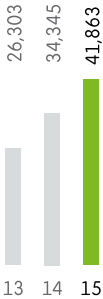


S/Z/G/

The background of the page features three thick, wavy, overlapping lines. A grey line starts at the top left, curves down and to the right, then loops back towards the bottom left. A green line starts at the top left, curves down and to the right, then loops back towards the bottom left. A yellow line starts at the top left, curves down and to the right, then loops back towards the bottom left. The lines overlap in a way that creates a sense of depth and movement.

# Key financial figures

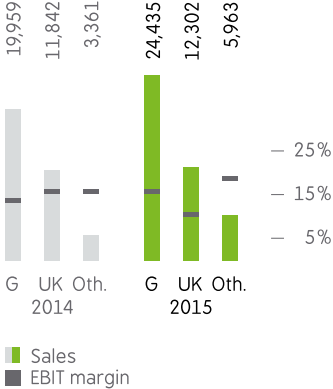
Sales  
9M in kEUR



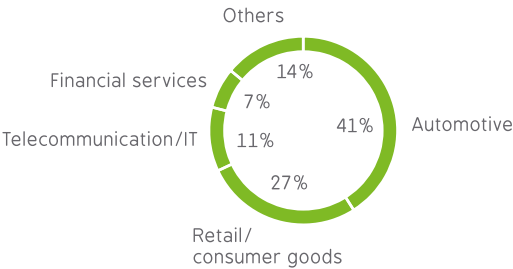
EBIT and EBIT margin  
9M in kEUR



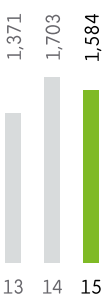
Sales and EBIT margin  
by segments  
9M in kEUR



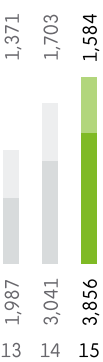
Sales allocation  
by vertical markets



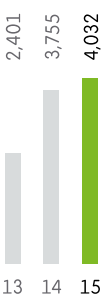
Financial income  
9M in kEUR



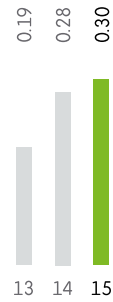
Income before taxes  
(adjusted)  
9M in kEUR



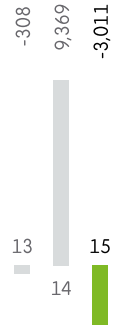
Net income  
9M in kEUR



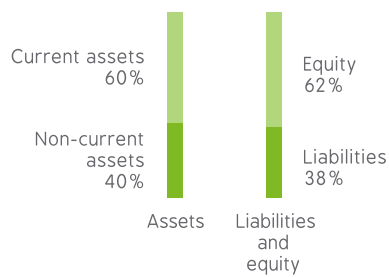
Earnings per share  
9M in EUR



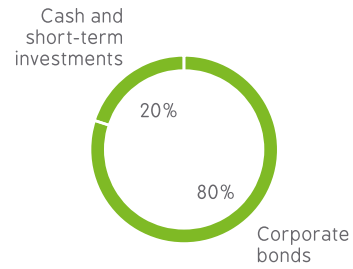
Development  
of operating cash flows  
9M in kEUR



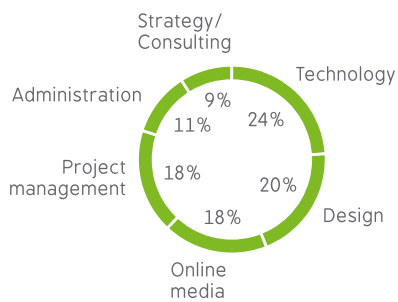
Balance sheet  
structure



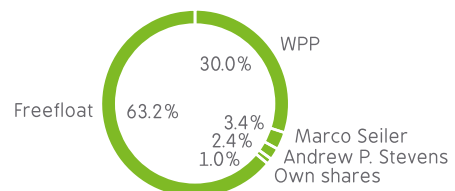
Portfolio structure of  
cash and marketable  
securities



Employees  
by function



Shareholder structure  
as per September 30, 2015



5	/	General
5	/	Group profile
7	/	Economic report
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16	/	Consolidated balance sheet
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26	/	Financial calendar 2015/2016

# Business development and management report

	3. Quarter			January-September		
	2015	2014	Change	2015	2014	Change
	kEUR	kEUR		kEUR	kEUR	
Sales	14,230	11,772	21%	41,863	34,345	22%
EBITDA	1,592	1,271	25%	4,682	3,818	23%
EBITDA margin	11%	11%	0 pp	11%	11%	0 pp
EBIT	1,310	1,006	30%	3,856	3,041	27%
EBIT margin	9%	9%	0 pp	9%	9%	0 pp
Financial income	504	545	-8%	1,584	1,703	-7%
Net income	1,323	1,100	20%	4,032	3,755	7%
Earnings per share (EUR)	0.10	0.08	25%	0.30	0.28	7%
Employees incl. freelancers	536	483	11%	536	483	11%
Liquid assets	25,735	29,278	-12%	25,735	29,278	-12%
Operating cash flow	51	5,574	–	-3,011	9,369	–

## 1. General

The following Group Management Report provides information on the performance of the SYZYGY Group (hereinafter referred to as “SYZYGY”, the “Group” or the “Company”). The consolidated financial statements on which the Group Management Report is based 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

The SYZYGY Group is an international provider of creative, technological and media services for digital marketing. Overall, the Group had around 540 employees, including freelancers, at locations in Germany, the UK, Poland and the US as at the balance sheet date.

