

SIZIGY



## Key financial figures

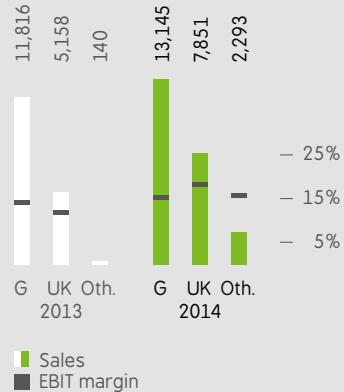
**Sales**  
H1 in EUR'000



**EBIT and EBIT margin**  
H1 in EUR'000



**Sales and EBIT margin**  
by segments  
H1 in EUR'000



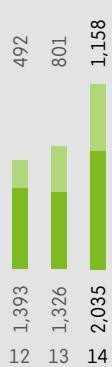
**Sales allocation by**  
vertical markets



**Financial income**  
H1 in EUR'000



**Ratio of operating income**  
to financial income  
H1 in EUR'000



**Net income**  
H1 in EUR'000



■ Operating income  
■ Financial income

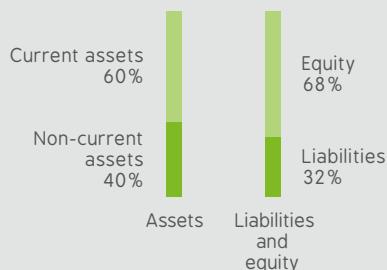
*Earnings per share  
H1 in EUR*



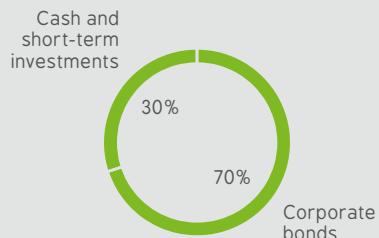
*Development of operating  
cash flows  
H1 in EUR'000*



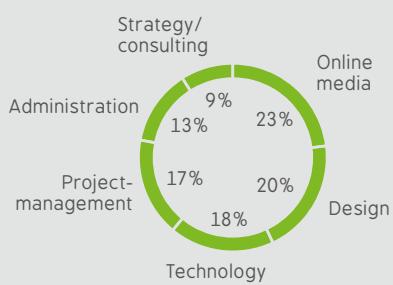
*Balance sheet  
structure*



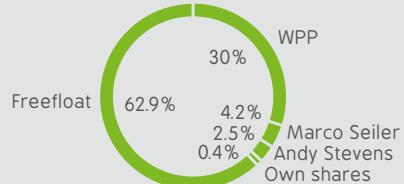
*Portfolio structure of  
cash and marketable  
securities*



*Employees by  
function*



*Shareholder  
structure*



- 1 / General
- 1 / Group profile
- 2 / Economic report
- 7 / Outlook
- 10 / Consolidated balance sheet
- 11 / Consolidated statement of comprehensive income
- 12 / Statement of changes in equity
- 13 / Consolidated statement of cash flows
- 14 / Notes to the consolidated quarterly financial statements
- 19 / Financial calendar 2014

# Business development and management report

|   | 2nd Quarter |         |        | January-June |         |        |
|---|-------------|---------|--------|--------------|---------|--------|
|   | 2014        | 2013    | Change | 2014         | 2013    | Change |
|   | EUR'000     | EUR'000 |        | EUR'000      | EUR'000 |        |
| Sales   | 11,510      | 8,955   | 29%    | 22,573       | 16,933  | 33%    |
| EBITDA  | 1,170       | 806     | 45%    | 2,547        | 1,679   | 52%    |
| EBITDA margin                                 | 10%         | 9%      | +1pp   | 11%          | 10%     | +1pp   |
| EBIT  | 919         | 621     | 48%    | 2,035        | 1,326   | 53%    |
| EBIT margin                                   | 8%          | 7%      | +1pp   | 9%           | 8%      | +1pp   |
| Financial income                              | 571         | 445     | 28%    | 1,158        | 801     | 45%    |
| Comprehensive income                          | 790         | 780     | 1%     | 2,655        | 1,549   | 71%    |
| Earnings per share (EUR)                      | 0.06        | 0.06    | –      | 0.20         | 0.12    | 67%    |
| Employees as per June, 30 (incl. freelancers) | 460         | 345     | 33%    | 460          | 345     | 33%    |
| Liquid assets                                 | 24,300      | 22,038  | 10%    | 24,300       | 22,038  | 10%    |
| Operating cash flow                           | 854         | 1,000   | -15%   | 3,795        | -1,049  | n.a.   |

## 1. General

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

## 2. Group profile

### 2.1 Business activities and structure

SYZYGY is an international service group for digital marketing with 420 permanent employees and 40 freelance staff at the balance sheet date. The Group consists of SYZYGY Aktiengesellschaft and its nine subsidiaries: SYZYGY Deutschland GmbH, SYZYGY UK Ltd, unquedigital GmbH, Unique Digital Marketing Ltd, the design studios Hi-ReS! London Ltd, Hi-ReS! New York Inc and Hi-ReS! Berlin GmbH and Ars Thanea ska. Although Hi-ReS! Hamburg is not operational at present, it continues

to exist as a legal entity. Mediopoly Ltd is also not operational; it was wound up and deconsolidated with effect from May 19.

Effective February 6, 2014, the stake in Ars Thanea was increased from 26 per cent to its current level of 70 per cent, with the result that the agency has been fully consolidated since the first quarter of 2014.

