2019 ANNUAL REPORT

The human experience company

syzygy.net

Key financial figures

Sales
(in kEUR)

2015	57,311
2016	64,273
2017	60.669
2018	65,816
2019	64,243

2019 **64,243**

Operating income
(in kEUR)

2015	5,268
2016	5,596
2017	4,096
2018	6,067
2019	5,497

2019 **5,497**

Financial income
(in kEUR)

2015	1,975
2016	1,336
2017	1,440
2018	470
2019	-303

2019 **-303**

Income before taxes
(in kEUR)

2015	7,243
2016	6,932
2017	5,536
2018	6,537
2019	5,194

2019 **5,194**

Net income
(in kEUR)

2015	4,864
2016	5,097
2017	4,235
2018	4,890
2019	3,540

2019 **3,540**

Earnings per share
undiluted (in EUR)

2015	0.37
2016	0.39
2017	0.39
2018	0.35
2019	0.26

2019 **0.26**

Operating cash flow
(in kEUR)

2015	-2,421
2016	5,930
2017	4,778
2018	16,357
2019	-4,458

2019 **-4,458**

Sales by employee
(in kEUR)

2015	108
2016	108
2017	95
2018	105
2019	106

2019 **106**

Balance sheet structure

Current assets	22%
Non current assets	78%
Equity	44%
Liabilities	56%

Equity **44%**

Sales by segments

Germany	75%
United Kingdom	15%
Others	10%

Germany **75%**

Sales by clients' volume

Top 5	31%
Top 6-10	18%
Others	51%

Top 5 **31%**

Sales allocation by vertical markets

Automotive	33%
Services	26%
Finance/insurance	17%
Consumer goods	14%
Telecommunication/IT	7%
Others	3%

Automotive **33%**

Portfolio structure of cash and marketable securities

Bank deposit	21%
Corporate and government bonds	79%

Bank deposit **21%**

Employees by function

Strategy consulting	21%
Technology	18%
Performance media	17%
Design	15%
Project management	15%
Administration	14%

Strategy consulting **21%**

Shareholders structure

WPP plc.	50.33%
HANSAINVEST	3.03%
Hauck & Aufhäuser	2.97%
Treasury stocks	0.54%
Free float	43.13%

WPP plc. **50.33%**

Letter to the shareholders

Ladies and Gentlemen,
dear Shareholders,

SYZYGY AG celebrates its 25th anniversary this year. That would normally be cause for real joy, but the global coronavirus pandemic has obviously put a damper on things.

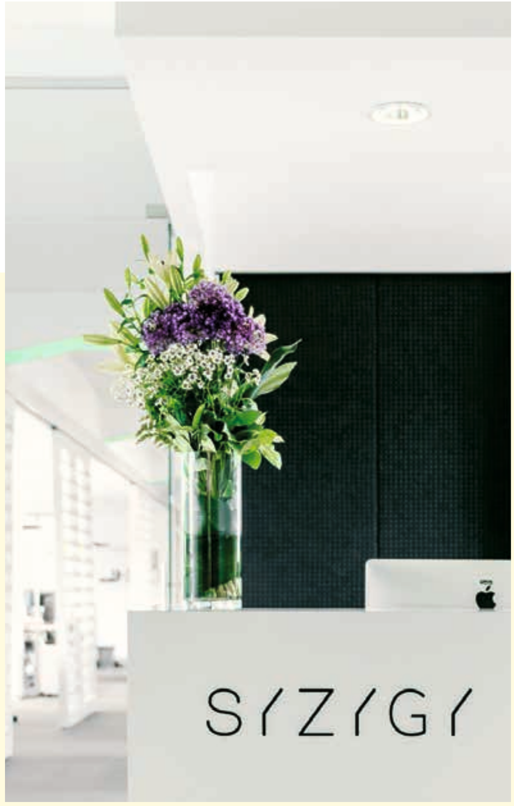
The pandemic is affecting all areas of life, our society and of course our business. Our key priorities in coping with this crisis are the well-being of our employees and their families, supporting all the efforts of the authorities to limit the impact of the pandemic and guiding the SYZYGY Group and its business through the crisis as best we can.

Despite the crisis, we'd like to start by looking back at the past year; we naturally want to be measured by what we forecast and what we actually achieved. In the 2018 report, we concluded by saying:

“With our strong positioning, we will continue to work according to the motto of the last annual report: ‘We don’t create experiences to make money, we make money by creating better experiences.’”

We adhered to this philosophy in 2019 and were very successful in driving forward the digitisation and transformation of sales and marketing for our clients.

On the financial side, however, results were mixed. While the German business is performing exceptionally well, we were faced with unexpected challenges in our international business last year. Due to losing clients and failing to win enough new business, the UK companies reported substantial losses in 2019, which significantly undermined the good results in Germany. In response, we have already taken steps to stabilise and restructure the business. The new management team in the UK has succeeded in turning the business around, enabling it to report a small profit again in the fourth quarter. The market environment in the UK remains challenging.



Trading was weaker than expected in the US and Poland, with the year-end marked by lower sales and EBIT. Overall, the international business did not perform as planned. That is also the reason for failing to meet our financial targets for the year, despite continued strong performance in the German market.

First of all, let’s take a look at the overall results. At EUR 64 million, sales were slightly down on the previous year, with operating income noticeably affected by losses in the international business. It came in at EUR 5.5 million, 9 per cent below the prior year. Nevertheless, given the circumstances an EBIT margin of 8.6 per cent is satisfactory. Our medium-term target remains in place: to achieve an EBIT margin of 10 per cent for the Group. The core German market, which accounts for almost 75 per cent of sales, is already generating an average EBIT margin of 15 per cent and grew by 7 per cent last year.

Based on the weaker results of the SYZYGY Group, the Management Board and Supervisory Board have decided to propose a dividend of EUR 0.20 per share at the Annual General Meeting. While we remain committed to the strategy of positioning SYZYGY shares as a dividend stock, we must take account of business performance and are therefore reducing the dividend compared to last year.

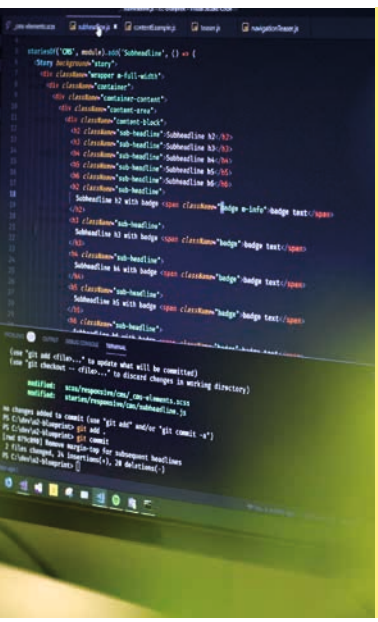
Core German market

We continued to press ahead with the integration of locations and business models initiated in 2018. In Munich, all companies have moved to a single location to create the first SYZYGY campus. The goal is to collaborate across teams and companies in offering services and learning from each other. Our Frankfurt branch, which has grown in size, has moved to a superb new site. In the second half of 2020, our two Berlin companies will re-locate under one roof to create the Berlin campus. Here again, we are aiming to leverage synergies to further strengthen and broaden our offerings. The technology business also performed very well again in 2019 and will remain a driver of the Group's development.

Lufthansa, acquired as a client at the end of 2018, was already our fourth largest client after just under a year. Tenders have also been won from existing major accounts such as Techniker Krankenkasse and BMW Motorrad. Client relationships are thus in place for several years to come. The level of new business was also positive and we are delighted to be working on new assignments for Beiersdorf, BMW Welt, Hymer and Bayer.

All in all, sales in Germany increased by 7 per cent to EUR 49.7 million. All German companies posted very good operating results, generating a very strong EBIT margin of 15 per cent on average.

Over the past year we continued taking steps to improve the positioning and marketing of our services. Examples include the "Hans & Marie" business festival in Berlin, which saw a 20 per cent rise in visitors. We also launched our new website to provide even better information about our corporate culture, locations and services across our Strategy, Product and Activation service areas.



"Our field of business remains **highly relevant. The digitalisation and transformation** of sales and marketing are one of the key challenges facing our clients"

Erwin Greiner
Chief Financial Officer
(CFO)

Lars Lehne
Chief Executive Officer
(CEO)

Frank Ladner
Chief Technology Officer
(CTO)

International business

In the 2018 annual report, we commented on the UK business as follows:

“Despite these challenges, we remain convinced that the American and British companies can make an important contribution. We therefore remain willing to invest in these markets, especially as the new financial year has seen our London location gaining some major global accounts.”

We also expected that the close links between clients in the UK and the US would provide additional impetus.

Global account wins in the UK did not develop as planned, however, and existing client AVIS Budget Group started handling a significant portion of our services internally (a trend known as in-housing). In addition, the Mazda Europe work was moved to Germany faster than originally scheduled, at the client’s request. Last but not least, restructuring of the London location proved to be considerably more difficult than initially expected.

Despite all our efforts, we were unable to adjust the cost structure in the UK quickly enough and insufficient new business was won to fill the gaps in planned growth. As a result, the UK companies remained in the red for around 9 months, only returning to profitability in the fourth quarter. Ita Murphy, our CEO in London, succeeded in building a new, stable and motivated management team during this period and has cut costs substantially. Local collaboration with other WPP units has also improved significantly in the UK. Gaining GlaxoSmithKline, Deliveroo and Dignity as new accounts is proof of the solid work being done and of increased client confidence.

Our American company is also impacted by the reduction in business with existing client AVIS Budget Group. It nevertheless posted a clear profit at the end of the year. As we expect the main effects of lower sales to AVIS Budget Group to be felt in 2020, we have already taken appropriate steps. SYZYGY New York is working closely with the agencies in the UK on a range of accounts, such as PayPal and GlaxoSmithKline.

"We will guide the Group through this crisis **with the greatest possible care** so that we emerge stronger on the other side."

Accordingly, Phil Stelter, the former CEO of Unique Digital Marketing in London, relocated to New York at the turn of the year. As an American himself, he is aiming to boost new business in the US.

Our Polish company was faced with the challenge of adapting and expanding its organisational structures to handle the strong growth experienced in 2018. The creative computer-generated imagery (CGI) production business performed well, as usual. Cooperation with colleagues in Bad Homburg in the software development field was steadily expanded. The Polish agency had a good year overall, although it fell somewhat short of expectations due to the growth-related adjustments mentioned above.

Outlook

Our market remained dynamic in 2020 prior to the coronavirus outbreak. Digitisation and digital transformation are dominant issues in the business world, everyday life and politics. Our field of business remains highly relevant, with the digitisation and transformation of sales and marketing still being one of the key challenges facing our clients. Yet it is also apparent that the competitive environment is becoming tougher and consolidation is continuing. More and more owner-managed agencies are being sold to larger entities, management consultancies are playing a greater role and in-housing is becoming an increasingly hot topic for clients. By covering all aspects of strategy, product and activation, we nonetheless remain exceptionally well placed, especially since very few providers in the market can offer integrated solutions from a single source.

We remain committed to achieving our strategic objectives, despite the coronavirus pandemic. In 2020, we will thus continue to sharpen the focus of our consulting services and drive the integration of diffferent and USEEDS° as consulting partners in the Strategy service area. We will also reinforce SYZYGY's positioning as a consultancy and implementation partner across all three of our service areas. By introducing SYZYGY Technology Solutions and SYZYGY Performance Marketing, we are highlighting our special expertise in technology and performance marketing as part of the SYZYGY brand. This will significantly raise the profile of our technology hubs in Bad Homburg and Warsaw as specialists within the Group and enable them to

operate more independently in the market. The same applies to our two performance marketing companies in Hamburg and Munich, which will integrate and expand their services under a joint management team and adopt a single identity.

At the time of writing this annual report, leading economists believe that the coronavirus pandemic will trigger a recession in the markets relevant to the SYZYGY Group. Our clients' spending behaviour will lead to a downturn in sales, the extent of which is difficult to estimate. We also expect that this will add to consolidation pressures in the industry.

On the basis of the information currently available, we expect the SYZYGY Group's sales to decline by between 10 and 20 per cent in the 2020 financial year. We also anticipate reduced profitability, with an EBIT margin in the mid single-digit range. The international markets will see a more severe decline than the Germany segment.

We will guide the Group through this crisis with the greatest possible care so that we emerge stronger on the other side.

The Management Board of the SYZYGY Group would like to thank its clients for their trust and you, our shareholders, for your loyalty in these stormy times.

Very special thanks go to the more than 600 employees and their families, who have actively supported us during these challenging times and who are working tirelessly on the future of the SYZYGY Group.

We would also like to thank the Supervisory Board for its calm and constructive work.

On behalf of the entire SYZYGY Group management team, we wish you and SYZYGY a healthy and successful year in 2020.

Best regards,

Lars Lehne

Lars Lehne (CEO)

Frank Ladner (CTO)

Erwin Greiner

Erwin Greiner (CFO)

We are **SYZYGY**

We are one of the leading consulting and implementation partners for transformation in marketing and sales.

The SYZYGY Group, founded in 1995, employs around 600 people in 4 countries. It has branches in Bad Homburg, Berlin, Frankfurt, Hamburg, Munich, London, New York and Warsaw.

We create, orchestrate and build digital experiences and products for brands, companies and people. **Strategy, Product** and **Activation** are the core services of the group. Technology is the connecting and scaling element.

Strategy

In our strategy work, we lay the foundations for your products, services and marketing campaigns that engage your customers and help your business succeed. To achieve this we bring together diverse perspectives – from user to technology, from brand to business – and break down the silo mentality.

Product

We create relevant customer experiences and bring businesses to life in digital. Whether as a platform, a service or a custom software solution, our digital products meet the highest standards for customer experience, design, security and scalability.

Activation

We help you achieve your business goals and leverage the full potential of your brand by increasing awareness and inspiring customers to act. We create stories that engage, content that appeals and performance & media plans that drive traffic effectively and efficiently – all based on continuous data insights and seamlessly optimised processes.

A strong group of experts.

The SYZYGY Group includes the full-service consultancy SYZYGY, the enterprise technology specialist SYZYGY Technology Solutions, the performance marketing and media specialist SYZYGY Performance Marketing and the specialist for augmented and virtual reality SYZYGY Extended Realities.

Full-service

SYZYGY

Specialists

SYZYGY / TECHNOLOGY SOLUTIONS

SYZYGY / PERFORMANCE MARKETING

SYZYGY / EXTENDED REALITIES

The SYZYGY Group also consist of the strategy consultancy diffferent, the consultancy USEEDS° specialising in customer centricity and the Polish design studio Ars Thanea.

diffferent

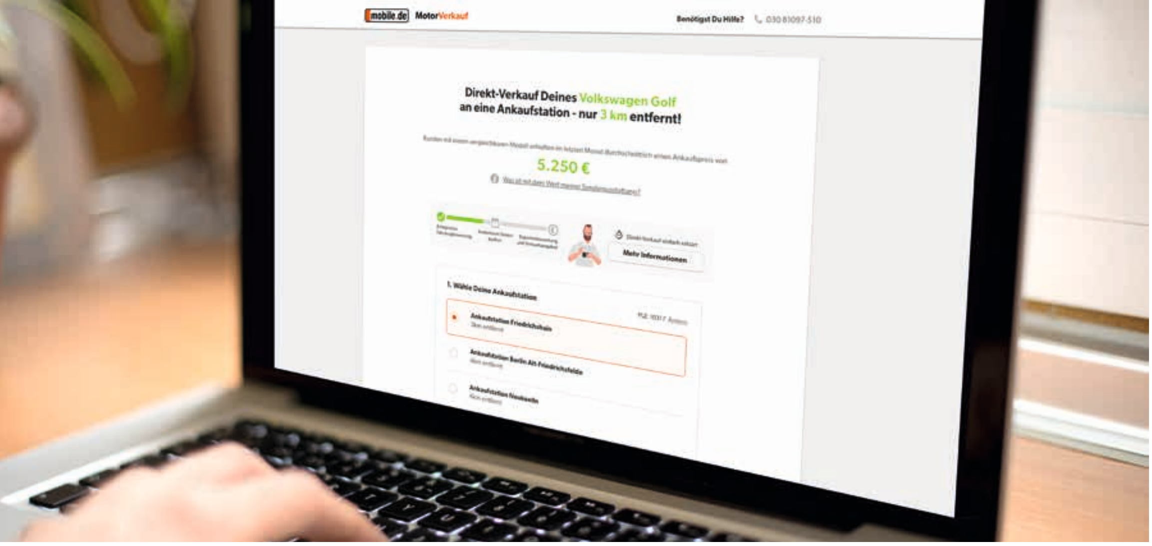
USEEDS°

Ars Thanea

Together we service renowned brands such as Lufthansa, AVIS, BMW, comdirekt bank, Commerzbank, Daimler, Deutsche Bank, Kyocera, Mazda, Miles & More, O_2, Paypal, Porsche, health insurer Techniker Krankenkasse and Volkswagen.

Everything we do is based on three things: Human Centric Thinking as philosophy, technology as enabler and creativity as catalyst. This is how we create relevant experiences for people. And that is why we see ourselves as a human experience company.

Welcome to the **human experience company**



Outstanding service design

Germany's largest online vehicle marketplace is entering the offline world with a new express selling service at partner dealerships.

Mobile.de is Germany's biggest online vehicle marketplace and part of the eBay Group. It is now expanding into the offline market with a network of express purchase stations for used cars. The locations are operated by independent car dealerships as partners of mobile.de. Owners can use the mobile.de website to make an appointment at their nearest purchase station and complete the sale of their car within 24 hours. The new service includes free valuation, free deregistration and immediate payment.

Working closely with mobile.de, we developed and implemented a service design concept covering the entire purchase process. The main objective was to define a process and set of requirements that would make it easy for independent dealers to operate a purchase station as a mobile.de partner. We also had to optimise the seller experience – from initial contact on the website through to sale at the purchase station. The greatest challenge, however, was to create a seamless transition between the website and the selected purchase station. In particular, it was important to extend the mobile.de brand experience into the offline world.

The project began with an extensive study into the desires, expectations and requirements of used car buyers and sellers. On that basis we used this information to create customer journeys and define the individual process steps. We worked with the client to create a service blueprint describing the purchase process, i.e. the interaction between buyer and seller as well as all customer touchpoints for mobile.de (website, e-mail, customer support, purchase station, etc.). We used the service blueprint to identify scope for incremental improvement.

A highlight of the project was the "Test & Learn" purchase station we deployed in Berlin during the second phase. Together with mobile.de, we used it to test the overall concept as well as additional services and the necessary software and hardware in a real-world setting with real customer appointments. We then evaluated the feedback to refine the service blueprint.

So far, the new mobile.de business model and its verified service elements have been implemented at 400 purchase stations across Germany – serving more than two million satisfied customers.

Taking the **customer experience** to a new level

Customer Experience Management becomes a new strategic field of action for Volkswagen Commercial Vehicles.

Volkswagen Commercial Vehicles (VWCV) is an independent marque within the Volkswagen Group that develops, manufactures and distributes light commercial vehicles for the global market. With sales of around half a million units in the past financial year, VWCV is one of the largest players in its segment. It aims to become the European market leader for commercial vehicles by 2025. An important part of that strategy is the ID Buzz – a fully electric successor to the legendary VW camper van that will include a cargo variant for commercial users.

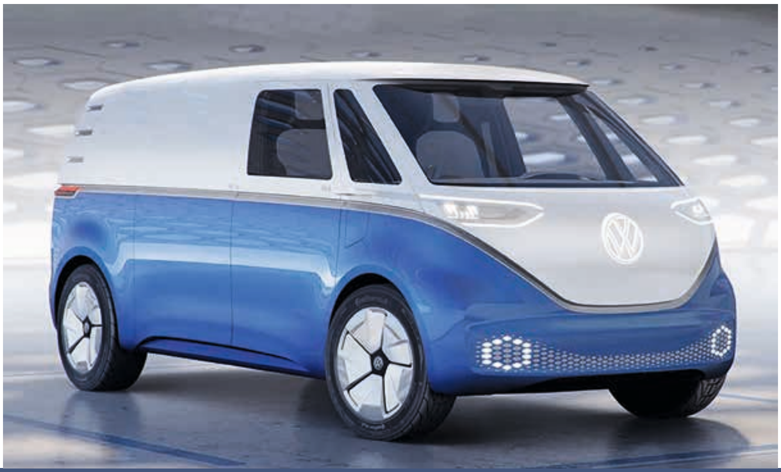
To help accelerate its growth in Europe, VWCV wants to provide a consistent and engaging customer experience across all online and offline contact points throughout the sales and after-sales journey – both on the website and in dealerships.

To achieve that, it created a new umbrella function called Customer Experience Management (CXM) that aims to improve the customer experience across all areas of the company involved in sales and service.

As well as helping VWCV to set up the new department, we developed and implemented a client-specific methodology toolbox for analysing and designing the customer experience. We also helped to introduce a more customer-centric mindset and working practices throughout the organisation.

In the process, we conducted an extensive qualitative customer survey in order to understand the needs and expectations of commercial customers in the sales and post-sale period and also to identify the challenges and problems. We then used this information to create a detailed vision for a new customer experience. From the various customer journeys for different types of trade customers, we identified action areas for improving their experience. This led to specific recommendations for strategic action and practical optimisation measures.

Our input was instrumental in the creation of the new CXM department. Together with the CXM team at VWCV, we are now optimising the customer journey for commercial customers in preparation for the launch of the ID Buzz.



A milestone in automotive e-commerce

Leveraging customer insights, educational storytelling and smart processes to boost pre-sales performance in 23 European markets.

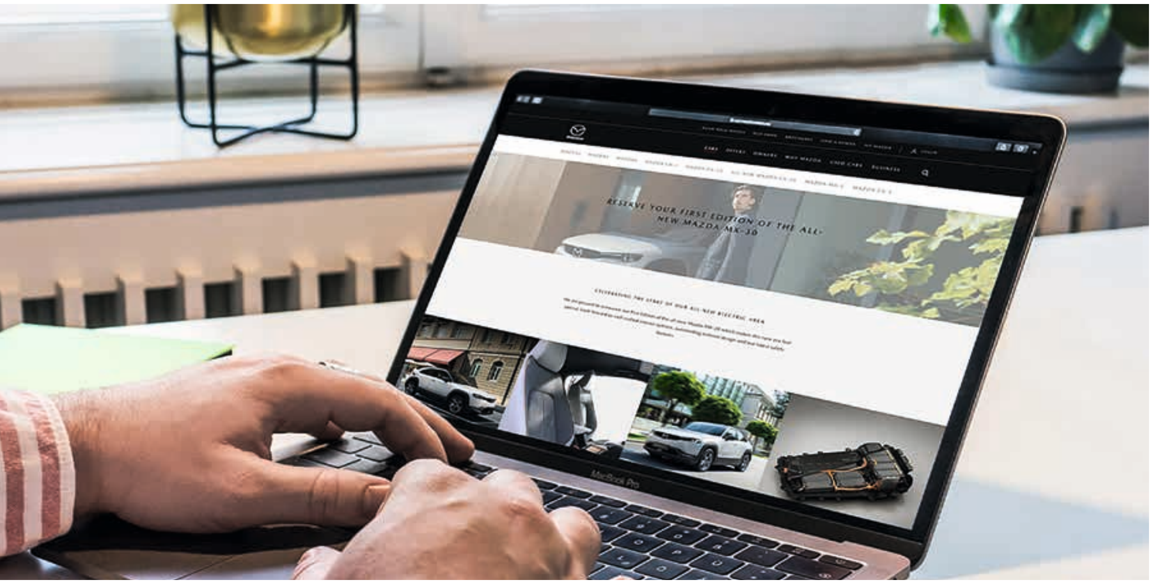
Our long-standing client Mazda Motors Europe achieved a major milestone in 2019 when it launched its first all-electric production car, the Mazda MX-30 First Edition.

There was still a major challenge to overcome, however: the persistent negativity surrounding certain aspects of modern electric mobility. This lingering uncertainty among some potential customers is mainly due to a lack of information. In addition, some buyers are resistant to the changes in ownership habits that electric vehicles require. In the case of the MX-30 First Edition, those hurdles begin with the purchase process itself. Rather than ordering from a dealership in the traditional way, First Edition customers have to reserve the car online and pay a deposit of EUR 1,000.

Our task was to create a digital product experience that not only eliminated concerns and inspired the customer but also guided them easily and intuitively through the reservation process – always with one aim in mind: securing that initial deposit.

Our communications were designed to reassure the customer through structured sales arguments based on the specifications and features of the MX-30 First Edition. Topics such as battery production, vehicle range and the recharging process were validated and prioritised using customer insights and integrated into the customer journey accordingly. We used interactive elements, accessible and fact-based explanations as well as target group-specific content to turn perceived weaknesses into genuinely positive sales arguments. We also enabled customers to begin the reservation process at any stage in the journey – all with a single click.

The solution was quickly adapted for 23 European markets and rolled out with the launch of the new MX-30 First Edition. A major organisational and editorial undertaking, it is already bearing fruit. Combining information content with a smart reservation process, the websites were a crucial element in the European pre-sales campaign.



Breaking new ground for football fans

The Polish Football Association (PZPN) has set a new standard in national team archives with Europe's first and only online multimedia library.

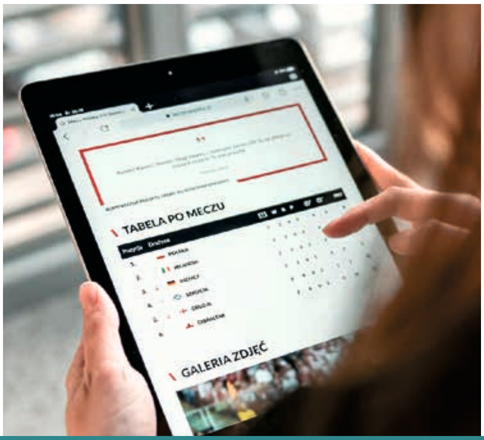
The PZPN wanted to create a multimedia encyclopaedia featuring thousands of photographs and videos of the Polish national team, past and present, that would be accessible to millions of users.

It had to be a future-proof solution that met the Association's requirements while also appealing to a broad public audience, including children, young people, serious football fans and journalists. It also had to incorporate the entire audio-visual archive and be easy and efficient to manage.

To achieve these goals, we began by creating a minimum viable product (MVP). An inexpensive way of generating feedback, it allowed the Association to hone their requirements – and enabled us to implement them quickly. Assumptions, risks and dependencies could all be monitored and corrected where necessary.

