

SYZGY

Key financial figures

Sales
9M in EUR'000



EBIT and EBIT margin
9M in EUR'000



Sales and EBIT margin
by segments
9M in EUR'000



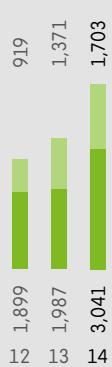
Sales allocation by
vertical markets



Financial income
9M in EUR'000



Ratio of operating income
to financial income
9M in EUR'000



Net income
9M in EUR'000



Operating income
9M in EUR'000

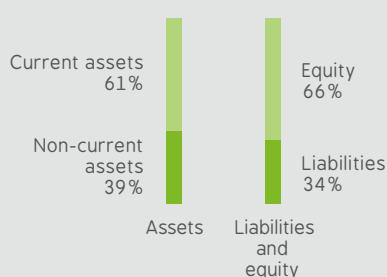
*Earnings per share
9M in EUR*



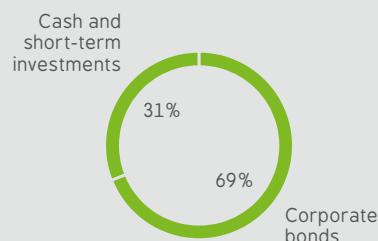
*Development of
operating cash flows
9M in EUR'000*



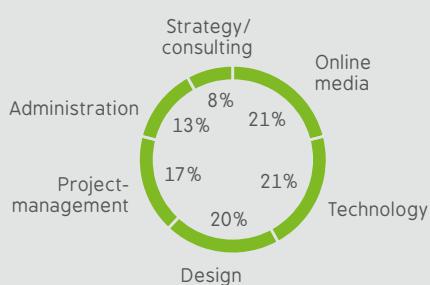
*Balance sheet
structure*



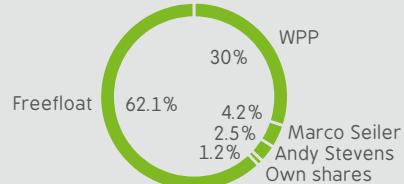
*Portfolio structure of
cash and marketable
securities*



*Employees by
function*



*Shareholder
structure*



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Business development and management report

| | 3rd Quarter | | | January-September | | | | |
|---|-------------|--------|-------|-------------------|--------|------|------|--------|
| | 2014 | | 2013 | Change | 2014 | | 2013 | Change |
| | TEUR | TEUR | | TEUR | TEUR | | | |
| Sales | 11,772 | 9,370 | 26 % | 34,345 | 26,303 | 31 % | | |
| EBITDA | 1,271 | 858 | 48 % | 3,818 | 2,537 | 50 % | | |
| EBITDA margin | 11 % | 9 % | +2pp | 11 % | 10 % | +1pp | | |
| EBIT | 1,006 | 661 | 52 % | 3,041 | 1,987 | 53 % | | |
| EBIT margin | 9 % | 7 % | +2pp | 9 % | 8 % | +1pp | | |
| Financial income | 545 | 570 | -4 % | 1,703 | 1,371 | 24 % | | |
| Net income | 1,100 | 852 | 29 % | 3,755 | 2,401 | 56 % | | |
| Earnings per share (EUR) | 0.08 | 0.07 | 14 % | 0.28 | 0.19 | 47 % | | |
| Employees as per Sept. 30 (incl. Freelancers) | 483 | 341 | 42 % | 483 | 341 | 42 % | | |
| Liquid assets | 29,278 | 23,248 | 26 % | 29,278 | 23,248 | 26 % | | |
| Operating cash flow | 5,574 | 741 | 653 % | 9,369 | -308 | 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.

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

2. Group profile

2.1 Business activities and structure

The SYZYGY Group is an international provider of creative, technological and media services for digital marketing. The Group consists of SYZYGY AG as the holding company and eight subsidiaries. Overall, the Group has around 500 employees at locations in Germany, the UK, Poland and the US.

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 metrics are sales, earnings before taxes and interest (EBIT) and, for SYZYGY AG, financial income.

3. Economic report

3.1 General economic development

Economic research institutes and international organisations believe that the Eurozone economy grew only very moderately overall in the period under review. While Spain and the Netherlands showed signs of recovery, the major economies of France and Italy were again unable to make any contribution towards boosting the Eurozone's gross domestic product (GDP).

Following 0.2 per cent growth in the first quarter and stagnation in Q2, the ifo Institute, INSEE and ISTAT forecast growth of only 0.2 per cent for the Eurozone in the third quarter. In light of the disappointing figures, which were attributed in part to ongoing geopolitical conflicts, many experts lowered their forecasts for the full year.

Although Germany continued to be the driving force of the European economy, it was unable to meet the high expectations generated by a strong first quarter. The rise in production of 0.8 per cent at the beginning of the year was followed by a surprising fall in economic output of 0.2 per cent. The above-mentioned institutes expect stagnation in the third quarter. Sentiment also deteriorated among businesses: the ifo business climate index fell in September for the fifth time in a row, to its lowest level since April 2013. When asked about the current situation and also looking ahead to the next six months, respondents assessed the position as worse than in the spring.