The Group consists of SYZYGY AG as the holding company and nine subsidiaries: Ars Thanea ska, Hi-ReSI Berlin GmbH, Hi-ReSI New York

Inc, Hi-ReSI London Ltd, SYZYGY Deutschland GmbH, SYZYGY UK Ltd, unquedigital GmbH and Unique Digital Marketing Ltd. In order to provide existing clients with even better support at local level and to acquire additional clients, SYZYGY established a new company based in Munich in September, SYZYGY München GmbH, which will commence operations on October 1, 2015.

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, digital campaigns and mobile apps. Online marketing services such as media planning, search engine marketing/optimisation and affiliate programmes are also a major business area. Digital illustrations, animations and the development of games for smartphones and tablets round off the range of services.

The business focus is on the automotive, telecommunications/IT and consumer goods industries, as well as financial services.

## **2.2 Group management**

The organisational structure of the SYZGY Group is decentralised. As the management holding company, SYZGY AG manages the subsidiaries on the basis of quantitative and qualitative targets (management by objectives). The management teams in the individual companies operate largely independently, within the constraints of their targets and budgets. A control and reporting system is in place for management and monitoring purposes within the Group. It compares the financial figures against the budget on a monthly basis, while also highlighting key opportunities and risks.

DRS 20 stipulates that financial and non-financial performance indicators must be included in reporting if they are also used for the Group's internal management.

### ***Financial performance indicators***

The main financial performance indicators used for managing the SYZGY Group are sales and earnings before interest and taxes (EBIT). They are presented and explained in detail in the following Management Report.

### ***Non-financial performance indicators***

SYZGY does not use any non-financial performance indicators for managing the Group or for management decision-making. In line with its style of corporate management, which is based on sustainable growth, SYZGY has nonetheless identified non-financial factors that are considered to be important for the long-term success of the Group. Some of these are listed below.

### ***Employees***

As a service provider, the Group's performance depends to a very significant extent on the skill and commitment of its employees. In order to retain them and gain new talent, SYZGY seeks to offer its staff an interesting, diverse and pleasant working environment. This includes regular internal and external training and development activities, attractive locations that provide an inspiring work environment and welcoming office space with room for creativity, interaction and personal contacts, an open and communicative management culture, flexible working hours, cooperation with universities to promote the next generation of talent, and corporate events.

### ***Capacity for innovation***

Digital marketing is in a constant state of flux. Innovative technologies and changes in user behaviour require ongoing adaptation of the service portfolio and the constant development of internal skillsets.

With the aim of anticipating this change and playing an active role in shaping it, the SYZGY Group organises a Digital Innovation Day, at which international thought leaders and bestselling authors discuss innovation issues relating to digital marketing.

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

## Awards

Winning prestigious awards for creative work and efficiency is an important indicator of the Group's performance. It also enhances the Group's attractiveness to (potential) clients and employees. SYZGY regularly participates in national and international competitions.

Marco Seiler, founder and CEO of the SYZGY Group, was awarded the highly regarded "Agency Person of the Year" prize in January 2015. It is conferred annually by marketing industry magazine Horizont.

## 2.3 Voluntary takeover offer by WPP

On August 7, 2015, WPP, the world's largest advertising agency holding group, announced its intention to make a voluntary takeover offer via its subsidiary WPP Jubilee Ltd at a price of EUR 9.00 per SYZGY share. The offer document was published on September 15, 2015 with the approval of the German Financial Supervisory Authority (BaFin). In line with the offer document, there was an initial acceptance period for all shareholders until October 14, 2015, followed by an additional acceptance period closing on November 2, 2015. WPP Jubilee Ltd stated that a total of 2,177,465 shares, or 16.97 per cent of the share capital, had been acquired by October 14, 2015. This increases the company's stake in SYZGY AG to 46.97 per cent. Further information on the voluntary takeover offer by WPP is available at

[http://ir.SYZGY.co.uk/default3\\_and\\_fz\\_menu=ir\\_take\\_over\\_offer.aspx](http://ir.SYZGY.co.uk/default3_and_fz_menu=ir_take_over_offer.aspx) or under "The stock" in the Investor Relations area of the SYZGY AG website.

## 3. Economic report

### 3.1 General economic development

Business activity in the third quarter of 2015 took place against a positive economic backdrop. Confidence in the economy increased further in the Eurozone during the reporting period, despite concerns about economic conditions in emerging markets, fresh elections in Greece and the postponement of a rise in interest rates in the US, all of which could have hit sentiment.

The Eurozone saw steady growth in the third quarter, although momentum slowed slightly in September. Increases were recorded in production and new orders, resulting in job numbers rising again for the 11th time in a row. Economic activity was supported by low interest rates and oil prices and also by the ongoing relatively low external value of the euro.

