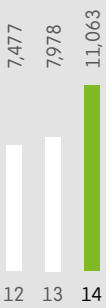


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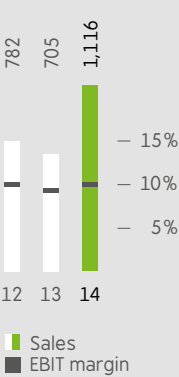


# Key financial figures

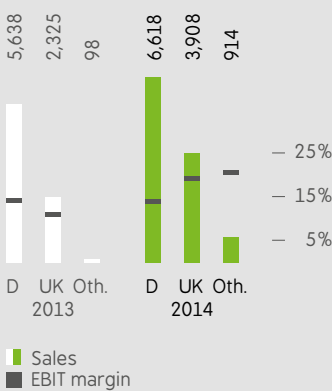
Sales  
Q1 in EUR'000



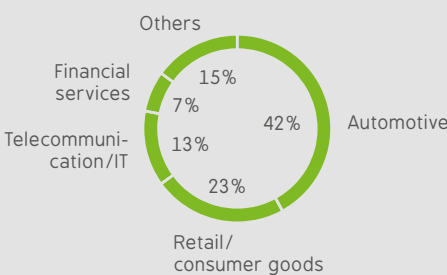
EBIT and EBIT margin  
Q1 in EUR'000



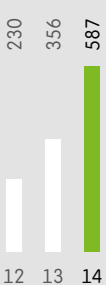
Sales and EBIT margin  
by segments  
Q1 in EUR'000



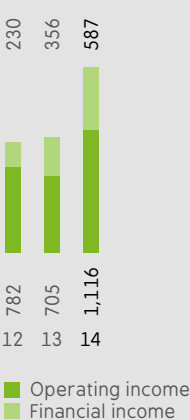
Sales allocation by  
vertical markets



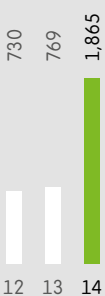
Financial income  
Q1 in EUR'000



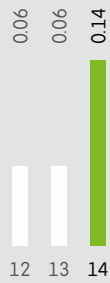
Ratio of operating income  
to financial income  
Q1 in EUR'000



Net income  
Q1 in EUR'000



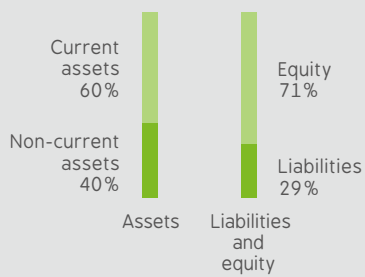
Earnings per share  
Q1 in EUR



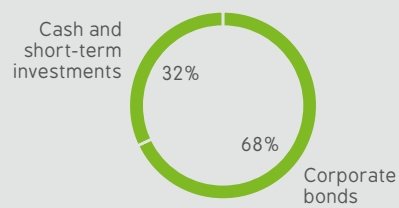
Development of  
operating cash flows  
Q1 in EUR'000



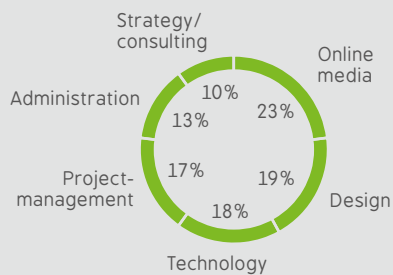
Balance sheet  
structure



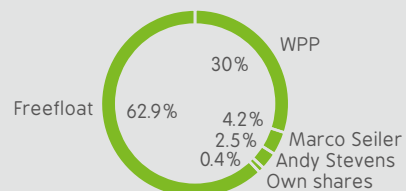
Portfolio structure of  
cash and marketable  
securities



Employees by  
function



Shareholder  
structure



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# Business development and management report

	Q1-2014	Q1-2013	Change
	EUR'000	EUR'000	
Sales	11,063	7,978	39%
EBITDA	1,377	873	58%
EBITDA margin	12%	11%	+1pp
EBIT	1,116	705	58%
EBIT margin	10%	9%	+1pp
Financial income	587	356	65%
Net income	1,865	769	143%
Earnings per share (EUR)	0.14	0.06	133%
Employees (incl. freelancer)	443	325	36%
Liquid assets	26,525	23,184	14%
Operating cash flow	2,941	-2,049	—