In the UK, all the indicators continued to point towards growth, driven in particular by consumer spending. According to preliminary estimates, economic output increased by 0.7 per cent in Q3, having grown by 0.8 per cent in each of the first two quarters. Companies' willingness to invest, hitherto criticised as too low, was well above the level of previous years during the reporting period, thus also contributing to the positive performance.

3.2 Advertising market performance

Most statistics on the development of the online advertising market typically include spending on digital display advertising and search engine marketing; in contrast, creative and IT services, as provided by the agencies in the SYZYGY Group, are not taken into account. Different survey methods also make it difficult to compare individual studies and lead to a wide range of results. For this reason, SYZYGY regards the absolute validity of the statistics as limited for the purposes of forecasting the Group's future development. The data does nevertheless illustrate the fundamental change in the way that different communication channels are prioritised, as advertisers respond to changes in user behaviour among their target groups.

In Germany, gross online advertising spending (i.e. list prices without discounts and special terms) increased by 5 per cent in the first nine months of the year to a total of EUR 2.1 billion, according to market research firm Nielsen. The OVK Online Report 2014/02 found that the Internet again took second place in the media mix behind television: including search engine marketing, the online channel now accounts for a quarter of all net advertising spend.

While the pace of growth slowed in the "traditional" banner formats for desktop PCs, advertising on mobile devices is growing at a prodigious rate. Although the absolute figures, estimated at EUR 107 million in 2014, are still relatively low (source: MAC Mobile Report 2014/02), growth of 65 per cent compared with 2013 demonstrates the increasing importance of smartphones and tablets for brand communication and sales.

In the UK, too, Internet advertising budgets saw a further rise. The UK's Internet Advertising Bureau reported a 17 per cent increase in total spending on digital advertising (including mobile) for the first half of 2014, to a record level of GBP 3.5 billion. Mobile formats saw significantly above-average growth of 68 per cent. At GBP 707 million, these formats already account for a fifth of online spending.

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 acquisition of new clients and expansion of existing customer relationships to other markets resulted in a sharp increase in both billings and sales in the reporting period. Full consolidation of Polish agency Ars Thanea also contributed to the very positive performance.

Billings were up 39 per cent in the 9-month period, to EUR 93.2 million, with the third quarter seeing an increase of 47 per cent to EUR 34.5 million. Extending the business relationship with AVIS to the North American market led to particularly strong growth.

Group sales improved to EUR 34.3 million, 31 per cent above the figure at September 30, 2013. Quarterly analysis shows that the very good results of the first two quarters of 2014 were exceeded. The figure of EUR 11.8 million in Q3 (up 26% compared with Q3 2013) represents a new all-time high for the SYZYGY Group. Organic growth excluding the contribution made by Ars Thanea was 17 per cent in the third quarter, and 23 per cent for the 9-month period.

The automotive industry continues to be of major importance to the Group. SYZYGY generated around 39 per cent of its sales with automotive clients, 4 percentage points more than in 2013.

The proportion of sales attributable to clients in the retail and consumer goods sectors remained constant at 26 per cent, while 13 per cent of sales were generated with companies in the telecommunications/IT industry (previous year: 12%). Projects for financial services providers accounted for around seven per cent of sales, a decline of three percentage points. The remaining 15 per cent are attributable to companies that cannot be assigned to any of these four core sectors.

The SYZYGY Group generated 65 per cent of its sales with its ten largest clients in the period under review, up five percentage points on the previous year. A large proportion of these sales was generated in the platform business, which is generally associated with very long-term client relationships. This provides a stable foundation for the Group's ongoing positive development. Gaining new clients is nonetheless an important element in the Group's growth strategy in order to continually differentiate and expand the client base.

3.3.2 Operating expenses and depreciation
At EUR 24.5 million, the cost of sales in the 9-month period was 28 per cent above the prior-year figure. This increase was slightly below the rate of increase in sales, resulting in gross margin moving up two percentage points to 29 per cent.

In contrast, sales and marketing costs were up 43 per cent to EUR 3.5 million. While the additional expenses in the first half of the year were mainly due to the cost of holding the Digital Innovation Day and intensive promotional activity by Ars Thanea, additional expenditure was incurred in the third quarter when the new New York office was opened.

With regard to administration, economies of scale meant that costs rose at a lower rate than sales, increasing 15 per cent to EUR 3.5 million.

At EUR 0.8 million, depreciation of fixed assets was 41 per cent above the previous year's figure. The main reason here was the cost of moving into new premises in New York and Warsaw, in addition to expansion of the Berlin office.