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

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

## 2.2 Group management

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

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

## 3. Economic report

### 3.1 General economic development

Although official figures were not yet available when this report was being prepared, the latest surveys of companies and households suggest that the moderate economic recovery in the Eurozone continued in the second quarter of 2014. The joint forecast of the ifo, INSEE and ISTAT institutes indicates that gross domestic product (GDP) grew 0.3 per cent, after 0.2 per cent in the first quarter. The institutes report that this performance was more broadly based overall than in the previous quarters, covering additional sectors and more member states. In particular, they note that an increase in domestic demand in the form of private spending on replacement goods and additional items contributed to the slight rise, while personal consumer demand remained at a low level with unemployment still high.

Following a very strong start to the year (0.8%) due to the weather conditions, the German economy as a whole continued to expand, although growth did slow down as expected. Initial forecasts suggest that GDP rose by 0.3 per cent in the second quarter compared with Q1 2014. Growth was driven chiefly by a strong domestic economy, which benefited from rising wages in real terms, positive consumer sentiment and persistently low interest rates.

Despite the overall positive trend, dips in industrial orders and production together with the crises in Ukraine and Iraq led to slightly gloomier sentiment in the business world. Both the ifo Business Climate Index and the ZEW economic expectations barometer recorded falls on several occasions but remained high overall.

The UK economy continued to make good progress, growing for the sixth time in a row in the second quarter. As in the first three months of the year, provisional figures indicate that GDP was again up 0.8 per cent. This would mean that the UK has for the first time regained the historical peak in GDP seen in the first quarter of 2008 before growth plummeted by 7.2 per cent within just a few months due to the global economic crisis.

### 3.2 Advertising market performance

SYZYGY accepts that the validity of advertising statistics is limited since different survey methods produce widely different results and forecasts. In addition, gross advertising figures do not provide any insight into actual cash flows because they do not take account of discounts and special terms.

They are nevertheless a reliable indicator of general trends and shifts within advertising budgets.

The latest figures suggest that advertisers in Germany and the UK have increased their advertising budgets in line with the general economic recovery.

According to Nielsen, gross advertising spend in Germany rose by almost 5 per cent in the first half of the year, compared with the same period last year. Alongside TV advertising, growth was driven primarily by online advertising, which saw a 7.3 per cent rise. The importance of mobile advertising formats in particular is being increasingly recognised by marketing departments and reflected in media planning. Although mobile advertising spend (EUR 72 million) was still quite low in the first half of the year, the actual figure is twice that of H1 2013.

In the UK too, the significant upturn in the economy encouraged corporate spending. In their Expenditure Report, AA/Warc assume growth of 5 per cent for the first quarter. The upward trend is confirmed by the Bellwether Report for the second quarter. This survey-based study reported rising advertising budgets for the seventh time in a row. Online marketing benefited to a particularly large extent from the increased willingness to invest.

### **3.3 Performance and situation of the Group**

#### **3.3.1 Sales**

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

The SYZYGY Group continued its strong performance in the second quarter, with billings up 32 per cent year-on-year at EUR 31.4 million. Billings totalled EUR 58.7 million for the six-month period, an increase of 35 per cent. The acquisition of new clients had a substantial impact, as well as the expansion of work for online marketing client AVIS, which is now also being supported by the SYZYGY Group in the North American market and other regions.

The Group also achieved significant growth in sales, which amounted to EUR 11.5 million (+29%) in the second quarter, while sales totalling EUR 22.6 million (+33%) were generated in the first six months. Organic growth excluding the contribution made by Ars Thanea was 26 per cent over the six months.

Accounting for 39 per cent of sales, the automotive industry remains the most important sector for the SYZYGY Group. This figure was up seven percentage points compared with the same period of the previous year, since the client relationship with Mazda was expanded considerably and BMW was acquired as a new client.

The retail and consumer goods sector accounted for 24 per cent of sales (previous year: 27%), while SYZYGY continued to generate 13 per cent of its sales with companies from the telecommunications/IT industry. Around 8 per cent of sales related to customers in the finance sector (previous year: 12%).

The remaining 16 per cent came from firms that cannot be assigned to any of these areas.

About 65 per cent of total sales were attributable to the Group's ten largest clients, an increase of eight percentage points year-on-year.

### **3.3.2 Operating expenses and depreciation**

The cost of sales increased in the first half of 2014, climbing 32 per cent to EUR 16.0 million. Since the rise lagged sales growth, gross margin was up slightly at 29 per cent. The increase in general administrative expenses of 20 per cent to EUR 2.4 million was less than proportionate due to economies of scale, especially in administration.

Sales and marketing costs totalled EUR 2.3 million in the first six months, 40 per cent up on the prior-year period. While intensive promotional campaigns at Ars Thanea in particular led to a rise in this accounting item in the first quarter, the cost of holding the Digital Innovation Day was incurred in the second quarter. This exclusive event is aimed at the marketing decision-makers of leading companies. It helps to consolidate and develop the SYZYGY Group's reputation as an innovative and visionary partner for all aspects of digital marketing.

Depreciation of fixed assets amounted to EUR 0.5 million.

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

As expected, operating income was extremely buoyant, with highly disproportionate growth being achieved. At EUR 2.0 million, the results for the half-year were 53 per cent above the figure for the prior-year period. In addition to the acquisition of Ars Thanea, an increase in profitability in Germany and the UK also had a positive impact since adverse factors were eliminated. As a consequence, the EBIT margin was up one percentage point compared with the prior-year period, at nine per cent.

### **3.3.4 Financial income**

SYZYGY again generated a high level of financial income in the period covered by the report, totalling EUR 1.2 million (+45%). This figure represents a return of 9.0 per cent on the average available liquidity of EUR 25.3 million.

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

The pre-tax income generated by the SYZYGY Group in the first half of the year was EUR 3.8 million, exceeding that of the previous year by 81 per cent or EUR 1.7 million.