From a technical perspective, one of the most complex questions was how to integrate the encyclopaedia with existing databases and systems. In order to do that as seamlessly as possible, and achieve fast access speeds, we worked closely with the client's own IT department. Content is managed using Drupal 8, which has an intuitive tool set and allows data to be maintained without the need for IT support.

The Polish Football Association's multimedia encyclopaedia is a genuinely ground-breaking achievement. With information on all of Poland's international matches plus a huge collection of photographs, videos and more, it enables millions of fans to relive great footballing highlights.



Promoting sustained growth

Using a well-planned media strategy to create lasting brand awareness and global sales growth.

KEEN is an owner-managed American footwear and accessories company with some highly ambitious goals. In addition to further improving its product quality, brand experience and corporate responsibility, it wants to boost sales growth – especially through e-commerce.

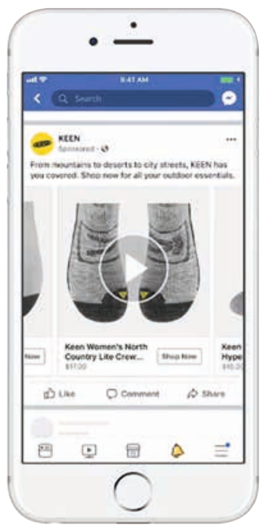
To help KEEN achieve its sales targets, we led the development of a holistic media strategy covering the entire sales funnel – from initial awareness through to purchase. When implementing the strategy, we coordinated the various KEEN agency partners who are responsible for the individual communication channels.

The first step we took to increase growth was to introduce a new paid social strategy. In the past, KEEN had used paid social campaigns to raise brand awareness; however, they failed to meet the KPI benchmarks or deliver the expected ROI. The new strategy changes the way KEEN uses social media, making it the primary channel for generating growth.

We began the project by analysing past and present social media, identifying what worked and finding significant scope for improvement. We then tested these findings in a number of small-scale pilot projects. Based on these results, we worked with KEEN to create new content formats to use with Facebook dynamic ads. Ultimately, this led to an increase in sales revenue of 163 per cent and top-line growth of 219 per cent compared with the previous year. In recognition of this achievement, we picked up a Drum Award for KEEN at the end of 2018.

In 2019, we continued to develop and optimise our strategy to achieve an even lower cost per acquisition (CPA) and even greater top-line growth.

Using our "Test & Learn" methodology, we examined every stage in the sales funnel to identify its full potential. Based on these findings, we launched the campaign shortly before the Christmas holidays. As a result, KEEN enjoyed an overall increase in sales and a particularly successful Christmas season.



Setting global standards

Using a global marketing framework to achieve maximum efficiency and impact.

PayPal, the world's leading online payment provider, wanted to improve the efficiency and effectiveness of its global marketing programmes by standardising practices across multiple markets and regions. To do that, it had to answer the following key questions: Where should we invest our budget? How can we continuously improve our processes? How can we measure success and integrate all our marketing activities?

We worked with PayPal to create a new marketing framework that would serve as a central platform for planning and implementing its various marketing programmes around the world.

The marketing framework covers three key areas: investment, strategy and planning & testing. Investment decisions can now be made on the basis of the projected return on marketing budgets. Strategy was optimised by introducing a structured briefing process and identifying new implementation options, target groups and tactics. Planning, meanwhile, has been improved by identifying weaknesses and opportunities in customer communication through analysis and systematic testing.

The new marketing framework was specifically designed around the PayPal customer base.

The following tools were used to analyse customer behaviour:

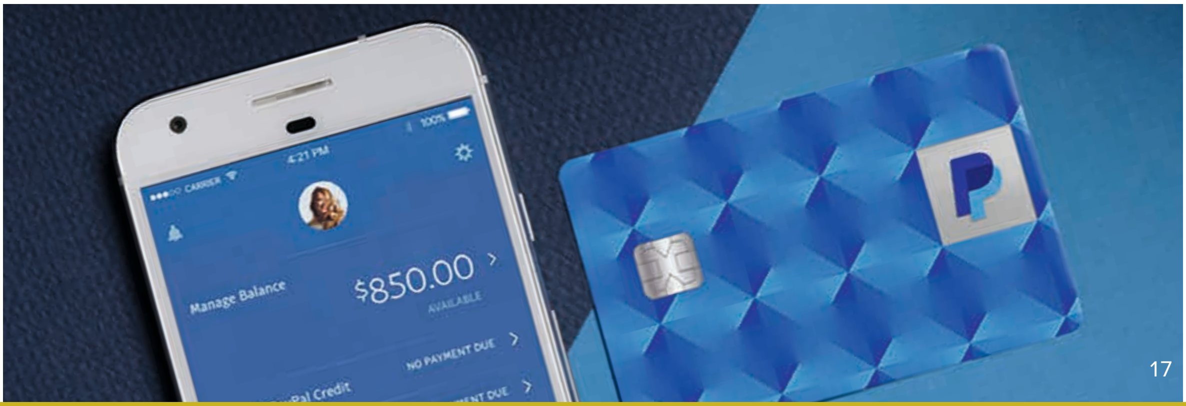
1. Customer Journey Mapping – to identify and visualise every moment in every phase of the customer experience when using a PayPal product.

2. Global Campaign Mapping – to analyse every digital marketing campaign used by PayPal over the past 12 months.

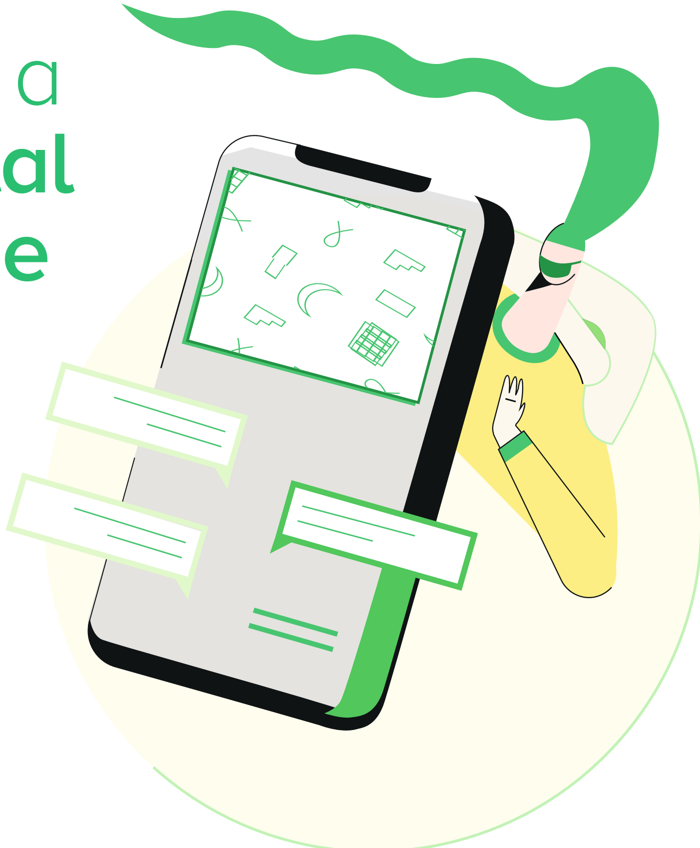
3. Global KPI Framework – to define and standardise key performance indicators for every market and region.

Combining these tools not only provided a better understanding of the business and media objectives during each phase in the customer journey, it also offered valuable insights into the results of previous investment decisions, marketing campaigns and KPIs. This in turn allowed a deeper understanding of customer behaviour and motivation.

The new marketing framework now plays a pivotal role in the management of media investment. Encompassing all relevant activities, it guides the company's investment in both always-on marketing and individual campaigns (e.g. product launches). It also enables continuous comparison of media and business goals, long-term results tracking and continuous monitoring of customer behaviour.



How to have a **healthy digital life during the pandemic**



From Dr. Paul Marsden
Chartered Psychologist
SYZYGY

Three contagions are currently sweeping across our planet. The first contagion needs no introduction. The SARS-CoV-2 virus causes the COVID-19 disease and is spreading indiscriminately around the world, heeding no attention to borders, nationality, income or identity.

A second contagion is a consequence of the first. It is a contagion of fear that has propagated as fast as the coronavirus itself, resulting in a global epidemic of anxiety, stress and, in some cases, panic. This contagion of fear has prompted consumers around the world to raid shops to stock-pile staples from hand sanitiser to toilet rolls. Shopping to reduce fear and anxiety is core principle of retail psychology, where people shop in an attempt to exert some control over a world that seems out of control.

Along with the biological and emotional contagions, a third contagion has emerged during the pandemic. We are seeing a global *contagion of kindness* is proliferating fast across the planet, as humans reach out to each other to help in a time of need. For example, countless local WhatsApp and WeChat support groups are being used to help self-isolating and isolated neighbours. These apps are living up to their name as true social utilities as they are put to the service of human kindness and help. Digitally powered kindness is revealing human strength and resilience in a time of crisis.

How to build digital resilience

As more people engage in 'social distancing', 'home quarantining' and 'self-isolation', many of us have become more dependent on our digital devices to live our lives. We're spending more time online to connect, communicate, work, shop, inform, educate and entertain ourselves.

It's important not to demonise digital devices and screen time during the pandemic. Connected technology is providing a lifeline to our fellow humans whilst preserving our emotional wellbeing by helping us to take back some control over our lives, connect with our loved ones, and build new competences for coping.

In fact, these three benefits – having a sense of **autonomy**, a feeling of **relatedness** and a perception of personal **competence** are the three core principles for maintaining a healthy digital life during the pandemic. For decades, psychologists have demonstrated how autonomy, relatedness and competence are key to emotional wellbeing. More recently, research into the effects of digital technology on emotional wellbeing has shown that when our screens promote a sense of autonomy, relatedness or competence, they deliver a net benefit to our emotional health. Finding ways to experience autonomy, relatedness and competence through our screens is the key to a healthy digital life during the pandemic.

For example, in a time when our personal freedoms may be temporarily curtailed or constrained by the pandemic, digital devices can help bolster our sense of autonomy. For instance, we can use apps and utilities to help structure our day, make plans, boost our personal productivity, collaborate on projects, go on virtual visits, or simply shop online where we get to exert choice. The key is to use our digital devices intentionally and actively, whilst balancing our passive screen-time (streaming, viewing, scrolling) with active self-determined interaction, where we – and not the screen – are in control.

We can also use tech time to promote a sense of social relatedness in a time of social distancing. For example, we can reach out to our loved ones using online video chat, share positive news, express gratitude, help others and practise acts of kindness. Simply seeing a friendly face, even via a screen, can reassure. Equally, offering online help in a time of stress can provide us with a renewed sense of purpose and mission that allays our own personal anxieties. The key here is to u se digital devices to nurture relationships.

Finally, we can also use tech time to experience competence. This can be as simple as mastering a game on a console. We might take the opportunity to sign up for an online course, learn a new skill and use digital technology to do more of the things that truly engage us. Likewise, we can download digital health, nutrition and wellbeing apps to get smarter about looking after our body, mind and spirit. We can also use our screens to get smarter about our informational diet. For instance, we can choose to consume less but better information by turning to quality sources just once or twice a day, rather than exposing ourselves to a constant stream of regurgitated digital misinformation and disinformation on social media and the 24/7 live news. And we can use online fact-checking sites to inoculate ourselves from the viral spread of conspiracy theories, fake news and 'alternative facts'.

In summary, our increased digital dependency during the pandemic can benefit our wellbeing, rather than be a hazard to it, if we use our screens positively to promote a sense of autonomy, relatedness and competence. Together the first letters of the words 'autonomy', 'relatedness' and 'competence' make up an 'ARC' of happiness because they are the three evidence-based drivers of our emotional wellbeing. It is this ARC of happiness that forms the foundations of 'positive technology' – technology designed to foster human strengths, facilitate human potential and further human wellbeing. And it is this ARC of happiness that we need to protect during the current pandemic.

The Stock

Development of SYZYGY's share price and relevant indices	2019	2018	Change
XETRA closing price (in EUR)	7.28	8.04	-9%
Overall performance including dividend	-4%	-24%	n.a.
Highest XETRA closing price (in EUR)	10.45	11.40	-8%
Lowest XETRA closing price (in EUR)	7.24	8.02	-10%
DAX	13,249	10,559	26%
TecDAX	3,015	2,450	23%
DAXSubsector IT	4,877	4,914	-1%
SDAX	12,512	9,509	32%

Key figures per share	2019	2018	Change
	EUR	EUR	
Ordinary Dividend	0.40	0.39	3%
Earnings per share	0.26	0.35	-26%
Value per share	1.86	3.98	-53%
Price-earnings ratio (P/E)	28	24	17%
Dividend yield	5.5%	4.8%	n.a.
Return on Equity	7.0%	9.0%	n.a.
Total number of shares (non-par value bearer shares)	13,500	13,500	0%
thereof own shares	74	74	0%
Market capitalisation; basis XETRA closing price (in Mio. EUR)	98.00	108.54	-10%
Freefloat (according to Deutsche Börse)	49.38%	49.38%	n.a.
Average daily turnover:			
in shares (thereof XETRA 3,264)	3,227	4,574	-29%
in EUR (thereof XETRA 28,594)	28,277	44,732	-37%

Share data

ISIN	DE0005104806
WKN	510480
Symbol	SYZ
Reuters	SYZG.DE
Bloomberg	SYZ:GR
Founded	1995
Listed since	6 Oktober 2000
Listing segment	Regulated Market, Prime Standard

Stock exchanges	XETRA, Berlin, Dusseldorf, Frankfurt, Hamburg, Hannover, Munich, Stuttgart
Sector	IT-Services
Designated Sponsor	Pareto Securities AS
Analysts	GBC AG (Cosmin Filker), Pareto Securities AS (Mark Josefson), WARBURG RESEARCH (Felix Ellmann), GSC (Thorsten Renner)

The stock market

2019 was a year of considerable turbulence in the stock market due to the political backdrop, resulting in nervousness among investors that led to price volatility on the equity markets. As in the previous year, the trade dispute with China triggered by the US government, the UK's withdrawal from the EU (Brexit) and growing populism in Europe were the key topics. The Italian debt crisis, armed conflicts in the Middle East and declining business confidence also had a temporary dampening effect on the stock market.

In addition, the year was marked by a constantly changing economic outlook, with widespread concerns about a recession. The rate of global growth slowed, but not as much as feared. The stock markets benefited from the central banks' renewed commitment to expansionary monetary policy in response to weaker economic signals.

The final quarter saw another upturn on the stock markets. This was driven by the prospect of an orderly Brexit at the end of January 2020, confidence that the US and China would be able to reach a partial agreement in their trade dispute and the opening of the monetary policy floodgates.

In total, it was a fantastic year for equities, with the performance of the major indices proving very encouraging in 2019. The DAX gained more than a quarter (25.5 per cent), the largest annual gain since 2013. The Dow Jones Industrial rose by 22.3 per cent while the US technology exchange Nasdaq ended the stock market year as the front-runner, closing the year up 35.2 per cent. In Germany, the small-cap index SDAX gained 31.6 per cent over the year. The TecDAX meanwhile lagged behind the other indices on the German market, ending the year up 23 per cent.

Performance of SYZYGY shares

Following a relatively weak start to the new stock market year, SYZYGY shares exceeded the EUR 9 mark at the end of January. Supported by publication of the provisional business figures and the announcement of an increase in the dividend from EUR 0.39 to EUR 0.40, the shares moved sideways at above EUR 9.00 until the beginning of May. Up to payment of the dividend of EUR 0.40 on June 12, 2019, the share price moved in a range between EUR 9.80 and EUR 10.45. It reached its highest closing level on May 17, 2019 at EUR 10.45.

After payment of the dividend, the share price fluctuated sideways at around EUR 9.00, then moved between EUR 8.40 and EUR 9.00 in the course of the third quarter. As the year progressed, the share price trended increasingly downwards at a price level below EUR 8.00, trapped in a range between approximately EUR 7.90 and EUR 7.30.

The shares ended the 2019 stock exchange year with a closing price of EUR 7.28, equivalent to a decline of around 9 per cent compared to the 2018 closing price.

SYZYGY shares remain an attractive dividend stock. Relative to the share price, they deliver a dividend yield of around 5.5 per cent. In comparison, the German benchmark DAX offers a dividend yield of just under 3 per cent, the SDAX comes in at 2.2 per cent, while the TecDAX returns 1.5 per cent.

Taking into account the dividend payment of EUR 0.40, SYZYGY shares returned minus 4 per cent overall. The liquidity of SYZYGY shares fell year-on-year, with an average of 3,200 shares being traded across all German stock exchanges each day (prior year: 4,600 shares/day).

The Management Board and Supervisory Board have decided to propose a dividend of EUR 0.20 per share for the 2019 financial year at the Annual General Meeting, which is scheduled for October 27, 2020. This represents a substantial cut to the dividend; it takes account of earnings performance and enables investments to be financed.

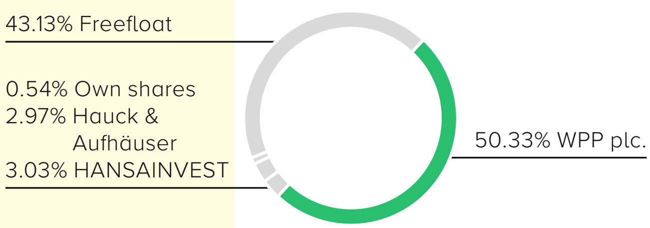
Annual General Meeting

The ordinary Annual General Meeting of SYZYGY AG was held on June 7, 2019 in Frankfurt. Around 60.4 per cent of the voting capital attended the meeting. All the resolutions proposed by management, including the proposal to distribute a dividend of EUR 0.40 per eligible share, were approved almost unanimously. Based on the XETRA closing price on the date of the General Meeting, the dividend yield was 4 per cent (previous year: 3.6 per cent) and thus remained at a high level, as in the previous year. In total, around EUR 5.4 million was distributed to our shareholders.

Shareholders structure

As at the reporting date, the total number of shares is 13,500,026. The shareholder structure remained virtually unchanged during the reporting period: WPP is still the biggest shareholder, holding a total of 50.33 per cent of SYZYGY shares. The shares held by HANSA-INVEST Hanseatische Investment GmbH total 3.03 per cent. The proportion held by Hauck & Aufhäuser Fund Service S.A. Luxembourg decreased to 2.97 per cent due to a notification of voting rights in accordance with Section 40(1) of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG).

The freefloat as defined by Deutsche Börse was 49.12 per cent as at December 31, 2019.



5.5 %

Dividend yield

0.40

EUR dividend

98.0

Mio. EUR market capitalisation

Investor relations

SYZYGY AG pursues a transparent, prompt information policy and attaches great importance to an ongoing, comprehensive dialogue with interested parties such as shareholders, investors, analysts, financial journalists and members of the public. The concise presentations on business performance and forecasts in the annual report, quarterly reports, company news and the publication of a sustainability report were particularly important in the 2019 financial year.

A wide range of information on capital market-related topics can be obtained around the clock on our investor relations website ir.syzygy.net. The information on the website is available at all times, in German and English.

SYZYGY AG will again prepare a non-financial declaration for the 2019 reporting year in the form of the German Sustainability Code (DNK) issued by the German Council for Sustainable Development (RNE). This will be formally reviewed and given the DNK user signet by the DNK.

In addition to the provision of written information, representatives of the Management Board gave presentations to investors at capital market conferences and roadshows in order to showcase the business model and report regularly on the strategy and development of the Group. During the period under review, the Management Board attended the German Equity Forum and the Pareto Securities AS Roadshow in Frankfurt, as well as 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. The management team was additionally available to analysts, investors and representatives of the business and financial press for individual discussions.

Four analysts now provide regular up-to-date assessments and forecasts on the performance and future development of the Group. These are: GBC AG, GSC Research GmbH, Warburg Bank and Pareto Securities AS (formerly equinet Bank AG). The latter also holds the Designated Sponsoring mandate.

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 of the Supervisory Board

A total of six ordinary meetings of the Supervisory Board were held together with the Management Board in the 2019 financial year, on January 14, March 29, April 25, July 25, October 23 and on December 17, 2019. The Supervisory Board also held an extraordinary meeting on August 28, 2019.

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 first Supervisory Board meeting of the 2019 financial year was held on January 14, 2019. The provisional figures for 2018 were presented and the company's financial position was discussed. Following in-depth discussion and subsequent approval of the provisional figures, it was decided to propose a dividend of EUR 0.40 at the Annual General Meeting. In addition, the 2019 budget was discussed and approved by the Supervisory Board.

The accounts review meeting was held on March 29, 2019 in the presence of the auditor. After carefully reviewing all the documents, the Supervisory Board received detailed information on the financial statements for the 2018 financial year from the members of the Management Board. The auditor presented the key aspects and results of his 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 Annual General Meeting scheduled for June 7, 2019 was also agreed.

At the Supervisory Board meeting held on April 25, 2019, the Supervisory Board obtained a detailed overview of the latest business developments. In the course of this meeting, the figures for the first quarter of 2019 were discussed and subsequently approved. In addition, the agenda for the Annual General Meeting on June 7, 2019 was again discussed at the meeting. The key item was that the Deputy Chairman of the Supervisory Board, Rupert Day, is stepping down from the board at the end of the Annual General Meeting on June 7, 2019. Accordingly, a new candidate needs to be appointed to the Supervisory Board.

The purpose of the ordinary meeting held on July 25, 2019 was to discuss and approve the business figures for the first half of 2019. The Management Board presented a detailed outlook for the rest of the financial year. M&A was also a key issue. The Management Board reported on the status of the associated talks.

At an extraordinary Supervisory Board meeting held on August 28, 2019, the Supervisory Board decided to terminate Lars Lehne's contract as Chairman of the Management Board by mutual agreement at the end of the contractual term, effective March 31, 2020.

The ordinary Supervisory Board meeting on October 23, 2019 started off with a discussion of the nine-month figures, which were duly approved. The Management Board again provided an updated outlook for the rest of the year. It also reported on the current status of M&A activities.

The members of the Supervisory Board also dealt with implementation of the German Corporate Governance Code. The Management Board and Supervisory Board issued an updated declaration of conformity in accordance with Article 161 of the German Stock Corporation Act (AktG). This declaration is available on the company's website. The Supervisory Board also informed the Management Board about the search for a candidate for the position of Chairman of the Management Board.

The last meeting of the year was held on December 17, 2019. It dealt with the current state of business and the outlook and management focus for 2020. The Management Board presented the budget for the SYZYGY companies and discussed it with the Supervisory Board. Approval of the 2020 budget was postponed to the next meeting, in 2020.

"Our thanks are due **to the members of the Management Board and to all employees for their commitment**, which is crucial to the success of the SYZYGY Group."

The first Supervisory Board meeting of the current 2020 financial year was held on January 30, 2020. The provisional figures for 2019 were presented and the company's financial position was discussed. These were approved following in-depth discussion. The Management Board also provided information on the status of M&A activities at the SYZYGY Group. Approval of the 2020 budget was postponed to the next meeting.

On February 5, 2020, the Supervisory Board and Management Board held an extraordinary meeting at which the 2020 budget was approved.

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.

Composition of the Supervisory Board and committees

Since March 22, 2018, the Supervisory Board of SYZYGY AG has comprised Mr Wilfried Beeck, Mr Rupert Day and Mr Andrew Payne, and consists of an appropriate number of independent members.

The term of office of the serving Supervisory Board members expired following the Annual General Meeting held on June 7, 2019. This made it necessary to hold fresh elections for all members of the Supervisory Board. Mr Wilfried Beeck and Mr Andrew Robertson Payne were available for re-election. Mr Rupert Day was no longer available for re-election. Mr Dominic Grainger put himself forward for election.

All three persons were elected to the Company's Supervisory Board by way of individual election at the Annual General Meeting held on June 7, 2019.

The term of office of all Supervisory Board members covers the period until conclusion of the Annual General Meeting that discharges the members in relation to the 2023 financial year.

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

The Annual General Meeting held on June 7, 2019 discharged the members of the Supervisory Board and Management Board in relation to the 2018 financial year.

Composition of the Management Board

Until December 31, 2019, the Management Board of SYZYGY AG consisted of Mr Lars Lehne as CEO, Mr Erwin Greiner as Finance Director and Mr Frank Ladner as Technology Director.

Corporate governance

On October 23, 2019, 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 February 7, 2017.

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

The remuneration report, which discloses the level of remuneration for the Management Board and Supervisory Board and how the remuneration 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 2019 Annual Report.

Andrew Payne
Member of the Supervisory Board

Rupert Day
Member of the Supervisory Board
(until June 7, 2019)

Dominic Grainger
Member of the Supervisory Board
(from June 7, 2019)

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 for the 2019 financial year on June 7, 2019. 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, no audit-related services 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 2019 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 2019 financial year from the members of the Management Board at its meeting of March 27, 2020. The auditor also attended, presenting the key aspects and results of his 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.

Sustainability reporting

To document the SYZYGY Group's focus on sustainability, SYZYGY has made a commitment to the German Sustainability Code (DNK). A non-financial declaration was issued for the 2016 and 2017 reporting years, in the form of DNK declarations of conformity. These were formally reviewed and given the DNK user signet by the DNK. The declarations of conformity can be downloaded from the Investor Relations website at ir.syzygy.de.

SYZYGY will again issue a declaration of conformity for the 2019/2020 reporting year in order to render the SYZYGY Group's commitment to sustainability transparent and comparable for clients, employees and other interested parties.

Thanks

The Supervisory Board would like to thank the members of the Management Board and all employees of the SYZYGY Group for their high level of commitment. We look forward to continuing to work together and wish you every success for the current financial year.

Bad Homburg, March 27, 2020
The Supervisory Board

Wilfried Beeck

Wilfried Beeck
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 February 7, 2017.

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.

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.

1. Declaration by the Management Board and Supervisory Board of SYZYGY AG in relation to the German Corporate Governance Code as updated on February 7, 2017, 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 has complied with the recommendations of the Government Commission's German Corporate Governance Code as updated on February 7, 2017 since making the last Declaration of Conformity on October 29, 2018. SYZYGY AG intends to continue complying with these recommendations, **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 has not formed any committees due to its current size of three members. 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.

(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 Technology Officer and a Chief Financial Officer.

The Management Board conducts the business of the company in accordance with the law and the Articles of Association. It defines long-term objectives for the good of the company and its sustained growth, both for the Group and its subsidiaries, develops strategies on that basis and ensures their implementation. 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. 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. Since the Supervisory Board has only three members, no committees have been or will be formed.