In September, the Eurozone experienced the first fall in prices since March, with inflation turning negative at -0.1 per cent year-on-year, and -0.2 per cent in Germany.

Economic and capital markets experts expect a slight increase in interest rates by the end of the year. The increase is likely to be limited due to modest economic growth, weak price trends in the Eurozone and a US Federal Reserve that has delayed an expected interest rate hike following the economic downturn in China and other emerging markets. If monetary policy in the Eurozone and the US continues to diverge, the euro could weaken slightly against the dollar by the end of the year.

The German economy is also continuing to experience a moderate upward trend. Both the DIW Economic Barometer and the ifo Business Climate Index confirm a surprisingly positive and robust mood among the company bosses surveyed. GDP is estimated to have grown by 0.5 per cent in the third quarter. The ifo Business Climate Index for the commercial sector rose slightly in September by 0.1 to 108.5 points. The assessment of the current business situation was slightly down on the previous month, but the outlook with regard to future business prospects is positive and optimistic. After a record high in August, the indicator for the service sector fell slightly in September from 30.7 to 30.2. However, service providers give a very positive assessment of the current situation and are continuing to expand staff numbers.

Although output in the manufacturing sector was broadly flat, consumer-related services proved much more buoyant. Reduced energy prices and a rise in employment boosted consumer spending power, thus stimulating private consumption.

Despite strong export performance, uncertainty in Germany remains high and is likely to have increased as a result of the VW emissions issue and its unforeseeable consequences for the country's economy and exports. Experts fear that the scandal around Europe's largest car manufacturer could harm the reputation of the German automotive industry worldwide. The sector is heavily dependent on foreign markets and accounts for nearly a fifth of total German exports. The recent turbulence in the Chinese market is also a cause for concern, particularly since other important emerging economies including Brazil and Russia are likewise experiencing difficulties.

The economic climate remains positive in the UK. After the British Chambers of Commerce downgraded their growth forecast for 2015 from 2.7 per cent to 2.3 per cent in the second quarter, it was then increased again to 2.6 per cent. The BCC expect GDP to expand by 2.7 per cent in 2016. The main reasons for this are the unexpectedly strong performance of the service sector and increased consumer spending. These two sectors will be the key drivers of growth for the UK economy over the coming years. Experts from the BCC expect the UK's unemployment rate to decline from 5.6 per cent (Q2 2015) to 5.3 per cent in 2016. This positive outlook was dampened by an unexpected fall in the Purchasing Managers' Index. According to research institute Markit, sentiment in the UK service sector deteriorated significantly in September, with the index falling to 53.3 points from 55.6 points in August.

### **3.2 Advertising market performance**

Statistics for the performance of the advertising market in the third quarter of 2015 were largely unavailable when this report was being prepared. SYZYGY also accepts that the validity of advertising statistics is limited since different survey methods produce widely different results and forecasts. Given the generally robust economy in the first nine months of 2015 and positive forecasts for the year 2015 as a whole, it can nonetheless be assumed that companies have tended to increase their marketing budgets.

ZenithOptimedia, one of the world's biggest media agencies, expects global advertising spend to rise by 4 per cent to approximately USD 554 billion in 2015, and by 5 per cent in 2016 as a result of major events such as the Summer Olympics and the US presidential elections.



Market researcher Nielsen reports that the German advertising market saw a rise of 2.9 per cent in the first three quarters of 2015 compared to the same period of the previous year. This positive trend accelerated in the third quarter in particular, with a growth rate of 5 per cent. The German Online Marketing Group (OVK, part of the German Association for the Digital Economy (BVDW)) confirmed its optimistic spring forecast of 6.5 per cent growth. It predicted sales of around EUR 1.7 billion in total for the online and mobile sectors. Digital advertising expanded its share of the total advertising market to almost close the gap with TV advertising. Video and mobile saw the largest increase, with both sectors experiencing double-digit growth. Media agency network Carat roughly confirmed the OVK forecast with regard to strong growth in mobile advertising of around 50 per cent, predicting a jump in sales of EUR 200 million by the end of the year.

According to the IPA Bellwether Report, at the end of the first quarter of 2015 the advertising industry in the UK had recorded stronger growth in the preceding four quarters than for any budget year during the last decade. Experts also expect that in 2015 the UK will become the first country in the world to invest half of all advertising budgets in digital media. This makes the UK the European market leader for mobile advertising, with spending of USD 1.4 billion.

### 3.3 Employees

The headcount at the SYZYGY Group increased further in the period covered by the report. The SYZYGY Group had a total of 492 permanent employees as at September 30, 2015, 10 more than as at June 30, 2015, and 45 more than at the end of the corresponding quarter of the previous year. Strong growth in Group sales led to a proportionate expansion of the workforce.

The number of freelancers was around 44 (based on FTEs) during the reporting period, 8 more than in the same period of 2014. 284 people (58 per cent) worked in the four German companies and 127 (26 per cent) in the UK agencies. Ars Thanea employed 74 members of staff (15 per cent) as at the end of the quarter, while Hi-ReSI New York had 7 employees.

