Financial income

SYZYGY again generated strong financial income of EUR 2.0 million in the reporting period, albeit slightly below the previous year's level (2014: EUR 2.2 million), through active management of cash and cash equivalents. The result corresponds to a return of 6.6 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 21 per cent increase in pre-tax income to EUR 7.2 million. The tax rate increased to 33 per cent (previous year: 21%) in the financial year. This is largely attributable to the fact that a substantial share of profits was generated in countries with high tax rates. The rise in net income after taxes was thus less marked, increasing by 3 per cent to EUR 4.9 million (previous year: EUR 4.7 million).

Undiluted earnings per share were EUR 0.37, based on the average available 12,689 thousand shares qualifying for participation in the profits and after deducting minority shares of EUR 0.2 million (increase of 6 per cent compared to the previous year).

Since the Company adopted a resolution to pay the difference between exercise price and share price in cash if outstanding stock options are exercised, diluted earnings per share were EUR 0.37 (previous year: EUR 0.35).

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, the United States and other segments. The latter category includes Ars Thanea. Under IFRS 8.13, this company is not big enough to be reported as a geographically independent segment.

The Germany and US segments made key contributions to the strong performance of the SYZYGY Group. The German companies boosted their sales by 22 per cent to EUR 32.7 million, thanks to acquiring new clients and also expanding existing client accounts. Through tight management of costs and efficient processes, EBIT increased by 35 per cent to EUR 5.1 million. The EBIT margin thus improved to 16 per cent (previous year: 14%).

The UK companies generated sales of EUR 16.3 million, which were unchanged compared with the previous year. The operating income of the British companies amounted to EUR 1.9 million, 20 per cent below the previous year's level. The lower profitability is due especially to the continuing losses at Hi-ReS! London, with the result that the EBIT margin fell by 3 percentage points from 15 to 12 per cent.

The US segment performed very dynamically. Its sales now make up 13 per cent of the Group's sales before consolidation, necessitating disclosure as an independent segment. The company generated sales of EUR 7.4 million during the reporting period, a 157 per cent rise compared with the previous year. EBIT increased disproportionately to EUR 2.1 million (previous year: EUR 0.2 million), corresponding to a very high EBIT margin of 29 per cent.

The Polish agency, Ars Thanea, which is reported under "Other segments", boosted its sales by EUR 0.2 million to EUR 3.0 million. Operating income in the period under review was EUR 0.2 million, 53 per cent lower than the previous year's figure.

Overall, 55 per cent of sales (based on the share of the Group's sales before consolidation) came from the Germany segment, 27 per cent from the UK, 13 per cent from the US and 5 per cent from the other segments. The respective shares of operating income are 54 per cent, 20 per cent, 23 per cent and 3 per cent.

3.5.8 Financial position

The SYZYGY Group had overall liquidity (total cash, cash equivalents and securities) amounting to EUR 26.8 million as at December 31, 2015, representing a decrease of 24 per cent on the previous year's figure of EUR 35.2 million. This is largely due to timing effects, mainly in the online marketing business. The previous year's high level of accounts payable and advance payments from clients was reduced substantially, with a corresponding impact on operating cash flow.

At EUR 3.8 million, cash and cash equivalents represented around 14 per cent of cash reserves (previous year: EUR 13.0 million). These funds were earmarked for liabilities becoming due in the short term. The proportion of securities increased to 86 per cent, having risen slightly by 4 percentage points to EUR 22.9 million in the reporting period. The average weighted residual maturity of the bonds was 7.2 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 -9.7 million as at year-end.

This amount comprises negative operating cash flow of EUR -2.4 million, cash flow from investment operations of EUR -2.8 million and cash flow from financing activities of EUR -4.4 million.

High net income of EUR 4.9 million was unable to offset negative effects such as cash outflows amounting to EUR 5.5 million due to the drop in accounts payable and falling advance payments from clients. Sales growth also led to an increase in accounts receivable.

Cash flow from investment operations amounted to EUR -2.8 million, resulting chiefly from active management of liquidity reserves. The sale of securities held as current assets worth EUR 38.8 million was offset by purchases totalling EUR 40.8 million. Investments in intangible assets and fixed assets also reduced the cash flow from investment operations by a further EUR 1.1 million.

The main factor impacting cash flow from financing activities was the payment of an ordinary dividend of EUR 4.4 million.

The Company also has a credit line for EUR 2.0 million with Commerzbank AG which had not been used as at the balance sheet date.

3.5.9 Asset situation

Total assets were down 7 per cent in the period covered by the report, at EUR 77.5 million.

While there were no substantial changes in non-current assets, the cash and cash equivalents item in particular dropped from EUR 13.0 million to EUR 3.8 million. This was due to the particular reporting date for settlement of a number of liabilities. In contrast, accounts receivable rose due to sales growth, climbing from EUR 16.0 million to EUR 18.6 million. Securities holdings also increased slightly by 4 per cent. Other assets of EUR 1.8 million were virtually unchanged over the prior year.

Current assets declined by a total of EUR 5.7 million to EUR 47.2 million (11%).

With regard to liabilities, there were only minor changes to equity. At EUR 51.2 million (66% of total assets), it was comparable with the figure of EUR 51.0 million (61% of total assets) as at December 31, 2014. The rise is thus only due to the decline in total assets.

Other net income fell by EUR 0.4 million to EUR 0.7 million. Of this amount, EUR 1.0 million is due to currency translation effects in non-EUR business operations and EUR -1.4 million to unrealised gains and losses on securities. Additional paid-in capital remained unchanged at EUR 20.3 million. The value of treasury shares was down marginally by EUR 0.1 million due to the sale of treasury shares in the period under review, with the relevant item standing at EUR 0.7 million (previous year: EUR 0.8 million).

Profit reserves went up slightly, from EUR 17.6 million in the previous year to EUR 17.8 million.

Non-current liabilities posted a fall of EUR 1.0 million due to the reduction in the earn-out liabilities for Ars Thanea.

Current liabilities totalled EUR 23.9 million, 17 per cent below the previous year's figure. The main factors in this respect were the fall in accounts payable, down EUR 3.7 million, and in advance payments received, down EUR 1.5 million. The previous year's figure was very high due to the particular reporting date; it returned to normal levels in the 2015 financial year. Other provisions fell by EUR 1.0 million to EUR 7.1 million. Other liabilities, which principally comprise VAT liabilities, saw a small rise due to the growth of the Group, increasing by EUR 0.2 million to EUR 2.4 million.

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 stable. The IfW forecast expects the Eurozone economy to gain further momentum, expanding by 1.7 per cent this year. The economic researchers at the German Institute for Economic Research (DIW Berlin) likewise forecast moderate growth of 1.5 per cent. Economic momentum in the Eurozone nevertheless remains limited, with stubborn structural problems persisting in parts of the single currency area. Although the ongoing weakness of the euro provides support for external trade, exports are growing only modestly due to declining demand from China, Russia and Brazil. The recent terror attacks are not expected to have any lasting impact on production and demand, since experience suggests that the economic effect of incidents of this nature tends to be low in advanced economies. The main driver of the recovery will once again be private consumption in 2016. Unemployment is falling and disposable incomes are increasing noticeably due to the low rate of inflation. Having said that, price weakness is making the process of debt reduction required in the Eurozone countries more difficult; alongside the public sector, private households and companies also need to clean up their balance sheets.

The ongoing expansion of the US economy, continuing low oil prices and a weak euro may prove beneficial, though.

In Germany, estimates by DIW Berlin for gross domestic product assume stable growth of 1.7 percent this year and 1.5 per cent in 2017. The IfW's winter forecast came up with somewhat more optimistic figures, predicting German GDP growth of 2.2 per cent.

In their annual economic outlook, the experts at PwC expect the UK's GDP to grow by 2.4 per cent in 2016, with consumer spending up 2.5 per cent. The forecast by the International Monetary Fund (IMF) confirms these figures, assuming a rise of UK output by 2.2 per cent this year. Economists at the British Chambers of Commerce are rather more optimistic with their forecast of 2.5 per cent growth – albeit after downgrading previous forecasts by 0.2 per cent. The downgrade was largely triggered by weaker trade and a decline in manufacturing output.

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. The experts at eMarketer expect that the weighting in the US market will continue to shift towards digital advertising formats. Digital display advertising will continue to grow strongly in 2016 (23%), such that it will exceed the spend on search engine advertising for the first time – despite the latter form of advertising itself seeing 10 per cent growth.

ZenithOptimedia's latest Advertising Expenditure Forecast concludes that mobile phones as an advertising medium are set to go mainstream, with an average growth rate of 32 per cent. In the next 3 years, more than 50 per cent of worldwide advertising investment will be allocated to mobile. This will make mobile the biggest medium, second only to TV. There is similar momentum behind programmatic advertising: in 2016, around 60 per cent of display advertising will be purchased on a programmatic basis worldwide, equivalent to a growth rate of 34 per cent.

At just under 5 per cent, surveys by Magna Global (4.6%), ZenithOptimedia (4.7%) and GroupM (4.5%) produce very similar forecasts for the overall market. Growth rates for digital media are expected to stay in double figures. The experts at Magna Global believe that digital media will become the biggest category in 2017. ZenithOptimedia predicts annual growth of 13 per cent in the next three years for Internet advertising. This is also confirmed by the outlook published by GroupM, which has calculated a 14 per cent increase in 2016.

The global advertising market will receive a boost from major events this year, such as the US presidential elections, the European Football Championship and the Summer Olympics.

Although the forecasts for Germany are lower, they are optimistic overall. According to the OWM survey (Organisation of Advertisers in the Brands Association), advertisers are confident about 2016 and expect media spending to rise in total. Estimates by Hamburg-based agency group JOM for the overall advertising market put growth at 2.0 per cent. The overall market continues to be driven by digital media, with growth rates for mobile forms of advertising, online video and content marketing remaining high in 2016. Expenditure on mobile marketing will reach more than EUR 300 million in 2016, having doubled since 2014. Similar trends are expected in the video market. The big players, such as display marketing and search engine marketing, will grow only slightly, increasing by 1.8 and around 1 per cent, respectively. Digital media will benefit in the current year from new technologies, increasingly mobile media use and developments such as programmatic advertising. They will boost Internet advertising by around 10 per cent in 2016 and by some 8 per cent in coming years, according to the forecast by ZenithOptimedia Group Germany.

Up-to-date statistics for purely online advertising remain much thinner on the ground. The latest analysis by Hamburg-based online media agency NetzwerkReklame forecasts a 10 per cent rise in online advertising spend. Growth momentum in digital advertising will be largely driven by mobile (62%), social ads (40%), video (29%) and real-time advertising (27%).

The overall market in the UK will grow by 3.9 per cent according to the IPA Bellwether Report. The Advertising Association is somewhat more optimistic in its Advertising Association/Warc Expenditure Report, forecasting an increase of 5.3 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 effectiveness and reach. Customers are now extremely 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 their customers, above and beyond the benefits of the product itself.

Technology can help companies make their products 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, find new ways of building customer loyalty and deliver a compelling and entertaining shopping experience.

