

SYZYGY AG
ANNUAL REPORT
2008



KEY FIGURES OF SYZYGY AG

FIG. 1, PAGE 32

NET SALES

IN EUR'000

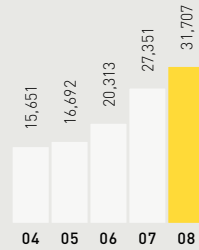


FIG. 2, PAGE 33

EBITA

IN EUR'000

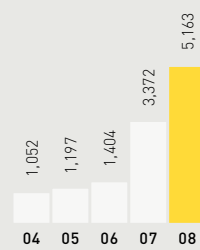


FIG. 3, PAGE 33

EBITA MARGIN

IN %

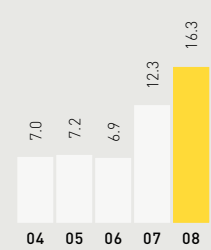


FIG. 4, PAGE 32

NET SALES AND EBITA MARGIN BY REGION

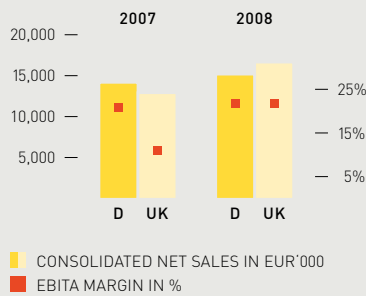


FIG. 5, PAGE 32

SALES ALLOCATION BY VERTICAL MARKETS

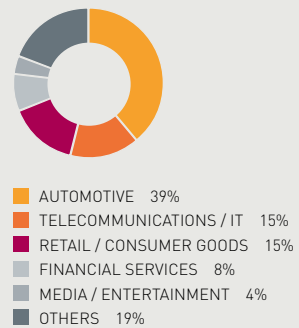


FIG. 6, PAGE 33

FINANCIAL INCOME

IN EUR'000

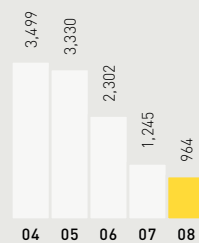


FIG. 7, PAGE 33

RATIO OF OPERATING INCOME TO FINANCIAL INCOME

IN EUR'000

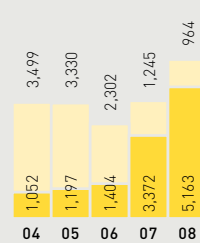
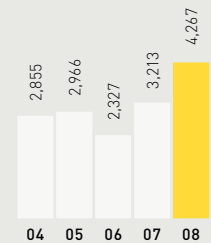