## 1. General

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

## 2. SYZYGY group

### 2.1 Business activities and structure of the group

SYZYGY is an international service group for digital marketing with some 400 permanent employees on the balance sheet date. Group consists of SYZYGY Aktiengesellschaft and its ten subsidiaries: SYZYGY Deutschland GmbH, SYZYGY UK Ltd, unquedigital GmbH, Unique Digital Marketing Ltd, the design studios Hi-ReSI London Ltd, Hi-ReSI New York Inc, Hi-ReSI

Hamburg GmbH, Hi-ReSI Berlin GmbH and Mediopoly Ltd. Although Hi-ReSI Hamburg is not operational at present, it continues to exist as a legal entity. Effective February 6, the stake in Ars Thanea was increased from 26 per cent to its present level of 70 per cent, with the result that the agency is fully consolidated in this financial report for the first time.

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

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

## 2.2 Group management

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

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

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

## 3. Economic report

### 3.1 General economic development

Indicators for the first quarter of 2014 point to a pick-up in the global economy and significant growth in SYZGY's core markets.

In the Eurozone, there are firmer signs of a moderate recovery. As the market situation improved and new business increased, the Markit Purchasing Managers Index rose in March for the ninth month in a row.

The leading research institutes – ifo, Insee and Istat – believe that the recovery of the European economy, which was still very tentative in 2013, accelerated slightly in the first quarter of 2014. They put the gross domestic product (GDP) of the Eurozone countries at 0.4 per cent above the prior quarter, representing the strongest growth since Q1 2011.

The German economy likewise posted growth at the start of the year, due partly to the mild winter. While the ifo Business Climate Index for Germany's commercial sector initially rose in January and February, the mood darkened in March as the Crimea crisis escalated. Survey respondents nevertheless remained satisfied with the current business situation.

Economic research institute DIW Berlin reported that GDP grew by 0.7 per cent compared with Q4 2013. The international economic organisation OECD assumes a growth rate of 0.9 per cent.

The UK's economic climate continued to improve. According to the British Chambers of Commerce, GDP grew by 0.7 per cent (OECD: 0.8%), maintaining the momentum of the previous quarters. The drivers of this trend were continued consumer spending and a buoyant property market.

### 3.2 Advertising market performance

Statistics for the performance of the advertising market in the first quarter of 2014 were largely unavailable when this report was being prepared. Given the general economic recovery, the Winter Olympics as an attractive advertising platform and positive forecasts for the year 2014 as a whole, it is nonetheless likely that companies increased their marketing budgets.

According to information provider Nielsen, for example, the gross advertising market in Germany saw sales growth of 2.9 per cent. Mobile advertising formats generated a particularly high growth rate of 24 per cent as companies increasingly incorporate this medium into their communications mix.

### 3.3 Performance and situation of the Group

#### 3.3.1 Sales

SYZYGY 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 Group achieved strong growth of 39 per cent with regard to both figures compared with the first quarter of 2013. Billings amounted to EUR 27.4 million, while sales totalled EUR 11.1 million. All segments contributed to this growth.

SYZYGY generated 42 per cent of its sales from clients in the automotive industry, 13 percentage points more than in the prior-year quarter. This is due to significant expansion of the client relationship with Mazda and acquiring BMW as a customer. The retail and consumer goods sector accounted for 23 per cent of sales, an almost unchanged figure, while 13 per cent was attributable to companies from the IT/telecommunications sector. 7 per cent of sales were generated by customers in the finance sector. The remaining 15 per cent came from firms that cannot be assigned to any of these core areas.

The SYZYGY Group generated 64 per cent of its sales with its ten largest customers, up four percentage points on the same quarter of 2013.

#### 3.3.2 Operating expenses and depreciation

The cost of sales rose by 42 per cent to EUR 7.8 million. This was slightly in excess of sales growth, since more work was outsourced to freelancers due to the very strong order book. Gross margin thus fell by three percentage points to 29 per cent.

General administrative expenses of EUR 1.2 million were 17 per cent above the previous year's figure. Expenses related to the increase of the stake in Ars Thanea and restructuring within the Group were the primary reason for this increase.

Sales and marketing costs rose by around a fifth to EUR 1.0 million. This increase is due to two factors: firstly, the first-time full consolidation of Ars Thanea, which invested heavily in promotional campaigns to advertise its new iPad/iPhone game "Another Case Solved"; secondly, the Group expanded its annual social media campaign "20things" and added new elements. The objective was to boost the appeal of the worldwide image campaign and secure its long-term success. Group companies also continued to invest in business development activities, which added to sales and marketing costs.