In terms of employees by function, there were no significant changes during the period under review. The technology section now comprises 23 per cent of employees. The proportion of staff in the design section (20 per cent) and in project management (18 per cent) remains unchanged. The proportion in strategy/consulting also remained flat at 9 per cent. The online marketing sector comprises 18 per cent of employees, which corresponds to a drop of 1 per cent compared to the previous quarter. Some 54 people worked in administration as at the end of the reporting period. This corresponds to 11 per cent of the workforce and marks a slight increase of 1 per cent.

On average over the period, 536 people – including around 44 freelancers – worked for the SYZYGY Group. Annualised sales per head were therefore EUR 104,000 (previous year: EUR 103,000), comparable with the previous year (average headcount of 445).

### **3.4 Investments, research and development**

SYZYGY invested around EUR 0.9 million in intangible assets and fixed assets in the third quarter of 2015. This consisted of investment in equipment for employees at the SYZYGY Group's various locations.

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

#### **3.5.1 Results of operations**

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

In the period under review, the SYZYGY Group once again achieved very strong growth with regard to both sets of figures. Billings were up 15 per cent to EUR 39.6 million compared to the same quarter of the previous year, while sales advanced by 21 per cent to EUR 14.2 million. In both cases these were new records for a quarter. Looking at the 9-month period, billings rose by 16 per cent to EUR 108 million, while sales increased to EUR 41.9 million (+22 per cent compared to 2014).

The key factors contributing to this strong performance are the acquisition of new clients and major expansion of existing client relationships.

A positive aspect to note is that all segments contributed to the strong results.

With 41 per cent of sales (+2 percentage points compared to the same quarter of the previous year), the automotive industry continues to be of dominant importance to the Group. The consumer goods sector accounted for around 27 per cent (+1 per cent) of sales, while 11 per cent was generated with companies from the IT and telecommunications industry (previous year: 13 per cent). The proportion of sales attributable to clients from the financial sector declined slightly from 8 per cent to 7 per cent. Some 14 per cent of sales came from firms that cannot be assigned to any of these four key areas. In absolute terms, growth was achieved across all industries.

63 per cent of the SYZYGY Group's total sales were generated from its ten largest clients, a slight drop of 2 percentage points compared to the same period in the prior year.

#### **3.5.2 Operating expenses and depreciation**

The cost of sales rose by 25 per cent to EUR 30.6 million. This was slightly in excess of sales growth since a substantial amount of work was handled by freelancers due to the very strong order book. Gross margin thus fell by two percentage points to 27 per cent.

At EUR 4.0 million, general administrative costs rose by 13 per cent compared to the previous year's figure. The growth of the SYZYGY Group requires additional expenditure on administration, although this expenditure is rising at a significantly lower rate than sales growth.

Sales and marketing costs amounted to EUR 3.8 million, up by 10 per cent, and thus also increased less than sales (previous year: EUR 3.5 million). Investment in business development and marketing campaigns that was initiated in preceding periods has resulted in a number of new client accounts and interest from prospective clients.

Depreciation of fixed assets amounted to EUR 0.8 million, as in the prior-year period.

### **3.5.3 Operating income and EBIT margin**

SYZYGY continued to build on the outstanding results achieved in the first half of the year, posting operating income of EUR 1.3 million in the third quarter (up +30 per cent compared to Q3 2014). EBIT totalled EUR 3.9 million in the 9-month period, which corresponds to a rise of 27 per cent compared to the same period of the previous year. The EBIT margin remained constant at 9 per cent.

### **3.5.4 Financial income**

SYZYGY again generated strong financial income of EUR 0.5 million in the third quarter and of EUR 1.6 million in the nine-month period through active management of available liquid funds. This figure is marginally below the previous year's level and corresponds to an annualised return of around 7 per cent on average available liquid assets. Financial income comprises interest income from corporate bonds and gains realised on securities.

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

Buoyant business performance at the SYZYGY Group is reflected in pre-tax income of EUR 5.4 million. In the same period of the previous year, the figure was EUR 5.1 million, meaning that pre-tax income increased by 7 per cent in absolute terms. After income taxes of EUR 1.4 million, net income was EUR 4.0 million.

Undiluted earnings per share were EUR 0.30 for the period, based on the average available 12,688 thousand shares qualifying for participation in the profits and after deducting minority shares of EUR 0.3 million. This corresponds to an increase of 7 per cent compared to the previous year.

### **3.5.6 Segment reporting**

In accordance with IFRS 8, which is based on the management approach, SYZYGY uses geographical criteria to report segments and thus distinguishes between Germany, the UK and "Other segments". The latter include Ars Thanea and Hi-ReSI New York. Under IFRS 8.13, these companies are not big enough to be reported as geographically independent segments.

Growth of the SYZYGY Group was driven chiefly by the German agencies and the companies in the "Other segments".

The German agencies performed strongly in the reporting period and boosted their sales by 22 per cent to EUR 24.4 million. Operating income grew disproportionately, climbing 36 per cent to EUR 3.8 million.