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 and a presentation are 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 2018 can be found in the Report of the Supervisory Board in SYZYGY AG's 2019 Annual Report, which will be available from March 30, 2020 on the Group's website at www.syzygy.net.

4. Total shareholdings of Management Board and Supervisory Board

Shareholdings are disclosed in the quarterly and annual reports. The long-term incentive schemes are based on the price performance of SYZYGY shares. When options are exercised or stock-based remuneration programmes (phantom stocks) 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 2017 Annual Report. The corresponding information for the 2019 financial year will be published on March 30, 2020 in the 2019 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 were established by September 30, 2015.

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 2019 financial year. Consequently, the next Supervisory Board elections are expected to be held in 2024. If all the Supervisory Board members remain in office for the full term, the Supervisory Board will consist solely of male members.

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 Chief Financial Officer on December 31, 2020. The Chief Technology Officer´s contract runs until December 31, 2020 and that of the Chief Executive Officer until March 31, 2020. If all the Management Board members remain in office for the full term and no further Management Board members are appointed, the Management Board consists solely of male members.

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. The female quota was unchanged during the past year.

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 exceeds a defined female quota of 30 per cent. 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.

6. Diversity statement

Description and objectives of the diversity statement

The diversity statement for the Supervisory Board and Management Board aims to achieve diversity in the composition of these two bodies in relation to background, age, origin and gender. The goal of the diversity statement is to ensure that there is a range of different backgrounds and fields of experience in the Supervisory Board and Management Board, and to boost competitiveness.

Implementation of the diversity statements

The diversity statements for the Supervisory Board and Management Board will be implemented, based on the defined aspects, in the recruitment objectives that the Supervisory Board applies in its decision on election proposals to the Annual General Meeting and on appointments to the Management Board.

Diversity-related recruitment objectives for the Management Board

The Supervisory Board works with the Management Board on succession planning f or the Management Board.

When appointments are made to the Management Board, as wide a range of knowledge, skills and professional experience as possible (diversity) should be represented in order to meet the following objectives of the diversity statement:

In relation to educational and professional background, particular emphasis is placed on extensive experience in the communications and IT/software sector or many years of financial expertise.

In future appointments to the Management Board, or if it is expanded, women will be considered as this leads to greater diversity on the Board. Going forward, the company will seek a target quota of at least 30 per cent female Management Board members by the end of 2021. There is no age limit for members of the Management Board.

Diversity-related recruitment objectives for the Supervisory Board

SYZYGY AG aims for maximum company-specific and industry-specific expertise on the Supervisory Board, irrespective of characteristics such as age or gender.

The Supervisory Board nevertheless supports an appropriate representation of women on the Supervisory Board. The statutory minimum proportion of 30 per cent is regarded as generally appropriate. The company will aim at a higher proportion of women if elections are upcoming or members are added to the board.

A particular focus in relation to educational and professional background is in-depth knowledge of the communications and digital sector, and an extensive skillset in accounting and internal control procedures.

Due to the international outlook of the SYZYGY Group, members with an international background will also be considered when making appointments to the Supervisory Board.

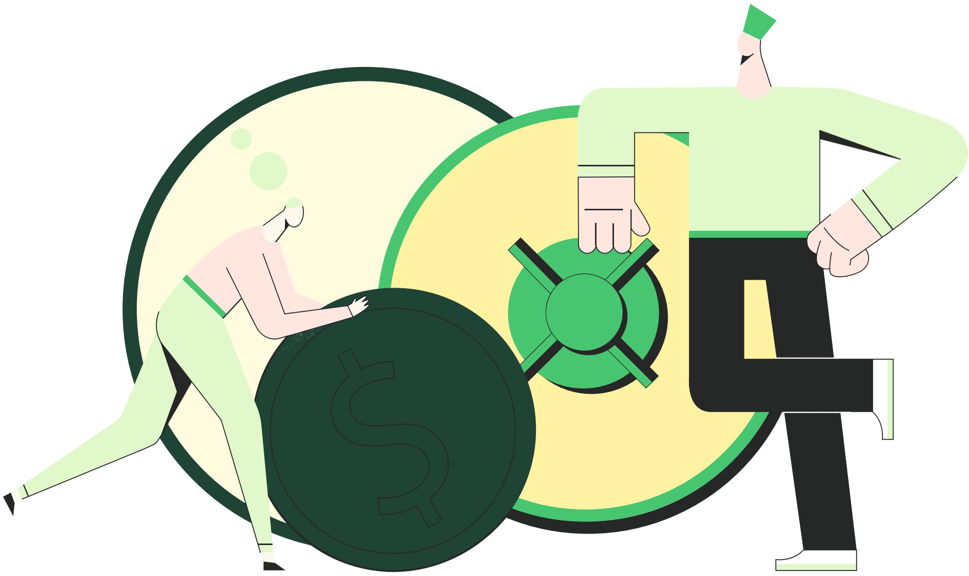
Position at the end of the financial year
Representation of women on the Management Board and Supervisory Board was the only area where the objectives of the diversity statement for the Management Board and Supervisory Board were not met in the 2019 financial year.

The Supervisory Board is committed to implementing the diversity statement in full when deciding on election proposals to the Annual General Meeting or making appointments to the Management Board.

Bad Homburg v. d. H., October 23, 2019

The Management Board and
the Supervisory Board
SYZYGY AG

Financial statements



Group Management Report
for the 2019 financial year

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"). It shows the Group's results of operations, financial position and net assets in the 2019 financial year, as well as examining the expected future performance of the business and the principal risks and opportunities.

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 315e [1] of the 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
SYZYGY is a leading consultancy and implementation partner for digital transformation of marketing and sales. It is one of the top 10 agencies in the Internet agency ranking published annually by the German Association for the Digital Economy (BVDW) (2019: 9th place). SYZYGY designs, creates and orchestrates digital experiences and products for brands, companies and people. The Group's core service areas are strategy, product and activation, with technology as the connecting and scaling element.

Founded in 1995, the SYZYGY Group employs some 540 people (previous year: 560) across four countries. It has offices in Bad Homburg v. d. Höhe, Berlin, Frankfurt, Hamburg, Munich, London, New York and Warsaw.

The Group consists of SYZYGY AG as the holding company and eleven subsidiaries: SYZYGY Deutschland GmbH, strategy consultancy diffferent GmbH, consultancy USEEDS° GmbH, which specialises in customer centricity, SYZYGY Performance GmbH, SYZYGY Media GmbH, SYZYGY Berlin GmbH, Polish design studio Ars Thanea S.A., Unique Digital Marketing Ltd., SYZYGY UK Ltd., SYZYGY Digital Marketing Inc. and Hi-ReS! London Ltd., which was shut down in the first quarter of 2019 and deconsolidated. Its clients include prestigious brands such as Lufthansa, AVIS, BMW, comdirekt bank, Commerzbank, Daimler, Deutsche Bank, Kyocera, Mazda, Miles & More, O_2, PayPal, Porsche, health insurer Techniker Krankenkasse and Volkswagen.

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 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 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, corporate events and occupational pension programmes.

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.

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

The SYZYGY Group has introduced cross-company specialist responsibilities for performance marketing, innovation, customer experience, strategy and creative services at the first management level below the Management Board. The objective is to establish particular specialist areas through representatives of the operating units in the Group and at the sister companies. Innovation topics are discussed and presented to employees during workshops, internal specialist events, presentations and training sessions.

3. Economic report

3.1 General economic development

Although the global economy continued to be characterised by expansion and growth in 2019, worldwide economic momentum has weakened in recent months. The Institute for the World Economy (IfW Kiel) expects global production to increase by 3 per cent in 2019. That is the lowest figure since the Great Recession in 2009. The primary cause of this trend is weakness in industry and world trade. Growth in industrial production was already slowing at the turn of 2017/2018; it then stagnated completely in the course of 2019. Industrial production actually declined in advanced economies, whereas emerging markets were still able to achieve slight increases. This trend was accompanied by a marked weakness in world trade, which declined for three quarters in a row from the last quarter of 2018 onwards. Even in the services sector, which has been comparatively stable so far, there are increasing signs of a downturn in momentum. Accordingly, the order outlook for service providers is viewed less positively, while global consumer spending also declined significantly in the third quarter. The weakness in industry seems to be impacting the other sectors of the economy.

The German Institute for Economic Research (DIW) puts global economic growth last year at 3.6 per cent. According to the OECD economic outlook, global gross domestic product (GDP) growth slowed to 2.9 per cent and was thus significantly below the previous year's figure (3.5 per cent). This would be the weakest global growth rate in any year since the financial crisis, and roughly 0.3 – 0.4 percentage points below the estimated potential growth rate for the world economy.

The OECD believes that economic activity was driven mostly by rising consumer spending, supported by continuing strength in labour markets. Investment remained low, however, due to ongoing trade disputes and political uncertainty. Investment growth in the G20 economies as a whole (excluding China) declined from 5 per cent a year at the beginning of 2018 to just 1 per cent in the first half of 2019. Disruption to trade, cross-border investment and supply chains caused by trade disputes is adversely affecting demand and causing heightened uncertainty. The bilateral tariffs introduced by the US and China at the beginning of 2018 are a major factor in the decline in global demand, having had a negative impact on all economies.

According to the 2019/2020 annual report published by the German Council of Economic Experts, the Eurozone economy was still characterised by growth in 2019, but the subdued economic momentum in the first half of the year continued due to weak investment and declining exports. Consumer spending, on the other hand, provided a positive impetus, as the labour market continued to perform well. In addition, the European Central Bank (ECB) further eased its monetary policy in September 2019, after several years of an expansionary stance. At an estimated 1.2 per cent, GDP growth for the Eurozone is likely to be significantly below the prior-year figure of 1.9 per cent.

In the first two quarters, GDP rose in real terms by 0.4 and 0.2 per cent, respectively, compared to the respective previous quarter, indicating that overall economic momentum remained subdued. Gross value added in the manufacturing sector fell in real terms as it posted weak performance. Performance was mixed in the major member states. While Germany and Italy recorded the lowest GDP growth of all members in the second quarter, the trend in Spain, France and the Netherlands was largely stable. Growth was primarily supported by government and consumer spending. The strong labour market, the associated increase in employment and rising wages and salaries were the key drivers of demand from private households. These factors, combined with moderate consumer price inflation due to lower energy prices, led to rising disposable incomes in real terms. According to the statistical service of the European Union, the decline in the unemployment rate has slowed. Unemployment stood at 7.4 per cent in the Eurozone at the end of 2019, marking the lowest level since May 2008. Exports from the Eurozone saw a comparatively weak increase in the first half of the year, with an annualised growth rate of 2.9 per cent. In addition to normalisation (growth was more than 6 per cent in 2017), the economic crisis in Turkey also played a role; exports from the Eurozone to Turkey fell sharply in 2018 and were down around 14 per cent in the second quarter of 2019 compared with the same quarter of the previous year. In the course of 2019, the ECB adopted new monetary policy measures in response to indications of a slowdown in the economy, accompanied by weaker expectations for inflation. In June, the ECB Governing Council made it clear that central bank interest rates would remain at the same level not only beyond 2019, but probably until summer 2020.

Germany, Europe's largest economy, had a difficult year, experiencing a period of weakness in 2019. According to the Federal Statistical Office, it grew by just 0.6 per cent and stagnated in the final quarter. The last time growth was this weak was in 2013. Foreign trade in particular had a negative impact on the economy, as did the risks associated with international trade disputes. This is especially evident in the export-oriented German industrial sector, which is additionally feeling the effects of structural change in the automotive industry. Only strong consumer demand and the construction boom are keeping the German economy in positive territory. Consumer spending accounts for more than half of economic output. Despite the weak economy, a new employment record was set last year with 45.3 million in work (+400 thousand), according to the German Institute for Economic Research (DIW Berlin). Overall, the labour market is proving to be a key pillar of economic growth in Germany. Short-time working caused by economic weakness is at a very low level. Germany has the second lowest unemployment rate in the European Union, at 3.2 per cent as at December 2019; only the Czech Republic has even lower unemployment, at 2 per cent. Consumer prices rose slightly in 2019 by 1.4 per cent, but remained below the ECB's target rate of just under 2 per cent.

The economic barometer published by DIW Berlin fell in all four quarters of last year, declining from 94.6 points in Q1 to 89.0 points in the third quarter before recovering slightly to 91.0 points at the end of the year.

The ifo Business Climate Index tracks economic performance and, with a few exceptions, showed a clear downward trend. In January 2019, it stood at 99.6, but by August had fallen to 94.5 points, its lowest level. It recovered slightly towards the end of the year, closing at 96.3 points in December.

Following very strong growth in 2017 and 2018, economic momentum in the US edged down, according to the annual report of the German Council of Economic Experts. GDP grew by 2.3 per cent on an annualised basis in the first six months of 2019 (2018: 2.9 per cent). While consumer spending was a major factor in GDP growth in the second quarter of 2019, there was a significant drop in exports. Government spending and investment supported economic growth in the first half of the year. The increase in government expenditure and tax cuts resulting from the tax reform caused the government deficit and debt levels to rise. Estimates by the International Monetary Fund (IMF) suggest that the debt ratio could rise from 104 per cent in 2018 to 116 per cent in 2024. The US labour market remains robust, although the rise in employment has slowed somewhat compared to the previous year. The employment rate is 61 per cent, while the unemployment rate was 3.5 per cent at the end of the third quarter, the lowest level since the late 1960s.

The UK economy recorded estimated growth of 1.3 per cent in the third year after the referendum on leaving the European Union, slightly below the 2018 figure (1.4 per cent), according to the annual report of the German Council of Economic Experts. The main factor driving the different momentum in each of the quarters is likely to have been the Brexit date originally scheduled for the end of March. In the first three months, increased inventory build-up boosted the economy, but lower spending on inventory dampened growth in the second quarter, with GDP down by 0.2 per cent. Production figures show a similar trend: in the first quarter, the increase in production can be explained by attempts to beat the provisional exit date, but in the second quarter production declined and remained relatively weak over the year as a whole.

A slow-down was also seen in the services sector, which is so important for the British economy. The labour market was posting high levels of employment, with the unemployment rate remaining at a low 3.8 per cent. Rising wages and declining productivity caused a sharp increase in unit labour costs. The high degree of uncertainty caused by the Brexit vote and the reduced growth expectations are resulted in persistently weak investment in the UK.

Following particularly good performance in 2018, when the Polish economy grew by 5.1 per cent, experts at Germany Trade & Invest (GTAI) forecast somewhat weaker growth in 2019. At an estimated 4.1 per cent, the rate is still robust and remains well above the EU average. Consumer demand is a key driver in Poland, as in other countries. The reasons for lower growth include the general economic downturn in the EU, the uncertainty around Brexit and the tensions between the US and China. Prices in Poland rose again in 2019. In October, consumer prices were 2.5 per cent higher than in the same period of the previous year, corresponding exactly to the Polish National Bank's target.

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.

Following the global advertising market's exceptional performance in recent years, with growth of 5.7 per cent in 2018, the industry began to stall in 2019. Group M forecasts lower growth of 4.8 per cent in 2019. The advertising market forecast published by Zenith expects growth of 4.2 per cent globally. Here again, global uncertainty and the generally softer economy are having an adverse impact on the entire advertising market.

Internet advertising is the most important medium in the advertising market worldwide, having generated advertising sales of USD 294 billion in 2019, according to the Worldwide Media Forecast published by Group M.

Germany's gross advertising market held up well compared to the previous year. Total advertising budgets in Germany saw a moderate rise in the low single-digit range. Nielsen's figures show gross spending of around EUR 22.2 billion on advertising in the first three quarters, representing solid growth of 1.4 per cent. According to the German Online Marketing Group (OVK, part of the German Association for the Digital Economy (BVDW)), the German market for digital display advertising grew by around 10 per cent in 2019 and generated net sales of approximately EUR 3.6 billion. This strong growth was driven primarily by video, mobile and the smart use of technology.

The services, automotive and retail sectors were the top three contributors to gross digital advertising investment, according to Nielsen's experts.

The Magna Report indicates that advertising activity in the US and UK was robust. The report shows that in 2019 advertising spend rose in the US by 5.1 per cent and by 6.7 per cent in the UK.

All in all, the SYZYGY Group was operating in a fundamentally positive market environment, despite changes or uncertainty around some factors. The European economy continues to expand, albeit more modestly, as indicated by growth and mostly positive sentiment. Performance in the Group's core market, Germany, was robust. 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 declined in the period covered by the report. As at December 31, 2019, the Group had a total of 542 permanent employees, 20 or 4 per cent fewer than as at the reporting date in the previous year. The workforce at the two UK companies had to be reduced by 45 persons due to the decline in business. The number of persons at SYZYGY Media also fell by 11. In contrast, SYZYGY Deutschland increased its headcount by 36 employees. The number of freelancers increased from 51 (in the previous year) to 65. 414 people or 76 per cent (previous year: 384 people) of the entire staff worked in the seven German companies as at the reporting date; 49 people or 9 per cent (previous year: 94 people) were employed in the British agencies.

As at year-end, 74 people or 14 per cent (previous year: 73 people) worked for Ars Thanea, while the number of people at SYZYGY Digital Marketing in New York fell to 5 (previous year: 11 people).

In terms of employees by function, there were only minor changes during the period under review. Compared to the previous year, strategy consulting, technology and administration remained unchanged as a proportion of the total workforce, at 21, 18 and 14 per cent, respectively. Performance marketing posted a small decline compared to the previous year; the number of employees fell by 34 to account for 17 per cent of the total (previous year: 22 per cent). Creative services and project management were up slightly by 2 and 3 per cent, respectively, each increasing their share to 15 per cent. The SYZYGY Group employed 558 people on average during the year (previous year: 574). Including an average of 46 freelance employees, annualised sales per head were around kEUR 106 (previous year: kEUR 105).

3.4 Investments, research and development

Other intangible assets and fixed assets increased by 361 per cent to EUR 31.9 million (previous year: EUR 6.9 million). This EUR 25.2 million increase is attributable to the recognition of rights of use due to first-time application of IFRS 16. Since January 1, 2019, SYZYGY as a lessee has dealt with all leases on the balance sheet as follows: it has recognised the rights of use to the leased assets as assets and the payment obligations entered into over the term of the lease as liabilities at present value. In the 2019 financial year, depreciation and amortisation amounted to EUR 5.4 million (previous year: EUR 2.1 million). The rise is chiefly due to depreciation of the above-mentioned rights of use in the amount of EUR 3.4 million.

EUR 1.9 million (previous year: EUR 1.2 million) was invested in office locations and employee equipment during the 2019 financial year, representing a significant increase. No spending on research and development was made in the period covered by the report.

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

3.5.1 Results of operations

In the 2018 Group Management Report, the SYZYGY Group forecast that it would be able to increase sales in the upper single-digit percentage range in the 2019 financial year, with a rise in the EBIT margin of around 10 per cent.

SYZYGY failed to meet its forecasts, achieving sales of EUR 64.2 million (a decrease of 2 per cent over the previous year). The international companies in the UK and US in particular posted significant declines in sales, which were not offset by the German companies. EBIT fell by 9 per cent to EUR 5.5 million. This was due to substantial restructuring expenses at the UK companies, which reported a loss of EUR 1.0 million. Earnings per share of EUR 0.26 were down on the previous year, due to lower operating and financial income, combined with a higher tax rate. Financial income was reduced by EUR 0.5 million primarily as a result of the switch to IFRS 16.

The following table shows the multi-year trend in key financial figures, including the key internal indicators for managing the business, sales and EBIT:

3.5.2 Sales

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

Sales declined slightly by 2 per cent to EUR 64.2 million. The positive performance of the German units was unable to offset the decline in business at the UK entities and the agency in New York.

The Germany segment was the strongest in the Group, increasing from 68 to 75 per cent of total sales. At 15 per cent (previous year: 21 per cent), the UK segment recorded a decline in sales in the year under review. The United States and Poland are reported together under the “Other” segment, as in the previous year. The agencies in Poland and the US account for 10 per cent (previous year: 11 per cent) of sales. These figures reflect results before consolidation.

SYZYGY generated 33 per cent of its sales from clients in the automotive industry, 3 percentage points more than in the prior year. Consumer goods accounted for around 14 per cent of sales (previous year: 17 per cent). As in the previous year, 17 per cent of sales related to companies in the financial sector. The proportion of sales attributable to clients from the IT and telecommunications industry fell slightly from 8 per cent to 7 per cent. A total of 26 per cent of sales was generated with clients from the services sector.

In kEUR	2015	2016	2017	2018	2019
Sales	57,311	64,273	60,669	65,816	64,243
EBIT	5,268	5,596	4,096	6,067	5,497
EBIT margin	9.2%	8.7%	6.8%	9.2%	8.6%
Financial income	1,975	1,336	1,440	470	-303
EBT	7,243	6,932	5,536	6,537	5,194
Earnings per share (in EUR)	0.37	0.39	0.39	0.35	0.26

Around 3 per cent of sales (previous year: 4 per cent) came from companies that cannot be assigned to any of these five key areas. While the automotive segments reported growth of EUR 0.5 millon not only pro rata but also in absolute terms, the consumer goods segment saw a significant decline of EUR -2.3 million.

49 per cent of SYZYGY's sales were generated from its ten largest clients, a figure that is 10 percentage points above the previous year's level.

3.5.3 Operating expenses and depreciation

The cost of sales totalled EUR 45.8 million. This represents a disproportionate decrease of 4 per cent compared to the previous year. The gross margin increased by 2 percentage points to 29 per cent as a result.

Sales and marketing costs increased by 10 per cent to EUR 6.0 million (previous year: EUR 5.4 million). The main reason for the increase is higher staffing levels in sales and more extensive marketing measures related to the Hans & Marie event. In addition to personnel expenses, this item also includes costs relating to merging the brands within the SYZYGY Group and the Group's new website.

General administrative expenses increased by 15 per cent to EUR 9.9 million. This is mainly due to the allocation of higher staff costs to administrative areas.

Depreciation of fixed assets and amortisation of other intangible assets increased by EUR 3.3 million to EUR 5.4 million, of which EUR 3.4 million is attributable to amortisation of rights of use under IFRS 16. There were no unscheduled write-downs on brand equity in the 2019 financial year.

3.5.4 Operating income (EBIT) and EBIT margin

Operating income (EBIT) fell disproportionately steeply relative to sales by 9 per cent, declining from EUR 6.1 million in the prior year to EUR 5.5 million in the reporting year. As a consequence, the Group's profitability also suffered, with the EBIT margin falling from 9.2 per cent in the previous year to 8.6 per cent in the 2019 financial year. The decline in profitability is mainly due to losses of EUR 0.9 million in the UK and to EUR 0.5 million lower operating profits in the US and Poland.

3.5.5 Financial income

Financial income in the period under review was significantly affected by the new IFRS 16 accounting standard. In the case of long-term leases and other leases with a term of more than one year, interest expenses are calculated on the basis of the liabilities disclosed. In practice, rental payments are divided into amortisation of rights of use and interest payments over the entire term of the leases. This resulted in an interest expense of EUR 0.7 million in 2019.

As in previous years, financial income also includes interest income and expenses from the management of cash and cash equivalents. A positive result of EUR 0.4 million was generated from this activity in the reporting period, with financial income totalling EUR -0.3 million (previous year: EUR 0.5 million). The positive earnings contribution from liquidity management is attributable to the sale of securities (EUR 0.1 million; previous year: EUR 0.1 million) and the balance resulting from interest income and expenses of EUR 0.3 million. The result corresponds to a return of 3.5 per cent (previous year: 2.5 per cent) on average available liquidity reserves, and of 5.2 per cent (previous year: 4.8 per cent) on the average market value of the securities portfolio. The main contributors to this result are interest income from corporate bonds and gains from the sale of securities.

3.5.6 Income taxes, net income, earnings per share

While pre-tax income fell by 21 per cent to EUR 5.2 million (previous year: EUR 6.5 million) in the reporting period, net income after taxes decreased by 28 per cent to EUR 3.5 million (previous year: EUR 4.9 million). The tax rate increased significantly to 32 per cent (previous year: 25 per cent) in the 2019 financial year. This significant rise is largely attributable to the fact that profits were generated in Germany, which has higher tax rates, while losses were incurred abroad, which led to relatively lower tax relief through the recognition of deferred taxes.

Undiluted earnings per share were EUR 0.26, based on the average available 13,426 thousand shares qualifying for participation in the profits and after deducting non-controlling shares of EUR 0.1 million, and thus EUR 0.09 below the previous year's level.

Since the Company adopted a resolution to pay the difference between exercise price and share price in cash if outstanding phantom stocks are exercised, diluted earnings per share were EUR 0.26 (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 and the Other segment. The latter category includes Ars Thanea and SYZYGY Digital Marketing Inc. Under IFRS 8.13, these companies are not big enough to be reported as geographically independent segments.

The core market, Germany, posted significant sales growth in the reporting period. The other segments, i.e. the companies in the UK and the agencies included in the Other segment, reported a decline in sales and profits. The German companies grew strongly, gaining 7 per cent and generating sales of EUR 49.7 million (previous year: EUR 46.6 million). EBIT growth was even more impressive, rising 15 per cent to EUR 7.7 million (previous year: EUR 6.6 million), with the EBIT margin also rising to 15 per cent (previous year: 14 per cent). The UK companies generated sales revenues of EUR 9.9 million, thus falling 30 per cent short of the previous year's figure of EUR 14.1 million. The operating income of the British companies amounted to EUR -1.0 million in 2019 (previous year: EUR 0.0 million). Accordingly, the EBIT margin was -10 per cent (previous year: 0 per cent). The Other segment also reported a decline in sales in the reporting period. Sales of EUR 6.3 million were generated by the two companies in 2019 (previous year: EUR 7.5 million). EBIT declined, coming in at EUR 0.4 million (previous year: EUR 0.9 million), corresponding to an EBIT margin of 7 per cent (previous year: 12 per cent).

Overall, around 75 per cent of sales (based on the share of the Group's sales before consolidation) came from the Germany segment (previous year: 68 per cent), around 15 per cent from the UK (previous year: 21 per cent) and 10 per cent from the Other segment (previous year: 11 per cent).

3.5.8 Financial position

The SYZYGY Group had overall liquidity (total cash, cash equivalents and securities) amounting to EUR 4.6 million as at December 31, 2019. This represents a decrease of 79 per cent on the previous year's figure of EUR 22.1 million. This is largely due to a timing effect in the previous year, when a much higher than average operating cash flow was generated as at December 31, 2018, accompanied by significantly above-average accounts payable.