Around EUR 1.0 million is attributable to strong operating and financial income, while about EUR 0.7 million is due to special factors in the first quarter. In the course of first-time full consolidation of Ars Thanea, the 26 per cent stake (held since 2011) was revalued. The resulting increase in assets is recognised as a separate item in the statement of comprehensive income. Excluding this effect, pre-tax income would have risen by 50 per cent to EUR 3.2 million.

Given a tax rate of 25 per cent, which is lower than in the previous year, net income from continuing operations was EUR 3.0 million, an increase of 92 per cent. The result was reduced by winding up and deconsolidating the non-operational company Mediopoly Ltd in the second quarter. This led to currency losses of EUR 0.3 million, resulting in total net income of EUR 2.7 million.

With an average of 12.76 million (diluted: 12.88 million) shares qualifying for participation in the profits in the first half of the year, this represents basic and diluted earnings per share of EUR 0.20, after deduction of minority interest.

### **3.3.6 Segment reporting**

In line with the management approach, SYZYGY uses geographical criteria to report segments and thus distinguishes between Germany and the UK. "Other segments" are also reported since the first quarter of 2014, comprising the Polish agency Ars Thanea and Hi-ReS! New York. Neither company fulfils the size criteria set out in IFRS 8.13 to qualify as an independent geographical segment.

All segments contributed to the growth of the SYZYGY Group. The UK agencies made a particularly significant contribution in the period covered by the report. They continued the strong performance delivered in the first quarter and expanded sales by 52 per cent to EUR 7.9 million compared with H1 2013. EBIT saw significantly disproportionate growth, rising 104 per cent to EUR 1.4 million. In addition to the acquisition of new clients, this very positive result is also due to the expansion of work for Mazda to cover additional markets such as Australia, Taiwan and South Africa.

The EBIT margin rose by five percentage points to 18 per cent year-on-year in the UK segment.

The German agencies also continued their growth trajectory, improving their sales by 11 per cent to EUR 13.1 million. Operating income of EUR 1.9 million corresponds to a 14 per cent rise, representing an EBIT margin of 15 per cent.

Ars Thanea and Hi-ReS! New York generated combined sales of EUR 2.3 million and operating income of EUR 0.4 million. The profitability of the companies was thus 16 per cent.

The contribution made by the individual segments to the overall result was as follows: 56 per cent of sales were generated in Germany, 34 per cent in the UK and 10 per cent in the other segments.

In terms of operating income, 52 per cent is attributable to the German companies, 38 per cent to the UK agencies and 10 per cent to Ars Thanea and Hi-ReS! New York.

### **3.3.7 Financial position and cash flows**

At EUR 24.3 million, the liquidity reserves of the SYZYGY Group have declined marginally (-2%) compared with year-end 2013. The portfolio structure has shifted slightly in favour of bank and overnight deposits, which totalled EUR 7.4 million (+9%), representing 30 per cent of liquid assets.

EUR 16.9 million (70 per cent) of funds were invested in corporate bonds, 6 per cent less than as at December 31, 2013.

Total cash flow of the SYZYGY Group amounted to EUR 0.5 million in the first half of the year.

Operating cash flow made a positive contribution. At EUR 3.8 million, it was significantly above the previous year's level (EUR -1.0 million). It was boosted by the high net income (EUR 2.7 million), a rise in advance payments of EUR 1.3 million received from clients and an increase of EUR 2.4 million in accounts payable. Changes in accounts receivable had a negative impact; they increased by EUR 3.4 million in the course of expanding the business.

Overall, working capital was reduced by EUR 0.8 million, despite the growth in sales.

Cash flow from financing activities was negative at EUR -3.2 million. Payment of the ordinary dividend led to cash outflows totalling EUR 3.6 million. This was partly offset by an inflow of liquid funds amounting to EUR 0.4 million from the sale of treasury shares to the existing shareholders of Ars Thanea.

**3.3.8 Investments, research and development**  
The SYZYGY Group invested EUR 0.7 million in intangible assets and fixed assets in the first half of the year. Leasing and fitting out new office space for Hi-ReS! New York incurred a high level of investment totalling EUR 0.3 million in the second quarter. Routine amounts were also invested in equipment for employees.

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

**3.3.9 Net assets and balance sheet position**  
At EUR 72.9 million, total assets of the SYZYGY Group were 10 per cent above the level of December 31, 2013 (EUR 66.1 million).

On the assets side of the balance sheet, the rise is due in particular to goodwill, which rose EUR 3.9 million (20%) to the present level of EUR 23.5 million. EUR 3.5 million of this amount is attributable to Ars Thanea, while currency effects account for EUR 0.4 million. Intangible assets and fixed assets also increased by 31 per cent to EUR 3.5 million due to the acquisition of Ars Thanea.

Overall, non-current assets rose by 16 per cent to EUR 29.4 million in the period covered by the report.

Current assets totalled EUR 43.5 million (+6%). A 32 per cent increase in accounts receivable to EUR 17.1 million had a major impact here. The rise in accounts receivable is attributable to the full consolidation of Ars Thanea and to organic business expansion. Liquidity reserves remained almost unchanged overall, at EUR 24.3 million.

On the financing side of the balance sheet, there was a small rise of one per cent in equity to EUR 49.4 million, despite the dividend payment. Equity capital was boosted by other net income, which climbed EUR 1.2 million due to currency effects and positive performance of securities.

Retained earnings fell by EUR 1.1 million to EUR 15.7 million, with the overall result being unable to fully compensate for the dividend payment.

Due to earn-out arrangements with the minority shareholders of Ars Thanea, total non-current liabilities increased to EUR 1.8 million. Based on the latest budgeting, the company expects to make an earn-out payment of around EUR 1.5 million in 2019.