Depreciation of fixed assets amounted to EUR 0.3 million.

### **3.3.3 Operating income and EBIT margin**

Due to its higher overall profitability, the SYZGY Group markedly improved its operating income, which rose by 58 per cent to EUR 1.1 million. The EBIT margin rose by one percentage point to 10 per cent.

### **3.3.4 Financial income**

SYZGY generated financial income of EUR 0.6 million (+65%) in the period under review. The realisation of gains on securities of around EUR 0.3 million made a significant contribution to this income. The result corresponds to a return of 9 per cent on average available liquidity reserves.

### **3.3.5 Income taxes, net income, earnings per share**

At EUR 2.4 million, the SYZGY Group's pre-tax income was 122 per cent above the level of the comparative quarter. In addition to strong EBIT and financial income, revaluation effects resulting from first-time consolidation of Ars Thanea amounting to EUR 0.7 million contributed to the good result: in February 2014, SYZGY increased its stake (held since 2011) in the Polish agency from 26 per cent to its current level of 70 per cent. Since the enterprise value rose between the two acquisition dates, the shares already held were re-valued as part of full consolidation. The resulting increase in assets is recognised as a separate item in the consolidated statement of comprehensive income and is recorded as goodwill in the balance sheet.

A tax rate of 29 per cent on taxable earnings resulted in net income of EUR 1.9 million for the period covered by the report, representing a rise of 143 per cent compared with Q1 2013. The increase in value arising from full consolidation of Ars Thanea is not subject to any taxation.

EUR 1.8 million of net income is attributable to the shareholders of SYZGY AG. With an average of 12,740,011 shares qualifying for participation, this represents basic earnings per share of EUR 0.14 (+133%).

Taking outstanding options into account, the average number of shares qualifying for participation in the profits is 12,857,428. Accordingly, diluted earnings per share are likewise EUR 0.14.

### 3.3.6 Segment reporting

In line with the management approach, SYZGY uses geographical criteria to report segments and thus distinguishes between Germany and the UK. "Other segments" are also reported for the first time in Q1 2014, comprising Ars Thanea and Hi-ReSI New York. Neither company fulfils the size criteria set out in IFRS 8.13 to qualify as an independent geographical segment.

All segments performed very well in the period under review and contributed to the growth of the SYZGY Group.

The German agencies boosted their sales by 17 per cent to EUR 6.6 million. Operating income increased in step with sales, to EUR 0.9 million, resulting in an EBIT margin of 14 per cent.

The UK segment performed particularly well in the first quarter of 2014, with sales up 68 per cent to EUR 3.9 million. The main factors in this respect were the acquisition of new clients and a significant expansion of existing client relationships to include additional markets. Operating income grew much more strongly to EUR 0.8 million (+228%), with the EBIT margin improving to 21 per cent.

Sales of EUR 0.9 million were generated in the other segments. Operating income amounted to EUR 0.2 million, representing an EBIT margin of 22 per cent.

The breakdown of sales by segment was as follows in the first quarter: 58 per cent of revenue was generated by the German companies, 34 per cent by the UK agencies and 8 per cent by Ars Thanea and Hi-ReSI New York.

With regard to EBIT, 48 per cent came from the Germany segment, 41 per cent from the UK and 11 per cent from the other segments.

### 3.3.7 Financial position and cash flow

SYZGY had liquidity reserves totalling EUR 26.5 million as at the balance sheet date, 7 per cent more than as at December 31, 2013. While securities holdings remained almost unchanged, liquid funds increased by EUR 1.7 million to EUR 8.4 million (+25%) due to positive net income.

68 per cent of funds were invested in corporate bonds, while 32 per cent were accounted for by bank and overnight deposits. The average residual maturity of the bonds was 7.3 years.

Total cash flow of the SYZGY Group amounted to EUR 1.7 million in the first three months of the year.

An inflow of EUR 2.9 million resulted from the Group's operating activities. Net income for the period of EUR 1.9 million and advance payments of EUR 2.1 million received from clients were the main positive factors in this respect.

Cash flow was reduced chiefly due to a rise of EUR 1.2 million in accounts receivable.