The UK segment continued to perform well in the period covered by the report, with sales up 4 per cent to EUR 12.3 million. At EUR 1.2 million, operating income was down slightly, although an EBIT margin of 10 per cent still represented strong profitability. The fact that the Company also continues to work for AVIS USA significantly boosted business at the US subsidiary, leading to more sales being allocated to "Other segments".

Sales of EUR 6.0 million were generated in "Other segments" in the first three quarters, representing strong growth of 77 per cent. Operating income amounted to EUR 1.2 million, corresponding to an EBIT margin of 19 per cent.

The breakdown of sales by segment was as follows: 57 per cent of revenue was generated by the German companies, 29 per cent by the UK agencies and 14 per cent by Ars Thanea and Hi-ReSI New York. With regard to EBIT, 61 per cent came from the Germany segment, 20 per cent from the UK and 19 per cent from the other segments.

### **3.5.7 Financial position**

SYZGY had liquidity reserves totalling EUR 25.7 million as at the balance sheet date, corresponding to a decrease of EUR 9.4 million or 27 per cent compared with December 31, 2014. Liquid funds were down EUR 7.8 million to EUR 5.2 million (-60 per cent), while securities holdings declined only slightly by 7 per cent to EUR 20.5 million.

80 per cent of funds were invested in corporate bonds, while 20 per cent were accounted for by bank deposits. The average residual maturity of the bonds was 7.2 years.

Total cash flow of the SYZGY Group was negative as at the reporting date, at EUR -8.2 million. This decrease is mainly accounted for by negative operating cash flow from financing activities, reflecting payment of the dividend of EUR 4.4 million, and negative operating cash flow from business operations of EUR -3.0 million. As a consequence of strong cash flow in the previous year, which resulted in a drop in working capital due to the particular reporting date, balance sheet items comprising working capital returned to normal in the first three quarters. The servicing of accounts payable also led to a cash outflow of EUR 4.3 million in the period covered by the report. The level of capital commitment also increased, due to a rise in trade receivables and other assets, standing at EUR 3.9 million. Net income for the period of EUR 4.0 million was a positive factor in Q3. Advance payments of EUR 0.1 million received from clients slightly boosted operating cash flow.

Depreciation of fixed assets had a positive impact on cash flow from investing activities, at EUR 0.8 million.

### 3.5.8 Asset situation

The SYZGY Group's total assets fell to EUR 79.3 million as at the reporting date. The decrease of EUR 4.1 million compared to December 31, 2014 represents a 5 per cent drop.

Non-current assets increased by around 3 per cent to EUR 31.4 million due to currency effects.

In current assets, liquid funds fell by EUR 7.8 million to EUR 5.2 million and securities declined by EUR 1.7 million.

Due to dynamic business growth, accounts receivable rose by EUR 4.7 million to EUR 20.7 million.

At EUR 49.3 million, equity was EUR 1.7 million or 3 per cent below the figure as at December 31, 2014, corresponding to an equity ratio of 62 per cent.

Other accumulated net income was EUR -0.3 million, having declined by EUR 1.4 million. This item mainly comprises unrealised rate changes for foreign exchange positions and unrealised price changes on securities.

At EUR 26.5 million, current liabilities fell by EUR 2.5 million or 9 per cent compared to year-end 2014. This is mainly due to the servicing of obligations arising from the supply of goods and services (accounts payable and provisions).

## 4. Outlook

### 4.1 Forecasts

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

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

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

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

## 4.2 General economic situation

SYZGY currently expects moderate growth in the Group's core markets. Overall, factors that are likely to promote economic growth predominate.

It is expected that Germany and the UK will again grow more strongly than other European countries. Due to the increasing amount of new business and a growing order backlog, ifw experts expect growth in the economy and in employment figures to continue in the Eurozone in Q4. It is estimated that GDP will rise by 1.5 per cent in the current year.

Leading economic institutes take a more sceptical view of the economic environment in Germany and have lowered their growth forecasts from 2.1 to around 1.8 per cent for 2015, citing weaker global demand. They also regard the VW affair and the economic slowdown in China as risks. The economic experts predict that GDP will rise by around 1.8 per cent in 2016.

After the British Chambers of Commerce downgraded their growth forecast for 2015 from 2.7 per cent to 2.3 per cent in the second quarter, it has now been raised again to 2.6 per cent. The BCC expect GDP to expand by 2.7 per cent in 2016. The main reasons for this are the unexpectedly strong performance of the service sector and increased consumer spending. These two sectors will be the key drivers of growth for the UK economy over the coming years. The experts at the BCC also expect the UK's unemployment rate to decline from 5.6 per cent (Q2 2015) to 5.3 per cent in 2016.

## 4.3 Advertising market

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

The Carat Ad Forecast predicts global advertising spend will grow by only 4.0 per cent this year, rather than by the 4.6 per cent originally forecast in the spring. However, the main drivers of growth have not changed; they are still mobile (+51 per cent) and video (+22 per cent).