Current liabilities increased by 26 per cent, reaching EUR 21.7 million as at the balance sheet date.

The rise in receivables on the assets side was countered by higher accounts payable totalling EUR 10.4 million (+28%). Additional provisions were also established in the period covered by the report, amounting to EUR 4.7 million in total (+11%). At EUR 4.4 million, advance payments received were likewise above the figure as at December 31, 2013 (+45%).

The equity ratio of 68 per cent corresponds to a drop of six percentage points compared with year-end 2013.

### 3.3.10 Employees

The full consolidation of Ars Thanea and general expansion of business also led to a substantial increase in the number of employees. The Group had a total of 420 permanent employees as at the balance sheet date, 27 per cent more than at June 30, 2013. In addition, 40 freelance employees worked for the Group.

225 of the permanent staff worked for the German companies (54%), 128 for the UK agencies (30%), 59 persons were employed by the Polish agency Ars Thanea (14%) and eight by Hi-ReSI New York (2%).

The distribution of employees by role remained largely unchanged compared with the previous year. There were marginal changes of one percentage point in each case in technology (19%), project management (17%) and administration (13%). There was no change in the proportion working in strategy consulting, i.e. 9 per cent of the workforce. Due to the acquisition of Ars Thanea, the proportion of staff working in design increased by six percentage points to the present level of 20 per cent. In online marketing, the headcount remained constant in absolute figures, but declined in terms of percentage from 29 to 23 per cent.

The average headcount was 440 in the first half of the year, including freelancers. Annualised sales per head were therefore EUR 103,000.

## 4. Outlook

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

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

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

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

### 4.1. General economic situation

In their joint forecast, the ifo, INSEE and INSTAT research institutes predict that the economic recovery in the Eurozone will stabilise at a low level. They regard growth of 0.3 per cent as realistic for the third and fourth quarters, while forecasting growth of 1.0 per cent for the whole year. Risks are seen chiefly in a rise in the savings ratio of private households and an escalation of the international conflicts in Eastern Europe and the Middle East.

In Germany, the medium-term economic outlook remains positive according to the Center for European Economic Research (ZEW). It believes that the basic economic trend remains upward, despite the weakness in the second quarter. The Bundesbank regards the “requirements for quite strong growth” as being in place. Estimates range between 1.9 and 2.3 per cent for the whole of 2014.

The upturn in the British economy, which is primarily being driven by consumer spending, still lacks a stable foundation in the view of many experts. The British Chamber of Commerce, for example, points to the rising trade deficit, the risk of a housing bubble and to high levels of household debt. It is not possible to predict whether, when or to what extent these structural shortcomings will have an impact. At present, however, the upward trend is expected to continue as far as the current year is concerned. Forecasts range from 2.4 to 3.5 per cent, with 3.1 per cent as the average.

#### **4.2 Advertising market**

The advertising industry is expected to benefit from the economic upturn, although to varying degrees. While eMarketer has calculated growth of 1.7 per cent for the overall market in Germany, the German Online Marketing Group (OVK) forecasts an above-average increase in digital display advertising (including mobile) of 8.4 per cent.

eMarketer forecasts that the UK advertising market will grow by 5.6 per cent, with AA/Warc arriving at a similar figure of 6.0 per cent. The association estimates that digital advertising will rise 14.0 per cent, of which around three quarters is expected to be associated with mobile advertising formats.

#### **4.3 Performance of the SYZYGY Group**

Regardless of their validity in absolute terms, the figures demonstrate that the SYZYGY Group continues to operate in a highly attractive sector with excellent opportunities for growth.

The Internet is developing into a central interface for companies’ relationships with their customers – from e-commerce through optimisation of the pre-purchase phase and digital product information to digital customer service. Major companies use brand platforms as a basis for their regional Internet presence in the individual markets. Such platforms are playing an increasingly key role in acquiring customers and generating loyalty. Brands such as Jägermeister, Mazda, BMW and Dr. Oetker have recognised this and rely on the SYZYGY Group’s more than 20 years of industry experience for the relevant concepts, design work and technical realisation.

Due to the very successful course of business in the first half of the year combined with ongoing positive prospects, the Group is raising its forecast for 2014: SYZYGY expects that it will boost its sales in the current financial year by 20 per cent to EUR 42.5 million, with EUR 2.0 million of this amount being attributable to Ars Thanea.