Liabilities were reduced in 2019, resulting in negative operating cash flow of EUR -4.5 million in the financial year (previous year: EUR 16.4 million). Liquidity was also affected by cash outflows for the dividend distribution of EUR 5.4 million and the acquisition of shares in USEEDS° GmbH (purchase of an additional 10 per cent) and in SYZYGY Performance GmbH (purchase of an additional 8 per cent).

At EUR 0.9 million, cash and cash equivalents represented around 21 per cent of cash reserves (previous year: EUR 11.5 million). These funds were earmarked for liabilities becoming due in the short term. The proportion of securities increased to 79 per cent, with holdings having fallen by 66 per cent to EUR 3.6 million in the reporting period. The average weighted residual maturity of the bonds was 5.3 years (previous year: 6.7 years). Please refer to the notes to the financial statements, section 6, for further details of the investment strategy.

Total cash flow of the SYZYGY Group amounted to EUR -11.0 million as at year-end (previous year: EUR 4.4 million), after taking exchange rate changes into account. This amount comprises negative operating cash flow of EUR -4.5 million, positive cash flow from investment operations of EUR 3.8 million and cash flow from financing activities of EUR -10.3 million. Net income of EUR 3.5 million and increased depreciation of non-current assets totalling EUR 3.3 million were insufficient to offset negative effects from accounts payable of EUR -18.2 million (previous year: EUR 7.6 million) and a decline of EUR -7.0 million in advance payments received from clients, which were the main factors behind this negative operating cash flow.

Cash flow from investment operations was positive at EUR 3.8 million (previous year: EUR -5.0 million), resulting chiefly from active management of liquidity reserves. The sale of securities worth EUR 14.8 million was partly offset by purchases totalling EUR -6.9 million. In addition, investments in intangible assets and fixed assets amounting to EUR -2.1 million as well as the acquisition of consolidated companies amounting to EUR -1.4 million in each case contributed to this result.

The payment of the ordinary dividend of EUR 5.4 million (previous year: EUR 5.2 million), the repayment of loans from banks of EUR 1.1 million (previous year: EUR 1.1 million) and in 2019 for the first time repayments resulting from lease obligations of EUR 3.2 million impacted cash flow from financing activities.

The Company also has a credit line for EUR 6.0 million (previous year: EUR 4.0 million) with Commerzbank AG, of which around EUR 2.0 million had been used as at the balance sheet date.

3.5.9 Asset situation

Total assets increased by 9 per cent in the period covered by the report to reach EUR 119.5 million.

Non-current assets rose by 42 per cent in the reporting period to EUR 93.3 million. The change is mainly due to the increase in other intangible assets and fixed assets to EUR 31.9 million (previous year: EUR 6.9 million). The cash and cash equivalents item declined significantly in 2019, dropping from EUR 11.5 million to EUR 0.9 million, as did securities holdings, which fell by 66 per cent to EUR 3.6 million. Accounts receivable remained virtually unchanged at EUR 19.7 million (previous year: EUR 19.9 million). Other assets increased slightly by EUR 0.1 million to EUR 1.8 million in the 2019 financial year. As a result, current assets increased by a total of EUR 17.6 million to EUR 26.1 million.

On the liabilities side of the balance sheet, equity decreased slightly by 2 per cent compared to the previous year to stand at EUR 52.9 million, representing 44 per cent of the balance sheet total. The decrease is due to lower profit reserves of EUR 14.7 million (previous year: EUR 16.8 million). Neither the value of treasury shares nor subscribed capital or additional paid-in capital changed year-on-year.

Other non-current liabilities posted a strong increase of EUR 21.3 million to EUR 38.3 million. This was due to first-time application of IFRS 16, which led to the recognition of lease liabilities totalling EUR 27.3 million as at the end of the financial year.

Current liabilities decreased significantly by EUR 10.5 million overall to EUR 28.2 million. This was mainly due to a reduction in other provisions, down 41 per cent to EUR 4.9 million, and likewise the drop in contract liabilities by EUR 3.9 million to EUR 5.5 million. Accounts payable also fell from EUR 15.5 million in the previous year to EUR 9.0 million. In addition, other current liabilities increased from EUR 4.9 million in the previous year to EUR 8.6 million in the reporting period, mainly due to reclassifications from non-current liabilities.

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 Group Management 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

While experts' assessments of the economic climate were still positive at the beginning of 2020, they gradually worsened during the first quarter with each new report on the global course of the corona pandemic. The outbreak of the novel coronavirus SARS-CoV-2, which can cause the lung disease COVID-19, originated in China. Its spread is now having a global impact.

The global economy came under severe pressure at the beginning of 2020 as a result of the new coronavirus and the steps taken to contain it, commencing with a slump in production in China. In addition to the resulting negative repercussions on the economy in other countries, the growing global spread of the virus is now increasingly having a negative impact on production and demand elsewhere as well, triggered by policies aimed at stemming the pandemic and the uncertainty felt by consumers and investors. Instead of a gradual recovery in the global economy, economists at the Institute for the World Economy (IfW Kiel) now expect global production to decline in the first half of this year. The negative impact is especially strong in Asia and Europe, where the virus is very widespread and the potential for production downtime due to disrupted supply chains is comparatively high. Considerable losses are also expected in countries specialising in the production and export of commodities, given the sharp drop in commodity prices. The optimistic outlook for the future course of the epidemic is that economic activity will bounce back in the second half of the year. Even if this assumption is correct, the growth rate of global production in 2020 as a whole is likely to fall from 3.0 per cent to 2.0 per cent. That would be the smallest increase since the Great Recession of 2008/2009, despite expansionary economic measures. In a positive scenario involving rapid normalisation in the general economic environment, next year will see production rise by 4 per cent. This means that IfW Kiel is drastically reducing its December forecast for 2020 (by 1.1 percentage points), while increasing it by 0.6 percentage points for 2021. There is considerable risk of an even greater and more sustained downturn in global economic momentum, especially if containment of the virus takes longer than anticipated or if there are repeated outbreaks before effective drugs or vaccines are available.

In its latest economic forecast, the OECD concludes that coronavirus is the greatest threat to the world economy since the global financial crisis. The OECD Interim Economic Outlook examines two scenarios: the first is a best-case scenario, with widespread containment of the virus. The second scenario describes a domino effect with broader contagion. Even in the best case of only weak virus spread, global economic growth is expected to slow sharply in the first half of 2020 as a result of disrupted supply chains, a drop in tourism and deterioration in the business climate. As a result, global economic growth is likely to slow down to 2.4 per cent. The OECD expects modest growth of 3.3 per cent in 2021. On the other hand, broader contagion in other parts of the Asia-Pacific region and in the industrialised countries could reduce global growth to 1.5 per cent in 2020. The global economy would then grow at only half the rate assumed in the OECD forecast of last November. The steps taken to contain the virus, together with the loss of confidence, would have such a pronounced impact on production and consumer spending that some countries could slide into recession, including Japan and the Eurozone.

The spread of the coronavirus also poses major challenges for the Eurozone economy. Sentiment indicators that are available for the period including part of February point to the prospect of a slight upturn of the previously moderate economic momentum. However, this data was collected before the widespread outbreak of coronavirus in Europe.

As such, it fails to reflect the impact of the epidemic and the measures taken to contain it. Economic activity is acutely at risk wherever people meet in confined spaces. International trade and travel are also severely disrupted. The cancellation of many major events and cancelled flights suggest that the economic damage will be considerable. The situation is extremely unclear, with great uncertainty about the future course of the epidemic and the consequences for the economy. In its Q1 economic report, IfW Kiel assumes that the epidemic will slow down going into the summer months, with the exception of some of the more severely affected regions. Warmer weather will then further slow its spread, with economic activity gradually returning to normal in the second half of the year. A recession nevertheless seems inevitable, especially in Italy, but also on average across the monetary union. GDP in the Eurozone is likely to shrink by 1 per cent in 2020 and grow again by 2.3 per cent next year. The unemployment rate will increase again going forward, while the recent moderate increase in consumer prices will probably slow down over the current year.

The spread of the coronavirus will have a considerable impact on business in Germany. The German economy is being hit just when it was about to get back on track after the downturn last year. Recently, there have been increasing signs that industry is bottoming out and gradually emerging from the recession. It is difficult at present to quantify the specific economic damage caused by coronavirus. Firstly, the impact has not yet been reflected in the leading indicators currently available. Secondly, the further course of the virus is also uncertain, especially since the economic consequences depend to a large extent on the steps taken to contain the virus. The IfW Kiel forecast was based on the assumption that coronavirus would mainly dampen economic activity in the first half of the year, with this being followed by a pronounced catch-up phase.

It is already possible to tell that foreign trade will suffer significantly in the coming months. A substantial drop is likely to be seen not only in trade with China, but also with other regions severely affected by the virus. As a result, problems with the supply of intermediate goods could also lead to marked declines in production. The spread of the virus is also likely to have a considerable impact on the domestic economy. Private households will probably be reluctant to pursue leisure activities in particular, to avoid infection. Companies are likely to postpone investment projects in view of the uncertain course of the virus. As long as the strongest negative effects are indeed limited to the first half of the year, the impact on employment figures will be minimal. Overall, the experts at IfW Kiel expect a slight dip in GDP of 0.1 per cent in 2020. IfW Kiel's winter forecast had predicted a rise of 1.1 per cent. In the coming year, GDP is likely to grow relatively strongly by 2.3 per cent, with catch-up effects also playing a role. Overall, however, the downside risks predominate in this outlook. Depending on the course that coronavirus takes, much more negative scenarios are also possible.

A study undertaken by the Munich-based Ifo Institute calculates that coronavirus will cause high production losses for the German economy, with short-time working and unemployment skyrocketing. It also forecasts that the outbreak will put a considerable strain on the government finances. Ifo president Clemens Fuest believes that the cost will probably exceed anything incurred due to economic crises or natural disasters in Germany's recent history. Depending on the scenario, the economy could shrink by between 7.2 and 20.6 percentage points. The labour market will also be severely affected: in the scenarios considered by the Ifo Institute, up to 1.8 million jobs could be cut and more than six million employees affected by short-time working.

This pessimistic outlook is confirmed by the preliminary Ifo Business Climate Index. It slumped to 87.7 points in March, down from 96.0 points in February. This marks the sharpest drop since 1991 and the lowest figure since August 2009. In particular, corporate expectations for the coming months are unprecedentedly gloomy. Assessments of the current situation have also been significantly downgraded, with the German economy plunging into recession.

The upswing is coming to an end in the US. GDP growth slowed last year, but remained comparatively strong. The direct and indirect consequences of the COVID-19 epidemic will be a major economic factor in the first half of the year. Most of the monthly indicators published so far point to only a small change in the pace of economic expansion in the first quarter. Recently, however, the Purchasing Managers Index published by the Institute for Supply Management provided the first indication that production shutdowns in China are affecting supply networks on which American companies depend. The surveyed managers cited longer delivery times, lower inventories and a weaker order intake. Last but not least, the sharp fall in share prices indicates that an appreciable negative impact is now expected. In addition to the indirect effects caused by production restrictions in other countries, economic activity in the US could be more and more directly affected by measures to contain the disease in the coming weeks, as COVID-19 appears to have spread within the country. The low number of cases compared to other countries is probably due chiefly to the fact that very few tests have been carried out so far. For the purposes of its forecast, IfW Kiel assumes that the consequences of the epidemic will only have a limited impact on economic activity in the first quarter, with the full impact not seen until the second quarter.

Compared with other countries, it appears that the policies aimed at stemming the disease will involve relatively limited social and economic intervention. Nevertheless, the economy is likely to stagnate. IfW Kiel expects growth of just 1.5 per cent in 2020.

The global spread of COVID-19 is also adversely affecting economic activity in the UK. The mood among companies and consumers brightened somewhat at the beginning of 2020 and the Nowcast calculated by the National Institute (NIESR GDP tracker) indicated that production was picking up again slightly in February. However, the situation has probably worsened considerably due to coronavirus in March. The uncertainty among consumers and investors will probably lead to a reluctance to spend, with the services sector bearing the brunt initially. Additional factors include losses for the export industry due to falling demand in other countries and possible temporary disruption of production due to bottlenecks in supplies, especially from China. All these factors are likely to lead to a fall in GDP in the second quarter. The uncertainty associated with Brexit has only been partly eliminated now that the UK has formally withdrawn from the EU. The clear victory for Prime Minister Boris Johnson and the Conservative Party in last December's elections led to the UK finally withdrawing from the European Union on 1 February 2020, following almost a year of stalemate. Nonetheless, uncertainty around the institutional structure of future economic relations with the EU continues for the time being, as it is not yet clear what the rules will be when the transitional period expires at the end of this year. In terms of economic policy, the economy is likely to be supported by expansionary monetary and fiscal policy.

The government has announced that it intends to substantially increase spending in order to boost public sector investment and improve public services. Economic activity is likely to rise quite sharply in the second half of the current year, assuming that the dampening effect of coronavirus will no longer be a factor then. Overall, the experts at IfW Kiel expect only a minor rise in GDP of 0.4 per cent on average for 2020. A much stronger increase of 1.7 per cent is expected in 2021. This is partly due to recovery from the consequences of the COVID-19 pandemic, and the resulting weaker comparatives. Unemployment is likely to rise only temporarily from its current historically low level, while inflation is expected to remain close to the Bank of England's target of 2 per cent.

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 advertising market is not immune to the consequences of the coronavirus outbreak. Hardly any reliable studies and forecasts on the impact on the advertising market were available when this report was being prepared. Trade shows and events are being cancelled. Due to declining or stagnating business activity or at least continuing uncertainty about future trading, companies may partially freeze marketing and media budgets. They may also postpone or cancel planned campaigns and projects. In a survey of German-speaking companies and experts, industry analyst iBusiness (which specialises in futurology for interactive business) states that the impending COVID-19 pandemic will probably only have a peripheral impact on the digital industry. The German Advertising Association (ZAW) also urges calm in its initial assessment of the impact of COVID-19 on the industry. The current situation cannot be compared with the financial market crisis in 2008/2009, it says. Back then, there were declines of up to 7 per cent within a short space of time. The Association added that today's advertising market is much more digital and dynamic, while the situation of the German economy is also different. The ZAW prefers not to make a forecast at this time. ZAW president Andreas F. Schubert believes that the advertising industry is a creative and highly dynamic sector with the ability to adapt quickly to changing circumstances. The World Advertising Research Center (WARC) expects significant consequences for the advertising industry. The Zenith media agency intends to downgrade its forecast for global advertising expenditure this year because of coronavirus. Industry experts are expecting major budget cuts in the US advertising market due to the postponement or cancellation of events, with a decline of 10.6 per cent. More than half of German agencies are expecting a downturn in sales, while over 80 per cent are reporting cancelled or postponed projects. On the other hand, media use is changing.With everyday life largely put on hold due to the closure of schools and public institutions, together with the imposition of working from home and social distancing, TV, the Internet and digital channels are seeing more traffic. As a result, it is likely that the digital media and TV inventory will become particularly valuable to advertisers in the coming weeks, with the volume available also increasing.

4.4 Expected performance of the SYZYGY Group

The ongoing shift of marketing budgets to the digital channel and continuing investment in digitisation of sales and marketing processes are both factors that create a favourable backdrop for the SYZYGY Group. 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.

On the other hand, the effects of the coronavirus SARS-CoV-2 pandemic are expected to lead to a decline in spending by SYZYGY's clients. At the time of publishing this annual report it is not realistically possible to make precise estimates of future developments. The situation around the coronavirus SARS-CoV-2 pandemic and its economic consequences is very fluid.

On the basis of the information available to date, SYZYGY AG expects sales to fall by between 10 and 20 per cent in the 2020 financial year. With regard to profitability, we anticipate EBIT (or rather an EBIT margin, i.e. the quotient of EBIT and sales revenue) in the mid single-digit range. In Germany, sales will decline by a high single-digit amount, while the international companies will see a drop in sales of around 20 per cent.

Any acquisitions, which are 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 in particular to the SARS-CoV-2 pandemic. The general risks around economic trends in the advertising sector in the markets relevant to SYZYGY and also in particular the rate of technological change in the markets for Internet services must also be considered.

The Management Board of SYZYGY AG monitors risks on an ongoing basis in order to counter negative effects on the Company's 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 equally 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.

On the basis of the information currently available there are no probable risks that would jeopardise the continued existence of SYZYGY AG and its subsidiaries as a going concern.

5.1 Material risks

Risks posed by coronavirus

The outbreak of the novel coronavirus SARS-CoV-2, which can cause the lung disease COVID-19, originated in China, but its spread is now having a global impact. This includes economic effects on businesses due to restrictions on production and trade or due to travel restrictions. The damage caused by coronavirus is gradually becoming visible and palpable. The SYZYGY Group's clients are also being affected, directly or indirectly. Due to the still very fluid nature of the situation, it is difficult to make a proper assessment of the consequences.

It can be assumed that the economic consequences of the pandemic will lead to a recession in the SYZYGY Group's main markets. At the time of preparing this report, it was not possible to establish definitively the extent to which this will affect contracts already concluded or new projects. The risk of order cancellations is assessed as high.

The SYZYGY Group believes that it is organisationally well placed to handle the coronavirus SARS-CoV-2 pandemic. Appropriate business continuity plans are in place to maintain operations even in the event that employees become infected. The technical infrastructure for providing services has been systematically migrated to cloud systems in recent years, enabling most staff to work from home. Accordingly, the risk of no longer being able to meet our commitments to clients due to the pandemic is assessed as low.

Operating risk

Approximately 49 per cent of the SYZYGY Group's sales are generated from its ten largest clients. The concentration on the ten largest clients increased in 2019 from 39 per cent to 49 per cent. The largest single client accounted for 8 per cent of sales. While the top three clients generated 22 per cent of the Group's sales in the previous year, this figure saw a further slight decline to 21 per cent in 2019.

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, with client contracts for most SYZYGY units involving fixed price projects. Only around 20 per cent of sales are based on contracts for maintenance projects that are invoiced on a time and material basis, 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 reputational 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. The SYZYGY Group has been working with four of its top 10 clients for more than 15 years, and with four others for more than 5 years.

Investment risk

Available liquidity reserves are actively managed at SYZYGY by the Finance Director. Investment strategy relating to liquid funds is geared towards longterm income. Liquid funds are therefore invested in corporate bonds and other fixedinterest securities in a manner designed to ensure risk diversification. All fixedincome securities are subject to currency 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 high due to the SARS-CoV-2 pandemic.

Currency risk

SYZYGY generates around a quarter of its sales in other currencies, so fluctuations in the exchange rate between sterling, the US dollar and the Polish zloty and the euro can affect sales and annual net income positively or negatively in the event of deviation from the rate used for planning purposes. There is an increased risk of further depreciation of the British pound due in particular to Brexit. Nevertheless, SYZYGY does not enter into any hedging transactions because sales in the individual markets are countered by expenses in the corresponding currency. 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 (translation risk).

SYZYGY AG holds a portion of its assets in foreign currencies, in particular assets held by foreign subsidiaries and securities denominated in foreign currency. 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. The impact of Brexit is likely to be already priced in. Risk arising from currency fluctuations is assessed as low overall.

Tax risk

SYZYGY is a performance marketing specialist and places advertising on websites of foreign portal operators in this context. Some tax authorities have recently taken the view that service providers such as SYZYGY are obliged to retain and pay withholding taxes at the expense of the non-resident taxpayer (limited tax liability). According to informed opinion in the literature and other sections of the tax authorities, however, this should not usually be the case. As a result, withholding tax has not been withheld as part of business practice to date. No objections have been raised in this respect during past tax audits at SYZYGY. There is as yet no coordinated statement by the tax authorities at national level, however. In this respect, there is a risk that SYZYGY could be required to retain withholding taxes and could be held liable to a material extent for non-payment of withholding taxes. The risk is assessed as low.

Brexit risk

The UK's withdrawal from the European Union is giving rise not only to uncertainty regarding the future performance of the British economy, but also regarding the wider European economy. Since the negotiations on the country's exit have not yet been completed, the actual impact is not foreseeable at present. For this reason, accurate forecasts are still not possible, apart from identifying the existing uncertainty. Although possible currency risks, risks due to postings to or from the UK and customs risks are generally conceivable, they are unlikely to have any major impact on the SYZYGY Group's business. The UK market is an important market for the SYZYGY Group, however. The risk 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 unscheduled write-down or impairment of the book value of the acquisition could prove necessary for assets acquired as part of the acquisition or for acquired goodwill. The risk is assessed as low.

5.2 Opportunities

It is likely that the SARS-CoV-2 pandemic and its economic consequences will further accelerate consolidation in the market for digital consulting and advertising services. The SYZYGY Group believes it is well positioned to face the current crisis. Once the crisis has abated, it expects opportunities in the market to gain new clients and for corresponding growth momentum to develop.

The boundaries between digital and conventional marketing are now fluid. We are living in an age when there is less and less talk of traditional media or conventional communication. There are hardly any services, communication channels or products that are not digitally controlled, supported or managed. Aggregated use of digital media has long since overtaken conventional media. Everyday life without smartphones, computers, online shops or the Internet in general is hard to imagine.

SYZYGY supports and advises clients on transformation of sales and marketing processes. The SYZYGY Group has been addressing these issues for almost 25 years in this market and has a deep understanding of the needs and requirements. The Group is one of the leading digital service providers in Germany and the UK, with a decades-long track record of working successfully for major international brands. Building on the outstanding strategy work which is essential for successful projects, we help marketing decision-makers to ask the right questions, define tasks and develop solutions. Thanks to its strong technological expertise and outstanding creative talent, SYZYGY is thus able to develop digital products that allow companies to achieve success and inspire consumers. SYZYGY is a leader in activating campaigns and digital products. As a result, SYZYGY can provide its clients with extensive and comprehensive support, as well as assisting marketing decision-makers as an experienced partner, working with them from strategy through product to activation.

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 and actual figures). A forecast is made every six months. 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 315e [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 preparing the SYZYGY AG Management Report and the Group 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 that accounts are prepared in a timely manner.

In keeping with Article 315 [4] 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. Total remuneration comprises the following components:

- non-performancerelated remuneration
- performancerelated remuneration
- other benefits.

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

Performancerelated remuneration includes two components:

a) Short-term profit participation based on the targets (both financial and qualitative) for the business year, payable after the annual and consolidated financial statements are audited.

b) 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 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 phantom stocks and the share price on exercise of the 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.

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 February 7, 2017, in the form of the remuneration granted, as follows:

	Lars Lehne, CEO			
Benefits granted in kEUR	2019	2018	2019 Minimum	2019 Maximum
Fixed remuneration	300	300	300	300
Fringe benefits	14	14	14	14
Total	**314**	**314**	**314**	**314**
One-year variable remuneration	99	99	0	99
Multi-year variable remuneration				
Phantom stock programme	0	0	0	0
Total	**99**	**99**	**0**	**99**
Pension benefits	21	21	21	21
Total remuneration	**434**	**434**	**335**	**434**

	Frank Ladner, CTO			
Benefits granted in kEUR	2019	2018	2019 Minimum	2019 Maximum
Fixed remuneration	220	200	220	220
Fringe benefits	12	12	12	12
Total	**232**	**212**	**232**	**232**
One-year variable remuneration	66	60	0	66
Multi-year variable remuneration				
Phantom stock programme	0	85	0	0
Total	**66**	**145**	**0**	**66**
Pension benefits	16	16	16	16
Total remuneration	**314**	**373**	**248**	**314**

	Erwin Greiner, CFO			
Benefits granted in kEUR	2019	2018	2019 Minimum	2019 Maximum
Fixed remuneration	210	180	210	210
Fringe benefits	12	12	12	12
Total	**222**	**192**	**222**	**222**
One-year variable remuneration	63	54	0	63
Multi-year variable remuneration				
Phantom stock programme	0	124	0	0
Total	**63**	**178**	**0**	**63**
Pension benefits	16	16	16	16
Total remuneration	**301**	**386**	**238**	**301**

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 February 7, 2017, 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.

Payment in kEUR	Lars Lehne, CEO		Frank Ladner, CTO		Erwin Greiner, CFO	
	2019	2018	2019	2018	2019	2018
Fixed remuneration	300	300	220	200	210	180
Fringe benefits	14	14	12	12	12	12
Total	**314**	**314**	**232**	**212**	**222**	**192**
One-year variable remuneration	99	39	60	27	49	36
Multi-year variable remuneration						
Phantom stock programme	**73**	**0**	**0**	**0**	**0**	**0**
Stock option programme	0	0	4	0	0	0
Total	**172**	**39**	**64**	**27**	**49**	**36**
Pension benefits	21	21	16	16	16	16
Total remuneration	**507**	**374**	**312**	**255**	**287**	**244**

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 per year. This remuneration increases by a variable remuneration component of 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.

A detailed presentation of the remuneration of the Supervisory Board for the 2019 financial year can be found in the notes to the SYZYGY AG financial statements according to HGB (German Commercial Code).

8. Disclosure relating to acquisition in accordance with Article 315a [1] of the Handelsgesetzbuch (HGB – German Commercial Code)

The common stock of SYZYGY AG amounts to EUR 13,500,026 and is divided into 13,500,026 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 73,528 treasury shares, which grant the Company no voting rights or other rights.

The WPP Group continues to hold the majority of shares. As at the reporting date, it held a 50.33 per cent stake in SYZYGY AG.

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 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 and rename it contingent capital I. Contingent capital I has expired in the meantime and was not used.

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 5, 2019 by issuing a total of 900,000 option rights for one SYZYGY AG nopar value share each (contingent capital II). Contingent capital II has expired in the meantime and was not used.

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 July 8, 2016 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 by up to an overall maximum of EUR 6,000,000.00 in the period to July 8, 2021 by issuing new bearer shares against cash contributions and/or contributions in kind (authorised capital 2016). In the 2017 financial year, two capital increases totalling EUR 671,576 were carried out. As a result, the outstanding authorised capital as at December 31, 2019 was EUR 5,328,424.

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 phantom stocks can, however, exercise their options or phantom stocks within a period of 6 weeks after completion of the takeover offer at the intrinsic value then prevailing or a minimum price of EUR 1.00 per phantom stock.

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

WPP plc. has 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.