The SYZYGY Group expects to be able to increase its sales organically in the 2016 financial year by at least 10 per cent to more than EUR 63.0 million. Operating income (EBIT) will rise in line with sales. All the individual segments will contribute in roughly equal measure to this growth.

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 will be 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 the markets relevant to SYZYGY 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.

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.

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 projects being hit by follow-on costs.

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.

This risk is regarded as low due to very stable long-term client relationships, especially with the top 10 clients.

Investment risk
Available liquidity reserves are actively managed at SYZYGY by the Finance Director. The investment strategy for securities is geared towards long-term income. Available cash and cash equivalents are therefore invested in corporate bonds and other fixedincome securities in a manner designed to ensure risk diversification. All fixedincome 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. 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 more than a quarter of its sales in the UK, so exchange rate fluctuations between sterling/the US dollar and the euro can affect sales and annual net income positively or negatively in the event of deviation from the rate used for planning purposes.

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 generate around 13 per cent and 5 per cent of Group sales in total.

SYZYGY AG holds a portion of its assets in foreign currencies, in particular equity interests and securities. In addition, obligations arising from the acquisition of companies exist in the respective currency of the seller. Here again, SYZYGY does not enter into any direct hedging transactions because the risks for SYZYGY AG's results of operations arising from these foreign currency positions are rated as low due to their size.

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 achieve much greater reach than with conventional corporate communications. 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 communication offers brands almost unlimited opportunities for developing innovative services, finding new ways of building customer loyalty and delivering a compelling shopping experience.

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 division and an internationally recognised design team allows SYZYGY to present 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.

Additional business opportunities may be gained through closer integration with the WPP Group, and international expansion of the SYZYGY Group could be supported by WPP.

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 financial statements 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 accordance with Article 315a [2] No. 5 of the 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.

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-performancerelated remuneration
- performancerelated remuneration
- other benefits.

The non-performancerelated remuneration is paid each month as a basic salary.

Performancebased remuneration includes two components:

Short-term profit participation based on the financial targets for the business year, payable after the financial statements are published if the targets in the yearly planning have been met.

In addition, the Management Board has been granted long-term variable components of remuneration based on the performance of the share price. These share price-based bonus agreements provide that up to 40 per cent of allocated options or phantom stocks shall be exercisable after two years, and a further 60 per cent after three years. Both long-term schemes stipulate that the difference between a base price on issue of the options or phantom stocks and the share price on exercise of the options or phantom stocks shall be paid out.

The members of the Management Board receive other benefits in the form of payment of contributions to pension, health and accident insurance as well as private use of a company car or a car allowance of up to EUR 18,000 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 as updated on May 5, 2015, in the form of the remuneration granted, as follows:

Benefits granted *Marco Seiler, CEO*	2015	2014	2015 Minimum	2015 Maximum
	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	263	250	263	263
Fringe benefits	15	15	15	15
Total	278	265	278	278
One-year variable remuneration	39	37	0	39
Multi-year variable remuneration				
Phantom stock programme 2015	155	–	0	751
Total	194	37	0	790
Pension expenses	12	12	12	12
Total remuneration	484	314	290	1,080

Benefits granted *Andrew P. Stevens, COO*	2015	2014	2015 Minimum	2015 Maximum
	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	290	231	290	290
Fringe benefits	18	16	18	18
Total	308	247	308	308
One-year variable remuneration	41	37	0	41
Multi-year variable remuneration				
Phantom stock programme 2015	155	–	0	751
Total	196	37	0	792
Pension expenses	15	14	15	15
Total remuneration	519	298	323	1,115

Benefits granted *Erwin Greiner, CFO*	2015	2014	2015 Minimum	2015 Maximum
	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	168	–	168	168
Fringe benefits	12	–	12	12
Total	180	–	180	180
One-year variable remuneration	25	–	0	25
Multi-year variable remuneration				
Phantom stock programme 2015	81	–	0	364
Total	106	–	0	390
Pension expenses	15	–	15	15
Total remuneration	301	–	195	585

In addition, the remuneration for the Management Board is presented in table format in accordance with section 4.2.5 of the German Corporate Governance Code as updated on May 5, 2015, in the form of the remuneration paid. In the case of the multi-year variable components of remuneration, this remuneration paid includes payments accumulated over several years.

	Marco Seiler, CEO		Andrew P. Stevens, COO		Erwin Greiner, CFO	
Payment	2015	2014	2015	2014	2015	2014
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	263	250	290	231	168	–
Fringe benefits	15	15	18	16	12	–
Total	278	265	308	247	180	–
One-year variable remuneration	37	37	41	37	10	–
Multi-year variable remuneration						
Phantom stock programme 2015	120	–	120	–	208	–
Option scheme 2012	424	148	629	0	137	–
Total	581	185	790	37	355	–
Pension expenses	15	15	15	14	15	–
Total remuneration	874	465	1.112	298	550	–

Mr Erwin Greiner was appointed 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. 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.

Management Board contracts include a post-contractual competition ban for a period of 12 months. In this case, the Management Board member will additionally receive compensation of 50 per cent of their most recently received average contractual payments over the previous 24 months.

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 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.

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 nopar 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 133,438 treasury shares, which grant the Company no voting rights or other rights.

- The WPP Group notified the Company on November 10, 2015 that it holds a total of 50.48 per cent of the shares after completing a voluntary takeover offer.

- 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 nopar 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 nopar value share each (contingent capital 2014).

- In line with the Annual General Meeting's resolution of May 29, 2015, 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 or phantom stocks can, however, exercise their options or phantom stocks within a period of six weeks after completion of the takeover offer at the intrinsic value then prevailing or a minimum price of EUR 1.0 per option.

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

On February 22, 2016, Marco Seiler, Chairman of the Management Board of SYZYGY AG, stepped down with effect from August 31, 2016. Mr Lars Lehne has been appointed to the Management Board with effect from April 1, 2016 and will take over as Chairman of the Management Board with effect from September 1, 2016. No material impact on the Company's net assets, financial position or results of operations is expected as a consequence.

10. Declaration by the Management Board in relation to Article 312 of the AktG (German Stock Corporation Act)

WPP plc and its subsidiaries have held a majority of the shares in SYZYGY AG since November 2015. It is consequently the controlling company within the meaning of Article 17 (2) of the AktG (German Stock Corporation Act). SYZYGY is thus required to prepare a dependency report in accordance with Article 312 of the AktG. SYZYGY AG received appropriate consideration for each legal transaction in the case of the legal transactions listed in the report with regard to relationships with affiliated companies, according to the circumstances known to us at the time when the legal transactions were conducted. No measures were taken or not taken on behalf of or in the interests of the controlling company or an associated company of the controlling company.

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

On December 14, 2015 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.de.

Bad Homburg v.d.H., March 24, 2016
SYZYGY AG

The Management Board

Marco Seiler

Andrew P. Stevens

Erwin Greiner

Consolidated balance sheet

Assets		12/31/2015	12/31/2014
	Note	kEUR	kEUR
Non-current assets			
Goodwill	(3.1)	25,080	25,362
Other fixed assets, net	(3.2)	3,345	3,335
Other assets	(3.4)	674	635
Deferred tax assets	(3.5)	1,259	1,238
Total non-current assets		30,358	30,570
Current assets			
Cash and cash equivalents	(3.6)	3,841	13,017
Marketable securities	(3.6)	22,946	22,157
Accounts receivable, net	(3.7)	18,632	16,039
Prepaid expenses and other current assets	(3.8)	1,762	1,670
Total current assets		47,181	52,883
Total assets		77,539	83,453

Equity and Liabilities		12/31/2015	12/31/2014
	Note	kEUR	kEUR
Equity			
Common stock*	(3.9.1)	12,828	12,828
Additional paid-in capital	(3.9.3)	20,306	20,294
Own shares	(3.9.4)	-739	-831
Accumulated other comprehensive income	(3.9.5)	674	1,042
Retained earnings	(3.9.6)	17,806	17,610
Equity attributable to shareholders of SYZYGY AG		50.875	50.943
Minorities		312	91
Total Equity		51,187	51,034
Non-current liabilities			
Long term liability	(3.13)	2,342	3,373
Deferred tax liabilities	(5.7)	146	120
Total lliabilities		2,488	3,493
Current liabilities			
Tax accruals and liabilities	(3.12)	1,127	174
Accrued expenses	(3.11)	7,125	8,172
Customer advances		5,430	6,913
Accounts payable	(3.11)	7,797	11,467
Other current liabilities	(3.13)	2,385	2,200
Total current liabilities		23,864	28,926
Total liabilities and equity		77,539	83,453

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

Consolidated statement of comprehensive income

		January-December		
		2015	2014	Change
	Notes	kEUR	kEUR	
Billings	(5.1)	143.919	129.559	11%
Media costs	(5.1)	-86,608	-82,484	5%
Sales	(5.1)	57,311	47,075	22%
Cost of revenues		-40,615	-34,288	18%
Sales and marketing expenses		-6,151	-4,328	42%
General and administrative expenses		-6,205	-5,130	21%
Other operating income/expense, net	(5.2)	928	514	81%
Operating profit		5,268	3,843	37%
Financial income, net	(5.6)	1,975	2,157	-8%
Income before taxes		7,243	6,000	21%
Income taxes	(5.7)	-2,379	-1,261	89%
Total net income of the period		4,864	4,739	3%
thereof net income share to other shareholders		225	340	-34%
thereof net income share to shareholders of SYZYGY AG		4,639	4,399	5%
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 from foreign business operations	(5.8)	1,029	1,169	-12%
Net unrealized gains/ losses on mark. sec., net of tax	(3.6)	-1,401	228	-714%
Other comprehensive income		-372	1,397	n.a.
Comprehensive income		4,492	6,136	-27%
thereof income share to other shareholders		221	340	-35%
thereof income share to shareholders of SYZYGY AG		4,271	5,796	-26%
Earnings per share from total operations (basic in EUR)	(6.1)	0.37	0.35	6%
Earnings per share from total operations (diluted in EUR)	(6.1)	0.37	0.35	6%

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

Statement of changes in equity

	Number of shares	Common stock	Additional paid-in capital	Own shares	Retained earnings	Accum. other comprehensive income: Foreign exchange currency	Accum. other comprehensive income: Unrealised gains and losses	Equity attributable to shareholders of SYZYGY AG	Minority interest	Total equity
	in 1,000	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
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 comprehensive 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 sales				-605				-605		-605
December 31, 2014	12,828	12,828	20,294	-831	17,610	-442	1,484	50,943	91	51,034
January 1, 2015	12,828	12,828	20,294	-831	17,610	-442	1,484	50,943	91	51,034
Net income of the period					4,639			4,639	225	4,864
Other comprehensive income						1,033	-1,401	-368	-4	-372
Comprehensive income					4,639	1,033	-1,401	4,271	221	4,492
Dividend					-4,443			-4,443		-4,443
Sale of own shares			12	92				104		104
December 31, 2015	12,828	12,828	20,306	-739	17,806	591	83	50,871	312	51,187

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

Consolidated statement of cash flows

	2015	2014
	kEUR	kEUR
Period net income	4,864	4,739
Adjustments to reconcile income from operations to net cash provided by operating activities		
– Depreciation on fixed assets	2,122	2,554
– Profit (-) and loss (+) on sale of securities	-848	-1,034
– Profit (-)/loss (+) on sale of fixed assets	23	61
– Changes in Earn-Out liablities	-1,031	-2,031
– Other non-cash income and expenses	-47	841
Changes in operating assets and liabilities:		
– Accounts receivable and other assets	-1,812	-2,058
– Customer advances	-1,752	3,680
– Accounts payable and other liabilities	-5,453	6,141
– Tax accruals and payables, deferred taxes	1,513	1,517
Cash flows provided by operating activities	-2,421	14,410
Changes in other non-current assets	266	122
Investments in fixed assets	-1,105	-1,380
Purchases of marketable securities	-40,792	-37,972
Proceeds from sale of marketable securities	38,816	34,817
Acquisition of consolidated entities less liquid funds	0	-907
Income from at equity investments	0	10
Cash flows used in investing activities	-2,815	-5,310
Dividend paid to shareholders of SYZYGY AG	-4,443	-3,578
Cash inflows from issuance of share capital from minority shareholders	0	-11
Changes in treasury stock	0	-190
Cash flows from financing activities	-4,443	-3,779
Total	-9,679	5,321
Cash and cash equivalents at the beginning of the period	13,017	6,728
Exchange rate differences	503	968
Cash and cash equivalents at the end of the period	3,841	13,017

The accompanying notes are an integral part of the financial statements.
Operating cash flow includes interest paid of kEUR 1 (previous year: kEUR 10), interest received of kEUR 1,129 (previous year: kEUR 1,103) and taxes paid of kEUR 842 (previous year: kEUR 352).