Cash flow from investment operations was negative at EUR 1.7 million. SYZGY paid around EUR 1.0 million in cash to acquire the additional shares in Ars Thanea. As part of investment management, securities totalling EUR 6.4 million were bought and securities worth EUR 5.9 million were sold, resulting in an outflow of liquid funds of EUR 0.5 million.

SYZGY received around EUR 0.4 million from financing activities because treasury shares were sold to the company's minority shareholders in the course of acquiring Ars Thanea.

### **3.3.8 Investments, research and development**

SYZGY invested EUR 0.2 million in intangible assets and fixed assets in the first quarter of 2014. In addition to investment in equipment for employees, the amount includes expenses incurred at Hi-ReSI New York due to leasing and fitting out new offices.

No research and development expenses were incurred in the period under review.

### **3.3.9 Asset situation**

Total assets of the SYZGY Group rose by EUR 6.0 million to EUR 72.2 million (+9%) in the first three months of the year.

Non-current assets increased by 14 per cent to EUR 28.8 million. The acquisition of Ars Thanea was the main factor here. It led both to a rise in goodwill to EUR 23.1 million (+18%) and to an increase in intangible assets to EUR 3.2 million (+22%).

With regard to current assets, liquid funds increased by 25 per cent to EUR 8.4 million due to positive net income.

Strong business performance led to accounts receivable also increasing, to EUR 15.1 million (+15%), of which EUR 0.5 million is attributable to Ars Thanea. Following full consolidation of the agency, SYZGY currently no longer holds any long-term equity interests.

At EUR 50.9 million, equity was EUR 2.3 million or 5 per cent above the figure as at December 31, 2013, corresponding to an equity ratio of 71 per cent.

A rise in retained earnings of EUR 1.8 million had a positive impact. The sale of 75,000 treasury shares to the minority shareholders of Ars Thanea also led to a drop of EUR 0.3 million in the corresponding deduction item to its present level of EUR 0.2 million. Since the proceeds of the sale exceeded the acquisition costs, the difference of around EUR 0.1 million was allocated to additional paid-in capital.

Current liabilities totalled EUR 19.4 million, representing a 13 per cent rise compared with year-end 2013.

Due to the particular reporting date, advance payments received increased by EUR 2.1 million to EUR 5.1 million (+68%), since online marketing clients made more payments on account in the first quarter.

SYZGY established additional provisions amounting to EUR 2.4 million in the period covered by the report, of which EUR 0.3 million was for tax provisions and EUR 2.1 million for other provisions. In contrast, accounts payable fell by EUR 2.2 million to EUR 5.9 million.

### 3.3.10 Employees

The substantial rise in the volume of orders and the first-time full consolidation of Ars Thanea resulted in a sharp rise in the number of employees. The companies in the SYZGY Group had a total of 394 permanent employees as at the reporting date, 29 per cent more than in the same quarter of the prior year. 219 persons were employed in the German companies (56%), 119 in the UK agencies (30%), 53 at Ars Thanea (13%) and three at Hi-ReSI New York.

Some 40 freelance employees also worked for the Group.

Including the freelancers, an average of 430 persons worked for the SYZGY Group in the first quarter. Annualised sales per head were EUR 103,000.

The full consolidation of Ars Thanea resulted in some modest changes in the percentages of employees by function. Design accounted for 19 per cent of employees as at the balance sheet date, 4 percentage points more than in the same quarter of the previous year. In contrast, the percentage of staff employed in online marketing fell by the same number of percentage points, i.e. 4, to 23 per cent. Technology-related roles (18%) and strategy consulting (9%) remained almost unchanged. 17 per cent of employees (+2 pp) were responsible for project management, while 13 per cent (-2 pp) of the workforce were employed in administration.

## 4. Outlook

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

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

The SYZGY 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.

#### 4.1 General economic situation

SYZGY currently expects moderate growth in the Group's core markets. Although there has recently been a slight downturn in sentiment indicators against the background of the uncertain situation in Ukraine, experts currently believe there is no acute risk to the general upward trend.

Germany is again expected to grow more strongly than other European countries. In its updated forecast, the German Council of Economic Experts estimates that the Eurozone will grow at a rate of 1.3 per cent; in Germany, GDP is expected to increase by 1.9 per cent. The forecasts by the Halle Institute for Economic Research are comparable, at 1.2 per cent and 2.0 per cent respectively.