10. Group Declaration on Corporate Governance in accordance with Article 315d of the Handelsgesetzbuch (HGB – German Commercial Code) in conjunction with Article 289f of the HGB

On October 23, 2019 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 Corporate Governance at ir.syzygy.net/global/en/investor-relations/corporate-governance/2019

11. Non-financial group declaration in accordance with Article 315c HGB

SYZYGY AG is exempt from preparing a non-financial declaration in accordance with Article 315b (2) sentence 2, HGB. The parent company, WPP plc., St. Helier, Jersey, publishes the non-financial declaration on its website at ir.syzygy.net/global/en/investor-relations/sustainability

Bad Homburg v.d.Höhe, March 27, 2020
SYZYGY AG
The Management Board

Lars Lehne

Frank Ladner

Erwin Greiner

SYZYGY AG, Bad Homburg v.d.H.

Consolidated balance sheet
as at December 31, 2019

Assets	Notes	12/31/2019 kEUR	12/31/2018 kEUR
Non-current assets			
Goodwill	(3.1)	58,435	58,116
Other Fixed assets, net	(3.2)	31,913	6,925
Non-current financial assets	(3.3)	200	200
Other non-current assets	(3.4)	274	294
Deferred tax assets	(3.5)	2,511	347
Total non-current assets		**93,333**	**65,882**
Current assets			
Cash and cash equivalents	(3.6)	944	11,519
Marketable securities	(3.6)	3,642	10,602
Accounts receivable, net and contract assets	(3.7)	19,709	19,904
Prepaid expenses and other current assets	(3.8)	1,835	1,739
Total current assets		**26,130**	**43,764**
Total assets		**119,463**	**109,646**

Equity and liabilities	Notes	12/31/2019 kEUR	12/31/2018 kEUR
Equity			
Common stock*	(3.9.1)	13,500	13,500
Additional paid-in capital	(3.9.3)	27,069	27,069
Own shares	(3.9.4)	-407	-407
Accumulated other comprehensive income	(3.9.5)	-1,529	-2,651
Retained earnings	(3.9.6)	14,657	16,774
Equity attributable to shareholders of SYZYGY AG		**53,290**	**54,285**
Minorities		-347	-284
Total Equity		**52,943**	**54,001**
Non-current liabilities			
Long term liability	(3.13)	36,018	16,698
Deferred tax liabilities	(5.7)	2,276	270
Total non-current liabilities		**38,294**	**16,968**
Current liabilities			
Income tax accruals	(3.12)	192	541
Accrued expenses	(3.11)	4,927	8,283
Contract liabilities	(3.7)	5,536	9,431
Accounts payable	(3.11)	9,007	15,528
Other current liabilities	(3.13)	8,564	4,894
Total current liabilities		**28,226**	**38,677**
Total liabilities and equity		**119,463**	**109,646**

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

SYZYGY AG, Bad Homburg v.d.H.

Consolidated statement of comprehensive income
as at December 31, 2019

		January – December		
		2019	2018	Change
	Notes	kEUR	kEUR	
Sales	(5.1)	**64,243**	**65,816**	**-2%**
Cost of revenues		-45,809	-47,929	-4%
Sales and marketing expenses		-5,951	-5,396	10%
General and administrative expenses		-9,914	-8,637	15%
Impairment losses, net of trade receivables and contract assets		-82	7	n.a.
Other operating income/expense, net	(5.2)	3,010	2,206	36%
Operating profit (EBIT)		**5,497**	**6,067**	**-9%**
Financial income	(5.6)	721	630	14%
Financial expenses	(5.6)	-1,024	-160	540%
Income before income taxes (EBT)		**5,194**	**6,537**	**-21%**
Income taxes	(5.7)	-1,654	-1,647	0%
Total net income of the period		**3,540**	**4,890**	**-28%**
thereof net income share to other shareholders		73	171	-57%
thereof net income share to shareholders of SYZYGY AG		3,467	4,719	-27%
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)	582	-315	-285%
Net unrealized gains/ losses on marketable securities, net of tax	(3.6)	544	-579	n.a.
Other comprehensive income		**1,126**	**-894**	**n.a.**
Comprehensive income		**4,666**	**3,996**	**17%**
thereof income share to other shareholders		77	163	-53%
thereof income share to shareholders of SYZYGY AG		4,589	3,833	20%
Earnings per share from total operations (basic in EUR)	(6.1)	0.26	0.35	-26%

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

SYZYGY AG, Bad Homburg v.d.H.

Statement of changes in equity
as at December 31, 2019

						Accum, other compre-hensive income				
	Number of shares	Common stock	Additional paid-in capital	Own shares	Retained earnings	Foreign exchange currency	Unrealised gains and losses	Equity attributable to shareholders of SYZYGY AG	Minority interest	Total equity
	in 1.000	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
January 1, 2018	**13,500**	**13,500**	**27,069**	**-407**	**18,033**	**-1,990**	**175**	**56,380**	**-447**	**55,933**
Adjustments from first-time adoption IFRS 9					-70		50	-20	0	-20
January 1, 2018, adjusted	**13,500**	**13,500**	**27,069**	**-407**	**17,963**	**-1,990**	**225**	**56,360**	**-447**	**55,913**
Net income of the period					4,719			4,719	171	4,890
Other compre-hensive income						-307	-579	-886	-8	-894
Comprehensive income					**4,719**	**-307**	**-579**	**3,833**	**163**	**3,996**
Dividend					-5,236			-5,236	0	-5,236
Payment to minorities					-672			-672	0	-672
December 31, 2018	**13,500**	**13,500**	**27,069**	**-407**	**16,774**	**-2,297**	**-354**	**54,285**	**-284**	**54,001**
January 1, 2019	**13,500**	**13,500**	**27,069**	**-407**	**16,774**	**-2,297**	**-354**	**54,285**	**-284**	**54,001**
Adjustments from first-time adoption IFRS 16					268			268	0	268
January 1, 2019, adjusted	**13,500**	**13,500**	**27,069**	**-407**	**17,042**	**-2,297**	**-354**	**54,553**	**-284**	**54,269**
Net income of the period					3,467			3,467	73	3,540
Other compre-hensive income						578	544	1,121	4	1,126
Comprehensive income					**3,467**	**578**	**544**	**4,589**	**77**	**4,666**
Dividend					-5,370			-5,370	0	-5,370
Payment to minorities					-482			-482	-140	-622
December 31, 2019	**13,500**	**13,500**	**27,069**	**-407**	**14,657**	**-1,719**	**190**	**53,290**	**-347**	**52,943**

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

SYZYGY AG, Bad Homburg v.d.H.

Consolidated statement of Cash Flows
as at December 31, 2019

	January – December	
	2019	2018
	kEUR	kEUR
Period net income	3,540	4,890
Adjustments to reconcile income from operations to net cash provided by operating activities		
– Depreciation on fixed assets	5,381	2,109
– Profit (-) and loss (+) on sale of securities	-114	-14
– Profit (-) and loss (+) on sale of fixed assets	3,175	3
– Changes in Earn-Out liablities	-1,345	-964
– Profit (-)/Loss(+) on sale of fixed asset investments	0	-27
– Other non-cash income and expenses	31	-497
Changes in operating assets and liabilities:		
– Accounts receivable and other assets	415	507
– Customer advances	-3,937	3,051
– Accounts payable and other liabilities	-11,066	7,117
– Tax accruals and payables, deferred taxes	-538	182
Cash flows provided by operating activities	**-4,458**	**16,357**
Changes in other non-current assets	23	-72
Investments in fixed assets	-2.114	-1,214
Purchases of marketable securities	-6,870	-7,235
Proceeds from sale of marketable securities	14,806	4,770
Changes from fixed asset investments	-40	-13
Acquisition of consolidated entities less liquid funds	-1,352	-1,186
Interest expense on leasing liabilities	-682	0
Cash flows used in investing activities	**3,771**	**-4,950**
Change in bank loans	-1,054	-1,052
Repayment of lease obligations	-3,227	0
dividend paid to minority shareholders	-622	-672
dividend paid to shareholders of SYZYGY AG	-5,370	-5,236
Cash flows from financing activities	**-10,273**	**-6,960**
Total	**-10,960**	**4,447**
Cash and cash equivalents at the beginning of the period	**11,519**	**7,017**
Exchange rate differences	385	55
Cash and cash equivalents at the end of the period	**944**	**11,519**

The accompanying notes are an integral part of the financial statements.
Operating cashflow includes paid interest in the amount of kEUR 796 (prior year: kEUR 312), received interest in the amount of kEUR 492 (prior year: kEUR 93) as well as received taxes in the amount of kEUR 293 (prior year: kEUR 270) and paid taxes in the amount of kEUR 2,174 (prior year: kEUR 1,374).

Notes to the consolidated Financial Statements
for the 2019 fincancial year

1. Accounting principles and methods

1.1 General

The consolidated financial statements of SYZYGY AG ("SYZYGY", "SYZYGY Group", "Group" or "Company" in the following) for the 2019 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, 2019, as they are to be applied in the European Union and in line with the supplementary provisions of Article 315e [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 when presenting 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 located in Bad Homburg v. d. H., Germany. Its address is: SYZYGY AG, Horexstr. 28, 61352 Bad Homburg v. d. H.

1.2 Business activity of the Group

The SYZYGY Group is a leading consultancy and implementation partner for transformation of marketing and sales.

SYZYGY AG acts as a management holding company that provides its subsidiaries with central services relating to strategy, design, planning, accounting, IT infrastructure and finance. SYZYGY AG also supports the subsidiaries in their new business activities.

As operating entities, the subsidiaries are responsible for providing consultancy and other services. With branches in Bad Homburg v. d. H., Berlin, Frankfurt/Main, Hamburg, London, Munich, New York and Warsaw, they offer large companies an integrated portfolio of solutions, from strategic consulting to project planning, concepts and design to technical realisation of brand platforms, business applications, websites, hosting, online campaigns and mobile apps. Performance marketing services such as consulting and data analysis as well as search engine marketing/optimisation are also a major business area. In addition, SYZYGY helps clients meet customer experience and usability requirements and assists them at every stage of the user-centred design process. Digital illustrations, virtual reality (VR), augmented reality (AR) and animations round off the range of services.

The business focus is on the automotive, telecommunications/IT, services, consumer goods and financial/insurance sectors.

1.3 Scope of consolidation

The consolidated financial statements are based on the financial statements of the companies consolidated in the Group, prepared in accordance with the accounting and valuation principles set out in International Financial Reporting Standards (IFRS) as they are to be applied in the European Union and in line with the supplementary provisions of Article 315e [1] of the Handelsgesetzbuch (HGB – German Commercial Code). The reporting dates for these companies correspond to the reporting date for the Group.

As at December 31, 2019, 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 S.A., Warsaw, Poland (Ars Thanea for short)
- diffferent GmbH, Berlin, Germany (diffferent for short)
- SYZYGY Berlin GmbH, Berlin, Germany (SYZYGY Berlin for short)
- SYZYGY Deutschland GmbH, Bad Homburg v.d.H., Germany (SYZYGY Deutschland for short)
- SYZYGY Digital Marketing Inc., New York City, United States (SYZYGY NY for short)
- SYZYGY Media GmbH, Hamburg, Germany (SYZYGY Media for short)
- SYZYGY Performance GmbH, Munich, Germany (SYZYGY Performance for short)
- SYZYGY UK Ltd., London, United Kingdom (SYZYGY UK for short)
- Unique Digital Marketing Ltd., London, United Kingdom (Unique Digital UK for short)
- USEEDS° GmbH, Berlin, Germany (USEEDS for short)

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.

On March 6, 2018, SYZYGY AG acquired a further 10 per cent of USEEDS° GmbH with effect from January 1, 2019, bringing its stake up to 90 per cent. The purchase price of kEUR 462 was paid in cash. USEEDS has already been included in SYZYGY's consolidated financial statements with an expected shareholding of 100 per cent, as a forward contract for the acquisition of further shares was concluded for 2020; present ownership for SYZYGY was assumed.

New information on the actual performance of USEEDS, SYZYGY Performance and diffferent led to adjustments in the forecast earnings both last year and in the current financial year. These form the basis for the price of the put/call options for the further acquisition of shares in the three companies. As a result, the expected payment obligations for USEEDS decreased by kEUR 137 (previous year: kEUR 1,664) and for SYZYGY Performance by kEUR 657 (previous year: kEUR 70). The expected payment obligations for diffferent also decreased by kEUR 551, after having increased by kEUR 486 in the previous year. The change in the fair value of the financial liability was recognised in the year under review in the consolidated statement of comprehensive income under “Other operating income/expenses, net”.

Hi-ReS! London Ltd. was shut down in the first quarter of 2019 and deconsolidated within the SYZYGY Group. This resulted in a deconsolidation gain of kEUR 62, which was recognised under “Other operating income/expenses, net” in the consolidated statement of comprehensive income.

The shareholding in SYZYGY Performance GmbH was increased by 8.49 per cent to 59.49 per cent in the second quarter of 2019. The full purchase price of kEUR 890 was paid in cash. SYZYGY Performance has already been fully included in SYZYGY's consolidated financial statements, as a forward contract for 2020 has been concluded for 15.71 per cent of the shares, as well as an option to acquire the remaining 24.8 per cent of the shares. As exercise of the option is considered highly likely, SYZYGY Performance has already been included in SYZYGY's consolidated financial statements with an expected shareholding of 100 per cent; as was previously the case, present ownership for SYZYGY was assumed.

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 remeasured equity at the time of acquisition. For this purpose, assets, liabilities and contingent liabilities are recognised at their current fair value. The residual difference on the assets side is reported as goodwill. Any negative difference is recognised in the income statement, following reassessment. 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/ expenses (net)".

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

Factors that would lead to inter-company profits in the consolidated financial statements have been eliminated.

Non-controlling shares are measured at the time of acquisition on the basis of their proportion of the identifiable net assets of the acquired company. Changes in the Group's shareholding in a subsidiary that do not lead to a loss of control are recognised as equity capital transactions.

Each contingent obligation for counterperformance is measured at fair value at the time of acquisition. If the contingent counterperformance is classified as equity, it is not remeasured and any settlement is recognised in equity capital. In all other cases, any subsequent changes to the fair value of the contingent counterperformance is recognised in profit or loss.

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.

In order to determine whether there is any impairment of the acquired goodwill, it is necessary to establish the value in use of the cash generating unit to which the goodwill was allocated. Calculation of the value in use requires an estimate of future cash flows from the cash generating unit and an appropriate discount rate for calculating the cash value. If the actual expected future cash flows turn out to be lower than estimated, a material impairment may result. 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 are 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. Since 2018, SYZYGY has been applying a general impairment of accounts receivable in accordance with IFRS 9 in addition to individual value adjustment. This general impairment corresponds to the present value of the expected credit losses that result from possible default events after the reporting date.

In accordance with IFRS 15, the SYZYGY Group always recognises revenue from long-term contracts for services on a period-related basis. The cost-to-cost method applied by SYZYGY relies primarily on a careful estimate of the degree of completion. The key parameters in this respect are the calculated total contract costs, the costs still to be incurred until completion, the total contract proceeds and the risks associated with the contract.

The accounting treatment of leases is chiefly dictated by the assessment of how options will be exercised. Since 2019, SYZYGY has also been making estimates for leases in accordance with IFRS 16 regarding contractual options as well as the amount of future lease payments that are linked to the performance of an index or market price. Adjustments due to index and/or market price changes in variable payments may have an impact on the valuation of lease liabilities, thus also indirectly affecting the valuation of rights of use.

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 it is likely that future taxable profit will be available against which the temporary differences and unused loss carry-forwards can be offset. 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 likely that performance and consideration relating to the transaction will not balance each other out and this loss can be reliably estimated.

Some of the Group's assets and liabilities are recognised at fair value for the purposes of these consolidated financial statements (particularly securities and contingent purchase price commitments). For this purpose, the Management Board establishes appropriate procedures and input parameters for measurement at fair value. The Group uses observable market data as far as possible to determine the fair value of assets and liabilities. If Level 1 input parameters of this type are not available, other appropriate measurement techniques are used and estimates are applied. Details of the measurement techniques and input parameters used in determining the fair value are provided in section 6.6.

Actual results may differ from these estimates and assumptions. 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. Differences resulting from the translation of foreign business operations into the Group currency are recognised in the statement of comprehensive income under other net income and carried in equity under other net income. When a foreign business operation is sold, all accumulated translation differences resulting from this business operation that are attributable to the Group are reclassified into the statement of comprehensive 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 or production costs and for accumulated depreciation and amortisation.

When preparing the financial statements of each individual Group company, business transactions that are denominated in a currency other than the functional currency of the Group company are translated at the exchange rate applicable on the date of the transaction. On each reporting date, 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.

Non-monetary items in foreign currency which are valued at fair value are translated at the exchange rates that were applicable at the time of determining the fair value. Non-monetary items valued at acquisition or production costs are translated using the exchange rate prevailing at the first time they are recognised in the accounts. 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:

2019	Average rate of exchange	Exchange rate as at reporting date, Dec. 31
GBP/EUR	1.14	1.18

2018	Average rate of exchange	Exchange rate as at reporting date, Dec. 31
GBP/EUR	1.13	1.12

2019	Average rate of exchange	Exchange rate as at reporting date, Dec. 31
EUR/USD	1.12	1.12

2018	Average rate of exchange	Exchange rate as at reporting date, Dec. 31
EUR/USD	1.18	1.15

2019	Average rate of exchange	Exchange rate as at reporting date, Dec. 31
EUR/PLN	4.30	4.26

2018	Average rate of exchange	Exchange rate as at reporting date, Dec. 31
EUR/PLN	4.26	4.30

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

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (in this context, paragraph 28) stipulates that companies must explain the effects caused by the initial adoption of new standards and interpretations, or changes to them.

The following disclosures are required in this respect:

a. the title of the standard or interpretation causing the change;
b. if applicable, a notice that the accounting policy is being changed in line with the transitional provisions;
c. the nature of the change in accounting policy;
d. if applicable, a description of the transitional provisions;
e. if applicable, the transitional provisions that might have an effect on future periods;
f. the amount of the adjustment for the current period and, to the extent practicable, each prior period presented:
   (i) for each financial statement line item affected; and
   (ii) for basic and diluted earnings per share, only if the entity is applying IAS 33 Earnings per share;
g. the amount of the adjustment relating to periods before those presented, to the extent practicable; and
h. if retrospective application is impracticable under IAS 8.19(a) or (b) for a specific prior period, or for periods before those presented, the circumstances leading to that situation, with an explanation and description of how the change in accounting policy was applied and from what date.

The following new or amended standards (and interpretations) are mandatory for the first time in relation to financial years ending on December 31, 2019:

Annual Improvements to IFRS (AIP) – 2015-2017 Cycle

Changes are being made to a total of three standards:

- IAS 12: Clarification of the scope of the Standard,
- IAS 23: Treatment of an asset as part of general borrowing,
- IFRS 3/ IFRS 11: Remeasurement of previously held interests.

IAS 12:

The provisions of IAS 12.52B must be applied to all income tax consequences of dividends. In other words, actual income taxes resulting from dividends are recognised in profit or loss, unless the underlying transaction was recognised outside of profit or loss in the consolidated statement of comprehensive income.

IAS 23:

When an asset is ready for its intended use or sale, any outstanding borrowings made specifically to obtain that asset are treated as part of the funds that were borrowed generally. Specifically, this means that borrowings not yet repaid, starting from the date on which the qualifying asset is produced, must be included in establishing the general borrowing cost rate applicable to other qualifying assets for which no specific loans were taken out.

IFRS 3/ IFRS 11:

If control in accordance with IFRS 10 is obtained over a previous joint arrangement through acquiring an additional interest, IFRS 3 must be applied (instance of a business combination achieved in stages), i.e. the previously held interest is remeasured. This includes remeasurement of the entire interest in the joint arrangement previously held. However, if only joint control (and not sole control) of the joint arrangement is acquired, remeasurement is not necessary.

These amendments and clarifications, part of the Annual Improvements to IFRS (AIP) – 2015-2017 Cycle, do not have any impact on the Group’s net assets, financial position or results of operations.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments require that when a defined benefit plan is amended, curtailed or settled, the current service cost and net interest for the remainder of the annual reporting period must be determined based on updated actuarial assumptions, which are used for the required remeasurement of the net liability. The amendments also clarify how a plan amendment, curtailment or settlement affects asset ceiling requirements.

These changes to IAS 19 do not have any impact on the Group’s net assets, financial position or results of operations.

Amendments to IAS 28: Long-term Shares in Associates and Joint Ventures

The amendments clarify that companies should apply IFRS 9 Financial Instruments to account for long-term interests in an associate or a joint venture that represent part of the net investment in that associate or joint venture, but to which the equity method is not applied.

These changes to IAS 28 do not have any impact on the Group's net assets, financial position or results of operations.

IFRIC 23: Uncertainty over Income Tax Treatments

IFRIC 23 provides a framework to clarify the accounting for uncertainties in income taxes. The interpretation includes clarification to deal with probability/uncertainty in accounting for uncertain taxable values. In this respect, there was a gap in the provisions of IAS 12 until now, under which each tax balance sheet item is uncertain until a final assessment is available. IFRIC 23 is applicable to taxable profits (or tax losses), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12. The basic assumption is that a taxation authority has both a right to and knowledge of all relevant information. When considering whether it is probable that a particular tax treatment is accepted, the entity has the option of using either the most likely amount or the expected value as a basis. If acceptance of the (proposed) declared tax treatment is probable, the current and actual taxes are to be assessed on this (proposed) basis. However, it there is uncertainty about acceptance (not probable), an entity should use either the most likely amount that would be accepted for tax purposes or the expected value of the different scenarios, depending on which estimate is more appropriate.

These clarifications to IFRIC 23 do not have any impact on the Group's net assets, financial position or results of operations.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The new provision amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost even in the case of negative compensation payments. The new rule requires that the party wishing to terminate prematurely must actually receive adequate compensation. Under the amendment, the sign of the prepayment amount is not relevant. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

In addition to the amendment on early repayment penalties, there was also clarification regarding the modification of financial liabilities. The amortised cost of a financial liability must be adjusted immediately in profit or loss at the date of the modification.

These changes to IFRS 9 do not have any impact on the Group's net assets, financial position or results of operations.

IFRS 16: Leases

Under IFRS 16, all leases and the associated contractual rights and obligations must now be recognised in the lessee's balance sheet. The distinction previously made under IAS 17 between finance and operating leases is therefore no longer applicable to the lessee. For all leases, a lessee recognises a lease liability in its balance sheet for the obligation to make future lease payments. At the same time, a lessee recognises a right of use to the underlying asset on the asset side of the balance sheet. This right of use corresponds to the present value of the future lease payments plus initial direct costs, prepayments and restoration costs, less incentive payments received. During the term of the lease, the lease liability is amortised on the basis of finance mathematical calculations, similar to the previously applicable rules under IAS 17 for finance leases, while the right of use is amortised as scheduled. This leads to higher expenses at the beginning of the lease term compared with IAS 17. For the lessor, on the other hand, the provisions of the new standard are similar to the rules of its predecessor, IAS 17. IFRS 16 adds a number of other new provisions on the definition of a lease, on reporting and disclosures in the notes and on sale and leaseback transactions. IFRS 16 has a significant impact on SYZYGY's consolidated financial statements, in particular on total assets, results of operations, operating and financing cash flow, and the presentation of net assets and the financial position. As a lessee, SYZYGY is affected by the new provisions in particular when leasing office space. SYZYGY did not apply the new lease standard in its entirety retrospectively, but made use of the relief provision for lessees ("modified retrospective method"). Payment obligations arising from current operating leases are discounted at the appropriate incremental borrowing rate when the transition to IFRS 16 is made, and recognised as a lease liability. The rights of use were recognised as at January 1, 2019 in the amount of the lease liability, adjusted by the amount of the prepaid or deferred lease payments.

Significant elections and relief options were exercised as follows: rights of use and lease liabilities are not shown separately in the balance sheet; instead, they are presented in detail in the notes. The recognition, measurement and reporting requirements of IFRS 16 also extend to short-term leases and to leases whose underlying asset is of low value. Neither lease liabilities nor rights of use were recognised in the balance sheet for these types of leases and the expense was reported directly in operating income in the income statement. A distinction is made between lease components and non-lease components, insofar as the components can be viewed separately with reasonable effort.

With regard to determining the term of leases, hindsight is taken into account if economic considerations and constraints indicate a sufficiently high likelihood of extension or termination options being exercised. As a result, on January 1, 2019, IFRS 16 was applied to all existing leases falling within its scope. This applies both to leases on the lessee side and on the lessor side. Overall, the new definition of a lease has no significant impact on SYZYGY as lessor.

Most of the leases relate to company vehicles, but leases for office space have greater balance sheet impact.

Overall, the adjustments made to the consolidated balance sheet as at January 1, 2019 through first-time application of IFRS 16 are as follows:

In kEUR	Carrying value based on IAS 17 December 31, 2018	Remeasure-ments	Reclass-ifications	Carrying value based on IFRS 16 January 1, 2019
Assets				
Other intangible assets and fixed assets	6,925	20,703	0	27,628
Deferred taxes (assets)	347	785	0	1,132
Other assets	1,739	0	-16	1,723
Total	**9,011**	**21,488**	**-16**	**30,483**
Liabilities				
Retained earnings	16,774	268	0	17,042
Other long-term debts	16,698	18,602	1,500	36,800
Deferred taxes (liabilities)	270	517	0	787
Other provisions:	8,283	0	-1,400	6,883
Other short-term debt	4,894	2,101	-116	6,879
Total	**46,919**	**21,488**	**-16**	**68,391**

SYZYGY recorded lease liabilities of EUR 22.2 million and rights of use of EUR 20.7 million at the beginning of the financial year. The difference was almost entirely attributable to deferred lease payments and lease pre-payments.

The operating lease liabilities as at December 31, 2018 (Annual Report 2018, disclosure 6.5, “Other financial obligations”) resulted in the following reconciliation for the opening balance of the lease liabilities as at January 1, 2019:

	In kEUR
Operating lease liabilities as at December 31, 2018	26,417
Change due to new definition of lease	-459
Other	-132
Gross lease liability as at January 1, 2019	25,650
Discounting	-3,447
Lease liability as at January 1, 2019	22,203

The lease liabilities were discounted on average at an incremental borrowing rate of 2.67 per cent per annum.

At the end of the financial year, SYZYGY had lease liabilities of kEUR 27,250 and rights of use of kEUR 24,911.