FIG. 8, PAGE 34

NET INCOME

IN EUR'000



■ OPERATING INCOME
■ FINANCIAL INCOME

FIG. 9, PAGE 34

EARNINGS PER SHARE
IN EUR

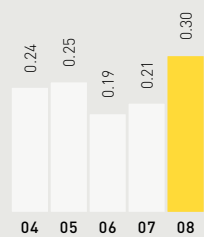


FIG. 10, PAGE 34

DEVELOPMENT OF OPERATING CASH FLOWS
IN EUR'000

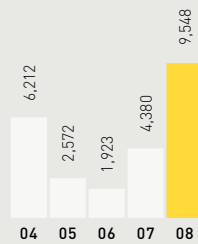


FIG. 11, PAGE 35

BALANCE SHEET STRUCTURE

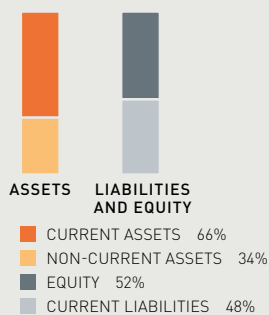


FIG. 12, PAGE 33

PORTFOLIO STRUCTURE OF CASH AND MARKETABLE SECURITIES

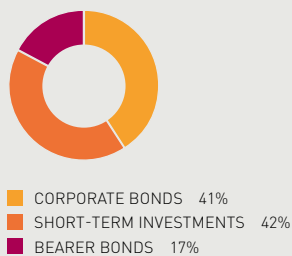


FIG. 13, PAGE 35

EMPLOYEES BY FUNCTION

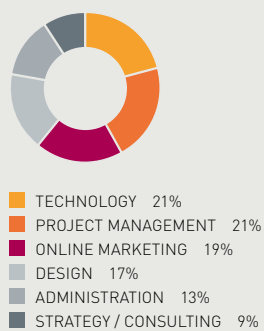
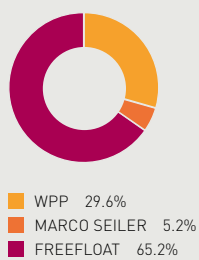


FIG. 14, PAGE 38

SHAREHOLDER STRUCTURE



CONF

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NEW

REA

GG

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CONTENT

2	/ BOARD MEMBERS' STATEMENT
5	/ AWARDS
6	/ SYZYGY AGENCY GROUP
8	/ JÄGERMEISTER WEB EXPERIENCE
18	/ DARWIN SUITE
22	/ THE STOCK
25	/ REPORT OF SUPERVISORY BOARD
27	/ CORPORATE GOVERNANCE
29	/ FINANCIAL STATEMENTS 2008
30	/ MANAGEMENT REPORT
42	/ CONSOLIDATED BALANCE SHEET
43	/ CONSOLIDATED INCOME STATEMENT
44	/ CONSOLIDATED STATEMENT OF CASH FLOWS
45	/ STATEMENT OF CHANGES IN EQUITY
46	/ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
78	/ INDEPENDENT AUDITORS' REPORT
79	/ FINANCIAL CALENDAR
79	/ CONTACT

BOARD MEMBERS' STATEMENT



MARCO SEILER CEO



FRANK WOLFRAM CTO

DEAR SHAREHOLDERS,

We are pleased to report another year in which our company achieved significant growth. Exchange rate fluctuations had a considerable negative impact on growth but the financial results nevertheless exceeded our expectations.

FINANCIAL RESULTS

Consolidated sales increased by over 16 per cent to EUR 31.7 million. Based on a constant exchange rate (euro to sterling), sales growth for the Group amounts to 24 per cent. Gross sales for the Group rose by 38 per cent to EUR 81.1 million.

Operating income was again up significantly, rising 53 per cent; assuming a constant rate of exchange this amounts to a growth of 63 per cent.

Since the 2006 financial year, the Syzygy Group has approximately trebled its earnings and increased the EBIT margin to 16.3 per cent, representing an outstanding achievement.

At EUR 1.0 million, financial income was around EUR 0.3 million below the prior year's level. Total net income after taxes was EUR 4.3 million (prior year: EUR 3.2 million). This resulted in earnings per share of EUR 0.30, which translates into a growth of over 40 per cent on the previous year (EUR 0.21). In accordance with the dividend policy announced previously, we are proposing a dividend of EUR 0.15 per share to the Annual General Meeting, which corresponds to 50 per cent of the earnings generated per share.

The dividend yield of the Syzygy Group thus exceeds the average for DAX companies, with Syzygy shares offering excellent value particularly in these times of stock market uncertainty.

This dividend policy is also intended to strengthen our company's liquidity base. In turn, this enables us to leverage opportunities for further acquisitions and at the same time to meet obligations relating to earn-out agreements without significantly reducing liquidity.

BUSINESS SEGMENTS AND AREAS

In the UK, the Design & Build business area again achieved both double-digit (organic) sales growth and a corresponding rise in operating income. Design & Build also performed well in Germany, reporting a double-digit growth of sales and earnings before tax (EBITA).

The Syzygy Group's diversification strategy, including investment in online media, also continues to bear the expected fruit in its second year of implementation.