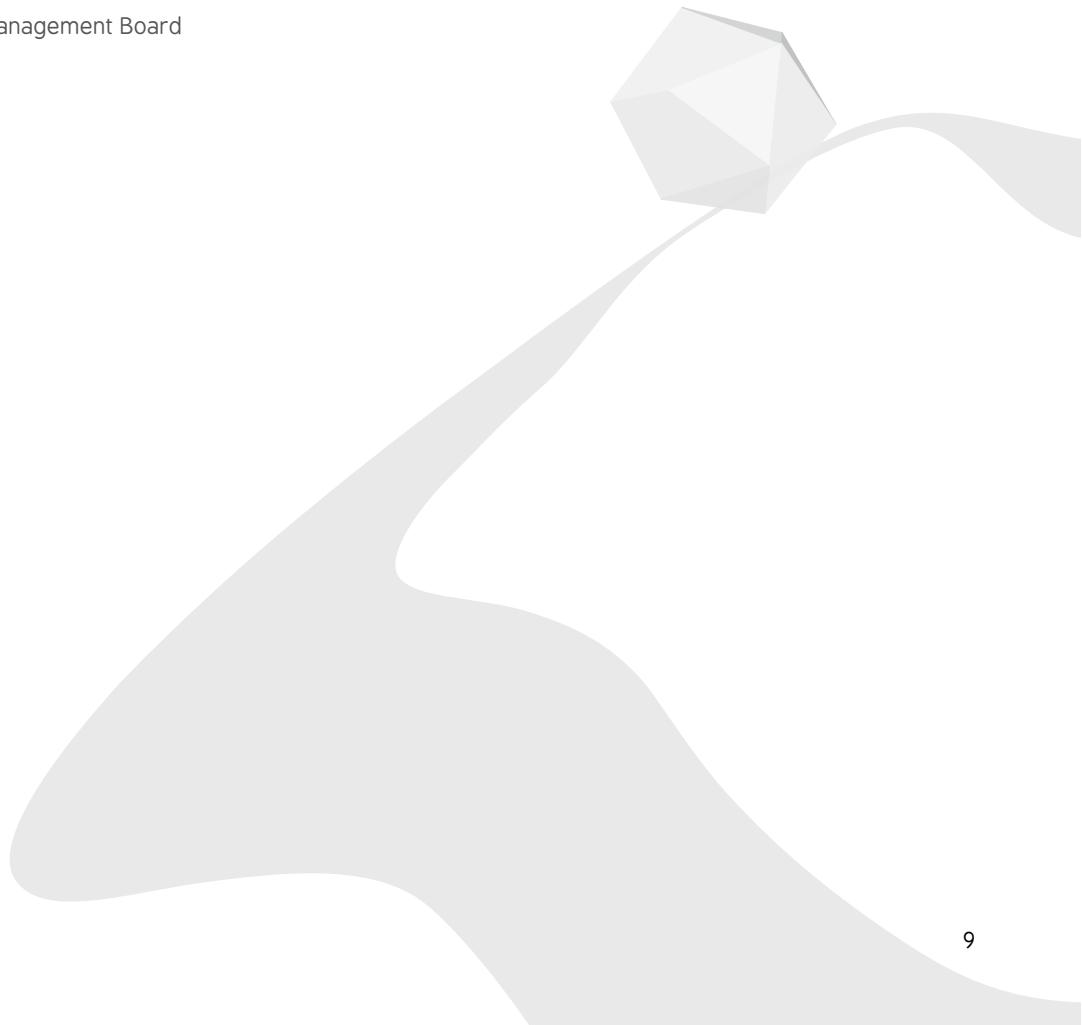
Operating income is expected to grow disproportionately. A rise of 72 per cent to EUR 3.5 million is anticipated. The forecast for earnings per share before special factors is being raised to EUR 0.32.

*Responsibility statement by the legal  
representatives in accordance with section  
37y WpHG (German Securities Trading Act)  
in conjunction with section 37w para. 2  
No. 3 WpHG*

"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., July 31, 2014  
SYZYGY AG

The Management Board



# Consolidated balance sheet

| ASSETS                                    | 06/30/2014    | 06/30/2013    | 12/31/2013    |
|---|---------------|---------------|---------------|
|   | EUR'000       | EUR'000       | EUR'000       |
| <b>Non-current assets</b>                 |               |               |               |
| Goodwill                                  | 23,467        | 19,257        | 19,537        |
| Fixed assets, net                         | 3,472         | 2,904         | 2,657         |
| Fixed asset investments                   | 0             | 668           | 641           |
| Other assets                              | 615           | 490           | 583           |
| Deferred tax assets                       | 1,845         | 2,046         | 1,845         |
| <b>Total non-current assets</b>           | <b>29,399</b> | <b>25,365</b> | <b>25,263</b> |
| <b>Current assets</b>                     |               |               |               |
| Cash and cash equivalents                 | 7,362         | 3,910         | 6,728         |
| Marketable securities                     | 16,938        | 18,128        | 18,078        |
| Accounts receivable, net                  | 17,107        | 10,533        | 12,944        |
| Prepaid expenses and other current assets | 2,064         | 1,846         | 3,124         |
| <b>Total current assets</b>               | <b>43,471</b> | <b>34,417</b> | <b>40,874</b> |
| <b>Total assets</b>                       | <b>72,870</b> | <b>59,782</b> | <b>66,137</b> |
| <b>EQUITY AND LIABILITIES</b>             |               |               |               |
|   | 06/30/2014    | 06/30/2013    | 12/31/2013    |
|   | EUR'000       | EUR'000       | EUR'000       |
| <b>Equity</b>                             |               |               |               |
| Common stock*                             | 12,828        | 12,828        | 12,828        |
| Additional paid-in capital                | 20,294        | 20,207        | 20,207        |
| Own shares                                | -226          | -116          | -554          |
| Accumulated other comprehensive income    | 842           | -1,231        | -355          |
| Retained earnings                         | 15,734        | 15,050        | 16,789        |
| Minorities                                | -117          | -311          | -238          |
| <b>Total equity</b>                       | <b>49,355</b> | <b>46,427</b> | <b>48,677</b> |
| <b>Non-current liabilities</b>            |               |               |               |
| Long term liabilities                     | 1,644         | 134           | 132           |
| Deferred tax liabilities                  | 142           | 88            | 88            |
| <b>Total non-current liabilities</b>      | <b>1,786</b>  | <b>222</b>    | <b>220</b>    |
| <b>Current liabilities</b>                |               |               |               |
| Tax accruals and liabilities              | 1,755         | 1,319         | 1,344         |
| Accrued expenses                          | 4,724         | 2,204         | 4,240         |
| Customer advances                         | 4,378         | 1,263         | 3,023         |
| Accounts payable                          | 10,404        | 7,867         | 8,118         |
| Other current liabilities                 | 468           | 480           | 515           |
| <b>Total current liabilities</b>          | <b>21,729</b> | <b>13,133</b> | <b>17,240</b> |
| <b>Total liabilities and equity</b>       | <b>72,870</b> | <b>59,782</b> | <b>66,137</b> |