Notes to the consolidated Financial Statements

1. Accounting prinicples and methods

1.1 General

The consolidated financial statements of SYZYGY AG ("SYZYGY", "SYZYGY Group", "Group" or "Company" in the following) for the 2015 financial year were prepared in accordance with the principles of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in the applicable version as at December 31, 2015, 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 consolidated financial statements were prepared on the basis of historical cost of acquisition or production. This excludes certain financial instruments that are carried at fair value as at the reporting date. An explanation is provided in relation to the relevant accounting and valuation methods. 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, Munich, 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 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, 2015, the following subsidiaries were included in the consolidated financial statements of SYZYGY AG as the top-level parent company and fully consolidated. In the case of these companies, SYZYGY AG can exercise the power of disposal, is exposed to fluctuating returns from the subsidiaries and can influence the level of returns due to its power of disposal:

- 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)
- SYZYGY Deutschland GmbH, Bad Homburg v.d.H., Germany (SYZYGY Deutschland)
- SYZYGY Digital Marketing Inc., New York City, United States of America (SYZYGY NY – formerly: Hi-ReS! New York Inc.)
- SYZYGY München GmbH, Munich, Germany (SYZYGY Munich)
- SYZYGY UK Ltd, London, United Kingdom (SYZYGY UK)
- uniquedigital GmbH, Hamburg, Germany (uniquedigital)
- Unique Digital Marketing Ltd, London, United Kingdom (Unique Digital UK)

A subsidiary is incorporated into the consolidated financial statements from the date on which SYZYGY AG gains control over the subsidiary until the date on which control by the Company ends. The income generated by subsidiaries acquired or sold in the course of the year is recognised accordingly in the consolidated statement of comprehensive income from the actual date of acquisition or up to the actual date of disposal and is recorded under other net income.

The profit or loss and every component of other comprehensive income are allocable to the shareholders of SYZYGY AG and the non-controlling shares. This remains the case even if it results in non-controlling shares posting a negative balance.

SYZYGY München GmbH was established in the 2015 financial year and included in consolidation for the first time. This change in the scope of consolidation does not adversely affect the ability to compare figures with the previous year.

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.

Capital consolidation is performed in accordance with IFRS 3 using the purchase method. The carrying values of the subsidiaries are offset against the subsidiary's re-measured 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. Any negative difference is recognised in the income statement, 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.

To eliminate inter-company accounts, receivables and payables between 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.

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 Estimates and 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.

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 these 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 in payment behaviour. 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, with an assessment being made of temporary differences resulting from the different treatment of certain items between the financial statements for IFRS purposes and for tax reporting purposes and with regard to the future usability of tax loss carry-forwards. 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, whereas income and expenses are translated at the average annual exchange rate and equity at 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:

2015	Average rate of exchange	Exchange rate as at reporting date, as at December 31
GBP/EUR	1.38	1.36

2014	Average rate of exchange	Exchange rate as at reporting date, as at December 31
GBP/EUR	1.24	1.28

2015	Average rate of exchange	Exchange rate as at reporting date, as at December 31
EUR / USD	1.11	1.09

2014	Average rate of exchange	Exchange rate as at reporting date, as at December 31
EUR / USD	1.33	1.22

2015	Average rate of exchange	Exchange rate as at reporting date, as at December 31
EUR / PLN	4.19	4.26

2014	Average rate of exchange	Exchange rate as at reporting date, as at December 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 financial years ending on December 31, 2015 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:

/ IFRIC 21 – Disclosures

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the

timing and amount of the levy is certain. IFRIC 6 remains in force and is consistent with IFRIC 21.

These amendments to IFRIC 21 do not have any impact on the Group's net assets, financial position or results of operations.

Annual Improvement to IFRS – 2011-2013 Cycle

- IFRS 1 – First-Time Adoption of International Financial Reporting Standards:

  The amendment clarifies that in its first IFRS financial statements, an entity has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective. An entity is required to apply the same version of the IFRS throughout the periods covered by those first IFRS financial statements.

  These changes to IFRS 1 do not have any impact on the Group's net assets, financial position or results of operations.

- IFRS 3 – Business Combinations

  The scope of IFRS 3 is clarified: the formation of all types of joint arrangement is outside the scope of IFRS 3. Exclusion from the scope only applies to accounting by the joint arrangement itself and not to the financial statements of the entities participating in the joint arrangement.

  These changes to IFRS 3 do not have any impact on the Group's net assets, financial position or results of operations.

- IFRS 13 – Fair Value Measurement

  The amendments clarify the scope of the portfolio exceptions in IFRS 13.52. The exception includes all contracts accounted for within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as per IAS 32.

  These changes to IFRS 13 do not have any impact on the Group's net assets, financial position or results of operations.

- IAS 40 – Investment Property

  Clarifies the interrelationship of IFRS 3 and IAS 40. If a specific transaction meets the definition of both a business combination as defined in IFRS 3 and investment property, it requires the separate application of both standards, IFRS 3 and IAS 40, independently of each other (IAS 40.14A). Accordingly, the acquisition of investment property may meet the requirements for acquiring a single asset (or a group of assets) or a business combination within the meaning of IFRS 3.

  These changes to IAS 40 do not have any impact on the Group's net assets, financial position or results of operations.

Standards and interpretations that have been published and transposed into EU law, but are not yet mandatorily effective

The following standards and interpretations 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 did not opt for early adoption.

Amendment/Standard	Publication date	Date of transposition into EU law	Adoption date (EU)
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	November 21, 2013	December 17, 2014	February 1, 2015
Annual Improvements to IFRS – 2010-2012 Cycle	December 12, 2013	December 17, 2014	February 1, 2015
Bearer Plants (Amendments to IAS 16 and IAS 41)	June 30, 2014	November 23, 2015	January 1, 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	May 6, 2014	November 24, 2015	January 1, 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	May 12, 2014	December 2, 2015	January 1, 2016
Annual Improvements to IFRS – 2012-2014 Cycle	September 25, 2014	December 15, 2015	January 1, 2016
Disclosure Initiative (Amendments to IAS 1)	December 18, 2014	December 18, 2015	January 1, 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	August 12, 2014	December 18, 2015	January 1, 2016

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 and interpretations that have been published but not yet transposed into EU law and are not yet effective

The following standards and interpretations 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	1st half of 2016	January 1, 2018
IFRS 14 Regulatory Deferral Accounts	January 30, 2014	suspended	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	May 28, 2014	Q1/2016	January 1, 2018
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 11, 2014	to be decided	January 1, 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	December 18, 2014	Q1/2016	January 1, 2016

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.

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. Deferred tax assets or tax liabilities are always assigned to non-current assets or liabilities, respectively.

The statement of comprehensive income was 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 expected useful life if they have a determinable useful life. The expense resulting from amortisation and, if applicable, from impairments is reported under function costs in the statement of comprehensive income, according to allocation of assets to the functional areas of the company.

Intangible assets that are not goodwill-related and which arose 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 an indeterminable useful life and 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 and impairment losses. 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 impairment losses on non-current intangible assets or 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. The recoverable amount is the higher of fair value less costs to sell and the value in use. When determining the value in use, the estimated future cash flows are discounted using an input tax interest rate. If reasons for impairment losses on non-current assets – except for goodwill – cease to apply, the write-downs are reversed.

The expected useful lives and methods of depreciation and amortisation are reviewed on each reporting date and all the changes to estimates are taken into account in advance.

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 other comprehensive income until derecognition of the asset, while allowing for tax effects. 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 an 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, apart from any long-term purchase price commitment. 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 are not financial debts or derivative financial liabilities and are not quoted on a market are reported on the balance sheet as accounts payable under other 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 other comprehensive income 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 in this regard.

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 liabilities are generally recognised for all taxable temporary differences; deferred tax assets are recognised insofar as it is likely that taxable profits are available for which the deductible temporary differences can be used.

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. Regular adjustments are 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.

The Company also provides services for the planning and implementing of advertising campaigns on the Internet (media services). This involves purchasing advertising space, on the Company's own account in some cases, which is then billed when the service is provided. The cost of purchasing advertising space ("media costs") is passed on to the client when billing the media services, together with a fixed fee or a fee calculated in relation to the actual media costs. Revenue from media services is generally realised at the same time as the advertisement is published, or afterwards. The entire amount chargeable to clients is recognised as billings. The amount less transitory items and/or media costs is recognised as sales.

Income from interest and comparable items is recognised if it is likely that the economic benefit will accrue to the Group and the amount of the income can be determined reliably. Interest income is recognised on an accrual basis in relation to the particular period, based on the outstanding nominal amount and using the relevant effective interest rate.

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.

2.14 Stock-based remuneration programmes

2012 stock option programme

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.

2013 stock participation programme

In the 2013 financial year, the Company set up a stock participation programme whereby the Company undertook to transfer a certain number of shares to employees after three years. If the employee leaves the SYZYGY Group prior to the end of the period, all claims arising from the stock participation programme lapse without compensation. Alternatively, the employee is entitled to receive the market value as at the date of transfer in cash, instead of the shares. These share-based remuneration programmes with the counterparty's freedom to choose the method of payment are structured such that both settlement alternatives have the same fair value. As a result, according to IFRS 2.37 the fair value of the equity component is zero and thus corresponds to the fair value of the compound financial instrument of the debt component. Consequently, SYZYGY recognises the expenses pro rata temporis as a provision from the date of commitment to the stock programme.