In the UK, the forecasts published by the British Chambers of Commerce average 2.8 per cent for the whole year, with individual forecasts ranging from 2.1 to 3.3 per cent. Criticism is directed at the quality and sustainability of the economy's performance, which is primarily driven by consumer spending. In view of falling saving rates and rising levels of debt among private households, experts expect the recovery to weaken over the medium term.

#### 4.2 Advertising market

The general state of the economy is one of the main factors that determines companies' willingness to invest in marketing campaigns. In view of the positive economic outlook at present, SYZGY expects advertising budgets to rise in 2014. It is also to be expected that online advertising will continue to grow as a proportion of total budgets.

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

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

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

#### 4.3 Performance of the SYZYGY group

Experts agree that digital marketing will continue to gain hugely in importance.

Companies recognise that digital platforms play a major role in acquiring customers and generating loyalty. There is no change in the trend towards cutting the advertising budgets for traditional media – especially newspapers and magazines – and reallocating them to the Internet.

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

The SYZYGY Group expects to be able to increase its sales in the current financial year by at least 15 per cent to EUR 40.0 million. Around EUR 1.5 million of that amount will be attributable to Ars Thanea. Based on budget figures, the two business segments, Germany and the UK, will make roughly equal contributions to sales growth.

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

Earnings per share are likely to be EUR 0.30.

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

Bad Homburg v. d. H., April 30, 2014  
SYZYGY AG

The Management Board

## Consolidated balance sheet

Assets	31.03.2014	31.03.2013	31.12.2013
	EUR'000	EUR'000	EUR'000
<b>Non-current assets</b>			
Goodwill	23,115	19,427	19,537
Fixed assets, net	3,233	2,897	2,657
Fixed asset investments	0	925	641
Other assets	597	495	583
Deferred tax assets	1,845	2,046	1,845
<b>Total non-current assets</b>	<b>28,790</b>	<b>25,790</b>	<b>25,263</b>
<b>Current assets</b>			
Cash and cash equivalents	8,419	1,699	6,728
Marketable securities	18,106	21,485	18,078
Accounts receivable, net	15,064	10,140	12,944
Prepaid expenses and other current assets	1,781	2,314	3,124
<b>Total current assets</b>	<b>43,370</b>	<b>35,638</b>	<b>40,874</b>
<b>Total assets</b>	<b>72,160</b>	<b>61,428</b>	<b>66,137</b>
<b>Equity and Liabilities</b>			
	31.03.2014	31.03.2013	31.12.2013
	EUR'000	EUR'000	EUR'000
<b>Equity</b>			
Common stock*	12,828	12,828	12,828
Additional paid-in capital	20,294	20,207	20,207
Own shares	-226	-116	-554
Accumulated other comprehensive income	-374	-871	-355
Retained earnings	18,570	17,468	16,789
Minorities	-165	-308	-238
<b>Total Equity</b>	<b>50,927</b>	<b>49,208</b>	<b>48,677</b>
<b>Non-current liabilities</b>			
Long term liability	1,644	134	132
Deferred tax liabilities	146	89	88
<b>Total non-current liabilities</b>	<b>1,790</b>	<b>223</b>	<b>220</b>
<b>Current liabilities</b>			
Tax accruals and liabilities	1,611	875	1,344
Accrued expenses	6,367	3,311	4,240
Customer advances	5,081	1,455	3,023
Accounts payable	5,903	5,896	8,118
Other current liabilities	481	460	515
<b>Total current liabilities</b>	<b>19,443</b>	<b>11,997</b>	<b>17,240</b>
<b>Total liabilities and equity</b>	<b>72,160</b>	<b>61,428</b>	<b>66,137</b>

\* 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

	Q1-2014	Q1-2013	Change
	EUR'000	EUR'000	
Billings	27,386	19,760	39%
Media costs	-16,323	-11,782	39%
Sales	11,063	7,978	39%
Cost of revenues	-7,807	-5,494	42%
Sales and marketing expenses	-1,026	-836	23%
General and administrative expenses	-1,150	-986	17%
Other operating income/expense, net	36	43	-16%
Operating profit	1,116	705	58%
Financial income, net	587	356	65%
Revaluation effects from first consolidation of Ars Thanea	650	0	—
Income before taxes	2,353	1,061	122%
Income taxes	-488	-292	67%
Net income of the period	1,865	769	143%
Items that will not be reclassified to profit and loss:	0	0	—
Items that will or may be reclassified to profit and loss:			
Currency translation adjustment	151	-365	-141%
Net unrealized gains/losses on mark. sec., net of tax	-170	-241	-29%
Other comprehensive income	-19	-606	-97%
Comprehensive income of the period	1,846	163	1,033%
thereof income share to other shareholders	84	-48	—
thereof income share to shareholders of SYZGY AG	1,762	211	735%
Earnings per share from total operations (basic in EUR)	0.14	0.06	133%
Earnings per share from total operations (diluted in EUR)	0.14	0.06	133%