\* Contingent capital EUR 1,200,000 (prior year: EUR 1,200,000)

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

# Consolidated statement of comprehensive income

|  | 2. Quarter |         |        | January - June |         |        |
|--|------------|---------|--------|----------------|---------|--------|
|  | 2014       | 2013    | Change | 2014           | 2013    | Change |
|  | EUR'000    | EUR'000 |        | EUR'000        | EUR'000 |        |
| Billings   | 31,360     | 23,805  | 32%    | 58,746         | 43,565  | 35%    |
| Media costs  | -19,850    | -14,850 | 34%    | -36,173        | -26,632 | 36%    |
| Sales  | 11,510     | 8,955   | 29%    | 22,573         | 16,933  | 33%    |
| Cost of revenues   | -8,192     | -6,635  | 23%    | -15,999        | -12,129 | 32%    |
| Sales and marketing expenses                                     | -1,272     | -805    | 58%    | -2,298         | -1,641  | 40%    |
| General and administrative expenses                              | -1,212     | -986    | 23%    | -2,362         | -1,972  | 20%    |
| Other operating income/expense, net                              | 85         | 92      | -8%    | 121            | 135     | -10%   |
| Operating profit   | 919        | 621     | 48%    | 2,035          | 1,326   | 53%    |
| Financial income, net  | 571        | 445     | 28%    | 1,158          | 801     | 45%    |
| Special items  | 0          | 0       | –      | 650            | 0       | n.a.   |
| Income before taxes  | 1,490      | 1,066   | 40%    | 3,843          | 2,127   | 81%    |
| Income taxes   | -385       | -286    | 35%    | -873           | -578    | 51%    |
| Net income of the period from continuing operations              | 1,105      | 780     | 42%    | 2,970          | 1,549   | 92%    |
| Profit or loss from discontinued operations                      | -315       | 0       | n.a.   | -315           | 0       | n.a.   |
| Total net income of the period                                   | 790        | 780     | 1%     | 2,655          | 1,549   | 71%    |
| Items that will not be reclassified to profit and loss           | 0          | 0       | –      | 0              | 0       | –      |
| Items that will or may be reclassified to profit and loss        |            |         |        |                |         |        |
| Currency translation adjustment                                  | 866        | -266    | -426%  | 1,017          | -631    | -261%  |
| Net unrealized gains/losses on marketable securities, net of tax | 350        | -94     | -472%  | 180            | -335    | -154%  |
| Other comprehensive income                                       | 1,216      | -360    | -438%  | 1,197          | -966    | -224%  |
| Comprehensive income   | 2,006      | 420     | 378%   | 3,852          | 583     | 561%   |
| thereof income share to other shareholders                       | 48         | -3      | n.a.   | 132            | -51     | n.a.   |
| thereof income share to shareholders of SYZYGY AG                | 1,958      | 423     | 363%   | 3,720          | 634     | 487%   |
| Earnings per share from total operations (basic in EUR)          | 0.06       | 0.06    | –      | 0.20           | 0.12    | 67%    |
| Earnings per share from total operations (diluted in EUR)        | 0.06       | 0.06    | –      | 0.20           | 0.12    | 67%    |
| Earnings per share from continuing operations (basic in EUR)     | 0.08       | 0.06    | 33%    | 0.22           | 0.12    | 83%    |
| Earnings per share from continuing operations (diluted in EUR)   | 0.08       | 0.06    | 33%    | 0.22           | 0.12    | 83%    |

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

# Statement of changes in equity

|  | Accum. other<br>compre-<br>hensive income |              |                               |            |                   |                              |                                |  |                   |              |
|--|---|--------------|-------------------------------|------------|-------------------|------------------------------|--------------------------------|--|-------------------|--------------|
|  | Number of shares                          | Common stock | Additional paid-in<br>capital | Own shares | Retained earnings | Foreign exchange<br>currency | Unrealised gains and<br>losses | Equity attributable<br>to shareholders of<br>SYZYGY AG | Minority interest | Total equity |
|  | in '000                                   | EUR'000      | EUR'000                       | EUR'000    | EUR'000           | EUR'000                      | EUR'000                        | EUR'000  | EUR'000           | EUR'000      |
| January 01, 2013                                     | 12,828                                    | 12,828       | 20,207                        | -116       | 16,651            | -1,393                       | 1,128                          | 49,305   | -260              | 49,045       |
| Comprehensive<br>income                              |   |              |                               |            | 3,339             | -218                         | 128                            | 3,249  | 22                | 3,271        |
| Dividend   |   |              |                               |            | -3,201            |                              |                                | -3,201   |                   | -3,201       |
| Purchase of<br>own sales                             |   |              |                               | -438       |                   |                              |                                | -438   |                   | -438         |
| December 31, 2013                                    | 12,828                                    | 12,828       | 20,207                        | -554       | 16,789            | -1,611                       | 1,256                          | 48,915   | -238              | 48,677       |
| January 01, 2014                                     | 12,828                                    | 12,828       | 20,207                        | -554       | 16,789            | -1,611                       | 1,256                          | 48,915   | -238              | 48,677       |
| Comprehensive<br>income                              |   |              |                               |            | 2,523             | 1,017                        | 180                            | 3,720  | 132               | 3,852        |
| Changes from first<br>consolidation<br>and in shares |   |              |                               |            |                   |                              |                                |  | -11               | -11          |
| Dividend   |   |              |                               |            | -3,578            |                              |                                | -3,578   |                   | -3,578       |
| Sale of own shares                                   |   |              |                               | 87         | 328               |                              |                                | 415  |                   | 415          |
| June 30, 2014  | 12,828                                    | 12,828       | 20,294                        | -226       | 15,734            | -594                         | 1,436                          | 49,472   | -117              | 49,355       |