Phantom stock programme

A phantom stock programme was also launched in 2015. Under this arrangement the eligible employee receives the difference between the share price on the date of granting and the share price on exercise of the phantom stocks as a special payment. 40 per cent of the phantom stocks granted (Tranche 1) are not exercisable until at least 2 years have elapsed and lapse after 3 years at the latest, while 60 per cent of the phantom stocks granted (Tranche 2) are not exercisable until at least 3 years have elapsed and will lapse after 4 years at the latest. The maximum price increase (cap) is limited to 60 per cent for Tranche 1 and to 90 per cent in the case of Tranche 2. There is also a change of control clause in this programme. It stipulates that the options may be exercised extraordinarily within a period of 6 weeks after a takeover offer is completed. Just as in the 2012 stock option programme, it involves share-based remuneration with cash settlement as defined in IFRS 2. As a consequence, the accounting principles described above are applied.

2.15 Government benefits

An unconditional government benefit is recognised as other income in profit or loss as soon as entitlement to the benefit arises. Other government benefits are initially recognised as deferred income items at fair value if there is reasonable certainty that they will be granted and the Group will satisfy the conditions associated with the benefit. These government benefits are then recognised as income on a scheduled basis over the useful life of the asset.

Benefits that compensate the Group for expenses incurred are recognised as deferred income items and entered as income on a scheduled basis in the periods in which the expenses are recorded.

3. Notes to the consolidated balance sheet

3.1 Goodwill

Reported goodwill of kEUR 25,080 (previous year: kEUR 25,362) arose from the acquisition of uniquedigital, Unique Digital UK, 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.

Goodwill acquired in the course of business combinations was 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 and the recoverable amounts.

kEUR	Goodwill	Recoverable amount
2015		
uniquedigital	8,841	20,852
Unique Digital UK	9,657	21,600
Hi-ReS! LON	0	0
Ars Thanea	6,582	16,257
Total	25,080	58,709

kEUR	Goodwill	Recoverable amount
2014		
uniquedigital	8,841	11,893
Unique Digital UK	9,089	17,732
Hi-ReS! LON	919	1,218
Ars Thanea	6,513	20,218
Total	25,362	51,061

kEUR	Goodwill	Recoverable amount
2013		
uniquedigital	8,841	17,776
Unique Digital UK	8,521	14,079
Hi-ReS! LON	2,175	3,218
Ars Thanea	0	0
Total	19,537	35,073

An impairment test of goodwill and of intangible assets with indefinite useful lives was conducted as at December 31, 2015. 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, 2015. 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 2.62 per cent (previous year: 2.64%), a risk premium of 6.25 per cent (previous year: 5.8%) and a sector beta of 0.45 per cent (previous year: 0.87%) were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 5.5 per cent after tax (previous year: 7.7%), or 6.9 per cent before tax (previous year: 9.7%). An average tax rate of 21 per cent was applied (previous year: 21.75%). The relevant business plans are based on Hi-ReS! LON ceasing to generate sales from 2016 onwards. In the case of Unique Digital UK, the business plans for 2016 are based on expected sales growth of 21 per cent (previous year: 17%) and sales growth of 8 to 10 per cent p.a. (previous year: 10%) from 2017 to 2020, and a terminal value of 0 per cent. For 2016, 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 around 14 per cent in 2016 (previous year: 10-13%). Based on the underlying information, management did not identify any need in the updated analysis for impairment at Unique Digital UK, to which goodwill of kEUR 9,657 is allocated.

In the case of Hi-ReS! LON, management identified a need for complete impairment in the amount of kEUR 973 after exchange rate changes, 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 greatly limited his ability to work for Hi-ReS! London, especially on the acquisition of new business. The business plans from 2016 onwards no longer include any sales to third parties, such that the recoverable amount has been reduced to kEUR 0. An impairment loss of kEUR 973 at the Hi-ReS! London cash generating unit and thus in the UK segment was recognised in the financial year. The remaining goodwill of this cash generating unit is kEUR 0 (previous year: kEUR 919).

In the case of uniquedigital in Germany, a risk-free interest rate of 1.55 per cent (previous year: 1.59%), a risk premium of 6.25 per cent (previous year: 5.8%) and a sector beta of 0.45 (previous year: 0.87) were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 4.4%) after tax (previous year: 6.6%), or 6.3 per cent before tax (previous year: 9.5%). An unchanged average tax rate of 30 per cent was applied. The business plan envisages sales growth of 6 per cent (previous year: 5%) for 2016 and 8 to 10 per cent p.a. sales growth (previous year: 10%) for the years 2017 to 2020. The terminal value is set at 0 per cent growth.

Market research institutes expect the online advertising market in Germany to grow by around 10 per cent in 2016 (previous year: 7%). 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 1.55 per cent (previous year: 1.59%), a risk premium of 6.25 per cent (previous year: 5.8%), a sector beta of 0.87 (previous year: 0.95), a country-specific risk premium of 1.26 per cent (previous year: 1.58%) and an inflation differential of 100.42 per cent (previous year: 100.48%) were assumed, producing a WACC (Weighted Average Cost of Capital) of 8.7 per cent after tax (previous year: 8.9%), or 10.8 per cent before tax (previous year: 10.9%). An average tax rate of 19 per cent was applied. The business plan envisages sales growth of 52 per cent in 2016 (previous year: 35%), 25 per cent p.a. in 2017, 20 per cent p.a. in 2018, and 15 per cent p.a. in 2019 and 2020. In the previous year the business plan envisaged a 20 per cent increase from 2016 onwards. The terminal value is set at 0 per cent, as in the prior year.

Market research institutes expect the online advertising market in Poland to grow by 15-19 per cent in 2016. Based on the underlying information, management did not identify any need in the analysis for impairment at Ars Thanea, to which goodwill of kEUR 6,582 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 (previous year: 14%) 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 any other CGU.

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 Ars Thanea decline to 10 per cent p.a. from 2017 onwards, there would still be no need for depreciation.

If the actual EBIT margins are one third lower than expected, there would be no need for impairment at any cash generating unit.

3.2 Goodwill, other intangible assets and fixed assets

Changes are as follows in the financial year:

kEUR	Goodwill	Other intangible assets	Leasehold improve-ments	Operational and office equipment	Total
Cost January 1, 2015	26,694	1,428	2,135	5,949	36,206
Additions	0	75	238	763	1,076
Disposals	0	-12	0	-80	-92
Exchange rate changes	774	25	51	109	959
Cost December 31, 2015	27,468	1,516	2,424	6,741	38,149
Accumulated amortisation, depreciation and write-downs January 1, 2015	1,332	902	934	4,341	7,509
Additions	973	92	232	825	2,122
Disposals	0	-12	0	-58	-70
Exchange rate changes	83	3	10	67	163
Accumulated amortisation, depreciation and write-downs December 31, 2015	2,388	985	1,176	5,175	9,724
Carrying value at December 31, 2015	25,080	531	1,248	1,566	28,425

Changes are as follows in the previous year:

kEUR	Goodwill	Other intangible assets	Leasehold improve-ments	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	4,341	7,509
Carrying value at December 31, 2014	25,362	526	1,201	1,608	28,697

Other intangible assets include brand equity of kEUR 426 (prior year: kEUR 431) 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 148 (previous year: kEUR 329) and to the Germany segment in the amount of kEUR 202 (previous year: kEUR 0) 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 76 (previous year: 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 impairments in the financial year.

3.3 Financial investments measured at equity

There were no longer any financial investments measured at equity in the current financial year.

SYZYGY AG acquired a further 44 per cent stake in Ars Thanea on February 6, 2014. It continues to hold 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. The pro rata income of kEUR -10 in the previous year 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 comprise financial assets in the "Loans and receivables" valuation category and are recognised in the amount of kEUR 674 (previous year: kEUR 635). They include rent deposits of kEUR 673 (previous year: kEUR 634), which were mainly attributable to SYZYGY UK.

3.5 Deferred tax assets

Deferred tax assets of kEUR 1,259 (previous year: kEUR 1,238) were reported in the financial year, of which kEUR 1,242 was attributable to loss carry-forwards at SYZYGY AG (previous year: kEUR 1,850). There are also deferred tax liabilities resulting from different valuations for the securities, amounting to kEUR 53 (previous year: kEUR 696), which were offset. Non-tax deductible provisions at SYZYGY AG resulted in deferred tax assets of kEUR 62 (previous year: kEUR 65).

At SYZYGY Deutschland GmbH, deferred tax assets amounting to kEUR 8 (previous year: kEUR 19) 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 Cash and cash equivalents and securities

Cash, bank deposits and time deposits with remaining terms to maturity (counted from the date of acquisition) of under 3 months are shown in the table below:

kEUR	12/31/2015	12/31/2014
Cash and cash equivalents	3,841	13,017

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 governments or companies.

As in the previous year, all securities held are financial assets 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 comprehensive income such that they are not recognised in the income statement. As can be seen in the following table, the market value of all securities as at December 31, 2015 was kEUR 120 above the acquisition cost (previous year: kEUR 2,148). kEUR 1,180 (previous year: kEUR: 2,286) was attributable to unrealised price gains and kEUR 1,060 (previous year: kEUR 138) to unrealised price losses. Security purchases and sales are recorded on the value date. Of the unrealised profits and losses as at December 31, 2014 that had previously been recorded in other comprehensive income, kEUR 624 of valuation gains (previous year: kEUR 544) and kEUR 119 of valuation losses (previous year: kEUR 93) were realised in 2015.

Market value is determined using quoted market prices. The unrealised price gains and 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.

December 31, 2015

kEUR	Cost	Unrealised gains	Unrealised losses	Carrying value / market value
Securities (available-for-sale)	22,826	1,180	-1,060	22,946

December 31, 2014

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

The following table shows the maturities of securities as per December 31, 2015:

kEUR	< 1 year	1-5 years	5-10 years	Indefinite	Total
Securities (available-for-sale)	0	5,345	17,601	0	22,946

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 performance of the securities portfolio is dependent on changes in interest rates and credit spreads. On average, the portfolio has a duration of around 7.2 (previous year: 7.3). 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 7.2 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. Some of the securities are also subject to exchange rate fluctuations. Although SYZYGY invests chiefly in EUR, it also holds securities denominated in USD and PLN. The portfolio includes an allocation of bonds with a rating below investment grade worth a total of up to EUR 4.0 million.

The associated risks and sensitivity analyses are presented in section 6.3, Risk and capital management.

3.7 Accounts receivable

These items comprise the following:

kEUR	12/31/2015	12/31/2014
Accounts receivable	17,972	15,020
Accounts receivable in line with PoC method	660	1,019
Total	18,632	16,039

Receivables and sales of kEUR 660 (previous year: kEUR 1,019) are recorded in line with the percentage of completion method for services not yet billed. Costs of kEUR 599 (previous year: kEUR 936) were incurred for projects realised using the percentage of completion method. This results in a margin of kEUR 61 (previous year: kEUR 83).

According to IAS 39, accounts receivable are financial assets that 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

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. In this financial year, no individual value adjustments were made.