Operating income increased by kEUR 281 due to the new IFRS 16. Of this amount, kEUR 3,622 is attributable to the elimination of rental expenses and, in an opposite trend, to increased depreciation and amortisation of kEUR 3,341. Additional financial expenses of kEUR 682 were posted, resulting in a decrease of kEUR 402 in income before taxes.

Repayments for lease liabilities (excluding interest payments) totalled kEUR 2,545 in 2019.

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. They 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)
Amendments to references to the conceptual framework in IFRS standards	March 29, 2018	November 29, 2019	January 1, 2020
Amendments to IAS 1 and IAS 8: Definition of Material	October 31, 2018	November 29, 2019	January 1, 2020
Amendments to IFRS 9, IFRS 39 and IFRS 7: Interest Rate Benchmark Reform	September 26, 2019	January 16, 2020	January 1, 2020

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 currently expect any impact from first-time application.

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 17 Insurance Contracts	May 18, 2017	n.a.	January 1, 2021
Amendment to IFRS 3 Business Combinations: Definition of a Business	October 22, 2018	Q1/2020	January 1, 2020

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 SYZYGY's consolidated financial statements are in thousands of euros. The figures presented in these notes have been rounded. This may mean that individual amounts do not add up exactly to the stated total and it may not be possible to calculate the percentages from the figures shown. 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, accounts receivable and payable, and contract assets 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 Goodwill, other intangible assets and fixed assets

Intangible assets comprise goodwill, orders, brand equity, software and rights of use.

Intangible assets not arising from acquisition of a company 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. Brand names are generally amortised on a straight-line basis over five years, provided their useful life can be determined. Orders on hand are amortised within one year. 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. In subsequent periods, these intangible assets are measured in the same way as individually acquired intangible assets, i.e. at their acquisition cost less accumulated amortisation and any unscheduled accumulated write-downs (impairments). If the fair value of assets which have been the subject of an unscheduled write-down increases, the increase is recorded as a reversal up to the amount of the original acquisition cost. The goodwill resulting from a company acquisition is carried at acquisition cost less any impairments that are required, and reported separately in the consolidated balance sheet. For the purposes of the impairment test, the goodwill is allocated to the cash generating units that are expected to benefit from the synergies of the merger. The impact of IFRS 16 is taken into account when performing the impairment test.

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 amount 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. 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 operating and office 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. Leasehold improvements and operating and office equipment are depreciated on a straight-line basis, normally over a period of between three and fourteen years.

If indications of impairment of 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 intangible assets – except for goodwill – and fixed assets cease to apply, the write-downs are reversed up to the original cost.

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 within the meaning of IFRS 9 is a contract that gives rise to both an asset for one entity and a financial liability or instrument for another entity. Financial instruments include cash; equity instruments of another entity held as assets; a contractual right to receive cash or other financial assets from another entity; or to swap financial assets or financial liabilities with another entity on potentially advantageous terms; or a contract that will or can be settled in the entity's own equity instruments and which involves the following:

- a non-derivative financial instrument that contains or may contain a contractual obligation on the part of the entity to receive a variable number of the entity's own equity instruments;
- a derivative financial instrument that is not or cannot be settled by swapping a fixed amount of cash or other financial assets for a fixed number of the entity's own equity instruments (restrictions apply as to which instruments are classified as own equity instruments under IFRS 9 in this context).

All financial assets divided into two classification categories: those measured at amortised acquisition cost and those measured at fair value. If financial assets are measured at fair value, expenses and income may be recognised either in full in net income (at fair value through profit or loss, FVTPL) or in other income (at fair value through other comprehensive income, FVTOCI).

Financial assets are classified in IFRS 9 on the basis of the entity's business model for managing financial assets and the characteristics of the contractual cash flows. Under IFRS 9, derivatives embedded in contracts where the underlying is a financial asset within the scope of the standard are never accounted for separately. Instead, the hybrid financial instrument as a whole is assessed for classification purposes.

For some debt instruments, classification as FVTOCI may be mandatory, unless the fair value option is exercised. However, the allocation of equity instruments to FVTOCI is voluntary. In addition, the rules for reclassification of amounts recognised in other income for debt instruments and equity instruments also differ. SYZYGY does not make use of the fair value option.

The classification is established when the financial asset is recognised for the first time, i.e. when the entity becomes a counterparty to the contractual arrangements of the instrument. In certain cases, however, subsequent reclassification of financial assets may be necessary.

SYZYGY has classified the government bonds and corporate bonds in its securities portfolio as being "financial assets measured at fair value through other comprehensive income (FVTOCI)" in accordance with IFRS 9. The securities portfolio is held by SYZYGY for short-term liquidity management. The contractually agreed cash flows are based solely on repayment of the nominal amount and interest on the outstanding nominal amount on specified dates.

As a result, securities that are allocated to the "held for trading" business model (FVTOCI) in accordance with IAS 9 are carried at cost when first reported, generally corresponding to fair value, and subsequently at the adjusted fair value on the valuation date. These values usually correspond 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 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 statement of comprehensive income. If a security classified as FVTOCI is sold, the gains and losses previously accumulated in other net 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.

SYZYGY has assigned the cash and cash equivalents, accounts receivable, contract assets and other receivables to the "Amortised costs" category in accordance with IFRS 9. These financial instruments have fixed or determinable payments and are not quoted on an active market. They are measured at amortised acquisition cost using the effective interest method less impairment. Depending on their maturities, they are reported on the balance sheet as current or non-current financial assets.

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 (FVTPL). SYZYGY measures all financial liabilities at amortised acquisition cost, apart from any long-term purchase price commitment, using the effective interest method and allocates them to the “Amortised costs” category. 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 or 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 IFRS 9.

As in the previous year, SYZYGY did not hold any hybrid or derivative financial instruments in the reporting year.

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.

The impairment model under IFRS 9 must also be applied to debt instruments whose changes in fair value are recognised in other comprehensive income (FVTOCI).

With the exception of financial assets that are already impaired on initial recognition, expected losses must be recognised in the following amounts:

- the “expected 12-month loss” (present value of the expected credit losses that result from default events that are possible within 12 months after the reporting date); or
- the total loss expected over the remaining term of the instrument (present value of the expected credit losses that result from all default events that are possible over the remaining term of the financial instrument)

If an instrument has a “low” default risk on the reporting date, SYZYGY checks in line with IFRS 9 that default risk has not increased significantly at the valuation date. This applies to instruments whose rating is at least BBB- (investment grade). SYZYGY calculates the “expected 12-month loss” for these securities and books the change in the impairment against other net income.

If a financial instrument is regarded as credit impaired at the time of acquisition or if there is a significant increase in default risk since the time of acquisition, SYZYGY reduces the value of the financial instrument by the “lifetime expected loss”.

2.3 Trade receivables and contract assets and liabilities

Accounts receivable and contract assets 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 are realised on a period-related basis using an input-oriented method (cost-to-cost method) depending on their stage of completion as defined in IFRS 15, and are also reported under accounts receivable and contract assets (see also section 2.9 Revenue recognition).

Contract liabilities mainly comprise advance payments received and are reported under "Contract liabilities" on the liabilities side.

The impairment model under IFRS 9 also applies to accounts receivable and contract assets measured at amortised acquisition cost. Accounts receivable do not have a significant financing component. Consequently, the simplified value adjustment model under IFRS 9 is applied. This stipulates that value adjustments for accounts receivable and contract assets are always calculated in the amount of the expected credit loss over the term. Impairment losses under IFRS 9 are reported in a separate item on the statement of comprehensive income.

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 IFRS 9, 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 exists from a previous event, the claim is probable and the amount payable can be reliably assessed. In determining other provisions, all applicable costs are taken into consideration.

Liabilities for contributions to defined contribution plans are recognised as an expense as soon as the related work is performed. Prepaid contributions are recognised as an asset to the extent that there is a right to reimbursement or reduction of future payments.

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 Leases under IFRS 16

A lease is a contract that conveys a right to use an asset (the underlying asset) for an agreed period of time in exchange for consideration.

Until December 31, 2018, a lease was defined at SYZYGY as an agreement under which the lessor transfers to the lessee, in return for payments, the right to use an asset for a specified period of time. A distinction was made between rental leasing and finance leasing.

In rental leasing, the lessor bore the major opportunities and risks, with the result that the leased asset was recognised on the lessor’s balance sheet. With SYZYGY as lessee, the leasing instalments paid during the period of the leasing arrangement were recognised through profit and loss in the statement of comprehensive income.

In the case of finance leasing, beneficial ownership of leased assets was attributed to the lessee in accordance with IAS 17 if the lessee bore most of the risks and opportunities associated with ownership.

Where beneficial ownership was attributable to SYZYGY as lessee, the asset was capitalised at the start of use, either at fair value or at the present value of the minimum lease payments, if lower than the fair value. A lease liability in the same amount was carried under non-current liabilities. Subsequent measurement was carried out at amortised cost using the effective interest method. The methods of depreciation/amortisation and useful lives corresponded to those of comparable acquired assets.

Since January 1, 2019, as a lessee SYZYGY has dealt with all leases on the balance sheet as follows, in accordance with IFRS 16: it has recognised the rights of use to the leased assets as assets and the payment obligations entered into as liabilities at present value. The lease liabilities include the following lease payments:

- Fixed lease payments
- Index or instalment-based payments
- Quasi-fixed payments
- Exercise prices of a call option whose exercise was estimated with sufficient certainty
- Penalties from a termination option, if the lease term takes into account that a termination option is exercised
- Expected claims arising from residual value guarantees

Lease payments are discounted at the interest rate implicitly underlying the lease, if this rate can be determined. Otherwise they are discounted at the incremental borrowing rate.

Rights of use are measured at cost, which comprises the following:

- Lease liability
- Lease payments made at or before the asset was provided, less lease incentives received
- Initial direct costs
- Restoration obligations

Subsequent measurement is carried out at amortised cost. The rights of use are amortised on a straight-line basis over the term of the lease.

In the case of low-value leased assets and short-term leases (less than twelve months), use is made of transitional relief and the payment is recognised on a straight-line basis as an expense in the statement of comprehensive income. Lease components and non-lease components are not combined at SYZYGY, but are accounted for separately.

Intra-group leases under IFRS 8 are also presented in segment reporting in the same way as operating leases in accordance with IAS 17. Some leases include extension options, as they offer SYZYGY greater operational flexibility. When determining the contractual terms, all facts and circumstances that provide an economic incentive to exercise or not exercise extension options are taken into account. Changes in the term of the contract resulting from the exercise or non-exercise of these options are only taken into account in the contract term if they are sufficiently certain.

SYZYGY is not a lessor in any rental or finance lease.

2.10 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 (time and material), the payment is reasonably assured and the invoice amount is fixed or determinable.

Consulting services provided on a fixed-price basis are realised using an input-oriented method (cost-to-cost method) on a period-related basis. The percentage of completion of a project is calculated by the ratio of realised time units and other direct costs to all the time units and other direct costs 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. SYZYGY grants its customers payment terms of between 0 and 90 days.

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.

2.11 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 companies operate. In accordance with IAS 12, calculation of deferred taxes includes tax deferments on different valuations of assets and liabilities in the accounts prepared according to 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 is positive would be taken into consideration when calculating diluted earnings.

2.14 Stock-based remuneration programmes

2013 stock option programme

In the 2013 financial year, the Group set up a stock option programme whereby the Group undertook to transfer a certain number of shares to employees after 3 years. If the employee leaves the SYZYGY Group prior to the end of the period, all claims arising from the stock option 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. This share-based remuneration programme with the counterparty's freedom to choose the method of payment is 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 at fair value from the date of commitment to the stock programme.

Phantom stock programme

A phantom stock programme was also launched in 2015 and modified in the 2016 financial year. 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. 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.

This 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 operating income in the statement of comprehensive income 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 58,435 (previous year: kEUR 58,116) arose from the acquisitions of SYZYGY Media, Unique Digital UK, Ars Thanea, USEEDS, SYZYGY Performance and diffferent.

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:

- SYZYGY Media
- Unique Digital UK
- Ars Thanea
- USEEDS
- SYZYGY Performance
- diffferent

The following table shows the carrying amounts of the goodwill allocated to the cash generating units.

2019 in kEUR	Goodwill
diffferent	15,864
USEEDS	10,067
SYZYGY Media	8,841
SYZYGY Performance	8,698
Unique Digital UK	8,379
Ars Thanea	6,586
Total	**58,435**

2018 in kEUR	Goodwill
diffferent	15,913
USEEDS	10,137
SYZYGY Media	8,841
SYZYGY Performance	8,747
Unique Digital UK	7,953
Ars Thanea	6,525
Total	**58,116**

An impairment test of individual goodwill was carried out as at December 31, 2019. 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, 2019. The forecasts are based on financial planning approved by the Supervisory Board and updated each year. Business planning continues to be updated on a rolling basis over 5 years. It is developed by the management team together with the Management Board.

The most important assumptions underlying the determination of value in use include assumptions of growth rates, margin development and discount rate, as well as a perpetuity/terminal value of 1 per cent. This corresponds approximately to the long-term inflation target of the European Central Bank. SYZYGY expects that the digital sector will grow more strongly in future.

In the case of the Unique Digital UK cash generating unit, a risk-free interest rate of 1.25 per cent (previous year: 1.80 per cent), a risk premium of 6.75 per cent (previous year: 6.25 per cent) and a sector beta of 0.80 (previous year: 0.73) were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 6.6 per cent after tax (previous year: 6.4 per cent), or 8.2 per cent before tax (previous year: 7.9 per cent). An average tax rate of 17 per cent was applied (previous year: 19 per cent). In the case of Unique Digital UK, the business plans for 2020 are based on expected sales growth of 39 per cent (previous year: 13 per cent) and sales growth of 5 per cent p.a. (previous year: 10 per cent) from 2021 to 2024, and a terminal value of 1 per cent (previous year: 1 per cent). For 2019, 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 2 per cent in 2020 (previous year: 6 per cent). 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 8,379 is allocated.

In the case of SYZYGY Media, USEEDS, SYZYGY Performance and diffferent in Germany, a risk-free interest rate of 0.30 per cent (previous year: 0.86 per cent), a risk premium of 6.75 per cent (previous year: 6.25 per cent) and a sector beta of 0.80 (previous year: 0.73) were used as a basis, producing a WACC (Weighted Average Cost of Capital) of 5.7 per cent after tax (previous year: 5.4 per cent), or 8.3 per cent before tax (previous year: 7.9 per cent). An average tax rate of 31 per cent was applied (previous year: 31 per cent).

The business plan for SYZYGY Media envisages a drop in sales of 13 per cent (previous year: 10 per cent growth) for 2020 and 10 per cent p.a. sales growth (previous year: 10 per cent) for the years 2021 to 2024. The terminal value is set at 1 per cent growth (previous year: 1 per cent).

The business plan for USEEDS envisages sales growth of 6 per cent for 2020 (previous year: 7 per cent) and 10 per cent p.a. sales growth (previous year: 10 per cent) for the years 2021 to 2024. The terminal value is set at 1 per cent growth (previous year: 1 per cent).

The business plan for SYZYGY Performance envisages a drop in sales of 2 per cent for 2020 (previous year: 6 per cent sales growth) and sales growth of 10 per cent p.a. for the years 2021 to 2024 (previous year: 10 per cent). The terminal value is set at 1 per cent growth (previous year: 1 per cent).

The business plan for diffferent envisages sales growth of 13 per cent for 2020 (previous year: 17 per cent) and 10 per cent p.a. sales growth for the years 2021 to 2024 (previous year: 10 per cent). The terminal value is set at 1 per cent growth (previous year: 1 per cent).

Market research institutes expect the online advertising market in Germany to grow by around 1 per cent in 2020 (previous year: 7 per cent). Based on the underlying information, management did not identify any need for impairment in Germany in its updated analysis. SYZYGY Media is allocated unchanged goodwill of kEUR 8,841, USEEDS is allocated goodwill of kEUR 10,067, SYZYGY Performance is allocated goodwill of kEUR 8,698 and diffferent is allocated goodwill of kEUR 15,864.

In the case of Ars Thanea in Poland, a risk-free interest rate of 0.30 per cent (previous year: 0.86 per cent), a risk premium of 6.75 per cent (previous year: 6.25 per cent), a sector beta of 0.80 (previous year: 0.73), a country-specific risk premium of 1.18 per cent (previous year: 1.18 per cent) and an inflation differential of 101.48 per cent (previous year: 100.42 per cent) were assumed, producing a WACC (Weighted Average Cost of Capital) of 8.5 per cent after tax (previous year: 7.1 per cent), or 10.4 per cent before tax (previous year: 8.7 per cent). An unchanged average tax rate of 19 per cent was applied. The business plan envisages sales growth of 14 per cent for 2020 (previous year: 11 per cent) and 10 per cent p.a. for the years 2021 to 2024 (previous year: 10 per cent).

The terminal value is set at 1 per cent growth (previous year: 1 per cent).

Market research institutes expect the online advertising market in Poland to grow by 1 per cent in 2020 (previous year: 4 per cent). Based on the underlying information, management did not identify any need in the analysis for impairment at Ars Thanea, to which goodwill of kEUR 6,586 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 drop of around 13 per cent in values in use (previous year: 11 per cent) due to the higher discount factor. The effect on values in use in the UK and Poland would be similar. This would not lead to impairment of any CGU. If the growth rates of the companies decline by 50 per cent from 2021 onwards, this would likewise not lead to impairment of any CGU.

3.2 Goodwill, other intangible assets and fixed assets

Changes are as follows in the financial year:

2019 in kEUR	Goodwill	Other intang- ible assets	Leasehold improvements	Operating and office equipment	Total
Acquisition or production costs January 1, 2019	**60,094**	**3,219**	**5,442**	**6,448**	**75,203**
Adjustments resulting from first-time application of IFRS 16	0	20,703	0	0	20,703
Acquisition or production costs January 1, 2019, adjusted	**60,094**	**23,922**	**5,442**	**6,448**	**95,906**
Additions	456	10,490	963	1,071	12,980
Disposals	-625	-3,445	-205	-281	-4,556
Disposals resulting from deconsolidation	-1,985	-232	0	0	-2,217
Exchange rate changes	495	264	101	39	899
Acquisition or production costs December 31, 2019	**58,435**	**30,999**	**6,301**	**7,277**	**103,012**
Accumulated amortisation, depreciation and write-downs January 1, 2019	**1,978**	**2,145**	**1,789**	**4,250**	**10,162**
Additions	0	3,703	744	934	5,381
Disposals	0	-366	-121	-269	-756
Disposals resulting from deconsolidation	-1,985	-232	0	0	-2,217
Exchange rate changes	7	38	26	23	94
Accumulated amortisation, depreciation and write-downs December 31, 2019	**0**	**5,288**	**2,438**	**4,938**	**12,664**
Carrying value December 31, 2019	**58,435**	**25,711**	**3,863**	**2,339**	**90,348**

Changes were as follows in the previous year:

2018 in kEUR	Goodwill	Other intangible assets	Leasehold improvements	Operating and office equipment	Total
Acquisition or production costs January 1, 2018	**60,161**	**2,911**	**5,252**	**5,771**	**74,095**
Additions	625	313	189	714	1,841
Disposals	-415	0	0	-29	-444
Exchange rate changes	-277	-5	1	-8	-289
Acquisition or production costs December 31, 2018	**60,094**	**3,219**	**5,442**	**6,448**	**75,203**
Accumulated amortisation, depreciation and write-downs January 1, 2018	**1,996**	**1,538**	**1,245**	**3,317**	**8,096**
Additions	0	610	537	962	2,109
Disposals	0	0	0	-26	-26
Exchange rate changes	-18	-3	7	-3	-17
Accumulated amortisation, depreciation and write-downs December 31, 2018	**1,978**	**2,145**	**1,789**	**4,250**	**10,162**
Carrying value December 31, 2018	**58,116**	**1,074**	**3,653**	**2,198**	**65,041**

The goodwill from initial consolidation of Hi-ReS! LON, which had been completely depreciated in previous years, was disposed of in the 2019 financial year as part of deconsolidation.

Other intangible assets were tested for impairment as at December 31, 2019 using the same principles as for goodwill (3.1).

They include brand names worth kEUR 519 (prior year: kEUR 691) after foreign currency effects. This brand equity is due to first-time consolidation of Unique Digital UK, Ars Thanea, USEEDS, SYZYGY Performance and diffferent. It is allocable to the UK segment in the amount of kEUR 128 (previous year kEUR 122) and has an indeterminable useful life, since there is no foreseeable end to the economic life of these brands. Brand equity for USEEDS and diffferent amounting to kEUR 391 (previous year: kEUR 569) is also included. This was likewise added in the course of acquiring the companies and will be amortised on a straight-line basis over a period of 5 years. This brand equity is allocated to the Germany segment.

In the previous year, complete impairment was applied to the Catbird Seat brand in the amount of kEUR 285.

Since January 1, 2019, intangible assets have also included rights of use resulting from leases. In 2019, first-time application of IFRS 16 resulted in additions of kEUR 20,562 for rights of use relating to real estate and of kEUR 141 for company cars. Total additions to rights of use for leased assets amount to kEUR 31,113 in the 2019 financial year.

In total, rights of use for leased assets with a carrying value of kEUR 3,079 were disposed of in the financial year. Depreciation of rights of use for leased assets was kEUR 3,341.

The carrying amounts of the rights of use for real estate amounted to kEUR 24,619 and for company cars to kEUR 293 as at the reporting date.

Operating 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 Non-current financial assets

In the 2017 financial year, SYZYGY took a stake in next media accelerator 2 Beteiligungsgesellschaft mbH & Co. KG, Hamburg, with a limited partner's capital contribution of kEUR 200, which currently represents 2 per cent of the limited liability capital. The purchase price commitment will be repaid in annual tranches of kEUR 40 until 2021. SYZYGY assumes that the acquisition cost corresponds approximately to fair value. It is recognised in the FVTPL category.

As in the previous year, no financial investments measured at equity were held.

3.4 Other non-current assets

Other non-current assets comprise financial assets in the "Amortised costs" valuation category and are recognised in the amount of kEUR 274 (previous year: kEUR 294). As in the previous year, they exclusively comprise rent deposits paid.

3.5 Deferred tax assets

Deferred tax assets of kEUR 2,511 (previous year: kEUR 347) were reported in the financial year.

Deferred tax assets at SYZYGY AG as the parent company are recorded on the different valuations of lease obligations and provisions.

Other deferred tax assets also arise at subsidiaries from different valuations of lease obligations due to differences in the useful lives of the assets between valuations in accordance with IFRS and the tax accounts.

Deferred tax assets totalling kEUR 6,945 were reported as a result of the lease liabilities being recognised for the first time in accordance with IFRS 16.

SYZYGY UK recognised a total of kEUR 224 as deferred tax assets for usable tax loss carry-forwards of kEUR 1,317.

Ars Thanea fully utilised usable tax loss carry-forwards from the previous year in the amount of kEUR 42 in the past financial year.

Deferred tax assets of kEUR 36 (previous year: kEUR 25) were recognised as a result of impairments in accordance with IFRS 9, which are recognised either in net income or such that net income is not affected, depending on the basis.

As at December 31, 2019, the Group has tax loss carry-forwards that have not yet been used and are usable without restriction at SYZYGY Berlin in the amount of kEUR 2,287 (previous year: kEUR 2,203) for corporation tax and kEUR 2,702 (previous year: kEUR 2,618) for trade tax. No deferred tax assets have been recognised in this respect.

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 three months are shown in the table below:

In kEUR	12/31/2019	12/31/2018
Cash and cash equivalents	944	11,519

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.

All securities held are financial assets classified in accordance with IFRS 9 as “FVTOCI” as at the reporting date. The securities portfolio is held by SYZYGY for short-term liquidity management. The contractually agreed cash flows are based solely on repayment of the nominal amount and interest on the outstanding nominal amount on specified dates. Unrealised gains or losses are taken into account in other net income until derecognition of the financial asset, while allowing for tax effects.

As can be seen in the following table, the market value of all securities as at December 31, 2019 was kEUR 284 above the acquisition cost (previous year: kEUR 588 below the acquisition cost). kEUR 357 (previous year: kEUR: 253) was attributable to unrealised price gains and kEUR 73 (previous year: kEUR 841) to unrealised price losses.

Security purchases and sales are recorded on the value date. Of the unrealised profits and losses as at December 31, 2018 that had previously been recorded in “Other net income”, kEUR 13 of valuation gains (previous year: kEUR 0) and kEUR 570 of valuation losses (previous year: kEUR 11) were realised in the past financial year.

Market value is determined using quoted market prices. The unrealised price gains and losses are reported in “Change in unrealised gains and losses on FVTOCI securities after tax which does not affect income” in the statement of comprehensive income.

12/31/2019 in kEUR	Acquisition cost	Unrealised gains	Unrealised losses	Carrying value/ market value
Securities (FVTOCI)	3,358	357	-73	3,642

12/31/2018 in kEUR	Acquisition cost	Unrealised gains	Unrealised losses	Carrying value/ market value
Securities (FVTOCI)	11,190	253	-841	**10,602**

The following table shows the maturities of securities as per December 31, 2019:

In kEUR	< 1 year	1–5 years	5–10 years	Indefinite	Total
Securities (FVTOCI)	0	1,501	2,141	0	**3,642**

The following table shows the maturities of securities as per December 31, 2018:

In kEUR	< 1 year	1–5 years	5–10 years	Indefinite	Total
Securities (FVTOCI)	420	2,437	7,745	0	**10,602**

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 5.3 years (previous year: 6.7 years). 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 5.3 per cent.

SYZYGY reduces default risk on securities by ensuring that a rating of at least BBB- (i.e. investment grade) is required in the case of new investments. All investments are continually monitored with regard to changes in rating and the investment decision is reviewed. As a matter of policy, maximum exposure to a single issuer is limited to EUR 2.0 million. In the case of new investments with a BBB- rating, exposure is limited to EUR 1.0 million. All securities with a maturity date are also subject to price changes which depend on credit spread changes and the remaining term to maturity. 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 associated risks and sensitivity analyses are presented in section 6.3, Risk and capital management.

3.7 Trade receivables and contract assets and contract liabilities

This item comprises the following:

In kEUR	12/31/2019	12/31/2018
Accounts receivable	16,703	17,082
Contract assets	3,006	2,822
Total assets	**19,709**	**19,904**
Contract liabilities	**5,536**	**9,431**

Contract assets and sales of kEUR 3,006 (previous year: kEUR 2,822) are disclosed using an input-oriented method (cost-to-cost method) on a period-related basis for services not yet billed. Costs of kEUR 2,748 (previous year: kEUR 2,562) were incurred for these services. This results in a margin of kEUR 258 (previous year: kEUR 260).