In online media, the Syzygy Group was able to generate excellent results in the UK with the unquedigital brand. In Germany too, this business area again performed well. In total, the online marketing business area achieved an above-average increase in sales of 26 per cent.

REALISING OUR STRATEGY

In late 2008, we consolidated the company's online media brands, replacing the GFEH and Unique brands with the new international unquedigital brand. As a result, the online media companies now operate under a single brand name: unquedigital. We also merged existing proprietary technologies and new tools developed this year to create the DARWIN software suite. DARWIN plays an important role in underlining our claim to leadership in performance-oriented online marketing. The tools in the DARWIN suite serve to optimise online media activities, thereby boosting the

efficiency of our clients' media investment. Elsewhere in this annual report we explain the benefits of DARWIN in detail.

In January 2008, the Hi-ReS! design studio became part of the Syzygy Group and just a few months later was able to celebrate joint success with Syzygy. In a competitive pitch against ten international agencies, we were able to convince the company behind Germany's most successful spirits brand – Mast-Jägermeister AG – of the advantages of working with a team comprising Syzygy and Hi-ReS! in London. The outcome of this joint project is the first international online platform for the exciting Jägermeister brand. Jagermeister.com marks a key milestone in our development. The international website shows that the Internet has become the lead medium for iconic brands. We explore this project in more detail on the pages that follow.

In the UK, Syzygy and London-based Hi-ReS! were able to jointly win the world's biggest diamond producer and vendor – De Beers – as a client following a competitive pitch against the incumbent agency. The result is an international online platform for the new luxury Forevermark brand. The brand is being launched in Asia and will be rolled out in the Americas and Europe over the coming months.

Both these successes highlight how operating entities within the Syzygy Group can join forces to provide a powerful and compelling proposition. Going forward, we aim to identify more opportunities where multiple operating entities can leverage synergies by acting together.

OUTLOOK

The financial crisis has left large swathes of the economy in a state of shock. In the digital age,

BOARD MEMBERS' STATEMENT

the pace of change has also increased. Never before has the general economic environment deteriorated in such a short space of time. The debate about CO₂ emissions is an additional burden on the automotive industry, which makes up a significant proportion of our clients. Many companies have responded by drastically reducing marketing expenditure or postponing projects, again particularly in the automotive sector.

The environment for online media has also changed, irrespective of the financial crisis. Google is taking advantage of its monopoly position in the market to cease remunerating agencies altogether. In the short term, these new market conditions will inhibit the growth of our business.

At the same time, companies are taking a fresh look at their marketing mix. Interactive media are attracting additional attention as a result and accounting for a rising proportion of communications spending. This is a positive development for us.

Signing up new clients in the Design & Build business area has also been growth-enhancing. Syzygy has attracted four major new clients in the shape of Jägermeister, HSBC, German broadcaster ZDF and De Beers, winning against the who's who of agencies in competitive pitches. The last few months have been some of the most successful ever for our company in terms of new business. Attracting new clients on this scale is one of the most important indicators of an agency group's vitality and future viability in the digital age.

Based on present knowledge, the Syzygy Group will not be able to repeat the growth seen in the past three years in the current year. It is difficult

to provide a forecast due to the high level of market uncertainty, but we are confident that we will be able to grow organically and faster than the market.

In the medium term, we expect to return to double-digit rates of growth after the crisis. Both structurally and in terms of proposition, the Syzygy Group is better positioned than ever to succeed.

We are deeply grateful to our clients and the shareholders of Syzygy AG for their loyalty and trust. Special thanks also go to all the people who make up the Syzygy Group. They form the heart of our enterprise and have once again performed to an extremely high standard.

The members of the Supervisory Board deserve more than the traditional thank you. The Supervisory Board were even more supportive in 2008 than in the years marked by acquisition activity (2006 and 2007). During the past financial year, members provided valuable support and advice to the Management Board and managers of the Syzygy Group in a number of meetings outside the official sessions. They are an indispensable part of the Syzygy Group's success.