Accounts receivable in kEUR	0-90 days	91-180 days	181-360 days	More than 360 days
as of December 31, 2015	18,310	285	15	22
as of December 31, 2014	14,518	1,496	9	16

3.8 Other assets

Other assets as of December 31, 2015 and 2014 consist of the following:

kEUR	12/31/2015	12/31/2014
Prepaid expenses	716	653
Interest receivables	570	543
Tax receivables	266	217
Other	210	257
Total	1,762	1,670

All other assets are due within 12 months. As financial assets, 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:

Interest receivables in kEUR	0-90 days	91-180 days	181-360 days
as of December 31, 2015	96	120	354
as of December 31, 2014	224	198	121

3.9 Equity

3.9.1 Subscribed capital

As of December 31, 2015, the Company's fully paid-up 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, 2015, 133,438 of them (previous year: 150,000) belonged to treasury stock.

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

In thousands	Shares	Percentage
WPP plc, St. Helier (directly or indirectly)	6,476	50.48
Free float	6,219	48.48
Treasury stock	133	1.04
Total	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. 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 2015, gains from the sale of treasury shares of kEUR 12 were realised (previous year: kEUR 87) and allocated to additional 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 half of 2015, 16,562 treasury shares were transferred to the former co-shareholders of Hi-ReS! London to settle a liability. The income obtained amounting to kEUR 12 was allocated to additional paid-in capital.

On May 29, 2015, the Annual General Meeting authorised the Management Board to acquire a maximum of 10 per cent of the Company's outstanding shares until May 28, 2020. SYZYGY is authorised to resell or call in treasury shares, to offer them to employees of the Company as compensation, or to offer treasury shares to third parties in the course of acquiring companies. As at December 31, 2015, SYZYGY held 133,438 treasury shares (previous year: 150,000) at an average acquisition cost of EUR 5.54.

3.9.5 Other comprehensive income

Other comprehensive income after tax summarised under "Other net income" amounted to kEUR -372 (previous year: kEUR 1,397) in the 2015 financial year and can be attributed to unrealised losses from securities after tax (kEUR 1,401; previous year: gains of kEUR 228) and gains from currency translation in non-EUR business operations (kEUR 1,033; previous year: kEUR 1,169). 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 Profit reserves

The consolidated financial statements showed profit reserves of kEUR 17,806 (previous year: kEUR 17,610) as of December 31, 2015. The change in the profit reserves during the financial year corresponds to net income of kEUR 4,639 less the distributed dividend of kEUR 4,443. Dividend distributions are based on the distributable part disclosed in the annual financial statements of SYZYGY AG according to HGB (German Commercial Code).

On May 29, 2015, the Annual General Meeting approved a dividend of EUR 0.35 per share (previous year: EUR 0.28), which was distributed starting on June 1, 2015. After adjusting the retained earnings to take account of the sale of treasury shares (kEUR 92), the remaining retained earnings of kEUR 8,742 (previous year: kEUR 10,237) were carried forward to new account and recorded accordingly in the single-entity financial statements of SYZYGY AG.

As of December 31, 2015, the financial statements of SYZYGY AG showed retained earnings of kEUR 11,111 (previous year: kEUR 13,094).

3.10 Stock-based compensation

Option plan 2012

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

On June 27, 2012, the Company issued a total of 300,000 options at an exercise price of EUR 3.11. Of these options, 40 per cent can be exercised after two years and a further 60 per cent 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:

	12/31/2015	12/31/2014
Expected term of the options	up to 1.5 years	up to 2.5 years
Risk-free interest rate	1.0%	0.5%
Expected dividend yield	4.2%	4.7%
Expected volatility	30%	30%
Exercise price	EUR 3.11	EUR 3.11
Share price as of the balance sheet date	EUR 8.81	EUR 6.38

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:

EUR	Number of options	Exercise price	Fair value
As per December 31, 2014	252,000	3.11	3.27
New allocation	0		
Exercised	216,000	3.11	5.51
Expired	0		
As per December 31, 2015	36,000	3.11	5.71

Of the 300,000 options, a total of 48,000 options were exercised in 2014. Of the remaining 252,000 options, a further 216,000 options were exercised in 2015, of which 48,000 on January 29, 2015, 24,000 on May 7, 2015 and 144,000 on September 22, 2015. The remaining 36,000 options have been exercisable since June 27, 2015 and will lapse on June 27, 2017. In 2015, a payment of kEUR 1,190 was made due to the exercise of options. This represents an average fair value for the exercised options of EUR 5.51 per option. As of December 31, 2015, provisions for the exercise of options amounted to kEUR 205 (previous year: kEUR 715). In 2015, the provisions created in the previous year were consumed in the amount of kEUR 613 and an expense was incurred in 2015 due to payments of kEUR 577. There were also expenses for the allocation, recognised in profit or loss, made to provisions in the amount of kEUR 103. No further options were issued in the 2015 financial year. There were also no options that were forfeited or had lapsed.

Stock participation programme 2013

In the 2013 financial year, the Company set up a stock participation programme whereby the Company undertook to transfer a certain number of shares to employees after three years. If the employee leaves the SYZYGY Group prior to the end of the period, all claims arising from the stock participation programme will lapse without compensation. Alternatively, the employee is entitled to receive the market value as at the date of transfer in cash, instead of the shares. So far the Company has committed a total of 90,000 shares, of which 20,000 in 2013, a further 20,000 in 2014 and 50,000 in 2015. The expenses are recognised pro rata temporis from the date of commitment to the stock programme, with the result that a provision for claims arising from the stock participation programme in the amount of kEUR 274 was recognised as at the key date. The allocation recognised in profit or loss was kEUR 196 in the financial year (previous year: kEUR 69).

EUR	Number of options	Fair value
As per December 31, 2014	40,000	255
New allocation	50,000	448
Exercised	0	0
Expired	0	0
Change in value	0	90
As per December 31, 2015	90,000	793

Phantom stock plan 2015

The phantom stock plan was set up as a new scheme in 2015. Under this arrangement the eligible employee receives the difference between the share price on the date of granting and the share price on exercise of the phantom stocks as a special payment. 40 per cent of the phantom stocks granted (Tranche 1) are not exercisable until at least 2 years have elapsed and will lapse after 3 years at the latest, while 60 per cent of the phantom stocks granted (Tranche 2) are not exercisable until at least 3 years have elapsed and will lapse after 4 years at the latest. The maximum price increase (cap) is limited to 60 per cent for Tranche 1 and to 90 per cent in the case of Tranche 2.

A total of 315,000 phantom stocks were issued during the reporting period. Of these, 75,000 were issued at an exercise price of EUR 6.23 and 240,000 at an exercise price of EUR 8.02 on the date of granting. Due to the takeover offer by WPP Jubilee Ltd, it was possible for the phantom stocks to be exercised extraordinarily within a period of 6 weeks after the takeover offer was completed (change of control clause). When options were exercised extraordinarily, the difference between the exercise price and the takeover offer was paid, but with EUR 1.00 per phantom share as a minimum amount. All the directors exercised their phantom shares extraordinarily. The Company incurred an expense of kEUR 448 as a result. As at the reporting date, no further rights arising from the phantom stock plan 2015 are outstanding.

EUR	Number of options	Exercise price	Fair value
As per December 31, 2014	0	0	0
New allocation	315,000	7.59	9.00
Exercised	315,000	9.00	1.42
Expired	0	0	0
As per December 31, 2015	0	0	0

3.11 Accounts payable and other provisions

As at December 31, 2015 and 2014, accounts payable and other provisions consisted of:

kEUR	12/31/2015	12/31/2014
Accounts payable	7,797	11,467
Other provisions:		
– Obligations towards other parties	4,684	5,721
– Personnel-related provisions	2,068	2,129
– Other	373	322
Total	14,922	19,639

Personnel-related provisions mainly comprise employee bonuses and holidays. All accounts payable are due within one year and can be allocated to the "Financial liabilities at amortised costs" valuation category.

Obligations towards other parties primarily relate to outstanding invoices and customer bonuses. This also includes accruals and deferrals for spreading the personnel cost subsidies amounting to kEUR 235 (previous year: kEUR 200) received from Berlin's business development service over a number of periods; the subsidies are recognised on an accrual basis over the period of the subsidy.

Statement of changes in provisions as of December 31, 2015 in kEUR	Carrying value 1/1/2015	Usage	Reversal	Addition	Carrying value 12/31/2015
Invoices not received	5,721	-5,172	-189	4,324	4,684
Personnel-related provisions	2,129	-1,591	-18	1,548	2,068
Other provisions:	322	-322	0	373	373
Total	8,172	-7,085	-207	6,245	7,125

Statement of changes in provisions as of December 31, 2014 in kEUR	Carrying value 1/1/2014	Usage	Reversal	Addition	Carrying value 12/31/2014
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
Total	4,240	-3,940	-30	7,902	8,172

3.12 Tax liabilities

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

kEUR	12/31/2015	12/31/2014
American income taxes	890	0
British income taxes	120	159
German income taxes	117	0
Polish income taxes	0	15
Total	1,127	174

3.13 Other liabilities

The components of other liabilities are detailed in the following:

kEUR	12/31/2015	12/31/2014
Financial liabilities due to contingent purchase price payments	2,342	3,477
German VAT	1,012	1,246
Social security, salary and church taxes	633	522
British VAT	383	151
Polish VAT	-1	-60
Other	358	237
Total	4,727	5,573

The following table shows the maturities of other current liabilities and other non-current liabilities as at December 31, 2015:

kEUR	< 1 year	1-5 years	5-10 years	Indefinite	Total
Other liabilities	2,385	2,342	0	0	4,727

The following table shows the maturities of other current liabilities and other 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

Liabilities due to contingent purchase price payments constitute financial liabilities and fall into the "Financial liabilities at fair value through profit or loss" valuation category. Other liabilities excluding tax liabilities have been allocated to 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 lines.

As the holding company, SYZYGY AG mainly delivers services to the operating units and therefore needs to be considered separately as a provider of central functions. The UK segment consists of SYZYGY UK, Unique Digital UK and Hi-ReS! LON. The Germany segment comprises Hi-ReS! BER, SYZYGY Deutschland, SYZYGY München and uniquedigital. SYZYGY NY has formed a separate "United States" segment since 2015 and Ars Thanea does not fulfil the size criteria to qualify as an independent geographical segment. For this reason it is presented 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.