According to IFRS 9, accounts receivable are financial assets that fall into the “Amortised costs” valuation category. The term structure of receivables billed to customers is shown in table form in section 6.3.3.

Appropriate individual value adjustments are made for recognisable default risks, while uncollectable receivables are written off. There were individual value adjustments of kEUR 6 (previous year: kEUR 129) in the current financial year.

In accordance with IFRS 9.5.5.15f., SYZYGY has applied a simplified version of the general impairment model since the 2018 financial year. This involves taking into account the cumulative probabilities of default over the remaining term. At the beginning of the 2018 financial year, impairments of kEUR 45 were booked against profit reserves. The 2019 financial year saw an impairment of kEUR 82 (previous year: a reversal of kEUR 7).

The contractual liabilities of kEUR 5,536 mainly relate to advance payments received of kEUR 5,504 (previous year: kEUR 9,342). The contractual liabilities reported in the previous year were mainly recognised as revenue in the 2019 financial year.

In the case of performance marketing companies, the contractual liabilities reported in the 2018 financial year were recognised as sales in the reporting period, less transitory items and/or media costs.

3.8 Other current assets

Other current assets as at December 31, 2019 and 2018 consist of the following:

In kEUR	12/31/2019	12/31/2018
Prepaid expenses	906	637
Tax receivables	706	745
Interest receivables	49	207
Other	174	150
Total	**1,835**	**1,739**

All other current assets are due within 12 months. As financial assets, interest receivables fall into the "Amortised costs" measurement category in accordance with IFRS 9 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	Total
As at December 31, 2019	16	32	1	**49**
As at December 31, 2018	177	30	0	**207**

3.9 Equity

3.9.1 Subscribed capital

As at December 31, 2019, the fully paid-up subscribed capital of SYZYGY AG amounted to EUR 13,500,026 (previous year: EUR 13,500,026). It comprised 13,500,026 no-par value bearer shares, as in the prior year. These shares have a stated value of EUR 1.00.

As in the previous year, SYZYGY did not carry out any capital increase or reduction in the 2019 financial year.

At the reporting date, the shares in SYZYGY AG were held as follows:

In thousands	Shares	Per cent
WPP plc, St. Helier	6,795	50.33
HANSAINVEST Hanseatische Investment GmbH	408	3.03
Hauck & Aufhäuser Fund Service S.A.	401	2.97
Free float	5,822	43.13
Treasury stock	74	0.54
Total	**13,500**	**100.00**

3.9.2 Authorised and contingent capital

On July 8, 2016, the Annual General Meeting approved the creation of authorised capital of kEUR 6,000. Accordingly, the Management Board is authorised, subject to the approval of the Supervisory Board, to issue additional no-par value bearer shares, which may be issued until July 8, 2021. In accordance with this authorisation, the Management Board and Supervisory Board carried out two capital increases against contributions in kind in the 2017 financial year. As a result, the remaining authorised capital now amounts to EUR 5,328,424 and is unchanged over the previous year.

Contingent capital of kEUR 1,200 ceased to exist in 2019.

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 and was unchanged at kEUR 27,069 as at December 31, 2019.

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 SYZYGY to any dividend or voting rights. The extent of the share buyback is shown as a separate item to be deducted from equity.

On May 29, 2015, the Annual General Meeting authorised the Management Board to acquire a maximum of 10 per cent of SYZYGY'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, 2019, SYZYGY held 73,528 treasury shares at an average acquisition cost of EUR 5.54, as in the previous year.

3.9.5 Other net income

Changes in equity after tax summarised under other net income amounted to kEUR 1,126 (previous year: kEUR -886) in the 2019 financial year and can be attributed to unrealised gains from securities in the FVTOCI category after tax (kEUR 544; previous year: losses of kEUR 579) and gains from currency translation in non-EUR business operations (kEUR 582; previous year: losses of kEUR 307). In the opening balance sheet for the previous year, other net income was increased by kEUR 50 due to adjustments resulting from impairments to securities recognised in accordance with IFRS 9. All changes can be reclassified (recycling) and are consequently only recorded temporarily in other net income. They may be reclassified to the statement of comprehensive income at a later stage.

3.9.6 Profit reserves

The consolidated financial statements showed profit reserves of kEUR 14,657 (previous year: kEUR 16,774) as at December 31, 2019. The change in profit reserves during the financial year corresponds to net income attributable to the shareholders of SYZYGY AG in the amount of kEUR 3,467 (previous year: kEUR 4,719) less the distributed dividend of kEUR 5,370 (previous year: kEUR 5,236), distributions to minority shareholders of subsidiaries which, due to present ownership of 100 per cent, i.e. without showing non-controlling shares, are consolidated, in the amount of kEUR 482 (previous year: kEUR 472), and adjustments resulting from first-time application of IFRS 16 with effect from January 1, 2019 in the amount of kEUR 268.

Dividend distributions are based on the distributable part of retained earnings disclosed in the annual financial statements of SYZYGY AG according to HGB (German Commercial Code). On June 7, 2019, the Annual General Meeting of SYZYGY AG approved a dividend of EUR 0.40 per eligible share (previous year: EUR 0.39), which was distributed from June 10, 2019 onwards, with retained earnings of EUR 1,317 (previous year: kEUR 2,771) being carried forward to new account.

As at December 31, 2019, the financial statements of SYZYGY AG showed retained earnings of kEUR 3,456 (previous year: kEUR 6,688).

3.10 Stock-based compensation

2013 stock option programme

In the 2013 financial year, the Group set up a stock option programme whereby the Group undertook to transfer a certain number of shares to employees after 3 years. If the employee leaves the SYZYGY Group prior to the end of the period, all claims arising from the stock option 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. As at the reporting date, commitments for a total of 65,000 shares are outstanding, of which 20,000 from 2017, a further 25,000 from 2018 and 20,000 from 2019. 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 option programme in the amount of kEUR 193 was recognised as at the key date (previous year: kEUR 231). The allocation recognised in profit or loss was kEUR 135 in the financial year (previous year: kEUR 146).

In kEUR	Number of options	Fair value
As at: December 31, 2018	**75,000**	**603**
New allocation	20,000	146
Exercised	-15,000	-115
Expired	-15,000	-58
Change in value	0	-101
As at: December 31, 2019	**65,000**	**475**

Phantom stock programme 2015

The phantom stock plan was set up 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.

On April 1, 2016, Chairman of the Management Board Lars Lehne received a total of 240,000 phantom stocks with an exercise price of EUR 9.13, of which 96,000 were exercised in the reporting period and the remaining 144.000 are still outstanding. Similarly, on January 16, 2018, Frank Ladner was allocated 55,000 phantom stocks with a term beginning on December 29, 2017 at an exercise price of EUR 11.27; on February 6, 2018, Erwin Greiner was allocated 80,000 phantom stocks with a term beginning on December 29, 2017 at an exercise price of EUR 11.25, which are also still fully outstanding.

In EUR	Number of options	Exercise price	Fair value
As at: December 31, 2018	**375,000**	**–**	**0.11**
Exercised I	-96,000	9.13	0.76
Expired	0	–	0
New allocation	0	–	0
As at: December 31, 2019	**279,000**	**–**	**0.37**

The fair value of the phantom stocks on December 31, 2019 is calculated as the volume-weighted average of the difference between the exercise prices and the stock price as at December 31, 2019, and a fair value calculated by reference to the remaining term and volatility of the underlying instrument.

3.11 Accounts payable and other provisions

As at December 31, 2019 and 2018, accounts payable and other provisions consisted of:

In kEUR	12/31/2019	12/31/2018
Accounts payable	**9,007**	**15,528**
Other provisions:		
– Obligations towards other parties	2,846	5,008
– Personnel-related provisions	1,663	2,876
– Other	418	399
Total other provisions	**4,927**	**8,283**

All accounts payable are due within one year and must be allocated to the “Amortised costs” measurement category under IFRS 9 as financial liabilities (previously, under IAS 39, Financial liabilities at amortised costs). Personnel-related provisions mainly comprise the employee stock-based compensation plans described in section 3.10, employee bonuses and holidays.

Obligations towards other parties primarily relate to outstanding invoices and customer bonuses.

Statement of changes in provisions as at December 31, 2019 In kEUR	Carrying value 01/01/2019	Usage	Reversal	Addition	Carrying value 12/31/2019
Obligations towards other parties	5,008	4,843	-49	2,730	2,846
Personnel-related provisions	2,876	-2,704	-52	1,543	1,663
Other	399	-381	0	400	418
Total other provisions	**8,283**	**-7,929**	**-100**	**4,673**	**4,927**

Statement of changes in provisions as at December 31, 2018 In kEUR	Carrying value 01/01/2018	Usage	Reversal	Addition	Carrying value 12/31/2018
Obligations towards other parties	6,131	-4,798	-72	3,747	5,008
Personnel-related provisions	2,840	-1,924	-549	2,509	2,876
Other	245	-239	-6	399	399
Total other provisions	**9,216**	**-6,961**	**-627**	**6,655**	**8,283**

3.12 Income tax liabilities

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

In kEUR	12/31/2019	12/31/2018
German income taxes	192	541
Polish income taxes	0	0
British income taxes	0	0
Total	**192**	**541**

3.13 Other debts

The following table lists the components of other liabilities that are shown on the balance sheet under the items Other non-current liabilities and Other current liabilities, depending on their maturity:

In kEUR	12/31/2019	12/31/2018
Lease liabilities	27,250	0
Financial liabilities due to contingent purchase price payments	11,285	13,982
Liabilities to banks	3,058	4,113
VAT liability	1,384	1,731
Liabilities arising from future profit distributions to minority shareholders	455	625
Social security, salary and church taxes	701	591
Other	449	550
Total	**44,582**	**21,592**

The following table shows the maturities of other debts as at December 31, 2019:

In kEUR	< 1 year	1–5 years	5–10 years	Indefinite	Total
Other debts	8,564	23,852	12,166	0	**44,582**
Of which lease liabilities	3,299	12,098	11,853	0	**27,250**

The following table shows the maturities of other debts as at December 31, 2018:

In kEUR	< 1 year	1–5 years	5–10 years	Indefinite	Total
Other debts	4,894	13,571	3,127	0	**21,592**

Liabilities due to contingent purchase price payments constitute financial liabilities and are classified under IFRS 9 as belonging to the FVTPL measurement category. The remaining other liabilities excluding tax liabilities are allocated to the “Amortised costs” measurement category in accordance with IFRS 9.

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 comprises SYZYGY UK and Unique Digital UK. The Germany segment comprises diffferent, SYZYGY Berlin, SYZYGY Deutschland, SYZYGY Media, SYZYGY Performance and USEEDS. Ars Thanea and SYZYGY NY do not fulfil the size criteria to qualify as an independent geographical segment and are thus presented under "Other segments". The figures for previous years additionally include Hi-ReS! LON in the UK segment.

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 are sales and EBIT. Sales to third parties are allocated on the basis of the registered office of the company unit that makes the sale. Information on the geographical regions in relation to segment sales and non-current assets can be derived from the segment disclosures summarised below. Sales included in segment reporting consist of sales to external clients and inter-segment 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.

As in the previous year, SYZYGY did not generate more than 10 per cent of consolidated sales with any single client across all operating segments.

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

12/31/2019 In kEUR	Germany	United Kingdom	Other segments	Central functions	Consolidation	Total
Billings	102,304	17,953	23,227	382	-2,201	**141,665**
Media costs	-52,638	-8,070	-16,954	0	240	**-77,422**
Sales	49,666	9,883	6,273	382	-1,961	**64,243**
Of which internal sales	402	130	1,379	245	-2,156	**0**
Operating income (EBIT)	7,697	-967	412	-1,647	2	**5,497**
Financial income	-5,978	-266	1	7,617	-1,677	**-303**
Earnings before taxes (EBT)	1,719	-1,233	413	5,970	-1,675	**5,194**
Assets	77,958	22,957	9,932	94,320	-85,704	**119,463**
Of which non-current assets	62,415	16,467	7,262	3,706	498	**90,348**
Of which goodwill	43,469	8,379	6,586	0	1	**58,435**
Investments	9,465	283	230	2,288	0	**12,266**
Depreciation and amortisation	2,853	1,184	549	637	157	**5,380**
Impairment loss for goodwill	0	0	0	0	0	**0**
Segment liabilities	39,139	11,861	1,954	27,574	-14,008	**66,520**
Employees at the balance sheet date	383	49	79	31	0	**542**

12/31/2018 In kEUR	Germany	United Kingdom	Other segments	Central functions	Consolidation	Total
Billings	107,788	33,951	32,754	276	-9,676	**165,093**
Media costs	-61,220	-19,808	-25,241	0	6,992	**-99,277**
Sales	46,568	14,143	7,513	276	-2,684	**65,816**
Of which internal sales	993	213	1,478	0	-2,684	**0**
Operating income (EBIT)	6,572	-41	873	-1,292	-45	**6,067**
Financial income	266	17	-8	7,392	-7,197	**470**
Earnings before taxes (EBT)	6,838	-24	865	6,100	-7,242	**6,537**
Assets	78,484	17,526	11,713	93,876	-91,953	**109,646**
Of which non-current assets	47,422	9,653	6,827	1,184	-45	**65,041**
Of which goodwill	43,638	7,953	6,525	0	0	**58,116**
Investments	1,561	33	62	247	-62	**1,841**
Depreciation and amortisation	1,396	395	204	131	-17	**2,109**
Impairment loss for goodwill	0	0	0	0	0	**0**
Segment liabilities	31,878	5,685	3,660	35,111	-20,689	**55,645**
Employees at the balance sheet date	362	94	84	22	0	**562**

5. Notes on the statement of comprehensive income

5.1 Sales

The sales figures include sales revenue from the product areas performance marketing and design & build. The sales figures are arrived at by deducting media costs from billings. Media costs are incurred in the performance marketing companies as transitory items. Billings include all invoices to third parties, i.e. both our own (in the design & build product area) and those in our own name and for the account of a third party (performance marketing). In 2019, the SYZYGY Group generated sales of kEUR 49,167 from design & build (previous year: kEUR 47,492) and billings of kEUR 93,886 (previous year: kEUR 118,807) from performance marketing. Performance marketing includes media costs of kEUR 77,420 (previous year: kEUR 99,517), resulting in sales of kEUR 16,466 (previous year: kEUR 19,290). Internal sales of kEUR 1,127 (previous year: kEUR 645) were conducted between the product areas as well as sales to or from the parent company amounting to kEUR 263 (previous year: kEUR 321), which were completely eliminated in the consolidated financial statements.

Breakdown of external sales by product area and geographical criterion, with SYZYGY AG presented as part of the design & build product area and the Germany segment:

In kEUR	Germany	United Kingdom	Other segments	Total
Design & build	39,644	5,014	3,119	**47,777**
Performance marketing	9,786	4,906	1,774	**16,466**
Total	**49,430**	**9,920**	**4,893**	**64,243**

5.2 Other operating income and expenses

Other operating income and expenses consist of the following:

In kEUR	2019	2018
Time value measurement of earn-out and options liabilities	1,345	976
Subletting	910	655
Exchange rate effects	306	89
Income from employee benefits	177	166
Refund from health insurance funds	125	139
Reversal of provisions	100	626
Income from IFRS 16 derecognition	42	0
Refund of ancillary costs	11	0
Amortisation of corporate assets	-157	-488
Other	151	43
Total	**3,010**	**2,206**

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:

In kEUR	2019	2018
Cost of purchased services	7,798	8,139

5.4 Personnel expenses

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

In kEUR	2019	2018
Salaries and wages	31,583	31,699
Social security	5,129	4,981
Total	**36,712**	**36,680**

SYZYGY spent kEUR 247 (previous year: kEUR 241) on retirement benefits in the 2019 financial year, kEUR 19 of which is attributable to defined contribution pension plans.

In 2019, the average number of full-time employees in the SYZYGY Group was 558 (previous year: 574 employees).

By the end of the 2019 financial year, the total number of SYZYGY employees had decreased to 542 (previous year: 562 employees). The employees are distributed across the following functional areas within the Company:

Number of persons	12/31/2019	12/31/2018	Average in 2019	Average in 2018
Strategy consulting	115	118	114	113
Technology	99	101	97	100
Performance marketing	90	124	114	128
Creative services	82	75	79	81
Project management	80	68	75	75
Administration	76	76	79	77
Total	**542**	**562**	**558**	**574**

5.5 Depreciation and write-downs

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

In kEUR	2019	2018
Amortisation of rights of use	3,341	0
Amortisation of other intangible assets	362	610
Depreciation of fixed assets	1,678	1,499
Total	**5,381**	**2,109**

The amortisation of rights of use includes amortisation of real estate rights of use totalling kEUR 3,240 and of kEUR 101 for company cars.

The previous year included a complete impairment of the Catbird Seat brand in the amount of kEUR 285.

5.6 Financial income

In kEUR	2019	2018
Interest and similar income	375	498
Income from the sale of securities	346	132
Total financial income	**721**	**630**
Interest expense and similar expenses	-831	-90
Expenses from the sale of securities	-232	-67
Impairment losses under IFRS 9, net	39	-3
Total financial expenses	**1,024**	**-160**
Total financial income	**-303**	**470**

Interest and similar income, interest expense and similar expenses and income from the sale of securities are mainly derived under IFRS 9 from the FVTOCI valuation category. The interest expense resulting from accounting for leases under IFRS amounts to kEUR 682. Interest expense includes interest expense as defined in section 233a of the German Fiscal Code (Abgabenordnung, AO).

Financial income also includes a reversal on securities in accordance with IFRS 9 amounting to kEUR 39 (prior year: impairment loss of kEUR 3). Most of the securities impaired in the previous year were sold in the 2019 reporting year. No securities were found to be impaired when added, or to have an increased default risk. As a result, impairment was calculated on the basis of the expected probabilities of default for the next 12 months.

5.7 Income taxes

In kEUR	2019	2018
Current domestic income taxes	1,671	1,494
Current foreign income taxes	152	320
Subtotal of current income taxes	**1,823**	**1,814**
Deferred taxes	-169	-167
Total	**1,654**	**1,647**

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 payable by the SYZYGY AG group changed marginally compared with the previous year. The allocation of trade tax between the Bad Homburg v.d.H., Frankfurt, Hamburg and Munich 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 thus 31 per cent, as in the previous year.

In the United Kingdom, a general tax rate of 19 per cent applies since April 1, 2017.

In the US, there is a federal tax of 36.4 per cent plus local taxes applicable to SYZYGY NY of around 2.3 per cent.

In Poland, there has been a uniform tax rate of 19 per cent on corporate profits since January 1, 2015.

SYZYGY received an income tax refund of kEUR 109 net in the 2019 financial year (previous year: payments in arrears of kEUR 10). Due to the use of loss carry-forwards, tax expense was reduced by kEUR 8 (previous year: kEUR 96). Deferred tax assets and liabilities can be summarised as follows:

In kEUR	2019	2018
Deferred taxes (assets)		
Lease liabilities	6,945	0
Loss carry-forward at SYZYGY UK	224	0
Provisions	62	55
Other fixed assets	49	21
Impairments under IFRS 9	36	25
Other	28	18
Current assets (securities)	0	220
Loss carry-forwards at Ars Thanea	0	8
Offset against deferred tax liabilities	-4,833	0
Total	**2,511**	**347**

In kEUR	2019	2018
Deferred taxes (liabilities)		
Rights of use	6,813	0
Current assets (securities)	99	0
diffferent brand	95	130
Accounts receivable	54	49
USEEDS brand	26	46
Unique Digital brand	22	21
Fixed assets	0	24
Offset against deferred tax assets	-4,833	0
Total	**2,276**	**270**

The deferred tax assets at SYZYGY AG as the parent company are recorded on the different valuations of lease obligations and provisions.

Other deferred tax assets also arise at subsidiaries from different valuations of lease obligations due to differences in the useful lives of the assets between valuations in accordance with IFRS and the tax accounts.

Deferred tax assets totalling kEUR 6,945 were reported as a result of the lease liabilities being recognised for the first time in accordance with IFRS 16.

SYZYGY UK recognised a total of kEUR 224 as deferred tax assets for usable tax loss carry-forwards of kEUR 1,317.

Ars Thanea fully utilised usable tax loss carry-forwards from the previous year in the amount of kEUR 42 in the past financial year.

Deferred tax assets of kEUR 36 (previous year: kEUR 25) were recognised as a result of impairments in accordance with IFRS 9, which are recognised either in net income or such that net income is not affected, depending on the basis.

Deferred tax assets were offset against deferred tax liabilities in the total amount of kEUR 4,833. Implementation is in line with the offsetting provisions of IAS 12.71 ff.

As at December 31, 2019, the Group has tax loss carry-forwards that have not yet been used and are usable without restriction at SYZYGY Berlin in the amount of kEUR 2,287 (previous year: kEUR 2,203) for corporation tax and kEUR 2,702 (previous year: kEUR 2,618) for trade tax. No deferred tax assets have been recognised in this respect because no taxed income for offsetting is expected in the foreseeable future.

Deferred tax liabilities of kEUR 6,813 were reported as a result of rights of use for leased assets being capitalised in accordance with IFRS 16.

Other deferred tax liabilities result from first-time consolidation of subsidiaries in the amount of kEUR 143 (previous year: kEUR 197).

Different valuations of securities led to deferred tax liabilities of kEUR 99 (previous year: kEUR 0).

Due to different valuations of accounts receivable at Ars Thanea, deferred tax liabilities of kEUR 54 (previous year: kEUR 49) were recognised.

In the previous year, SYZYGY reported deferred tax liabilities of kEUR 24 due to differences in the useful lives of the assets between valuations in accordance with IFRS and the tax accounts at SYZYGY UK and Unique Digital UK.

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

In kEUR	2019	2018
Income before taxes	5,194	6,537
Income tax expense at a tax rate of 31 per cent (previous year: 31%)	1,610	2,026
Expected taxable value of income not subject to tax/ non-deductible expenditure	-341	-201
IFRS 16 tax effects, not affecting income	268	0
Differences in tax rates	118	-95
Tax effect on loss carry-forwards for which no deferred tax assets were recognised	26	-20
Tax arrears from previous years	3	32
Tax refunds from previous years	-112	-22
Tax effects resulting from additions and deductions of local taxes	**51**	**0**
Other	31	-73
Actual income tax	**1,654**	**1,647**

The tax rate differences result from an average tax rate of 31 per cent in Germany compared with around 39 per cent in the US, 19 per cent in the UK and 19 per cent in Poland.

Deferred taxes were accounted for taking future tax rates into consideration. SYZYGY expects a tax rate of 17 per cent for the UK in the future. SYZYGY is not aware of any proposed changes in any other tax rates. In the 2019 financial year, deferred tax assets of kEUR 4 (previous year: kEUR 16) and deferred tax liabilities of kEUR 85 (previous year: kEUR 188) were attributable to items that were offset directly against equity. The change in the valuation differences of kEUR 280 (previous year: kEUR 261) is recorded in other net income. 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 35 (previous year: kEUR 93), for which no deferred tax liabilities have been recognised.

5.8 Notes on currency translation

In accordance with IAS 21.52, currency translation differences of kEUR 582 (previous year: kEUR -315) were recorded in other net income for the period such that net income is not affected and aggregated in other net income.

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:

	2019	2018
Weighted average number of shares (in thsd.), diluted and basic	13,421	13,421
Net income of SYZYGY AG shareholders (In kEUR)	3,467	4,719
Earnings per share, diluted and basic (EUR)	0.26	0.35

A dividend of EUR 0.20 per eligible share will be proposed to the Annual General Meeting. The total amount distributed will thus be kEUR 2,685, taking 73,528 treasury shares into account.

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 2019, operating cash flow amounted to kEUR -4,458 (previous year: kEUR 16,357). 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 2019 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 net income of kEUR 1,345 from changes in the option and forward contract liabilities for acquiring the outstanding shares in USEEDS, SYZYGY Performance and diffferent (previous year: kEUR 1,236).

The movement of liabilities to cash flow from financing activities can be reconciled as follows:

		Liabilities to banks	Financial liabilities	Lease liabilities (IFRS 16)	Total
		kEUR	kEUR	kEUR	kEUR
12/31/2018		**4,113**	**14,727**	**0**	**18,840**
Change affecting payments	**Adoption of IFRS 16**	**0**	**0**	**22,203**	**22,203**
	01/01/2019	**4,113**	**14,727**	**22,203**	**41,043**
	Cash inflow				
	(Net) new addition of financial liabilities				
	Cash outflow	-1,054	-1,874	-3,227	**-6,155**
	(Net) repayment of financial liabilities	-1,054	-1,874	-3,227	**-6,155**
Change not affecting payments	(Net) effects from first-time consolidation				
	Remeasurement of earn-outs				
	Remeasurement of call options		-1,345		**-1,345**
	Net additions of lease liabilities			7,155	**7,155**
	Accrued interest for leases			682	**682**
	Other measurement			450	**450**
	Income to be transferred to fully consolidated companies		**312**		**312**
12/31/2019		**3,059**	**11,820**	**27,263**	**42,142**
	Overall change	-1,054	-2,907	5,060	**1,099**

		Liabilities to banks	Financial liabilities	Total
		kEUR	kEUR	kEUR
12/31/2017		**5,164**	**16,707**	**21,871**
Change affecting payments	Cash inflow	0	0	**0**
	(Net) new addition of financial liabilities	0	0	**0**
	Cash outflow	-1,051	-1,898	**-2,949**
	(Net) repayment of financial liabilities	-1,051	-1,898	**-2,949**
Change not affecting payments	(Net) effects from first-time consolidation	0	0	**0**
	Remeasurement of earn-outs	0	272	**272**
	Remeasurement of call options	0	-1,236	**-1,236**
	Income to be transferred to fully consolidated companies		**882**	**882**
12/31/2018		**4,113**	**14,727**	**18,840**
	Overall change	-1,051	-1,980	**-3,031**

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 quarter 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.

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 98 (previous year: kEUR 200) when selling these bonds or re-assessing their market value.