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

## Consolidated statement of cash flows

|  | H1-2014       | H1-2013       | 2013          |
|--|---------------|---------------|---------------|
|  | EUR'000       | EUR'000       | EUR'000       |
| Period net income  | 2,655         | 1,549         | 3,361         |
| Adjustments to reconcile income from continuing operations<br>to net cash provided by operating activities |               |               |               |
| – Writedown of marketable securities   | 57            | 0             | 0             |
| – Depreciation on fixed assets   | 512           | 353           | 754           |
| – Profit and loss on sale of securities  | -625          | -648          | -980          |
| – Profit (-)/loss (+) on sale of fixed assets  | 52            | 8             | 262           |
| – Revaluation effects from first consolidation of Ars Thanea   | -650          | 0             | 0             |
| – Non-cash related currency differences from liquidation<br>of Mediopoly Ltd                               | 315           | 0             | 0             |
| – Income of at equity investments  | 0             | 0             | -99           |
| – Other non-cash income and expenses   | 646           | 365           | 250           |
| Changes in operating assets and liabilities:   |               |               |               |
| – Accounts receivable and other assets   | -3,374        | -665          | -3,542        |
| – Customer advances  | 1,318         | -1,322        | 434           |
| – Accounts payable and other liabilities   | 2,364         | -751          | 1,312         |
| – Tax accruals and payables, deferred taxes  | 525           | 62            | -458          |
| <b>Cash flows provided by operating activities</b>   | <b>3,795</b>  | <b>-1,049</b> | <b>1,294</b>  |
| Changes in other non-current assets  | -10           | 36            | -69           |
| Investments in fixed assets  | -706          | -462          | -892          |
| Purchases of marketable securities   | -12,877       | -13,365       | -24,074       |
| Proceeds from sale of marketable securities  | 14,415        | 16,184        | 27,898        |
| Aquisition of consolidated companies   | -987          | 0             | 0             |
| Income from at equity investments  | 0             | 0             | 114           |
| <b>Cash flows used in investing activities</b>   | <b>-165</b>   | <b>2,393</b>  | <b>2,977</b>  |
| Dividend   | -3,578        | -3,201        | -3,201        |
| Cash inflows from issuance of share capital from minority<br>shareholders                                  | -11           | 0             | 0             |
| Changes in treasury stock  | 415           | 0             | -438          |
| <b>Cash flows from financing activities</b>  | <b>-3,174</b> | <b>-3,201</b> | <b>-3,639</b> |
| <b>Total</b>   | <b>456</b>    | <b>-1,857</b> | <b>632</b>    |
| <b>Cash and cash equivalents at the beginning of the period</b>  | <b>6,728</b>  | <b>6,103</b>  | <b>6,103</b>  |
| Changes from first consolidation   | 44            | 0             | 0             |
| Exchange rate differences  | 134           | -336          | -7            |
| <b>Cash and cash equivalents at the end of the period</b>  | <b>7,362</b>  | <b>3,910</b>  | <b>6,728</b>  |

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

# Selected explanatory notes to the Consolidated Quarterly Financial Statements as at June 30, 2014

## Accounting

Pursuant to the provisions of section 37 y WpHG (German Securities Trading Act) in conjunction with Article 37 w para. 2 WpHG, the financial report of SYZYGY AG for the first six months of 2014 comprises interim consolidated financial statements and an interim Group Management Report as well as the responsibility statement according to Article 297 (2) sentence 4, § 315 (1) sentence 6 German Commercial Code (Handelsgesetzbuch – HGB). The unaudited interim consolidated financial statements were prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) for interim financial reporting as applicable within the European Union. The interim financial statements were prepared in compliance with IAS 34. Accordingly, the company elected to produce a short-form report, compared with the consolidated financial statements as at December 31, 2013. The Management Report was prepared in accordance with the applicable requirements of the WpHG.

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

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

## Business activities of the SYZYGY Group

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

## Scope of consolidation and principles

As at June 30, 2014, the following subsidiaries were included in the consolidated financial statements of SYZYGY AG and fully consolidated:

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

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

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

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

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

Mediopoly Ltd was wound up on May 19, 2014 and deconsolidated. The shares held by Mediopoly Ltd in SYZYGY UK Ltd were transferred to Unique Digital Marketing Ltd as a dividend in kind. In connection with shutting down Mediopoly Ltd, currency losses of kEUR 315 are being reported as income from discontinued divisions which were previously recorded in equity such that net income was not affected. The currency differences reported in this manner were due to currency rate changes between the British pound and the German mark/the euro between the year 2000 and May 19, 2014.

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

### **Segment reporting**

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

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

The Germany segment comprises SYZYGY Deutschland GmbH, unquaredigital GmbH, Hi-ReS! Hamburg GmbH and Hi-ReS! Berlin GmbH. The UK segment consists of SYZYGY UK Ltd, Unique Digital Marketing Ltd and Hi-ReS! London Ltd. Due to their size, Hi-ReS! New York Inc and Ars Thanea ska fail to qualify as independent geographical segments. As they cannot be allocated to either of the geographical segments, they are summarised in other segments.

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

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

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

Segment investments comprise investments in intangible assets and fixed assets.