3.3.3 Operating income (EBIT) and EBIT margin

SYZYGY continued to build on the outstanding results achieved in the first half of the year, posting operating income of EUR 1.0 million in the third quarter (up 52% compared with Q3 2013). EBIT totalled EUR 3.0 million in the 9-month period, which corresponds to a rise of 53 per cent compared with the same period of the previous year.

The EBIT margin rose by one percentage point to 9 per cent. The higher profitability is due to the elimination of adverse factors in Germany and the UK, in addition to economies of scale in administration.

3.3.4 Financial income

SYZYGY again generated strong financial income of EUR 0.5 million in the third quarter (-4% compared with Q3 2013) through active management of available liquid funds. Looking at the 9-month period, income rose by 24 per cent to EUR 1.7 million. The annualised return on the average available liquid funds of EUR 26.3 million was thus 8.7 per cent.

3.3.5 Income taxes, net income, earnings per share

Earnings before tax amounted to EUR 5.4 million in the period under review, 61 per cent more than in the same period of the previous year. In addition to strong financial and operating income, a special factor also contributed to a lesser extent: due to full consolidation of Ars Thanea, assets increased in the first quarter by around EUR 0.7 million. When this figure is stripped out, the increase in consolidated earnings is 41 per cent.

After deduction of income taxes amounting to EUR 1.3 million, net income from continuing operations was EUR 4.1 million (+70%); the tax rate is 28 per cent. Winding up the non-operational company Mediopoly Ltd resulted in currency losses, which reduced income by EUR 0.3 million. Total net income for the period was therefore EUR 3.8 million (+56%), corresponding to diluted and basic earnings per share of EUR 0.28 (+47%). This calculation is based on an average number of shares of 12.7 million (basic) and 12.8 million (diluted).

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 performed very well during the period under review. The UK segment experienced a particularly high growth rate due to the acquisition of significant new clients and outstanding levels of business with existing clients. Sales increased by 40 per cent to EUR 11.8 million. EBIT rose disproportionately by 53 per cent to EUR 1.9 million.

The German segment performed very well, with sales up 11 per cent to EUR 20.0 million and EBIT reaching EUR 2.8 million (+13%).

The other segments contributed sales of EUR 3.4 million and operating income of EUR 0.5 million to the overall result. Of these amounts, EUR 2.1 million and EUR 0.3 million, respectively, are attributable to Ars Thanea.

In percentage terms, the contribution made by the individual segments was as follows: the German companies generated 57 per cent of sales, the British agencies provided 34 per cent, while 10 per cent of total sales were attributable to Ars Thanea and Hi-ReS! New York. A similar picture with almost identical proportions applies with regard to operating income. Here, the respective shares are 54 per cent (Germany), 36 per cent (UK) and 10 per cent (other segments).

The profitability of the UK segment and of other segments in the reporting period was 16 per cent, slightly better than in Germany, where the EBIT margin was 14 per cent.

3.3.7 Financial position and cash flow

Due to exceptionally strong operating cash flow in the third quarter, the SYZYGY Group's liquidity reserves have risen sharply: as at September 30, liquid funds and securities totalled EUR 29.3 million. This equates to EUR 4.5 million or 18 per cent more than at year-end 2013.

31 per cent of the funds (EUR 9.1 million) were held in bank and overnight deposits, while 69 per cent (EUR 20.2 million) were invested in corporate bonds. The bonds had an average residual maturity of 7.7 years.

Cash inflows from operations totalled EUR 5.6 million in Q3. The main factors were the high net income (EUR 1.1 million) and timing-related effects in the online marketing business. These resulted in an increase of EUR 1.4 million in accounts payable and other provisions, while receivables were reduced by around EUR 2.0 million. Advance payments of EUR 0.3 million received from clients additionally boosted operating cash flow.

Since the beginning of the year, the Group has received cash inflows from operations amounting to EUR 9.4 million. Total cash flow was also very substantial, at EUR 1.9 million.

3.3.8 Investments, research and development

The SYZYGY Group invested EUR 1.0 million in intangible and tangible assets in the reporting period, some 60 per cent more than in the same period last year. This was due to the leasing and equipping of new offices for Hi-ReSI New York, Hi-ReSI Berlin and Ars Thanea. Routine amounts were also invested in equipment for employees.

No research and development expenses were incurred.

3.3.9 Net assets and balance sheet position

The SYZYGY Group's total assets increased significantly to EUR 75.5 million during the reporting period. This equates to 14 per cent or EUR 9.4 million more than at December 31, 2013.

The strong increase in non-current assets is primarily due to goodwill, which totalled EUR 23.7 million as at the reporting date, representing a rise of 21 per cent or EUR 4.2 million. EUR 3.5 million of this amount is attributable to Ars Thanea, while currency effects account for EUR 0.7 million.

Intangible assets and fixed assets increased by 33 per cent to EUR 3.5 million, likewise due to full consolidation of the new subsidiary. Conversely, long-term investments decreased from EUR 0.6 million to zero.