Lastly, SYZYGY regularly receives profit distributions in non-EUR currency from its foreign subsidiaries. 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 FVTOCI as per IFRS 9, interest rate changes have no immediate impact on the Group'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, EUR 3.6 million (previous year: EUR 10.6 million) was invested in a securities portfolio with a duration of around 5.3 years (previous year: 6.7 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 5.3 per cent (previous year: 6.7 per cent). This would lead to a change in the fair value of around kEUR 193 (previous year: kEUR 710). 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

Securities

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 at the reporting date, SYZYGY only held bonds with a minimum rating of B+. 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. Given that the duration of the securities portfolio is 5.3 years (previous year: 6.7 years), if average credit spreads widen by 100 basis points the portfolio's value would fall by 5.3 per cent (previous year: 6.7 per cent). This would lead to a change in fair value of around kEUR 193 (previous year: kEUR 710) at SYZYGY.

The probabilities of default for a 12-month period are based on historical information provided by rating agency Standard & Poor's for each credit rating.

The maximum default risk for securities is limited by their acquisition costs.

The default risk for FVTOCI bonds as at the reporting date, by currency, is as follows:

In kEUR	2019	2018
EUR	2,664	8,177
USD	978	2,005
PLN	0	420
Total	**3,642**	**10,602**

The change in value adjustments for FVTOCI bonds during the year was as follows:

In kEUR	2019	2018
As at January 1 as per IFRS 9	**53**	**50**
Net remeasurement of value adjustments	-39	3
As at December 31	**14**	**53**

Accounts receivable

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.

The default risk of accounts receivable is shown in the following table:

The Group uses a value adjustment matrix to measure expected credit losses on accounts receivable from the majority of clients because they comprise a very large number of small balances. The loss rates are calculated using the rolling rate method. This is based on the probability that a receivable will progress through successive stages as payment is delayed. Rolling rates are calculated separately for defaults in different segments, based on the following general credit attributes.

In kEUR	Germany	United Kingdom	Other segments	Central functions	Total
12/31/2019	12,242	2,962	1,491	8	**16,703**
12/31/2018	11,147	4,909	1,016	10	**17,082**

The following table provides information on the estimated default risk for accounts receivable as at December 31, 2019, and as at the same date in the previous year:

Accounts receivable as at December 31, 2019, in kEUR	Loss rate	Gross carrying value	Value adjustment	Impaired creditworthiness
Not due	0%	10,804	0	No
0–30 days	0%	4,038	0	No
31–60 days	0%	1,045	0	No
61–90 days	0%	74	0	No
91–120 days	2%	427	8	No
121–180 days	5%	114	6	No
181 days – 1 year	10%	137	14	No
More than a year	50%	184	92	No
Total		**16,823**	**120**	

Accounts receivable as at December 31, 2018, in kEUR	Loss rate	Gross carrying value	Value adjustment	Impaired creditworthiness
Not due	0%	7,586	0	No
0–30 days	0%	6,834	0	No
31–60 days	0%	1,258	0	No
61–90 days	0%	699	0	No
91–120 days	2%	354	7	No
121–180 days	5%	216	17	No
181 days – 1 year	10%	261	14	No
More than a year	50%	-88	0	No
Total		**17,120**	**38**	

The changes in the value adjustments relating to accounts receivable and contract assets were as follows:

In kEUR	2019		2018	
		Individual value adjustments		Individual value adjustments
As at January 1 as per IFRS 9	**38**	**129**	**45**	**55**
Net remeasurement of value adjustments	82	6	-7	74
As at December 31	**120**	**135**	**38**	**129**

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 2019 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 a high equity ratio, since this strengthens the competitiveness of a service provider such as SYZYGY. Due to first-time application of IFRS 16 starting from the 2019 reporting year and a resulting increase in total assets of more than EUR 20 million, SYZYGY will no longer be able to meet the former target of 60-80 per cent in future. Accordingly, it has set a new target of 40-60 per cent.

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:

In kEUR	2019	2018
Equity according to the balance sheet	52,943	54,001
Debt capital	66,520	55,645
Total capital	119,463	109,646
Equity ratio	44%	49%
Net income for the period	3,540	4,890
Return on equity	7%	9%

At the end of the 2019 financial year, SYZYGY only has liabilities to banks in the amount of kEUR 3,058 (previous year: kEUR 4,113); debt capital primarily comprises lease liabilities, 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 Group's contingent liabilities requiring disclosure amounted to kEUR 1,096 (previous year: kEUR 530) arising from the provision of rent guarantees for rental space in Bad Homburg v. d. H., 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. 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 1,096 (previous year: kEUR 530) with a financial institution, for which annual commission of 0.5 per cent is charged.

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:

In kEUR	12/31/2019	12/31/2018
Within 1 year	33	3,587
1–5 years	4	11,994
More than 5 years	0	10,836
Total	**37**	**26,417**

Total expenses for rent in 2019 amounted to kEUR 4,416 (prior year: kEUR 4,656). Income of kEUR 910 was obtained from subletting in 2019 (previous year: kEUR 655).

A total of kEUR 423 (previous year: kEUR 249) was recognised directly as an expense in 2019 for lease obligations that were treated off-balance sheet. kEUR 357 was attributable to expenses for short-term lease liabilities (exception < 1 month) and kEUR 66 to expenses for low-value leased assets.

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 bonds. The valuation of contingent purchase price commitments is based on earnings forecasts for the subsidiaries diffferent and SYZYGY Performance as well as for USEEDS, in each case for the period under review. These are valued in accordance with the purchase agreements, using the respective EBIT multiples for the periods prior to exercise of the option or forward contract. If the future cash flows of the subsidiaries for which SYZYGY recognises a contingent purchase price obligation increase by 10 per cent, the liability resulting from the purchase price obligation also increases by 10 per cent or kEUR 1,129 (previous year: kEUR 1,398).

The following table shows the Group'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.

Fair value of financial assets and liabilities that are regularly measured at fair value:

12/31/2019 in kEUR	Level 1	Level 2	Level 3	Total
Securities	3,642	–	–	3,642
Total financial assets	**3,642**	**–**	**–**	**3,642**
Conditional purchase price commitment	–	–	11,285	11,285
Total financial liabilities	**–**	**–**	**11,285**	**11,285**

12/31/2018 in kEUR	Level 1	Level 2	Level 3	Total
Securities	10,602	–	–	10,602
Total financial assets	**10,602**	**–**	**–**	**10,602**
Conditional purchase price commitment	–	–	13,982	13,982
Total financial liabilities	**–**	**–**	**13,982**	**13,982**

Fair value of financial assets and liabilities that are not measured at fair value, but for which the fair value must be stated:

	2019		2018	
Financial assets and liabilities that are not measured at fair value, in kEUR	Accounts receivable at amortised costs	Liabilities at amortised costs	Accounts receivable at amortised costs	Liabilities at amortised costs
Other non-current assets	274	0	294	0
Cash and cash equivalents	944	0	11,519	0
Accounts receivable and contract assets	19,709	0	19,904	0
Interest receivables in other current assets	49	0	207	0
Liabilities resulting from leases	0	27,250	0	0
Accounts payable	0	9,007	0	15,528
Loans to banks	0	3,058	0	4,113
Total	**20,976**	**39,315**	**31,924**	**19,641**

6.7 Statement of controlled investments of SYZYGY AG

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

	Share	Equity	Net income
	%	kEUR	kEUR
Ars Thanea S.A., Warsaw, Poland	70	1,125	250
diffferent GmbH, Berlin, Germany	70	2,359	634
SYZYGY Berlin GmbH, Berlin, Germany	99	-1,221	-84
SYZYGY Deutschland GmbH, Bad Homburg v. d. H., Germany [2]	100	203	37
SYZYGY Digital Marketing Inc., New York City, USA	100	275	71
SYZYGY Media GmbH, Hamburg, Germany [3]	100	18	-22
SYZYGY Performance GmbH, Munich, Germany	59	973	629
SYZYGY UK Ltd., London, UK [1]	100	423	-1,274
Unique Digital Marketing Ltd., London, UK [1]	100	1,978	-3,661
USEEDS° GmbH, Berlin, Germany	90	629	104

1 – Unique Digital Marketing Ltd. holds 100 per cent of the shares in SYZYGY UK Ltd., which operates in the UK. SYZYGY UK Ltd. is thus an indirect holding.

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 SYZYGY Media GmbH and SYZYGY AG in favour of SYZYGY AG.

6.8 Auditor's fee

The auditor, BDO AG Wirtschaftsprüfungsgesellschaft, charged a total fee, including outlay, of kEUR 143 (previous year: kEUR 126) for auditing services relating to the consolidated financial statements and the financial statements of the parent company. As in the previous year, no other assurance services or non-audit services were 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 material 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 over 50 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 2019, SYZYGY generated sales of kEUR 1,283 (previous year: kEUR 601) with the WPP Group for client projects. Of this amount, receivables of kEUR 349 (previous year: kEUR 151) were still outstanding as at the reporting date. During the financial year, SYZYGY also made use of administrative and operational services provided by the WPP Group with a value of kEUR 31 (previous year: kEUR 60). No liabilities were still outstanding as at the reporting date (previous year: kEUR 21).

With the exception of remuneration for members of the Management Board and their transactions with SYZYGY shares (see section 6.12.1 and 6.13) and compensation for the Supervisory Board and their transactions with SYZYGY shares (see section 6.12.2 and 6.13), no transactions that were not included in the consolidated financial statements were carried out with associated parties in 2019 and 2018. In the 2019 financial year, SYZYGY recorded rental expenses of kEUR 6 (previous year kEUR 9) which were invoiced by the Chairman of the Supervisory Board and settled in full by SYZYGY.

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

SYZYGY Deutschland GmbH and SYZYGY Media 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 January 30, 2020, the World Health Organisation (“WHO”) announced a global health emergency caused by a new strain of coronavirus (the “COVID-19 outbreak”). The organisation also provided information on the risks to the international community as the virus is spreading worldwide beyond its source. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic due to the rapid increase in the number of cases worldwide.

The full impact of the COVID-19 outbreak will continue to become apparent after the date of these financial statements. Accordingly, the full extent of the impact the pandemic will have on SYZYGY’s financial situation, liquidity and future operating income is unknown. Management is actively monitoring the global situation with regard to the financial position, liquidity, clients and workforce. Given the day-to-day evolution of the COVID-19 outbreak and the global response to contain its spread, SYZYGY is not in a position to fully assess the impact of the COVID-19 outbreak on its operating income, financial position or liquidity for the 2020 financial year. Nevertheless, the Management Board prepared an updated forecast on March 27, 2020 that takes into account the current impact of the coronavirus on SYZYGY up to that date. The Supervisory Board approved the updated forecast at its meeting on March 27, 2020.

There is considerable uncertainty around the economic impact during the rest of the financial year. However, the Management Board does expect that the spread of the coronavirus will have an impact on clients’ marketing budgets and consequently on the SYZYGY Group.

6.12 Parent company boards

6.12.1 Management Board

Lars Lehne, Hamburg
Chairman of the Management Board(CEO)
Managing Director, SYZYGY Berlin GmbH, Berlin

Frank Ladner, Heusenstamm
Member of the Management Board (CTO)
Managing Director, SYZYGY Deutschland GmbH, Bad Homburg v.d.H.
Member of the Supervisory Board, Ars Thanea S.A., Warsaw, Poland

Erwin Greiner, Bad Nauheim
Finance Director (CFO)
Managing Director, SYZYGY Media GmbH, Hamburg
Managing Director, SYZYGY Performance GmbH, Munich
Managing Director, diffferent GmbH, Berlin (since 01/22/2020)
Managing Director, USEEDS° GmbH, Berlin (since 01/22/2020)
Director, SYZYGY UK Ltd., London, United Kingdom
Director, Unique Digital Marketing Ltd., London, United Kingdom
Director, SYZYGY Digital Marketing Inc., New York, USA
Member of the Supervisory Board, Ars Thanea S.A., Warsaw, Poland

In the financial year, total remuneration of the Management Board amounted to kEUR 1,106 (previous year: kEUR 873). Lars Lehne received a basic salary of kEUR 300 (previous year: kEUR 300), fringe benefits of kEUR 14 (previous year: kEUR 14), pension benefits of kEUR 21 (previous year: kEUR 21) and a variable salary of kEUR 99 (previous year: kEUR 39). Frank Ladner received a basic salary of kEUR 220 (previous year: kEUR 200), fringe benefits of kEUR 12 (previous year: kEUR 12), pension benefits of kEUR 16 (previous year: kEUR 16) and a variable salary of kEUR 60 (previous year: kEUR 27). Erwin Greiner received a basic salary of kEUR 210 (previous year: kEUR 180), fringe benefits of kEUR 12 (previous year: kEUR 12), pension benefits of kEUR 16 (previous year: kEUR 16) and a variable salary of kEUR 49 (previous year: kEUR 36). The pension expenses relate to payments to pension schemes.

Lars Lehne exercised 96,000 phantom stocks in the past financial year. Frank Ladner received a dividend of kEUR 4, which was granted to him as part of a stock option programme in 2017.

Andrew P. Stevens stepped down from the Management Board effective December 31, 2017. In the 2018 financial year, Andrew P. Stevens received a basic salary of kEUR 124, fringe benefits of kEUR 7, pension benefits of kEUR 6 and a variable salary of kEUR 76.

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.

On April 1, 2016, Chairman of the Management Board Lars Lehne received a total of 240,000 phantom stocks with an exercise price of EUR 9.13, of which 144,000 are still outstanding. Similarly, on January 16, 2018, Frank Ladner was allocated 55,000 phantom stocks with a term beginning on December 29, 2017 at an exercise price of EUR 11.27; on February 6, 2018, Erwin Greiner was allocated 80,000 phantom stocks with a term beginning on December 29, 2017 at an exercise price of EUR 11.25, which are also still fully outstanding.

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

	Lars Lehne, CEO			
Benefits granted	2019	2018	2019 Minimum	2019 Maximum
	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	300	300	300	300
Fringe benefits	14	14	14	14
Total	**314**	**314**	**314**	**314**
One-year variable remuneration	99	99	0	99
Multi-year variable remuneration				
Phantom stock programme	0	0	0	0
Total	**99**	**99**	**0**	**99**
Pension benefits	21	21	21	21
Total remuneration	**434**	**434**	**335**	**434**

	Frank Ladner, CTO			
Benefits granted	2019	2018	2019 Minimum	2019 Maximum
	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	220	200	220	220
Fringe benefits	12	12	12	12
Total	**232**	**212**	**232**	**232**
One-year variable remuneration	66	60	0	66
Multi-year variable remuneration				
Phantom stock programme	0	85	0	0
Total	**66**	**145**	**0**	**66**
Pension benefits	16	16	16	16
Total remuneration	**314**	**373**	**248**	**314**

	Erwin Greiner, CFO			
Benefits granted	2019	2018	2019 Minimum	2019 Maximum
	kEUR	kEUR	kEUR	kEUR
Fixed remuneration	210	180	210	210
Fringe benefits	12	12	12	12
Total	**222**	**192**	**222**	**222**
One-year variable remuneration	63	54	0	63
Multi-year variable remuneration				
Phantom stock programme	0	124	0	0
Total	**63**	**178**	**0**	**63**
Pension benefits	16	16	16	16
Total remuneration	**301**	**386**	**238**	**301**

6.12.2 Supervisory Board

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

Andrew Payne
Member of the Supervisory Board
Group Associates Controller, WPP 2005 Ltd., London, United Kingdom

Dominic Grainger
Member of the Supervisory Board since June 7, 2019
CEO, GroupM EMEA, London, United Kingdom

Rupert Day
Member of the Supervisory Board until June 7, 2019
CEO, tenthavenue Ltd., London, United Kingdom

The Supervisory Board members received total remuneration of kEUR 60 for their work in the 2019 financial year. This comprises fixed remuneration of kEUR 20 each (previous year: kEUR 20). As in the previous year, the Supervisory Board members did not receive any variable remuneration. The remuneration for Rupert Day and Dominic Grainger was split on a pro rata basis.

6.13 Directors' dealings

Management Board: Shares [Number of shares]	Lars Lehne	Frank Ladner	Erwin Greiner	Total
As at: December 31, 2018	**10,000**	**0**	**0**	**10,000**
Purchases	0	0	0	0
Sales	0	0	0	0
As at: December 31, 2019	**10,000**	**0**	**0**	**10,000**

Management Board: Phantom Stocks [Number of shares]	Lars Lehne	Frank Ladner	Erwin Greiner	Total
As at: December 31, 2018	**240,000**	**55,000**	**80,000**	**375,000**
Additions	0	0	0	0
Disposals	-96,000	0	0	-96,000
As at: December 31, 2019	**144,000**	**55,000**	**80,000**	**279,000**

Management Board: Shares [Number of shares]	Lars Lehne	Frank Ladner	Erwin Greiner	Total
As at: December 31, 2017	**10,000**	**0**	**0**	**10,000**
Purchases	0	0	0	0
Sales	0	0	0	0
As at: December 31, 2018	**10,000**	**0**	**0**	**10,000**

Management Board: Phantom Stocks [number of shares]	Lars Lehne	Frank Ladner	Erwin Greiner	Total
As at: December 31, 2017	**240,000**	**0**	**45,000**	**285,000**
Additions	0	55,000	80,000	135,000
Disposals	0	0	-45,000	-45,000
As at: December 31, 2018	**240,000**	**55,000**	**80,000**	**375,000**

Supervisory Board: Shares [Number of shares]	Wilfried Beeck	Dominic Grainger	Rupert Day	Andrew Payne	Total
As at: December 31, 2018	**10,000**	**0**	**0**	**0**	**10,000**
Purchases	0	0	0	0	0
Sales	0	0	0	0	0
As at: December 31, 2019	**10,000**	**0**	**0**	**0**	**10,000**

Supervisory Board: Shares [Number of shares]	Ralf Hering	Wilfried Beeck	Rupert Day	Andrew Payne	Total
As at: December 31, 2017	**0**	**10,000**	**0**	**0**	**10,000**
Purchases	0	0	0	0	0
Sales	0	0	0	0	0
As at: December 31, 2018	**0**	**10,000**	**0**	**0**	**10,000**

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

Dominic Grainger replaced Rupert Day as a member of the Supervisory Board following his election at the Annual General Meeting on June 7, 2019.

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

Publication pursuant to Article 40 Section 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) with the aim of distribution throughout Europe

Publication of a voting rights announcement on March 12, 2019.

Disclosures relating to the issuer
SYZYGY AG, Horexstr. 28, 61352 Bad Homburg v.d.H., Germany

Reason for notification
Acquisition/sale of shares with voting rights

Disclosures relating to the party subject to notification requirements
Hauck und Aufhäuser Fund Service S.A., Munsbach, Luxembourg

Date of breaching threshold
March 8, 2019

Information on the party subject to notification requirements
Party subject to notification requirements is neither controlled nor controls party subject to notification requirements of other companies with reportable voting rights of the issuer.

Total percentages of voting rights

	Percentage of voting rights	Percentage of instruments	Total percentages	Total number of issuer's voting rights
New	2.97%	0.00%	2.97%	13500026
Most recent notification	3.09%	0.00%	3.09%	–

Details of the voting right holdings

Voting rights (Articles 33, 34 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act)

	Absolute		Percentage	
ISIN	Direct (Article 33 WpHG)	Attributed (Article 34 WpHG)	Direct (Article 33 WpHG)	Attributed (Article 34 WpHG)
DE0005104806	400771	0	2.97%	0%
Total	**400,771**		**2.97%**	

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

The declaration of compliance with the German Corporate Governance Code in accordance with Article 161 of the AktG (German Public Companies Act) was issued on October 23, 2019 and is available to all shareholders on the Group's website (ir.syzygy.net/global/en/investor-relations/corporate-governance/2019).

6.16 Date of authorisation for publication

The Management Board adopted and approved the consolidated financial statements for publication on March 27, 2020.

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 27, 2020
SYZYGY AG

The Management Board

Lars Lehne

Frank Ladner

Erwin Greiner

Independent auditors' report

This is a convenience translation of the German original. Solely the original text in German language is authoritative.

To the SYZYGY AG, Bad Homburg v. d. Höhe

Report on the audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of SYZYGY AG, Bad Homburg v. d. Höhe and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2019 to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SYZYGY AG for the financial year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the chapter “other information”.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § *[Article]* 315e Abs. *[paragraph]* 1 HGB *[Handelsgesetzbuch: German Commercial Code]* and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2019, and of its financial performance for the financial year from 1 January 2019 to 31 December 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those parts of the group management report listed in the chapter “other information”.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2019 to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

We identified the following matter as key audit matter:

Impairment of goodwill

Facts and circumstances

In the consolidated financial statement of SYZYGY AG, under the balance sheet item “Non-Current Assets”, goodwill at an amount of EUR 58,4 million is reported, representing 49,0 per cent of consolidated total assets. The goodwill was assigned to cash-generating units.

Cash-generating units with goodwill are subject to impairment tests by the company at least once a year as well as to an additional impairment test if there are any indications of an impairment. The valuation is thereby undertaken by means of a valuation model, using the discounted cash flow method. If the carrying amount of a cash-generating unit is higher than its recoverable amount, the carrying amount is written down to the recoverable amount.

Assessing the recoverability of goodwill is complex and requires that the executive directors make numerous estimates and use significant judgment, especially with regard to the amount of future cash flows, a sustainable growth rate for cash flows expected for a forecast beyond the detailed budget period, and the discount rate to be used. This is a key audit matter due to the significance of the goodwill balance in the consolidated financial statements of SYZYGY AG and because of considerable uncertainties associated with such a measurement.

The disclosures made by SYZYGY AG on goodwill are contained in sections 2.1 (pages 78-79), and 3.1 as well as in 3.2 (pages 89-91) of the notes to the consolidated financial statements.

Audit response

In the context of our audit we evaluated the appropriateness of the material assumptions and judgement-related parameters, as well as the method of calculation of the impairment test, also involving our valuation specialists. We gained an understanding of the planning system and planning processes of the executive directors as well as of the significant assumptions used by them. We reconciled the prognosis on future cash flows in the detailed planning period with the business planning prepared by the executive directors and approved by the supervisory board and determined reasonableness of the company’s historical forecasting accuracy by means of an analysis of budget-to-actual variances in the past and for the financial year 2019. We examined the underlying budget assumptions and growth rates assumed for the expected cash flows beyond the detailed budget period by comparing past developments considering industry-specific market expectations and the company specific situation. Furthermore, we critically analysed the discount rates used on the basis of the average costs of capital of a peer group. Our audit also encompassed sensitivity analyses made by SYZYGY AG.

Regarding the effects of possible changes in costs of capital and the growth rates assumed, we additionally performed our own sensitivity analyses.

First-time adoption of the new accounting standard "IFRS 16 – Leases"

Facts and circumstances

The consolidated financial statements of SYZYGY AG as of December 31, 2019 includes right-of-use assets in the amount of EUR 24.9 million and lease liabilities of EUR 27.3 million. Leasing liabilities account for 22.8 per cent of total assets and therefore have a significant impact on the Group's net assets and financial position. For the current financial year, the first-time adoption of the new accounting standard "IFRS 16 – Leases" had both a significant impact on the opening balance sheet values as well as the roll-forward impact to the balance sheet date. The first-time adoption of the standard is based on the modified retrospective method. The comparative figures of the previous year's periods have not been adjusted. The new accounting standard requires estimation and measurement decisions to be made by legal representatives in certain areas. For example, the estimates regarding the exercise of options can have an impact on the determination of the lease term and the amount of future lease payments. Furthermore, the recording of extensive data from the leasing agreements is necessary to determine the initial adoption effect and the standard-compliant roll-forward impact of the right-of-use assets and leasing liabilities. The data from the leases recognized in accordance with IFRS 16 form the basis for the measurement of right-of-use assets and lease liabilities.

A key audit matter exists due to the complexity of the requirements of the new accounting standard IFRS 16, with regards to the accuracy and completeness of data and the need for judgement by management.

The disclosures made by SYZYGY AG on right-of-use assets and lease liabilities are contained in sections 1.5, 1.7, 2.9, 3.2, 3.13, 5.5, 5.6, 6.2 and 6.6 of the notes to the consolidated financial statements.

Audit response

In the context of our audit, we gained an understanding of the process of implementing the new accounting standard and assessed its sufficiency. Together with our internal specialists, we assessed the effects of the first-time adoption of IFRS 16 based on the technical concept with regard to the conformity with the requirements of IFRS 16. Together with our internal specialists, we inspected a randomly selected sample of contractual leasing agreements and evaluated to determine whether the relevant data was recorded correctly and completely; this was performed for the purpose of determining the correct basis for calculation of right-of-use assets and leasing liabilities, for which we additionally checked the mathematical accuracy of the calculation. Where estimation and judgements were made to determine the term of the lease obligation, we have verified the underlying assumptions by interviews and by inspecting suitable evidence. We have assessed that the assumptions are reasonable and consistent with other assumptions made in the financial statements. Finally, we assessed the appropriateness of the disclosures in the notes on lease accounting in accordance with IFRS 16.

Other information

The executive directors are responsible for the other information. The other information comprises:

- the non-financial statement included in section 11. of the group management report,
- the statement on corporate governance included in section 10. of the group management report and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with *[German]* law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU audit regulation

We were elected as group auditor by the annual general meeting on 7 June 2019. We were engaged by the supervisory board on 15 November 2019. We have been the group auditor of the SYZYGY AG without interruption since the financial year 2004.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Rebecca Patzelt.

Frankfurt am Main, 27 March 2020

BDO AG
Wirtschaftsprüfungsgesellschaft

gez. Gebhardt	gez. Patzelt
Wirtschaftsprüfer	Wirtschaftsprüferin

Financial calendar 2020

3-Month-Report (English version: 05/08) **04/30**	**Half-Year-Report** (English version: 08/07) **07/31**	**Annual General Meeting, Frankfurt*** **10/27**
9-Month-Report (English version: 11/06) **11/06**	**German Equity Forum, Frankfurt*** **11/16-18**	**MKK – Munich Capital Market Conference*** **12/08-09**

All dates are subjects to change.
* Current informations are available at ir.syzygy.net

CONTACT/IMPRESS

SYZYGY

SYZYGY AG
HOREXSTRASSE 28
D-61352 BAD HOMBURG V.D.H.
T +49 6172 9488–252
F +49 6172 9488–270
IR@SYZYGY.NET
SYZYGY.NET

CHAIRMAN OF THE SUPERVISORY BOARD:
WILFRIED BEECK
MANAGEMENT BOARD:
ERWIN GREINER, FRANK LADNER

EDITORIAL DEPARTMENT: SYZYGY AG
PHOTOGRAPHY: SYZYGY, THE DRUM
MARKETING AWARDS, FRANZISKA TAFFELT,
ANETA POMIECZYNSKA

SYZYGY