December 31, 2015 *in kEUR*	Germany	UK	US	Other segments	Central functions	Consolidation	Total
Billings	69,041	33,802	40,173	3,004	323	-2,424	143,919
Media costs	-36,354	-17,499	-32,755	0	0	0	-86,608
Sales	32,687	16,303	7,418	3,004	323	-2,424	57,311
of which internal sales	517	1,730	0	177	0	-2,424	0
Operating income (EBIT)	5,141	1,933	2,128	236	-4,389	219	5,268
Financial income	148	10	-28	-12	8,950	-7,093	1,975
Earnings before tax (EBT)	5,289	1,943	2,100	224	4,561	-6,874	7,243
Assets	22,392	21,120	7,306	8,101	59,748	-41,128	77,539
of which goodwill	8,841	9,657	0	6,582	0	0	25,080
Investments	894	72	44	42	23	1	1,076
Depreciation and amortisation	722	221	89	101	16	0	1,149
Impairment on goodwill	0	973	0	0	0	0	973
Segment liabilities	12,470	6,257	6,434	942	9,465	-9,216	26,352
Employees as per balance sheet date	267	112	11	71	20	0	481

December 31, 2014 *in kEUR*	Germany	UK	US	Other segments	Central functions	Consolidation	Total
Billings	66,379	35,885	26,217	2,758	1,408	-3,088	129,559
Media costs	-39,602	-19,556	-23,326	0	0	0	-82,484
Sales	26,777	16,329	2,891	2,758	1,408	-3,088	47,075
of which internal sales	778	1,054	41	203	1,012	-3,088	0
Operating income (EBIT)	3,806	2,429	187	502	-4,359	1,278	3,843
Financial income	59	4	0	-9	7,350	-5,247	2,157
Earnings before tax (EBT)	3,865	2,433	187	493	2,991	-3,969	6,000
Assets	28,137	25,916	8,358	1,064	64,437	-44,459	83,453
of which goodwill	8,841	10,008	0	6,513	0	0	25,362
Investments	606	163	391	141	5	0	1,306
Depreciation and amortisation	611	170	42	59	15	325	1,222
Impairment on goodwill	0	1,332	0	0	0	0	1,332
Segment liabilities	18,895	5,721	8,682	709	12,173	-13,761	32,419
Employees as per balance sheet date	219	142	6	68	18	0	453

The prior year figures have been adjusted to the new segment structure.

As in the previous year, SYZYGY generated more than 10 per cent (EUR 5.8 million) of consolidated sales with one client in the Germany segment (previous year: EUR 5.3 million).

In 2015, more than 10 per cent of consolidated sales was also generated with one client (EUR 8.0 million) in the US segment for the first time (previous year: EUR 2.0 million).

In the UK segment, on the other hand, no single client accounted for more than 10 per cent of consolidated sales (previous year: one client at EUR 5.3 million).

Please see the comments under 5.1 Sales for disclosure of sales to external clients for each group of comparable services.

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 2015, the SYZYGY Group generated sales of kEUR 40,156 from design and technical realisation (previous year: kEUR 35,792) and billings of kEUR 104,311 (previous year: kEUR 95,671) from online marketing. Online marketing includes media costs of kEUR 86,608 (previous year: kEUR 82,484), resulting in sales of kEUR 17,703 (previous year: kEUR 13,187). Internal sales of kEUR 424 (previous year: kEUR 317) were conducted between the product areas as well as sales to or from the parent company amounting to kEUR 447 (previous year: kEUR 1,587), which were completely eliminated in the consolidated financial statements.

5.2 Other operating income and expenses

Other operating income and expenses consist of the following:

kEUR	2015	2014
Reduction of earn-out liability	1,031	0
Exchange rate effects	364	166
Release of provisions	185	30
Investment grant	154	0
Employee usage of company cars	103	96
Refund from health insurance funds	58	56
Refund of ancillary costs	20	18
Subletting	8	11
EU subsidies related to client projects	0	10
Remeasurement of "old" shares in Ars Thanea	0	2.032
Expenses arising from liquidation of mediopoly	0	-315
Impairment of goodwill at Hi-ReS! London	-973	-1.332
Linear depreciation Ars Thanea brand	-25	-25
Other	3	-233
Total	928	514

5.3 Cost of purchased services

The cost of purchased services, which is included in the "Cost of sales" item in the statement of comprehensive income, mainly comprises expenses for freelance workers and outsourced services:

kEUR	2015	2014
Cost of purchased services	10,027	7,970

5.4 Personnel expenses

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

kEUR	2015	2014
Salaries and wages	29,243	22,923
Social security	3,759	3,001
Total	33,002	25,924

In 2015, the average number of full-time employees in the SYZYGY Group was 483 (previous year: 420).

By the end of the 2015 financial year, the total number of SYZYGY employees had risen to 481 (previous year: 453). The employees are distributed across the following functional areas within the Company:

Number of persons	2015	2014	Average in 2015	Average in 2014
Strategy/consulting/ project management	133	110	128	106
Technology	109	102	112	84
Design	95	88	97	80
Online marketing/ online media	91	98	92	96
Administration	53	55	54	54
Total	481	453	483	420

5.5 Depreciation and amortisation

Depreciation and amortisation, which is included in various items within the consolidated statement of comprehensive income, comprises the following:

kEUR	2015	2014
Amortisation of intangible assets	1,065	1,720
Depreciation of fixed assets	1,057	834
Total	2,122	2,554

5.6 Financial income

kEUR	2015	2014
Interest and similar income	1,128	1,143
Income from the sale of securities, net	848	1,034
Interest expense and similar expenses	-1	-10
Income from at-equity stakes	0	-10
Total	1,975	2,157

Interest and similar income includes interest payments received of kEUR 1,129 (previous year: kEUR 1,103).

Income from the sale of securities includes gains of kEUR 1,252 (previous year: kEUR 1,237) and losses of kEUR 404 (previous year: kEUR 203).

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 expenses from at-equity stakes that were included in the prior year were fully attributable to the after-tax earnings of Ars Thanea for the month of January 2014 to which SYZYGY AG is entitled.

5.7 Income taxes

kEUR	2015	2014
Current foreign income taxes	1,362	572
Current domestic income taxes	392	172
Subtotal of current income taxes	1,754	744
Deferred taxes	625	517
Total	2,379	1,261

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 Bad Homburg, Frankfurt and Hamburg locations is weighted on the basis of the total salaries at the respective locations, with trade tax rates unchanged. The applicable tax rate for the group parent was 31 per cent, as in the previous year.

In the UK, there has been a general tax rate of 21 per cent since April 1, 2014; a rate of 20 per cent applies from April 1, 2016.

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 2015, as in the previous year.

In Poland, there has been a uniform tax rate of 19 per cent on corporate profits since January 1, 2014.

SYZYGY received an income tax refund of kEUR 144 net in the 2015 financial year (previous year: kEUR 352). Due to the use of loss carry-forwards, tax expense was reduced by kEUR 608 (previous year: kEUR 825).

Deferred tax assets and liabilities can be summarised as follows:

kEUR	2015	2014
Deferred taxes (assets)		
Loss carry-forwards at SYZYGY AG	1,242	1,850
Provisions	62	65
Fixed assets	8	19
Current assets (securities)	-53	-696
Total	1,259	1,238

kEUR	2015	2014
Deferred taxes (liabilities)		
Hi-ReS! brand	63	48
Fixed assets	38	15
Unique Digital brand	31	38
Ars Thanea brand	14	19
Total	146	120

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 netted against deferred tax liabilities resulting from valuation differences for securities.

Other deferred tax assets result from differences in the useful lives of the assets between valuations in accordance with IFRS and the tax accounts at SYZYGY Deutschland GmbH.

SYZYGY AG has usable tax loss carry-forwards of kEUR 3,228 for corporation tax (previous year: kEUR 5,142) and kEUR 4,861 for trade tax (previous year: kEUR 6,831), which will be used in the next five years and for which deferred tax assets have been fully created.

The deferred tax liabilities result from first-time consolidation of Ars Thanea, Hi-ReS! LON and Unique Digital UK, plus kEUR 38 due to differences in the useful lives of the assets between valuations in accordance with IFRS and the tax accounts at Ars Thanea, SYZYGY UK and Unique Digital UK.

Income taxes for the financial year can be transferred to the profit for the period as follows:

kEUR	2015	2014
Income before taxes	7,243	6,000
Income tax charge at a tax rate of 31 per cent (previous year: 31%)	2,245	1,860
Non-tax deductible expenditure	401	-91
Differences in tax rates	78	-305
Use of tax loss carry-forwards and change	-158	-252
Other	99	-14
Actual income tax	2,379	1,261

The tax rate differences result from an average tax rate of 31 per cent in Germany compared with 45 per cent in the US, 20.3 per cent in the UK and 19 per cent in Poland. Deferred taxes were accounted for taking future tax rates into consideration.

In the 2015 financial year, deferred tax liabilities of kEUR 37 (previous year: kEUR 666) were attributable to items that were offset directly against equity. The change in the valuation differences of kEUR -629 is recorded in other comprehensive income (previous year: kEUR 102). 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 177 (previous year: kEUR 118), 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 1,029 (previous year: kEUR 1,169) are recorded in other comprehensive income such that net income is not affected.

6. Other notes

6.1 Earnings per share

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

	2015	2014
Weighted average number of shares (in thsd.), diluted and basic	12,689	12,723
Net income of SYZYGY AG shareholders in kEUR	4,639	4,399
Earnings per share, diluted and basic (EUR)	0.37	0.35

6.2 Consolidated statement of cash flows

When preparing the consolidated statement of cash flows in accordance with IAS 7, the indirect method is used to prepare the cash flow from operating activities and the direct method is used for cash flow from investment and financing activities. In 2015, operating cash flow amounted to EUR -2.4 million (previous year: EUR 14.4 million). The cash and cash equivalents comprise exclusively cash and cash equivalents with a contractual remaining term to maturity of less than three months.

In the course of the financial year, the Group conducted the following non-cash investment and financing transactions, which are reflected accordingly in a correction item in the consolidated statement of cash flows: The Group obtained income of kEUR 1,031 from reduction of the earn-out liability associated with acquiring Ars Thanea.

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 a third of its sales outside Germany, so exchange rate fluctuation between sterling/the US dollar/the Polish zloty and the euro can have a positive or negative impact on securities and liabilities denominated in these currencies, and on sales and annual net income, 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. No hedging of currency risk currently takes place in the SYZYGY Group.
In terms of operations, the Group companies conduct their activities predominantly in their respective functional currency. 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 the Group's 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:

Most securities, cash and cash equivalents, receivables and accounts payable are directly denominated in euros, the functional currency of SYZYGY AG.

In contrast, the earn-out obligation to the former shareholders in Ars Thanea is due (in 2019) in Polish zloty. The currency risk associated with this liability has been largely offset by the purchase of Polish government bonds denominated in zloty. A depreciation of the Polish zloty by around 10 per cent would give rise to an additional expense of kEUR 115.

SYZYGY's portfolio also includes bonds issued in US dollars. If the US dollar were to lose 10 per cent of its value against the euro, SYZYGY would have to bear currency losses of kEUR 288 when selling these bonds or re-assessing their market value.

Lastly, SYZYGY regularly receives profit distributions in non-EUR currency from its foreign subsidiaries, chiefly in the UK. These distributions are exchanged into euro when received.

6.3.2 Interest risk

SYZYGY is only subject to interest risk with regard to securities. There are no material 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 recognised in other comprehensive income and carried in equity under "Other net income".

As at the balance sheet date, around EUR 22.9 million (previous year: EUR 22.2 million) was invested in a securities portfolio with a duration of around 7.2 years (previous year: 7.3 years). An interest rate change of 100 basis points with regard to these investments would result in a change in the fair value of the portfolio of around 7.2 per cent (previous year: 7.3%). This would lead to a change in fair value of around kEUR 1,649 (previous year: kEUR 1,621).