A survey by the Organisation der Mediaagenturen (OMG) shows that German media agencies are optimistic about the future. Despite some negative indicators, such as the economic downturn in the BRIC countries and the ongoing Ukraine conflict, agency directors expect the positive economic trend to continue in 2016. This view is supported by the German Entertainment and Media Outlook published by PwC, which predicts a very significant rise in advertising revenue over the coming years. A recent survey by media agency Carat indicates that the total advertising market in Germany will grow by just 1.6 per cent in 2015, while the digital media market is set to expand by 6.9 per cent. The German Association for the Digital Economy (BVDW) is more bullish still, and expects growth of just under 9 per cent.

In the UK, which is one of the top five advertising markets in the world along with Germany, growth is expected primarily as a result of increasing budgets in the mobile sector. Experts from eMarketer predict that expenditure on mobile advertising will equal print this year and overtake TV advertising in 2016, making it the strongest category of all. In figures, this means an increase of 45 per cent for 2015 and 35 per cent for 2016, to around USD 1.8 billion.

#### **4.4 Expected performance of the SYZYGY Group**

Two factors provide the SYZYGY Group with a very favourable backdrop for further growth: the generally positive macroeconomic outlook for Germany and the UK, and the ongoing shift of marketing budgets to digital channels. Having said that, purely online advertising, to which the above statistics refer, represents just one aspect of the complex digital marketing sector and only makes up part of the Group's portfolio of services.

The SYZYGY Group is maintaining the forecast given in the Annual Report and expects to be able to increase its sales organically in the current financial year by around 20 per cent to approximately EUR 55.0 million. Operating income is expected to increase ahead of sales. All segments will contribute to this growth.

Earnings per share are likely to rise to around EUR 0.40.

The results of the SYZYGY Group will be determined by the performance of the operating units and the future interest income of SYZYGY AG.

Bad Homburg v. d. H., October 28, 2015  
SYZYGY AG

The Management Board

## Consolidated balance sheet

ASSETS	09/30/2015	09/30/2014	12/31/2014
	kEUR	kEUR	kEUR
<b>Non-current assets</b>			
Goodwill	26,011	23,716	25,362
Fixed assets, net	3,477	3,525	3,335
Other assets	671	636	635
Deferred tax assets	1,236	1,845	1,238
<b>Total non-current assets</b>	<b>31,395</b>	<b>29,722</b>	<b>30,570</b>
<b>Current assets</b>			
Cash and cash equivalents	5,238	9,113	13,017
Marketable securities	20,497	20,165	22,157
Accounts receivable, net	20,716	15,133	16,039
Prepaid expenses and other current assets	1,485	1,406	1,670
<b>Total current assets</b>	<b>47,936</b>	<b>45,817</b>	<b>52,883</b>
<b>Total assets</b>	<b>79,331</b>	<b>75,539</b>	<b>83,453</b>
<b>EQUITY AND LIABILITIES</b>			
	kEUR	kEUR	kEUR
<b>Equity</b>			
Common stock*	12,828	12,828	12,828
Additional paid-in capital	20,306	20,294	20,294
Own shares	-739	-831	-831
Accumulated other comprehensive income	-343	892	1,042
Retained earnings	16,936	16,769	17,610
Minorities	356	-52	91
<b>Total Equity</b>	<b>49,344</b>	<b>49,900</b>	<b>51,034</b>
<b>Non-current liabilities</b>			
Long term liability	3,373	1,512	3,373
Deferred tax liabilities	151	136	120
<b>Total non-current liabilities</b>	<b>3,524</b>	<b>1,648</b>	<b>3,493</b>
<b>Current liabilities</b>			
Tax accruals and liabilities	983	2,162	174
Accrued expenses	10,384	7,922	8,172
Customer advances	7,214	4,707	6,913
Accounts payable	6,103	8,559	11,467
Other current liabilities	1,779	641	2,200
<b>Total current liabilities</b>	<b>26,463</b>	<b>23,991</b>	<b>28,926</b>
<b>Total liabilities and equity</b>	<b>79,331</b>	<b>75,539</b>	<b>83,453</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

	3. Quarter			January-September		
	2015	2014	Change	2015	2014	Change
	kEUR	kEUR		kEUR	kEUR	
Billings	39,604	34,499	15%	108,127	93,245	16%
Media costs	-25,374	-22,727	12%	-66,264	-58,900	13%
Sales	14,230	11,772	21%	41,863	34,345	22%
Cost of revenues	-10,534	-8,484	24%	-30,601	-24,483	25%
Sales and marketing expenses	-1,354	-1,217	11%	-3,849	-3,515	10%
General and administrative expenses	-1,478	-1,153	28%	-3,967	-3,515	13%
Other operating income/expense, net	446	88	407%	410	209	96%
Operating profit	1,310	1,006	30%	3,856	3,041	27%
Financial income, net	504	545	-8%	1,584	1,703	-7%
Special items from first and de-consolidation	0	0	–	0	335	-100%
Income before taxes	1,814	1,551	17%	5,440	5,079	7%
Income taxes	-491	-451	9%	-1,408	-1,324	6%
Total net income of the period	1,323	1,100	20%	4,032	3,755	7%
thereof net income share to other shareholders	37	65	-43%	263	197	34%
thereof net income share to shareholders of SYZGY AG	1,286	1,035	24%	3,769	3,558	6%
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	-993	350	–	968	1,367	-29%
Net unrealized gains/losses on marketable securities, net of tax	-1,200	-300	300%	-2,351	-120	1,859%
Other comprehensive income	-2,193	50	–	-1,383	1,247	-211%
Comprehensive income	-870	1,215	–	2,649	5,002	-47%
thereof income share to other shareholders	35	48	-27%	265	197	35%
thereof income share to shareholders of SYZGY AG	-905	1,167	-178%	2,384	4,805	-50%
Earnings per share from total operations (basic in EUR)	0.10	0.08	25%	0.30	0.28	7%
Earnings per share from total operations (diluted in EUR)	0.10	0.08	25%	0.30	0.28	7%