Current assets rose by a total of EUR 4.9 million. The principal factor in this respect was the large increase in liquid funds and securities by a total of EUR 4.5 million (+18%). Accounts receivable also contributed to expansion of the balance sheet, increasing by EUR 2.2 million to EUR 15.1 million in accordance with the higher volume of business.

Other assets were down by 55 per cent to EUR 1.4 million due to tax refunds.

On the liabilities side, the biggest impact of the growth in total assets was seen in current liabilities. At EUR 24.0 million, they were 39 per cent above the figure as at December 31, 2013.

Accounts payable increased marginally by 5 per cent to EUR 8.6 million. Other provisions rose by EUR 3.7 million to a total of EUR 7.9 million, notably due to the particular reporting date and strength of the online marketing segment.

The advance payments of EUR 4.7 million (+56%) received from clients and the disclosure of VAT liabilities totalling EUR 2.2 million (+61%) also contributed to the sharp rise in current liabilities.

Equity remained largely constant (+3%), totalling EUR 49.9 million. Currency effects had a positive impact, leading to an increase in other net income to EUR 0.9 million.

The implementation of a share buyback programme increased the relevant deduction item to EUR 0.8 million, with 100,000 SYZYGY shares being purchased on the stock market in the third quarter.

The equity ratio of 66 per cent corresponds to a drop of eight percentage points compared with year-end 2013.

3.3.10 Employees

Full consolidation of Ars Thanea and the positive overall development of the business resulted in the headcount of the SYZYGY Group increasing by 30 per cent year-on-year to a total of 483. Of this total, 447 were permanent employees, while 36 worked for the Group on a freelance basis.

237 employees, around half of the permanent staff, worked for the German companies (53%), and 132 were employed in the three UK agencies (30%). The headcount at Ars Thanea was 69 persons (15%) as at the balance sheet date. Hi-ReSI New York remained the smallest unit in the Group, with nine employees (2%).

The acquisition of Ars Thanea and expansion of Hi-Res! Berlin resulted in changes in the distribution of employees by role, particularly in the areas of design and technology. The proportion of employees working in these areas increased year-on-year from 14 to 19 per cent and from 17 to 21 per cent, respectively. The number of project managers developed in line with overall growth, with the proportion thus remaining unchanged at 17 per cent. The increase in headcount in administration and strategy was slightly below average. The proportion fell by one percentage point in each case, to 13 per cent and 8 per cent, respectively. The number of employees engaged in online marketing remained constant in absolute terms, with the result that the proportion declined from 30 per cent to 21 per cent.

The average headcount was 445 in the period covered by the report, 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

Economists currently see more risks than opportunities with regard to the future development of the global economy. The armed conflicts in the Middle East and the unresolved crisis in Ukraine have led to significant uncertainty among companies and investors. The latest economic data from Japan shows that the country's gross domestic product (GDP) has fallen sharply, which also dampens expectations. Sentiment indicators bear witness to this, as do falling stock market prices.

Growth forecasts have been slashed across the board. The Organisation for Economic Co-operation and Development (OECD) expects weaker growth in almost all member countries of the European currency union, and cut its growth forecast by 0.4 percentage points to 0.8 per cent. The International Monetary Fund published similar figures in the October edition of its World Economic Outlook.

As a heavyweight of the European economy, Germany has a significant impact on the wider development. Here too, the forecasts have been reduced substantially, with the German federal government, the country's leading economic research institutes and the KfW bank all cutting their estimates by 0.6 per cent to figures of between 1.2 and 1.4 per cent.

The British economy only returned to the pre-crisis level of Q1 2008 earlier this year and is expected to achieve strong growth in 2014. The International Monetary Fund forecasts a rise in output of 3.2 per cent. The average of independent forecasts calculated by the UK Treasury is 3.0 per cent.

Overall, SYZYGY expects that economic weakening within the parameters outlined above will have no significant impact on the performance of the Group in the short and medium term.

4.2 Advertising market

According to the latest estimate by the German Online Marketing Group (OVK), online advertising in Germany (including mobile) is set to grow almost 7 per cent to EUR 1.4 billion. Spending on mobile advertising formats will rise at an above-average rate, increasing by 65 per cent compared with 2013 to reach EUR 107 million.

In the UK, eMarketer forecasts that GBP 7.3 billion will be spent on online advertising. This would represent an increase of 15 per cent over 2013. All in all, digital channels would thus account for just under half of all advertising spending. Here again, mobile advertising formats and video ads in particular are the main drivers of this dynamic trend.

4.3 Performance of the SYZYGY Group

The use of digital media has become part of daily life for (almost) all age groups. Fast data connections and the proliferation of powerful smartphones have helped to make the Internet an established part of our professional and private lives. Consequently, the Web is evolving into a central interface between people and brands. Digital brand platforms, such as those that SYZYGY develops for companies like BMW, Jägermeister, Dr. Oetker and Mazda, are becoming the focal point of communication and marketing campaigns.