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 7.2 years and average

credit spreads widen by 100 basis points, the portfolio's value would fall by 7.2 per cent. This would lead to a change in fair value of around kEUR 1,649 (previous year: kEUR 1,621) at 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 2015 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 a 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	2015	2014
Equity according to the balance sheet	51,187	51,034
Debt capital	26,352	32,419
Total capital	77,539	83,453
Equity ratio	66%	61%
Net income for the period	4,864	4,739
Return on equity	10%	9%

SYZYGY does not have any material 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 362 (previous year: kEUR 319) arising from the provision of rent guarantees for rental space in Bad Homburg, Berlin, Frankfurt, Hamburg and Munich. 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 (prior 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 537 (previous year: 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 6,996 (previous year: kEUR 8,604).

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	12/31/2015	12/31/2014
Within 1 year	2,746	2,309
1-5 years	3,927	5,812
More than 5 years	0	149
Total	6,673	8,270

Total expenses for rent in 2015 amounted to kEUR 2,851 (prior year: kEUR 2,634). Income of kEUR 8 was obtained from subletting in 2015 (previous year: kEUR 4). In 2015, kEUR 154 (previous year: kEUR 143) 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.

Securities are measured on the basis of observable quotation of the individual bond prices. The valuation of contingent purchase price commitments is based on earnings forecasts for the Ars Thanea subsidiary over the earn-out period.

The following tables shows the Company's other financial assets and liabilities. It does not include any information on the fair value of the financial assets and liabilities that were not measured at fair value, since in all cases the carrying value is a reasonable approximation to fair value.

December 31, 2015	Level 1	Level 2	Level 3	Total
Securities	22,946	–	–	22,946
Total financial assets	22,946	–	–	22,946
Conditional purchase price commitment	–	–	2,342	2,342
Total financial liabilities	–	–	2,342	2,342

December 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

	2015		2014	
kEUR	Loans and Receivables	Financial Liabilities at Amortized Costs	Loans and Receivables	Financial Liabilities at Amortized Costs
Other non-current assets	674		635	
Cash and cash equivalents	3,841		13,017	
Accounts receivable	18,632		16,039	
Interest receivables in other current assets	570		543	
Accounts payable		7,797		11,467
Total	23,717	7,797	30,234	11,467

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	501	145
Hi-ReS! Berlin GmbH, Berlin, Germany	60	405	453
Hi-ReS! London Ltd, London, UK	100	-439	-636
SYZYGY Deutschland GmbH, Bad Homburg, Germany[2]	100	409	0
SYZYGY Digital Marketing Inc., New York City, USA	100	872	1,212
SYZYGY München GmbH, Munich, Germany	100	25	0
SYZYGY UK Ltd, London, UK[1]	100	2,436	1,034
Unique Digital Marketing Ltd, London, UK[1]	100	7,532	2,223
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 Ltd 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 bin favour of SYZYGY AG.

6.8 Auditor's fee

The auditor, BDO AG Wirtschaftsprüfungsgesellschaft, charged a total fee, including outlay, of kEUR 105 (previous year: kEUR 95) for auditing services relating to the consolidated financial statements and the financial statements of the parent company. Other auditing services, which attracted a fee of kEUR 7, were also provided by 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. SYZYGY AG has been a controlled and fully consolidated company of WPP plc, St. Helier, Jersey, since November 2015, after the WPP Group increased its shareholding in SYZYGY AG from just under 30 per cent to 50.5 per cent in the course of a voluntary takeover offer. As a result, all companies in the WPP Group are likewise qualified as associated persons and companies.

Balances and business transactions between SYZYGY AG and its subsidiaries that are associated companies and persons were eliminated in the course of consolidation and will not be discussed any further. Details of transactions between the Group and other associated companies and persons are disclosed below. As a matter of policy, all transactions with associated companies and persons are concluded at normal market terms and conditions.

In 2015, SYZYGY generated sales of kEUR 78 with the WPP Group for client projects. Of this amount, receivables of kEUR 47 were still outstanding as at the reporting date. During the financial year, SYZYGY also made use of administrative services provided by the WPP Group with a value of kEUR 14. The resulting liabilities were settled in the same year.

With the exception of remuneration for members of the Management Board and compensation for the Supervisory Board, no transactions not included in the consolidated financial statements were carried out with associated parties in 2015 and 2014.

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

On February 22, 2016, Marco Seiler, Chairman of the Management Board of SYZYGY AG, stepped down with effect from August 31, 2016. Mr Lars Lehne has been appointed to the Management Board with effect from April 1, 2016 and will take over as Chairman of the Management Board with effect from September 1, 2016. No material impact on the Company's net assets, financial position or results of operations is expected as a consequence.

6.12 Parent company boards

6.12.1 Management Board

Marco Seiler, Bad Homburg
Chairman
Managing Director, SYZYGY Deutschland GmbH
Managing Director, Hi-ReS! Berlin GmbH

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

Erwin Greiner, Bad Nauheim
Management Board member
Managing Director, SYZYGY München GmbH
Director, SYZYGY UK Ltd
Director, Unique Digital Marketing Ltd
Director, Hi-ReS! London Ltd.

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

In the 2015 financial year, total remuneration of the Management Board amounted to kEUR 2,536. Marco Seiler received a basic salary of kEUR 263, fringe benefits of kEUR 15 and a variable salary of kEUR 37. Andrew P. Stevens received a basic salary of kEUR 290, fringe benefits of kEUR 18 and a variable salary of kEUR 41. Erwin Greiner received a basic salary of kEUR 168, fringe benefits of kEUR 12 and a variable salary of kEUR 10.

Marco Seiler and Andrew P. Stevens each received 120,000 options in 2012, Erwin Greiner received 60,000 options in 2012, up to 40 per cent being exercisable after two years and 60 per cent after three years. Marco Seiler exercised 72,000 options in 2015, Andrew P. Stevens exercised 120,000 and Erwin Greiner exercised 24,000 options. As at the reporting date there were thus 36,000 options still outstanding, of which 36,000 were in favour of Erwin Greiner. Provisions amounting to kEUR 205 (previous year: kEUR 715) were established in 2015 for the resulting expenses.

A phantom stock programme was also launched in 2015. Under this arrangement the eligible employee receives the difference between the share price on the date of granting and the share price on exercise of the phantom stocks as a special payment. 40 per cent of the phantom stocks granted (Tranche 1) are not exercisable until at least 2 years have elapsed and will lapse after 3 years at the latest, while 60 per cent of the phantom stocks granted (Tranche 2) are not exercisable until at least 3 years have elapsed and will lapse after 4 years at the latest. The maximum price increase is limited to 60 per cent for Tranche 1 and to 90 per cent in the case of Tranche 2.

In the period under review, Marco Seiler and Andrew P. Stevens each received 120,000 phantom shares at a stock price on granting of EUR 8.02, while Erwin Greiner received 75,000 phantom shares at a stock price on granting of EUR 6.23. Due to the takeover offer by WPP Jubilee Ltd, it was possible for the phantom stocks to be exercised extraordinarily within a period of 6 weeks after the takeover offer was completed (change of control clause). All the directors exercised their phantom shares extraordinarily.

The benefits granted in the financial year are shown in the table below:

Benefits granted *Marco Seiler, CEO*	2015	2014	2015 Minimum	2015 Maximum
	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	263	250	263	263
Fringe benefits	15	15	15	15
Total	278	265	278	278
One-year variable remuneration	39	37	0	39
Multi-year variable remuneration				
Phantom stock programme 2015	155	–	0	751
Total	194	37	0	790
Pension expenses	12	12	12	12
Total remuneration	484	314	290	1.080

Benefits granted *Andrew P. Stevens, COO*	2015	2014	2015 Minimum	2015 Maximum
	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	290	231	290	290
Fringe benefits	18	16	18	18
Total	308	247	308	308
One-year variable remuneration	41	37	0	41
Multi-year variable remuneration				
Phantom stock programme 2015	155	–	0	751
Total	196	37	0	792
Pension expenses	15	14	15	15
Total remuneration	519	298	323	1.115

Benefits granted *Erwin Greiner, CFO*	2015	2014	2015 Minimum	2015 Maximum
	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	168	–	168	168
Fringe benefits	12	–	12	12
Total	180	–	180	180
One-year variable remuneration	25	–	0	25
Multi-year variable remuneration				
Phantom stock programme 2015	81	–	0	364
Total	106	–	0	390
Pension expenses	15	–	15	15
Total remuneration	301	–	195	585

6.12.2 Supervisory Board

Michael Mädel
Supervisory Board Chairman

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

Thomas Strerath (up to May 29, 2015)
Supervisory Board member
Management Board member, Jung von Matt AG, Hamburg

Ralf Hering (since June 1, 2015)
Supervisory Board member
Principal Partner, Hering Schuppener Unternehmensberatung für Kommunikation GmbH, Düsseldorf

The Supervisory Board members each received remuneration of kEUR 25 (previous year: kEUR 25) for the 2015 financial year, of which kEUR 20 (previous year: kEUR 20) is fixed in each case and kEUR 5 is variable, as in the previous year. The remuneration for Thomas Strerath and Ralf Hering is split into months on a pro rata basis.

6.13 Directors' dealings

Management Board: Shares [Number of shares]	Marco Seiler	Andrew P. Stevens	Erwin Greiner	Total
As per December 31, 2014	538,121	325,000	0	863,121
Purchases	0	0	0	0
Sales	-538,121	-325,000	0	-863,121
As per December 31, 2015	0	0	0	0

Supervisory Board: Shares [Number of shares]	Michael Mädel	Wilfried Beeck	Ralf Hering	Total
As per December 31, 2014	20,000	120,000	0	140,000
Purchases	0	0	0	0
Sales	-20,000	-120,000	0	-140,000
As per December 31, 2015	0	0	0	0

Management Board: Options [Number of shares]	Marco Seiler	Andrew P. Stevens	Erwin Greiner (Management Board member since 01.01.15)	Total
As per December 31, 2014	72,000	120,000	60,000	252,000
Additions	0	0	0	0
Disposals	-72,000	-120,000	-24,000	-216,000
As per December 31, 2015	0	0	36,000	36,000

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

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

6.14 Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution
Release of a voting rights notification on October 21, 2015

On October 19, 2015, Share Value Stiftung, Erfurt, DEU has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on SYZYGY AG, Bad Homburg, Deutschland, have fallen below the 3% threshold of the Voting Rights on October 15, 2015 and on that day amounted to 1.56% (this corresponds to 200,000 Voting Rights).

Release of a voting rights notification on October 21, 2015

On October 19, 2015, Ms Christiane Weispfenning, DEU has informed us according to Article 21, Section 1 of the WpHG that via shares her Voting Rights on SYZYGY AG, Bad Homburg, Deutschland, have fallen below the 3% threshold of the Voting Rights on October 15, 2015 and on that day amounted to 1.56% (this corresponds to 200,000 Voting Rights).