The Management Board

AWARDS 2008 OF THE SYZYG GROUP



ANNUAL MULTIMEDIA: AWARD MERCEDES-BENZ/NARNIA – MICROSITE & BANNER
CANNES LION: BRONZE ROTWILD-BANNER "DOWNHILL"
DDC: BRONZE MERCEDES-BENZ/NARNIA – MICROSITE
E-CONSULTANCY INNOVATION AWARD: WINNER SKY "BREAKING NEWS"-CAMPAIGN
EPICA AWARDS: BRONZE MERCEDES-BENZ/NARNIA – MICROSITE
GOLDEN AWARD OF MONTREUX: FINALIST ROTWILD-BANNER "DOWNHILL"
IMA AWARDS: WINNER SKY "BREAKING NEWS"-CAMPAIGN
MOBIUS AWARDS: WINNER MERCEDES-BENZ/NARNIA – MICROSITE
NEW MEDIA AWARD YOUNG LIONS: 3RD PLACE "CAN YOU KREISKLASSE 08"
ONLINESTAR AWARD: BRONZE ROTWILD-BANNER "DOWNHILL"



THE SYZYGY GROUP

Syzygy is a full-service interactive agency group with 300 employees and offices in London, Frankfurt and Hamburg. In the fiscal year 2008, Syzygy generated net revenues of EUR 32 million. With billings of more than EUR 81 million, it is one of the leading online media agencies in Germany and the UK.



Interactive agency Syzygy develops online campaigns, portals, websites and microsites, all driven by customer insight and supported by data. It has offices in London, Frankfurt and Hamburg.

DESIGN & BUILD

SYZYGY.CO.UK

SYZYGY.DE

HAL
HEL



DIGITAL MEDIA
 UNIQUEDIGITAL.CO.UK
 UNIQUEDIGITAL.DE

DIGITAL BRAND CREATION
 HI-RES.NET



Digital media agency uniquedigital help clients to maximize the return from online media investments across all digital channels from SEM through display. uniquedigital have offices in London and Hamburg.

Hi-ReS!

Multi-disciplinary design studio Hi-ReS! enjoys an enviable worldwide reputation for its interactive creativity. Clients of the London boutique include Nokia, EMI, Sony, adidas and Dolce & Gabbana.

SHOWCASE

JAGER
MEISTER
.COM






CHANGEABILITY – THE SECRET OF AN EXCEPTIONAL BRAND



Jägermeister is one of those very special brands: a brand that is loved and celebrated by its fans, that keeps reinventing itself and yet remains true to its core. The new international website achieves the same feat. It pays tribute to the brand's tradition and its constant ability to set trends.



Company

GLOBAL PLAYER FROM WOLFENBÜTTEL

The Jägermeister brand dates back to 1935. Today, this legendary herbal liqueur, which is made from 56 different herbs and spices, is a top-10 international premium spirits brand and has enthusiastic fans in more than 80 countries worldwide.

ALL BUSINESS IS LOCAL

These countries pursue their own marketing strategies. In the United States, Jägermeister is associated with rock and heavy metal events, in Hungary the focus is on the clubbing scene and in Germany two stags called Rudi and Ralph serve as brand ambassadors. The biggest challenge for our designers was therefore to create a standard, digital brand image – because the Internet transcends borders. For the first time, an overarching platform was created for the international brand which all the individual countries could use as a foundation.





STYLE-SETTING – MYSTIC BOTTLE GLOW

The key visual and centrepiece of the website is the distinctive green bottle. It is one of the essentials of the brand, enjoys cult status worldwide and is associated with wild parties. On the website the bottle becomes a style icon that is synonymous with the brand's ability to change. Always in continual transition, it breaks through the glass floor, gets covered in ice and takes users on a wild journey inside the drink.