SYZYGY believes that online will continue to gain huge importance in brand communication. As an international service group with in-depth IT expertise, a design team that regularly wins prestigious awards, and extensive industry expertise, SYZYGY is exceptionally well positioned to provide long-term support for international companies facing the challenges of the digital transformation.

Due to the strong performance of the business, SYZYGY is again raising the forecast for the full year. SYZYGY expects to increase sales by 26 per cent to EUR 44.0 million (previous estimate: EUR 42.5 million), with EUR 2.5 million of this amount being attributable to Ars Thanea. Operating income is expected to be EUR 3.6 million (previously: EUR 3.5 million), representing strongly disproportionate growth of 80 per cent. The forecast for earnings per share before special factors is being raised by one cent to EUR 0.33.

Bad Homburg v. d. H., October 31, 2014
SYZYGY AG

The Management Board

Consolidated balance sheet

| ASSETS | 09/30/2014 | 09/30/2013 | 12/31/2013 |
|---|---------------|---------------|---------------|
| | EUR'000 | EUR'000 | EUR'000 |
| Non-current assets | | | |
| Goodwill | 23,716 | 19,447 | 19,537 |
| Fixed assets, net | 3,525 | 2,840 | 2,657 |
| Fixed asset investments | 0 | 668 | 641 |
| Other assets | 636 | 498 | 583 |
| Deferred tax assets | 1,845 | 2,046 | 1,845 |
| Total non-current assets | 29,722 | 25,499 | 25,263 |
| Current assets | | | |
| Cash and cash equivalents | 9,113 | 4,488 | 6,728 |
| Marketable securities | 20,165 | 18,760 | 18,078 |
| Accounts receivable, net | 15,133 | 11,655 | 12,944 |
| Prepaid expenses and other current assets | 1,406 | 1,920 | 3,124 |
| Total current assets | 45,817 | 36,823 | 40,874 |
| Total assets | 75,539 | 62,322 | 66,137 |
| EQUITY AND LIABILITIES | | | |
| | 09/30/2014 | 09/30/2013 | 12/31/2013 |
| | EUR'000 | EUR'000 | EUR'000 |
| Equity | | | |
| Common stock* | 12,828 | 12,828 | 12,828 |
| Additional paid-in capital | 20,294 | 20,207 | 20,207 |
| Own shares | -831 | -275 | -554 |
| Accumulated other comprehensive income | 892 | -744 | -355 |
| Retained earnings | 16,769 | 15,885 | 16,789 |
| Minorities | -52 | -294 | -238 |
| Total equity | 49,900 | 47,607 | 48,677 |
| Non-current liabilities | | | |
| Long term liabilities | 1,512 | 134 | 132 |
| Deferred tax liabilities | 136 | 88 | 88 |
| Total non-current liabilities | 1,648 | 222 | 220 |
| Current liabilities | | | |
| Tax accruals and liabilities | 2,162 | 1,778 | 1,344 |
| Accrued expenses | 7,922 | 3,744 | 4,240 |
| Customer advances | 4,707 | 2,539 | 3,023 |
| Accounts payable | 8,559 | 6,051 | 8,118 |
| Other current liabilities | 641 | 381 | 515 |
| Total current liabilities | 23,991 | 14,493 | 17,240 |
| Total liabilities and equity | 75,539 | 62,322 | 66,137 |