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

# Statement of changes in equity

						Accum. other compre- hensive income				
	Number of shares (in 1,000)	Common stock	Additional paid-in capital	Own shares	Retained earnings	Foreign exchange currency	Unrealised gains and losses	Equity attributable to shareholders of SYZGY AG	Minority interest	Total equity
in EUR'000										
01 January 2013	12,828	12,828	20,207	-116	16,651	-1,393	1,128	49,305	-260	49,045
Comprehensive income					3,339	-218	128	3,249	22	3,271
Dividend					-3,201			-3,201		-3,201
Purchase of own shares				-438				-438		-438
31 December 2013	12,828	12,828	20,207	-554	16,789	-1,611	1,256	48,915	-238	48,677
01 January 2014	12,828	12,828	20,207	-554	16,789	-1,611	1,256	48,915	-238	48,677
Comprehensive income					1,781	151	-170	1,762	84	1,846
Changes in first consolidation and shares									-11	-11
Sale of own shares			87	328				415		415
31 March 2014	12,828	12,828	20,294	-226	18,570	-1,460	1,086	51,092	-165	50,927

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

## Consolidated statement of cash flows

	Q1-2014	Q1-2013	2013
	EUR'000	EUR'000	EUR'000
Net income of the period	1,865	769	3,361
Adjustments to reconcile income from continuing operations to net cash provided by operating activities			
– Writedown of marketable securities	57	0	0
– Depreciation on fixed assets	261	168	754
– Profit and loss on sale of securities	-275	-132	-980
– Profit (-)/loss (+) on sale of fixed assets	21	0	262
– Revaluation effects from first consolidation of Ars Thanea	-650	0	0
– Income of at equity investments	0	0	-99
– Other non-cash income and expenses	475	315	250
Changes in operating assets and liabilities:			
– Accounts receivable and other assets	-1,221	-284	-3,542
– Customer advances	2,054	-1,135	434
– Accounts payable and other liabilities	-174	-1,673	1,312
– Tax accruals and payables, deferred taxes	528	-77	-458
<b>Cash flows provided by operating activities</b>	<b>2,941</b>	<b>-2,049</b>	<b>1,294</b>
Changes in other non-current assets	-10	15	-69
Investments in fixed assets	-205	-287	-892
Purchases of marketable securities	-6,420	-10,103	-24,074
Proceeds from sale of marketable securities	5,930	8,052	27,898
Income from at equity investments	-987	0	114
<b>Cash flows used in investing activities</b>	<b>-1,692</b>	<b>-2,323</b>	<b>2,977</b>
Dividend	0	0	-3,201
Cash inflows from issuance of share capital from minority shareholders	-11	0	0
Changes in treasury stock	415	0	-438
<b>Cash flows from financing activities</b>	<b>404</b>	<b>0</b>	<b>-3,639</b>
<b>Total</b>	<b>1,653</b>	<b>-4,372</b>	<b>632</b>
Cash and cash equivalents at the beginning of the period	6,728	6,103	6,103
Changes from first consolidation	44	0	0
Exchange rate differences	-6	-32	-7
<b>Cash and cash equivalents at the end of the period</b>	<b>8,419</b>	<b>1,699</b>	<b>6,728</b>

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

# Notes to the Consolidated Quarterly Financial Statements as at March 31, 2014

## Accounting

Pursuant to the provisions of section 37 y WpHG (German Securities Trading Act) in conjunction with section 37 w para. 2 WpHG, the financial report of SYZYGY AG for the first three months of 2014 comprises interim consolidated financial statements and an interim Group Management Report. The interim consolidated financial statements were prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) for interim financial reporting as applicable within the European Union. The interim financial statements were prepared in compliance with IAS 34. Accordingly, the company elected to produce a short-form report, compared with the consolidated financial statements as at December 31, 2013. The Management Report was prepared in accordance with the applicable requirements of the WpHG.