The website showcases the core of the brand, i.e. everything that Jägermeister stands for around the world. Jägermeister is wild, spontaneous and turns the everyday into something special. Jägermeister offers intense experiences and puts on a spectacular show. Consumers are now able to identify what they experience with their brand 'out and about' in the digital realm as well. Users are greeted by cool rock sounds and immersed in a monumental, three-dimensional world.

AUTHENTIC PROOF – BRAND ESSENTIALS

FLEXIBLE – THE MODULAR SYSTEM

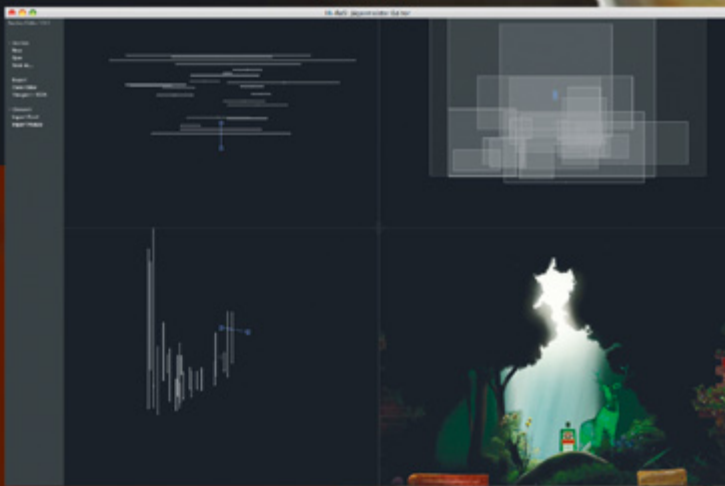
The entire website works like a crazy operating system. Users experience the various areas of content like programs which they access via a docking-style mode of navigation. The site is designed to be highly modular. It creates a universe that integrates many separate worlds. Within this framework, modules can be exchanged, modified or expanded as desired. This means that the system is able to accommodate extensive adaptation and development.

STORY

SHOWCASE



**INTERNATIONAL WEBSITE FOR THE
JÄGERMEISTER BRAND**



TECHNOLOGY AND CREATIVE DESIGN

The new Jägermeister website is the first major joint project by Syzygy and Hi-ReS! The London-based creative studio handled design, the front end and Flash animations. The developers in Bad Homburg were responsible for the back-end CMS. To present the design elements and finished animations effectively, we even developed our own layout editor. This Adobe Air desktop application enabled the designers to position the elements for each section in a virtual space.

To achieve maximum modularity and flexibility, we chose a rich Internet application (RIA). This offers user experiences reminiscent of desktop applications. The website responds quickly and fluidly because it is not necessary to download a new page for every click. This creates an experiential environment which users are able to move through intuitively. They are drawn into a three-dimensional world which seamlessly integrates video and audio content.