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

06/30/2014  
in EUR'000

|                                     | Germany | UK      | Other segments | Central functions and consolidation | Total   |
|-------------------------------------|---------|---------|----------------|-------------------------------------|---------|
| Billings                            | 31,718  | 18,450  | 9,294          | -716                                | 58,746  |
| Media costs                         | -18,573 | -10,599 | -7,001         | 0                                   | -36,173 |
| Sales                               | 13,145  | 7,851   | 2,293          | -716                                | 22,573  |
| of which internal sales             | 462     | 338     | 75             | -875                                | 0       |
| Operating income (EBIT)             | 1,913   | 1,388   | 369            | -1,635                              | 2,035   |
| Financial income                    | -2      | 2       | 1              | 1,157                               | 1,158   |
| Assets                              | 26,814  | 28,838  | 10,999         | 6,219                               | 72,870  |
| of which goodwill                   | 8,841   | 11,099  | 3,527          | 0                                   | 23,467  |
| Investments                         | 261     | 139     | 428            | 1                                   | 829     |
| Depreciations and amortisation      | 300     | 78      | 25             | 109                                 | 512     |
| Segment liabilities                 | 16,208  | 7,960   | 7,128          | -7,781                              | 23,515  |
| Employees as per balance sheet date | 204     | 128     | 67             | 21                                  | 420     |

06/30/2013  
in EUR'000

|                                     | Germany | UK     | Other segments | Central functions and consolidation | Total   |
|-------------------------------------|---------|--------|----------------|-------------------------------------|---------|
| Billings                            | 29,445  | 14,161 | 140            | -181                                | 43,565  |
| Media costs                         | -17,629 | -9,003 | 0              | 0                                   | -26,632 |
| Sales                               | 11,816  | 5,158  | 140            | -181                                | 16,933  |
| of which internal sales             | 1,416   | 45     | 0              | -1,461                              | 0       |
| Operating income (EBIT)             | 1,686   | 679    | -173           | -866                                | 1,326   |
| Financial income                    | 33      | -3     | 0              | 771                                 | 801     |
| Assets                              | 20,808  | 22,049 | 106            | 16,819                              | 59,782  |
| of which goodwill                   | 8,841   | 10,416 | 0              | 0                                   | 19,257  |
| Investments                         | 459     | 36     | 3              | -2                                  | 496     |
| Depreciations and amortisation      | 267     | 70     | 9              | 7                                   | 353     |
| Segment liabilities                 | 13,102  | 9,298  | 500            | -9,545                              | 13,355  |
| Employees as per balance sheet date | 194     | 111    | 4              | 21                                  | 330     |

### Treasury stock

As at June 30, 2014, SYZYGY held 50,000 treasury shares. SYZYGY is authorised to resell or call in treasury shares or to offer treasury shares to third parties in the course of acquiring companies. Treasury shares do not entitle the Company to any dividend or voting rights. The extent of the share buyback is shown as a separate item to be deducted from equity. During the first quarter of 2014, 75,000 treasury shares were sold to the minority shareholders of Ars Thanea. The profit on sale of treasury shares amounted to kEUR 87 and was accounted in other comprehensive income, not affecting net income.

### Directors' dealings

Transactions in shares in their own organisation by board members of listed companies are called directors' dealings. In the period under review, the chairman of the Supervisory Board, Michael Mädel, acquired 8,000 SYZYGY shares. Apart from that, board members did not buy or sell any SYZYGY shares.

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

| Management board: shares<br>number of shares | Marco<br>Seiler | Andrew<br>Stevens | Total   |
|--|-----------------|-------------------|---------|
| As per December 31, 2013                     | 538,121         | 325,000           | 863,121 |
| Purchases                                    | 0               | 0                 | 0       |
| Sales  | 0               | 0                 | 0       |
| As per June 30, 2014                         | 538,121         | 325,000           | 863,121 |

| Supervisory board: shares<br>number of shares | Michael<br>Mädel | Wilfried<br>Beeck | Thomas<br>Strerath | Total   |
|---|------------------|-------------------|--------------------|---------|
| As per December 31, 2013                      | 12,000           | 120,000           | 0                  | 132,000 |
| Purchases                                     | 8,000            | 0                 | 0                  | 0       |
| Sales   | 0                | 0                 | 0                  | 0       |
| As per June 30, 2014                          | 20,000           | 120,000           | 0                  | 140,000 |

| Management board: options<br>number of shares | Marco<br>Seiler | Andrew<br>Stevens | Total   |
|---|-----------------|-------------------|---------|
| As per December 31, 2013                      | 120,000         | 120,000           | 240,000 |
| Additions                                     | 0               | 0                 | 0       |
| Sales   | 0               | 0                 | 0       |
| As per June 30, 2014                          | 120,000         | 120,000           | 240,000 |

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

### ***Shareholder structure***

As at June 30, 2014, the shareholders' structure has slightly changed compared to December 31, 2013. The WPP Group held nearly 30 per cent, Marco Seiler continued to hold 4.2 per cent and Andrew Stevens 2.5 per cent of the shares. As own shares were sold to the minority shareholders of Ars Thanea in the course of the acquisition, treasury stock fell to 0.4 per cent of the shares. The free float was thus 62.9 per cent. As at the reporting date, the total number of shares was 12,828,450.

### ***Responsibility statement by the Legal Representatives in accordance with section 37y WpHG (German Security Trading Act) i.c.w. section 37w(2) no. 3 WpHG (Convenience translation)***

"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., July 31, 2014  
SYZYGY AG

The Management Board

## Financial calendar 2014

|   |                  |
|---|------------------|
| Capital Market Conference, Zurich       | / September 10   |
| Interim report as per September 30      | / October 31     |
| German Equity Forum, Frankfurt          | / November 24-26 |
| Capital Market Conference (MKK), Munich | / December 9-10  |

### SYZYGY AG

Investor Relations

Im Atzelnest 3

61352 Bad Homburg (Germany)

Contact:

Katrin Schreyer

**t** +49 6172 9488-251

**e** [ir@syzygy.net](mailto:ir@syzygy.net)

**i** [ir.syzygy.co.uk](http://ir.syzygy.co.uk)