The same accounting and consolidation principles were applied as described in the notes to the financial statements in the 2013 annual report. Individual items in the balance sheet and consolidated statement of comprehensive income are likewise presented using the same valuation principles as described and applied in the annual report for 2013. The financial figures and associated information must therefore be read in conjunction with the annual report on the consolidated financial statements for 2013.

The interim consolidated financial statements have not been subject to an auditor's review, in accordance with section 37 w para. 5 WpHG.

## Business activities of the SYZYGY Group

SYZYGY is an international agency group for digital marketing. SYZYGY AG acts as a management holding company by providing central services relating to strategy, planning, technology development, accounting, IT infrastructure and finance. SYZYGY AG also supports the subsidiaries in new business activities and generates sales from projects with third parties. As operating entities, the subsidiaries are responsible for providing consultancy and other services. With branches in Bad Homburg, Berlin, Frankfurt/Main, Hamburg, London, Warsaw and New York, the Group's subsidiaries offer major companies an integrated portfolio of corporate Internet solutions, from strategic consulting to project planning, concepts, design and technical realisation. SYZYGY's services are complemented by search engine marketing and online media planning. As a service provider for technology, creative input and media, SYZYGY enables clients to use digital media as innovative tools for communication and marketing. The Group's business focus is on the automotive, telecommunications/IT, retail and consumer goods, and financial services industries.

## Scope of consolidation and principles

As at March 31, 2014, the following subsidiaries were included in the consolidated financial statements of SYZYGY AG and fully consolidated:

- (1) Ars Thanea ska, Poland
- (2) Hi-ReSI Berlin GmbH, Germany
- (3) Hi-ReSI Hamburg GmbH, Germany
- (4) Hi-ReSI London Ltd, UK
- (5) Hi-ReSI New York Inc, United States
- (6) Mediopoly Ltd, UK
- (7) SYZYGY Deutschland GmbH, Germany
- (8) SYZYGY UK Ltd, UK
- (9) uniquedigital GmbH, Germany
- (10) Unique Digital Marketing Ltd, UK

In order to strengthen and extend the range of services and achieve greater international expansion, SYZGY AG acquired a further 44 per cent of Ars Thanea on February 6, 2014. It now holds 70 per cent of the shares. Control of financial and corporate policy was transferred on February 6, 2014. Under IFRS 3.62 the acquisition led to an increase in liquid assets of kEUR 44, the acquisition of current assets of kEUR 593 and of non-current assets of kEUR 93. Liabilities totalling kEUR 766 were also acquired. Distribution of all the profit reserves to shareholders in the form of a dividend, which was approved on February 5, 2014, and a loss in January 2014 led to negative equity of kEUR 36.

Up to this point in time, SYZGY has paid a purchase price of kEUR 987 in cash for Ars Thanea. In return, Ars Thanea's other shareholders undertook to purchase a total of 75,000 shares from SYZGY. This transfer was completed in February 2014. The purchase price will increase under corresponding earn-out clauses if defined income targets are achieved between 2016 and 2018. Based on the latest budgeting, the Company expects to make an earn-out payment of around kEUR 1,512 in 2019.

The "old" shares (26 per cent) were remeasured at fair value, resulting in a figure of kEUR 1,181. The difference of kEUR 650 between this amount and the acquisition costs of PLN 2,400,000 (or kEUR 531 as at the date of acquisition) was recorded in financial income. There were also exchange rate effects of kEUR 35, which were recognised in the income statement in other operating income.

A difference of around kEUR 3,751 was allocated to a trademark right (kEUR 200), the development of an intangible asset (kEUR 132), the stated earnings before taxes for the order backlog (kEUR 35) and reverse deferred tax liabilities (kEUR 70). The residual difference is reported as goodwill of kEUR 3,454, denominated in PLN. In line with IFRS 3, the final purchase price allocation must be concluded no later than one year after the transaction has been completed and will therefore be verified as at December 31, 2014.

Information on general consolidation principles is provided in the 2013 annual report from page 51 onwards.

**Segment reporting**

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

As the holding company, SYZYGY AG mainly delivers services to the operating units and therefore needs to be considered separately. Sales that SYZYGY AG generates with third parties are reported under the Germany segment, as is the pro rata operating income.