Correction of a release from 21.10.2015, 12:20 CET - Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act]
Release of a voting rights notification on October 22, 2015

On October 19, 2015, Ms Christiane Weispfenning, Germany has informed us according to Article 21, Section 1 of the WpHG that via shares her Voting Rights on SYZYGY AG, Bad Homburg, Germany, have fallen below the 3% threshold of the Voting Rights on October 15, 2015 and on that day amounted to 1.56% (this corresponds to 200,000 Voting Rights). 1.56% of Voting Rights (this corresponds to 200,000 Voting Rights) are attributed to Ms Weispfenning in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following companies under her control, whose share of the Voting Rights in SYZYGY AG amounts to 3 percent or more: Share Value Stiftung.

Correction of a release from 22.10.2015, 13:19 CET - Correction of a release from 21.10.2015, 12:20 CET - Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act]
Release of a voting rights notification on October 23, 2015

On October 19, 2015, Ms Christiane Weispfenning, Germany has informed us according to Article 21, Section 1 of the WpHG that via shares her Voting Rights on SYZYGY AG, Bad Homburg, Germany, have fallen below the 3% threshold of the Voting Rights on October 15, 2015 and on that day amounted to 1.56% (this corresponds to 200,000 Voting Rights). 1.56% of Voting Rights (this corresponds to 200,000 Voting Rights) are attributed to Ms Weispfenning in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act).

Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution
Release of a voting rights notification on October 23, 2015

On October 19, 2015, Mr Marco Seiler, DEU has informed us according to Article 21, Section 1 of the WpHG that via shares his Voting Rights on SYZYGY AG, Bad Homburg, Deutschland, have fallen below the 3% threshold of the Voting Rights on October 14, 2015 and on that day amounted to 0% (this corresponds to 0 Voting Rights).

Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act]
Release of a voting rights notification on October 23, 2015

On October 21, 2015, WPP Jubilee Limited, London, GBR has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on SYZYGY AG, Bad Homburg, Deutschland, have exceeded the 30% threshold of the Voting Rights on October 21, 2015 and on that day amounted to 46.97% (this corresponds to 6025979 Voting Rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 46.97% of the Voting Rights (this corresponds to 6,025,979 Voting Rights) is to be attributed to the company via WPP Madrid Square Limited, WPP 2005 Limited, WPP LN Limited, WPP Group (UK) Limited, Lexington International BV, Arbour Square BV, WPP Luxembourg Europe S.a.r.l., Vincent Square Holding BV, WPP Luxembourg Germany Holdings 3 S.a.r.l., WPP Luxembourg Germany Holdings S.a.r.l., WPP Deutschland Verwaltungs GmbH, WPP Deutschland Holding GmbH & Co. KG, WPP Marketing Communications Germany BV and DSBK Activate GmbH.

Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act]
Release of a voting rights notification on October 23, 2015

On October 21, 2015, WPP plc, St. Helier, GBR has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on SYZYGY AG, Bad Homburg, Deutschland, have exceeded the 30% threshold of the Voting Rights on October 21, 2015 and on that day amounted to 46.97% (this corresponds to 6,025,979 Voting Rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 46.97% of the Voting Rights (this corresponds to 6,025,979 Voting Rights) is to be attributed to the company via WPP Jubilee Limited, WPP Madrid Square Limited, WPP 2005 Limited, WPP LN Limited, WPP Group (UK) Limited, Lexington International BV, Arbour Square BV, WPP Luxembourg Europe S.a.r.l., Vincent Square Holding BV, WPP Luxembourg Germany Holdings 3 S.a.r.l., WPP Luxembourg Germany Holdings S.a.r.l., WPP Deutschland Verwaltungs GmbH, WPP Deutschland Holding GmbH & Co. KG, WPP Marketing Communications Germany BV and DSBK Activate GmbH.

Correction of a release from 23.10.2015, 11:10 CET - Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act]
Release of a voting rights notification on October 26, 2015

On October 21, 2015, WPP Jubilee Limited, London, United Kingdom has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on SYZYGY AG, Bad Homburg, Germany, have exceeded the 30% threshold of the Voting Rights on October 21, 2015 and on that day amounted to 46.97% (this corresponds to 6,025,979 Voting Rights). 29.9998% of Voting Rights (this corresponds to 6,025,979 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following companies under its control, whose share of the Voting Rights in SYZYGY AG amounts to 3 percent or more: WPP Madrid Square Limited, WPP 2005 Limited, WPP LN Limited, WPP Group (UK) Limited, Lexington International BV, Arbour Square BV, WPP Luxembourg Europe S.a.r.l., Vincent Square

Holding BV, WPP Luxembourg Germany Holdings 3 S.a.r.l., WPP Luxembourg Germany Holdings S.a.r.l., WPP Deutschland Verwaltungs GmbH, WPP Deutschland Holding GmbH & Co. KG, WPP Marketing Communications Germany BV, DSBK Activate GmbH.

Correction of a release from 26.10.2015, 09:40 CET - Correction of a release from 23.10.2015, 11:10 CET - Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act]
Release of a voting rights notification on October 26, 2015

On October 21, 2015, WPP Jubilee Limited, London, United Kingdom has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on SYZYGY AG, Bad Homburg, Germany, have exceeded the 30% threshold of the Voting Rights on October 21, 2015 and on that day amounted to 46.97% (this corresponds to 6,025,979 Voting Rights).
29.9998% of Voting Rights (this corresponds to 3,848,514 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following companies under its control, whose share of the Voting Rights in SYZYGY AG amounts to 3 percent or more: WPP Madrid Square Limited, WPP 2005 Limited, WPP LN Limited, WPP Group (UK) Limited, Lexington International BV, Arbour Square BV, WPP Luxembourg Europe S.a.r.l., Vincent Square Holding BV, WPP Luxembourg Germany Holdings 3 S.a.r.l., WPP Luxembourg Germany Holdings S.a.r.l., WPP Deutschland Verwaltungs GmbH, WPP Deutschland Holding GmbH & Co. KG, WPP Marketing Communications Germany BV, DSBK Activate GmbH.

Correction of a release from 23.10.2015, 11:19 CET - Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act]
Release of a voting rights notification on October 26, 2015

On October 21, 2015, WPP plc, St. Helier, GBR has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on SYZYGY AG, Bad Homburg, Deutschland, have exceeded the 30% threshold of the Voting Rights on October 21, 2015 and on that day amounted to 46.97% (this corresponds to 6025979 Voting Rights).
46.97% of Voting Rights (this corresponds to 6,025,979 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following companies under its control, whose share of the Voting Rights in SYZYGY AG amounts to 3 percent or more:
WPP Jubilee Limited, WPP Madrid Square Limited, WPP 2005 Limited, WPP LN Limited, WPP Group (UK) Limited,
Lexington International BV, Arbour Square BV, WPP Luxembourg Europe
S.a.r.l., Vincent Square Holding BV, WPP Luxembourg Germany Holdings 3
S.a.r.l., WPP Luxembourg Germany Holdings S.a.r.l., WPP Deutschland
Verwaltungs GmbH, WPP Deutschland Holding GmbH & Co. KG, WPP Marketing Communications Germany BV and DSBK Activate GmbH.

Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act]
Release of a voting rights notification on November 10, 2015

On November 9 , 2015, WPP Jubilee Limited, London, United Kingdom has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on SYZYGY AG, Bad Homburg, Germany, have exceeded the 50% threshold of the Voting Rights on November 9, 2015 and on that day amounted to 50.48% (this corresponds to 6,475,846 Voting Rights).
29.9998% of Voting Rights (this corresponds to 3,848,514 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following companies under its control, whose share of the Voting Rights in SYZYGY AG amounts to 3 percent or more: WPP Madrid Square Limited, WPP 2005 Limited, WPP LN Limited, WPP Group (UK) Limited, Lexington International BV, Arbour Square BV, WPP Luxembourg Europe S.a.r.l., Vincent Square Holding BV, WPP Luxembourg Germany Holdings 3 S.a.r.l., WPP Luxembourg Germany Holdings S.a.r.l., WPP Deutschland Verwaltungs GmbH, WPP Deutschland Holding GmbH & Co. KG, WPP Marketing Communications Germany BV, DSBK Activate GmbH.

Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act]
Release of a voting rights notification on November 10, 2015

On November 9, 2015, WPP plc, St. Helier, GBR has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on SYZYGY AG, Bad Homburg, Deutschland, have exceeded the 50% threshold of the Voting Rights on November 9, 2015 and on that day amounted to 50.48% (this corresponds to 6475846 Voting Rights).
50.48% of Voting Rights (this corresponds to 6,475,846 Voting Rights) are attributed to the company in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG (German Securities Trading Act). Attributed Voting Rights are held by the following companies under its control, whose share of the Voting Rights in SYZYGY AG amounts to 3 percent or more: WPP Jubilee Limited, WPP Madrid Square Limited, WPP 2005 Limited, WPP LN Limited, WPP Group (UK) Limited, Lexington International BV, Arbour Square BV, WPP Luxembourg Europe S.a.r.l., Vincent Square Holding BV, WPP Luxembourg Germany Holdings 3 S.a.r.l., WPP Luxembourg Germany Holdings S.a.r.l., WPP Deutschland Verwaltungs GmbH, WPP Deutschland Holding GmbH & Co. KG, WPP Marketing Communications Germany BV and DSBK Activate GmbH.

Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act]
Release of a voting rights notification on December 18, 2015

Notification of Major Holdings
1. Issuer: SYZYGY AG
2. Reason for notification: Acquisition/disposal of shares with voting rights
   Other reason: Voluntary group notification with triggered tresholds on subsidiary level
3. Details of person subject to the notification obligation: WPP plc, St. Helier, Jersey
4. Names of shareholder(s) holding directly 3% or more voting rights, if different from 3.: WPP Jubilee Limited
5. Date on which threshold was crossed or reached: 14.12.2015

6. Total positions

	% of voting rights attached to shares	% of voting rights through instruments	total of both in %	total number of voting rights of issuer
Resulting situation	50.48%	0%	50.48%	12,828,450
Previous notification	50.48%	–	–	

7. Notified details of the resulting situation

Voting rights attached to shares (Sec. §21, 22 WpHG)	absolute		in %	
ISIN	direct (Sec. 21 WpHG)	indirect (Sec. 22 WpHG)	direct (Sec. 21 WpHG)	indirect (Sec. 22 WpHG)
DE0005104806	0	6,475,846	0	50.48
Total	6,475,846		50.48	

8. Information in relation to the person subject to the notification obligation
Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
WPP plc	–	–	–
WPP Jubilee Limited	50.48	0	50.48

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 Stock Corporation Act) was issued on December 14, 2015 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, 2016.

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, 2016
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 January 1, 2015 to December 31, 2015.

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, 2016
BDO AG
Wirtschaftsprüfungsgesellschaft

sgd. Wendt
Wirtschaftsprüfer
(German Public Auditors)

sgd. Gebhardt
Wirtschaftsprüfer

Financial calendar 2016

3-Month-Report 2016	May 6
Annual General Meeting, Frankfurt	July 8
Half-Year Report 2016	August 5
Capital Market Conference (ZKK), Zurich	September 7
9-Month-Report 2016	November 4
German Equity Forum, Frankfurt	November 21-23

SYZYGY AG
Investor Relations
Im Atzelnest 3
61352 Bad Homburg
t +49 6172 9488-252
f +49 6172 9488-270
e ir@syzygy.net
i syzygy.net

syzygy.net