* 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

| | 3rd Quarter | | | January-September | | | |
|--|-------------|---------|--------|-------------------|---------|---------|-------|
| | 2014 | | 2013 | Change | 2014 | | 2013 |
| | EUR'000 | EUR'000 | | | EUR'000 | EUR'000 | |
| Billings | 34,499 | 23,410 | 47 % | | 93,245 | 66,975 | 39 % |
| Media costs | -22,727 | -14,040 | 62 % | | -58,900 | -40,672 | 45 % |
| Sales | 11,772 | 9,370 | 26 % | | 34,345 | 26,303 | 31 % |
| Cost of revenues | -8,484 | -6,956 | 22 % | | -24,483 | -19,085 | 28 % |
| Sales and marketing expenses | -1,217 | -820 | 48 % | | -3,515 | -2,461 | 43 % |
| General and administrative expenses | -1,153 | -1,090 | 6 % | | -3,515 | -3,062 | 15 % |
| Other operating income/expense, net | 88 | 157 | -44 % | | 209 | 292 | -28 % |
| Operating profit | 1,006 | 661 | 52 % | | 3,041 | 1,987 | 53 % |
| Financial income, net | 545 | 570 | -4 % | | 1,703 | 1,371 | 24 % |
| Special items | 0 | 0 | - | | 650 | 0 | - |
| Income before taxes | 1,551 | 1,231 | 26 % | | 5,394 | 3,358 | 61 % |
| Income taxes | -451 | -379 | 19 % | | -1,324 | -957 | 38 % |
| Net income of the period from continuing operations | 1,100 | 852 | 29 % | | 4,070 | 2,401 | 70 % |
| Profit or loss from discontinued operations | 0 | 0 | - | | -315 | 0 | - |
| Total net income of the period | 1,100 | 852 | 29 % | | 3,755 | 2,401 | 56 % |
| 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 | 350 | 287 | 22 % | | 1,367 | -344 | - |
| Net unrealized gains/losses on marketable securities, net of tax | -300 | 200 | -250 % | | -120 | -135 | -11 % |
| Other comprehensive income | 50 | 487 | -90 % | | 1,247 | -479 | - |
| Comprehensive income | 1,150 | 1,339 | -14 % | | 5,002 | 1,922 | 160 % |
| thereof income share to other shareholders | 65 | 17 | 282 % | | 197 | -34 | - |
| thereof income share to shareholders of SYZYGY AG | 1,085 | 1,322 | -18 % | | 4,805 | 1,956 | 146 % |
| Earnings per share from total operations (basic in EUR) | 0.08 | 0.07 | 14 % | | 0.28 | 0.19 | 47 % |
| Earnings per share from total operations (diluted in EUR) | 0.08 | 0.07 | 14 % | | 0.28 | 0.19 | 47 % |
| Earnings per share from continuing operations (basic in EUR) | 0.08 | 0.07 | 14 % | | 0.30 | 0.19 | 58 % |
| Earnings per share from continuing operations (diluted in EUR) | 0.08 | 0.07 | 14 % | | 0.30 | 0.19 | 58 % |

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

Statement of changes in equity

| | Number of shares | | Common stock | | Additional paid-in capital | | Own shares | | Retained earnings | | Foreign exchange currency | | Unrealised gains and losses | | Accum. other comprehensive income | | Equity attributable to shareholders of SYZIGY AG | | Minority interest | | Total equity | |
|--|------------------|---------|--------------|---------|----------------------------|---------|------------|---------|-------------------|---------|---------------------------|---------|-----------------------------|---------|-----------------------------------|---------|--|---------|-------------------|---------|--------------|--|
| | in 1,000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | |
| Jan. 01, 2013 | 12,828 | 12,828 | 20,207 | | -116 | 16,651 | -1,393 | 1,128 | 49,305 | -260 | 49,045 | | | | | | | | | | | |
| Comprehensive income | | | | | | 3,339 | -218 | 128 | 3,249 | 22 | 3,271 | | | | | | | | | | | |
| Dividend | | | | | | -3,201 | | | | -3,201 | -3,201 | | | | | | | | | | | |
| Purchase of own shares | | | | | | -438 | | | | -438 | -438 | | | | | | | | | | | |
| Dec. 31, 2013 | 12,828 | 12,828 | 20,207 | | -554 | 16,789 | -1,611 | 1,256 | 48,915 | -238 | 48,677 | | | | | | | | | | | |
| Jan. 01, 2014 | 12,828 | 12,828 | 20,207 | | -554 | 16,789 | -1,611 | 1,256 | 48,915 | -238 | 48,677 | | | | | | | | | | | |
| Comprehensive income | | | | | | 3,558 | 1,367 | -120 | 4,805 | 197 | 5,002 | | | | | | | | | | | |
| Changes from first consolidation and in shares | | | | | | | | | | -11 | -11 | | | | | | | | | | | |
| Dividend | | | | | | -3,578 | | | | -3,578 | -3,578 | | | | | | | | | | | |
| Sale of own shares | | 87 | 328 | | | | | | | 415 | 415 | | | | | | | | | | | |
| Purchase of own shares | | | | | | -605 | | | | -605 | -605 | | | | | | | | | | | |
| Sept. 30, 2014 | 12,828 | 12,828 | 20,294 | | -831 | 16,769 | -244 | 1,136 | 49,952 | -52 | 49,900 | | | | | | | | | | | |