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

## Statement of changes in equity

								Accum. other compre- hensive income		
	Number of shares (in 1,000)	Common stock	Additional paid-in capital	Own shares	Retained earnings	Foreign exchange currency	Unrealised gains and losses	Equity attributable to shareholders of SYZGY AG	Minority interest	Total equity
	Shares	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
January 1, 2014	12,828	12,828	20,207	-554	16,789	-1,611	1,256	48,915	-238	48,677
Net income of the period					4,399			4,399	340	4,739
Other compre- hensive income						1,169	228	1,397	0	1,397
Comprehensive income					4,399	1,169	228	5,796	340	6,136
Changes from first consolidation and in shares								0	-11	-11
Dividend					-3,578			-3,578		-3,578
Sale of own shares			87	328				415		415
Purchase of own shares				-605				-605		-605
Dec. 31, 2014	12,828	12,828	20,294	-831	17,610	-442	1,484	50,943	91	51,034
January 1, 2015	12,828	12,828	20,294	-831	17,610	-442	1,484	50,943	91	51,034
Net income of the period					3,769			3,769	263	4,032
Other compre- hensive income						966	-2,351	-1,385	2	
Comprehensive income					3,769	966	-2,351	2,384	265	2,649
Dividend					-4,443			-4,443		-4,443
Sale of own shares			12	92				104		104
Sept. 30, 2015	12,828	12,828	20,306	-739	16,936	524	-867	48,988	356	49,344

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

## Consolidated statement of cash flows

	January-September		
	2015	2014	2014
	kEUR	kEUR	kEUR
Period net income	4,032	3,755	4,739
Adjustments to reconcile income from operations to net cash provided by operating activities			
– Writedown of marketable securities	0	57	0
– Depreciation on fixed assets	826	777	2,554
– Profit and loss on sale of securities	-968	-868	-1,034
– Profit (-)/loss (+) on sale of fixed assets	13	52	61
– Revaluation effects from first consolidation of Ars Thanea	0	-650	-2,031
– Other non-cash income and expenses	380	758	841
Changes in operating assets and liabilities:			
– Accounts receivable and other assets	-3,888	-723	-2,058
– Customer advances	73	1,633	3,680
– Accounts payable and other liabilities	-4,336	3,798	6,141
– Tax accruals and payables, deferred taxes	857	780	1,517
<b>Cash flows provided by operating activities</b>	<b>-3,011</b>	<b>9,369</b>	<b>14,410</b>
Changes in other non-current assets	230	-13	122
Investments in fixed assets	-917	-996	-1,380
Purchases of marketable securities	-34,288	-27,962	-37,972
Proceeds from sale of marketable securities	34,186	26,206	34,817
Acquisition of consolidated entities less liquid funds	0	-890	-907
Income from at equity investments	0	10	10
<b>Cash flows used in investing activities</b>	<b>-789</b>	<b>-3,645</b>	<b>-5,310</b>
Dividend	-4,443	-3,578	-3,578
Cash inflows from issuance of share capital from minority shareholders	0	-11	-11
Changes in treasury stock	0	-190	-190
<b>Cash flows from financing activities</b>	<b>-4,443</b>	<b>-3,779</b>	<b>-3,779</b>
<b>Total</b>	<b>-8,243</b>	<b>1,945</b>	<b>5,321</b>
Cash and cash equivalents at the beginning of the period	13,017	6,728	6,728
Exchange rate differences	464	440	968
<b>Cash and cash equivalents at the end of the period</b>	<b>5,238</b>	<b>9,113</b>	<b>13,017</b>

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

# Notes to the Consolidated Financial Statements

## **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 2015 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 unaudited interim financial statements were prepared in compliance with IAS 34 and in accordance with DRS 16. Accordingly, the company elected to produce a short-form report, compared with the consolidated financial statements as at December 31, 2014. 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 2014 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 2014. The financial figures and associated information must therefore be read in conjunction with the annual report on the consolidated financial statements for 2014.