The Germany segment comprises SYZYGY Deutschland GmbH, uniquedigital GmbH, Hi-ReSI Hamburg GmbH and Hi-ReSI Berlin GmbH. The UK segment consists of SYZYGY UK Ltd, Unique Digital Marketing Ltd, Hi-ReSI London Ltd and Mediopoly Ltd. Hi-ReSI New York Inc and Ars Thanea ska are summarised in other segments as they cannot be allocated to either of the geographical segments.

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

The criteria used by SYZYGY AG to assess the performance of the segments include sales and operating income (EBIT). Transactions between segments, which are charged at market prices, were eliminated.

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

Segment investments comprise investments in intangible assets and fixed assets.

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

31.03.2014 in EUR'000	Germany	UK	Other segments	Central functions and consolidation	Total
Billings	15,486	9,079	3,198	-377	27,386
Media costs	-8,868	-5,171	-2,284	0	-16,323
Sales	6,618	3,908	914	-377	11,063
of which internal sales	450	165	26	-641	0
Operating income (EBIT)	945	810	203	-842	1,116
Financial income	9	-1	0	579	587
Assets	25,445	23,422	7,549	15,744	72,160
of which goodwill	8,841	10,765	3,509	0	23,115
Investments	65	43	259	2	369
Depreciations and amortisation	147	33	10	71	261
Segment liabilities	15,796	6,213	4,039	-4,815	21,233
Employees as per balance sheet date	197	119	56	22	394

31.03.2013 in EUR'000	Germany	UK	Other segments	Central functions and consolidation	Total
Billings	14,277	5,468	98	-83	19,760
Media costs	-8,639	-3,143	0	0	-11,782
Sales	5,638	2,325	98	-83	7,978
of which internal sales	242	44	0	-286	0
Operating income (EBIT)	805	247	-100	-247	705
Financial income	12	1	0	343	356
Assets	18,905	19,454	92	22,977	61,428
of which goodwill	8,841	10,586	0	0	19,427
Investments	279	7	1	0	287
Depreciations and amortisation	125	35	4	4	168
Segment liabilities	8,724	7,032	409	-3,945	12,220
Employees as per balance sheet date	183	95	7	20	305

### *Treasury stock*

As at March 31, 2014, SYZGY held 50,000 treasury shares. SYZGY 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. During the first quarter of 2014 75,000 treasury shares have been sold to the minority shareholders of Ars Thanea. The profit on sale of treasury share amounted to kEUR 87 and was accounted in other comprehensive income, not affecting net income.

### *Directors' dealings*

Transactions in shares in their own organisation by board members of listed companies are called directors' dealings. In the period under review, board members did not buy or sell any SYZGY shares.

Current holdings of shares and transactions carried out in the period under review are disclosed in the following tables:

<i>Management board: shares number of shares</i>	<i>Marco Seiler</i>	<i>Andrew Stevens</i>	<i>Total</i>
As per December 31, 2013	538,121	325,000	863,121
Purchases	0	0	0
Sales	0	0	0
As per March 31, 2014	538,121	325,000	863,121

<i>Supervisory board: shares number of shares</i>	<i>Michael Mädel</i>	<i>Wilfried Beeck</i>	<i>Thomas Strerath</i>	<i>Total</i>
As per December 31, 2013	12,000	120,000	0	132,000
Purchases	0	0	0	0
Sales	0	0	0	0
As per March 31, 2014	12,000	120,000	0	132,000

<i>Management board: options number of shares</i>	<i>Marco Seiler</i>	<i>Andrew Stevens</i>	<i>Total</i>
As per December 31, 2013	120,000	120,000	240,000
Additions	0	0	0
Sales	0	0	0
As per March 31, 2014	120,000	120,000	240,000

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

**Shareholder structure**

As at March 31, 2014, the shareholders' structure has slightly changed compared to December 31, 2013. The WPP Group holds nearly 30 per cent, Marco Seiler continued to hold 4.2 per cent and Andrew Stevens 2.5 per cent of the shares. Since 0.4 per cent of the shares are held as treasury stock, the free float amounts to 62.9 per cent. As at the reporting date, the total number of shares is 12,828,450.

Bad Homburg v. d. H., April 30, 2014  
SYZGY AG

The Management Board

# Financial calendar 2014

General Annual Meeting, Frankfurt	/	June 6
6-Month Report as per 06/30/2014	/	July 31
Zurich Capital Market Conference, Zurich	/	September 10
9-Month Report as per 09/30/2014	/	October 30
German Equity Forum, Frankfurt	/	November 24-26
Capital Market Conference (MKK), Munich	/	December 9-10

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