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

Consolidated statement of cash flows

| | 09/30/2014 | 09/30/2013 | 2013 |
|--|---------------|---------------|---------------|
| | EUR'000 | EUR'000 | EUR'000 |
| Period net income | 3,755 | 2,401 | 3,361 |
| Adjustments to reconcile income from operations to net cash provided by operating activities | | | |
| – Writedown of marketable securities | 57 | 0 | 0 |
| – Depreciation on fixed assets | 777 | 550 | 754 |
| – Profit and loss on sale of securities | -868 | -760 | -980 |
| – Profit (-)/loss (+) on sale of fixed assets | 52 | 9 | 262 |
| – Revaluation effects from first consolidation of Ars Thanea | -650 | 0 | 0 |
| – Non-cash related currency differences from liquidation of Mediopoly Ltd | 315 | 0 | 0 |
| – Income of at equity investments | -63 | 0 | -99 |
| – Other non-cash income and expenses | 506 | 265 | 250 |
| Changes in operating assets and liabilities: | | | |
| – Accounts receivable and other assets | -723 | -2,057 | -3,542 |
| – Customer advances | 1,633 | -77 | 434 |
| – Accounts payable and other liabilities | 3,798 | -1,182 | 1,312 |
| – Tax accruals and payables, deferred taxes | 780 | 543 | -458 |
| Cash flows provided by operating activities | 9,369 | -308 | 1,294 |
| Changes in other non-current assets | -13 | 6 | -69 |
| Investments in fixed assets | -996 | -618 | -892 |
| Purchases of marketable securities | -27,962 | -21,187 | -24,074 |
| Proceeds from sale of marketable securities | 26,206 | 23,751 | 27,898 |
| Acquisition of consolidated entities | -987 | 0 | 0 |
| Income from at equity investments | 63 | 0 | 114 |
| Cash flows used in investing activities | -3,689 | 1,952 | 2,977 |
| Dividend | -3,578 | -3,201 | -3,201 |
| Cash inflows from issuance of share capital from minority shareholders | -11 | 0 | 0 |
| Changes in treasury stock | -190 | 0 | -438 |
| Cash flows from financing activities | -3,779 | -3,201 | -3,639 |
| Total | 1,901 | -1,557 | 632 |
| Cash and cash equivalents at the beginning of the period | 6,728 | 6,103 | 6,103 |
| Changes from first consolidation | 44 | 0 | 0 |
| Exchange rate differences | 440 | -58 | -7 |
| Cash and cash equivalents at the end of the period | 9,113 | 4,488 | 6,728 |

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

Notes to the Consolidated Quarterly Financial Statements as at October 31, 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 nine months of 2014 comprises interim consolidated financial statements and an interim Group Management Report. The interim consolidated financial statements were prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) for interim financial reporting as applicable within the European Union. The interim financial statements were prepared in compliance with IAS 34. Accordingly, the company elected to produce a short-form report, compared with the consolidated financial statements as at December 31, 2013. The Management Report was prepared in accordance with the applicable requirements of the WpHG.

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

Business activities of the SYZYGY Group

The SYZYGY Group is an international provider of creative, technological and media services for digital marketing. SYZYGY AG acts as a management holding company by providing central services relating to strategy, 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 cover the entire digital marketing value chain: from strategic consulting to project planning, concepts and design to technical realisation of brand platforms, business applications, websites, online campaigns and mobile apps. Online media services such as planning, search engine marketing/optimisation and affiliate programmes are also a major business area. Digital illustrations, animations and gaming round off the range of services. The Group's business focus is on the automotive, telecommunications/IT, retail and consumer goods, and financial services industries.

Scope of consolidation and principles

As at September 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! London Ltd, UK
- (4) Hi-ReS! New York Inc, United States
- (5) SYZYGY Deutschland GmbH, Germany
- (6) SYZYGY UK Ltd, UK
- (7) unquedigital GmbH, Germany
- (8) 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 stake in Ars Thanea on February 6, 2014. SYZYGY 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 (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 an intangible asset (kEUR 132), the stated earnings before taxes for the order backlog (kEUR 35) and reverse deferred tax liabilities (kEUR 70). The residual difference is reported as goodwill of kEUR 3,454, denominated in PLN. In line with IFRS 3, the final purchase price allocation must be concluded no later than one year after the transaction has been completed and will therefore be verified as at December 31, 2014.

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 winding up 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.

Hi-ReS! Hamburg GmbH was retroactively merged with SYZYGY Deutschland GmbH as acquiring legal entity with effect from January 2, 2014. The merger application was made on August 26, 2014 and the merger was entered in the commercial register on September 23, 2014. All assets and liabilities were transferred from Hi-ReS! Hamburg GmbH to SYZYGY Deutschland GmbH. The merger does not have any impact on the Group's net assets, financial position or results of operations.

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 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.

09/30/2014
in EUR'000

| | Germany | UK | Other segments | Central functions and consolidation | Total |
|-------------------------------------|---------|---------|----------------|-------------------------------------|---------|
| Billings | 48,034 | 27,291 | 18,737 | -817 | 93,245 |
| Media costs | -28,075 | -15,449 | -15,376 | 0 | -58,900 |
| Sales | 19,959 | 11,842 | 3,361 | -817 | 34,345 |
| of which internal sales | 644 | 680 | 92 | -1,416 | 0 |
| Operating income (EBIT) | 2,784 | 1,882 | 524 | -2,149 | 3,041 |
| Financial income | 37 | 11 | 1 | 1,654 | 1,703 |
| Assets | 26,144 | 28,961 | 11,516 | 8,918 | 75,539 |
| of which goodwill | 8,841 | 11,374 | 3,501 | 0 | 23,716 |
| Investments | 466 | 152 | 493 | 1 | 1,112 |
| Depreciations and amortisation | 450 | 121 | 197 | 9 | 777 |
| Segment liabilities | 14,628 | 7,058 | 7,635 | -3,682 | 25,639 |
| Employees as per balance sheet date | 217 | 132 | 78 | 20 | 447 |