## **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, administration, 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, Munich, 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, 2015, the following subsidiaries were included in the consolidated financial statements of SYZGY AG and fully consolidated:

- (1) Ars Thanea ska, Warsaw, Poland
- (2) Hi-ReSI Berlin GmbH, Berlin, Germany
- (3) Hi-ReSI London Ltd, London, UK
- (4) Hi-ReSI New York Inc, New York City, United States
- (5) SYZGY Deutschland GmbH, Bad Homburg v.d.H., Germany
- (6) SYZGY Muenchen GmbH, Munich, Germany
- (7) SYZGY UK Ltd, London, UK
- (8) uniquedigital GmbH, Hamburg, Germany
- (9) Unique Digital Marketing Ltd, London, UK

Information on general consolidation principles is provided in the 2014 annual report from page 64 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 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 Hi-ReSI Berlin GmbH, SYZYGY Deutschland GmbH, SYZYGY Muenchen GmbH and uniquedigital GmbH. The UK segment consists of SYZYGY UK Ltd, Unique Digital Marketing Ltd and Hi-ReSI London Ltd. Due to their size, Hi-ReSI 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.

9/30/2015	Germany	UK	Other segments	Central functions and consolidation	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Billings	50,841	25,417	32,706	-837	108,127
Media costs	-26,406	-13,115	-26,743	0	-66,264
Sales	24,435	12,302	5,963	-837	41,863
of which internal sales	330	263	101	-694	0
Operating income (EBIT)	3,789	1,226	1,161	-2,320	3,856
Financial income	97	12	-24	1,499	1,584
Earnings before tax (EBT)	3,886	2,334	1,137	-1,917	5,440
Assets	26,308	22,344	17,830	12,849	79,331
of which goodwill	8,841	10,552	6,618	0	26,011
Investments	754	67	62	14	897
Depreciation and amortisation	515	163	121	27	826
Segment liabilities	13,180	6,672	10,075	60	29,987
Employees as per balance sheet date	265	127	81	19	492

9/30/2014	Germany	UK	Other segments	Central functions and consolidation	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
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
Earnings before tax (EBT)	2,821	2,385	525	-652	5,079
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
Depreciation 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

### Treasury stock

SYZGY is authorised to resell or call in treasury shares or to offer treasury shares to third parties in the course of acquiring companies. Treasury shares do not entitle the Company to any dividend or voting rights. The extent of the share buyback is shown as a separate item to be deducted from equity. During the nine months of 2015, 16,562 treasury shares were transferred to the former shareholders of Hi-ReSI London. The profit on sale of treasury shares amounted to kEUR 12 and was accounted in other comprehensive income, not affecting net income.

As at September 30, 2015, SYZGY thus held 133,438 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 till September 30, 2015, the management board member Marco Seiler sold 106,842 SYZGY shares at an average stock price of EUR 9.13 and the management board member Andrew P. Stevens sold 20,000 SYZGY shares at an average stock price of EUR 7.86. Apart from that, board members did not buy or sell any SYZGY shares.

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

#### Management board: shares

Number of shares	Marco Seiler	Andrew P. Stevens	Erwin Greiner	Total
As per December 31, 2014	538,121	325,000	0	863,121
Purchases	0	0	0	0
Sales	-106,842	-20,000	0	-126,842
As per September 30, 2015	431,279	305,000	0	736,279

#### Supervisory board: shares

Number of shares	Michael Mädel	Wilfried Beeck	Ralf Hering	Total
As per December 31, 2014	20,000	120,000	0	140,000
Purchases	0	0	0	0
Sales	0	0	0	0
As per September 30, 2015	20,000	120,000	0	140,000

#### Management board: options

Number of options	Marco Seiler	Andrew P. Stevens	Erwin Greiner	Total
As per December 31, 2014	72,000	120,000	60,000	252,000
Granted	0	0	0	0
Exercised	-72,000	-120,000	-24,000	-216,000
As per September 30, 2015	0	0	36,000	36,000



**Options**

SYZGY AG pays the difference between the exercise price and share price at the exercise date in cash instead of issuing new shares. Accordingly, the liabilities are recorded as accruals on a pro rata basis.

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

**Shareholder structure**

As at September 30, 2015, the shareholders' structure has slightly changed compared to December 31, 2014. The WPP Group still held 30 per cent, Marco Seiler now holds 3.4 per cent and Andrew P. Stevens now holds 2.4 per cent of the shares. Due to transferring shares to the former shareholders of Hi-Resl London in the course of the acquisition, treasury stock changed from 1.2 per cent to 1.0 per cent of shares. The free float was thus 63.2 per cent. As at the reporting date, the total number of shares was 12,828,450.

**Transactions after September 30, 2015**

In the context of the take-over bid by WPP group both management board and supervisory board members have sold all their shares at a price of EUR 9.00 per share. Management and supervisory board do not own any shares since October 14, 2015.

**Events after September 30, 2015**

WPP group has issued a voluntary takeover offer which ends at November 2, 2015.

2,177,465 shares have been offered in a first period of takeover from September 16 till October 14, 2015. This is equivalent to 16.97% of all shares. A second offering period started on October 20, 2015 and ends at November 2, 2015.

Bad Homburg v. d. H., October 28, 2015  
SYZGY AG

The Management Board

# Financial calendar 2015/2016

German Equity Forum, Frankfurt	/	November 23, 2015
Capital Market Conference (MKK), Munich	/	December 8, 2015
Annual Report 2015	/	March 30, 2016
Interim Report as per 03/31/2016	/	April 29, 2016
Interim Half-Year Statement 2016	/	July 29, 2016
Interim Report as per 09/30/2016	/	October 28, 2016

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