09/30/2013
in EUR'000

| | Germany | UK | Other segments | Central functions and consolidation | Total |
|-------------------------------------|---------|---------|----------------|-------------------------------------|---------|
| Billings | 44,100 | 22,911 | 269 | -305 | 66,975 |
| Media costs | -26,176 | -14,445 | 0 | -51 | -40,672 |
| Sales | 17,924 | 8,466 | 269 | -356 | 26,303 |
| of which internal sales | 2,500 | 65 | 0 | -2,565 | 0 |
| Operating income (EBIT) | 2,466 | 1,228 | -209 | -1,498 | 1,987 |
| Financial income | 51 | -4 | 0 | 1,324 | 1,371 |
| Assets | 23,377 | 22,216 | 150 | 16,579 | 62,322 |
| of which goodwill | 8,841 | 10,606 | 0 | 0 | 19,447 |
| Investments | 571 | 42 | 3 | -2 | 614 |
| Depreciations and amortisation | 421 | 105 | 13 | 11 | 550 |
| Segment liabilities | 12,140 | 8,763 | 570 | -6,758 | 14,715 |
| Employees as per balance sheet date | 201 | 115 | 3 | 22 | 341 |

Treasury stock

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

On June 6, 2014, the Management Board and Supervisory Board of SYZYGY AG resolved to buy back up to 100,000 of SYZYGY AG shares (corresponding to 0.78 per cent of the capital stock) via the stock exchange. The share buyback was fully accomplished on August 5, 2014.

The share buyback is in line with the Annual General Meeting's resolution of May 28, 2010, to buy back treasury stock of up to 10 per cent of the capital stock. The shares may be used for all the purposes authorized by the Annual General Meeting on May 28, 2010.

The purchase price for the shares may neither exceed nor fall short of the average share price for the five trading days prior to the purchase commitment by more than 10 per cent. The relevant prices for determining the average are the closing prices for SYZYGY AG shares in electronic Xetra trading at the Frankfurt Stock Exchange (EUR 6.24).

Until August 5, 2014 the following buy-backs of shares were conducted:

| Date* | Shares purchased | Price (EUR) | Buyback volume (EUR) |
|-----------------|------------------|-------------|----------------------|
| July 14, 2014 | 20,000 | 6.10 | 122,000.00 |
| July 15, 2014 | 10,268 | 6.05 | 62,121.40 |
| July 22, 2014 | 29,732 | 6.05 | 179,878.60 |
| July 23, 2014 | 20,000 | 6.00 | 120,000.00 |
| July 24, 2014 | 5,565 | 5.95 | 33,111.75 |
| August 05, 2014 | 14,435 | 6.00 | 86,610.00 |
| | 100,000 | | 603,721.75 |

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

As at September 30, 2014, SYZYGY thus held 150,000 treasury shares at average acquisition costs of EUR 5.54.

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 (number of shares) | Marco Seiler | Andrew Stevens | Total |
|--|-----------------|-------------------|---------|
| As per December 31, 2013 | 538,121 | 325,000 | 863,121 |
| Purchases | 0 | 0 | 0 |
| Sales | 0 | 0 | 0 |
| As per September 30, 2014 | 538,121 | 325,000 | 863,121 |

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

| Management board: options (number of shares) | Marco Seiler | Andrew Stevens | Total |
|---|-----------------|-------------------|---------|
| As per December 31, 2013 | 120,000 | 120,000 | 240,000 |
| Granted | 0 | 0 | 0 |
| Exercised | -48,000 | 0 | -48,000 |
| As per September 30, 2014 | 72,000 | 120,000 | 192,000 |

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

Shareholder structure

As at September 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. Due to selling shares to the minority shareholders of Ars Thanea in the course of the acquisition as well as because of the share buyback, treasury stock changed from 0.4 per cent to 1.2 per cent of shares. The free float was thus 62.1 per cent. As at the reporting date, the total number of shares was 12,828,450.

Bad Homburg v. d. H., October 31, 2014

SYZYGY AG

The Management Board

Financial calendar

| | |
|--|------------------------|
| German Equity Forum, Frankfurt | / November 24-26, 2014 |
| Capital Market Conference (MKK), Munich | / December 9-10, 2014 |
| Annual Report 2014 | / March 31, 2015 |
| Interim Report as per March 31, 2015 | / April 30, 2015 |
| General Annual Meeting, Frankfurt | / May 29, 2015 |
| Interim Half-Year Statement 2015 | / July 31, 2015 |
| Interim Report as per September 30, 2015 | / October 30, 2015 |

SYZYGY AG
Investor Relations
Im Atzelnest 3
61352 Bad Homburg (Germany)

Contact:
Katrín Schreyer
t +49 6172 9488-251
e ir@syzygy.net
i ir.syzygy.co.uk