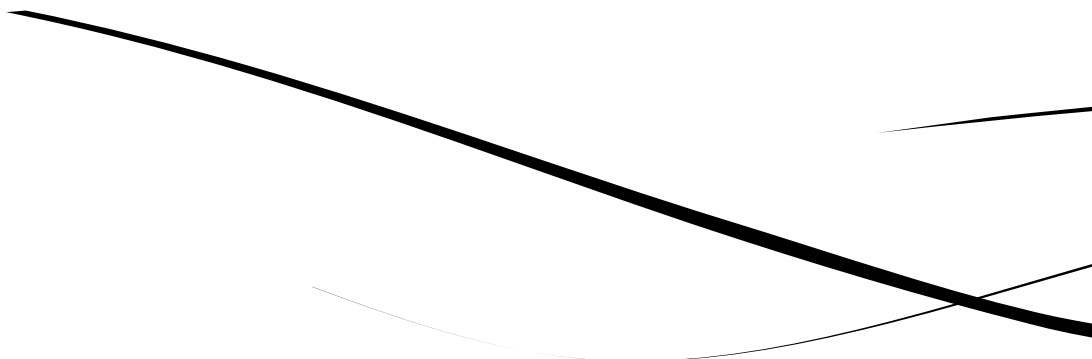
SPACE AND EXPERIENCE

FLEXIBILITY AND UNIVERSALITY

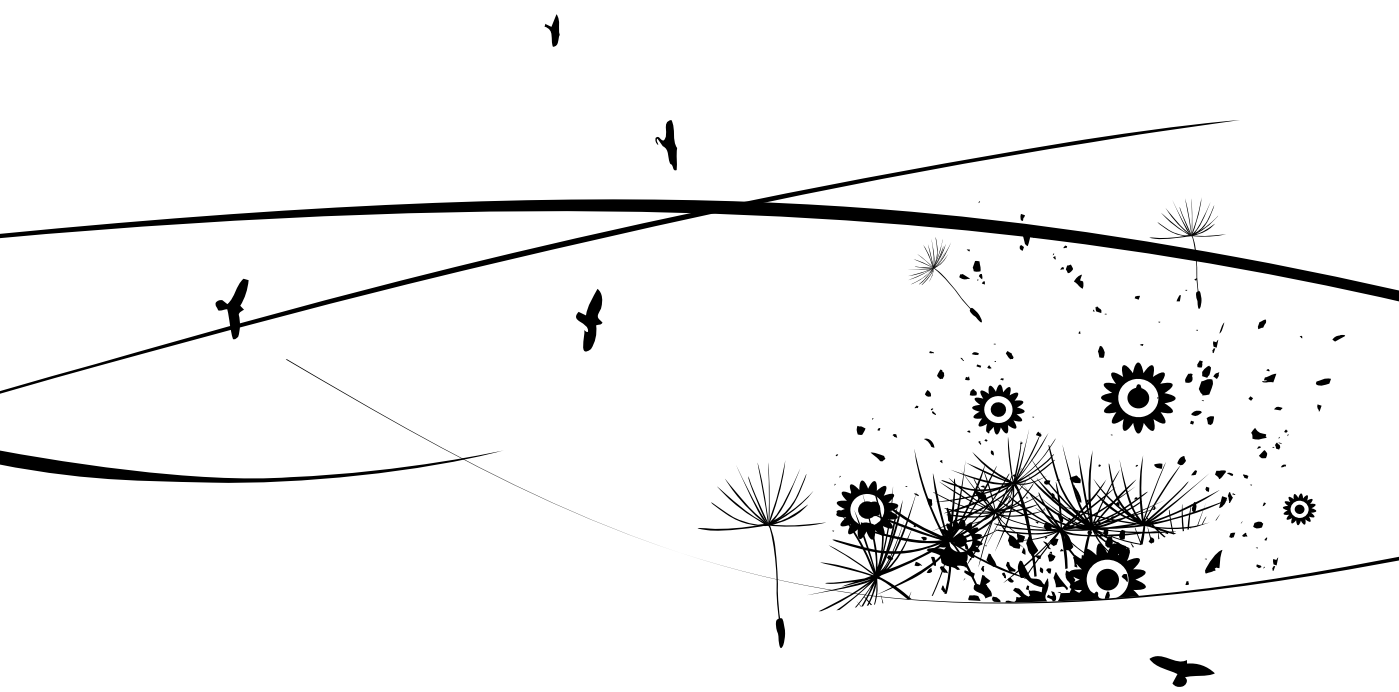
The markets also benefit from this modular system: the RIA architecture comprises a container, modules and assets. Text content, design elements and the spatial arrangement of elements can be designed and imported completely independently. Instead of literally adapting the language, this enables genuine localisation to be implemented with minimal effort.



The Jägermeister brand will continue to demonstrate its ability to change in the future and into the future. For our part, we have provided the foundations for it to do so in the digital world.








DARWIN! SUITE





Media Management – the complete package. When advertising budgets are tight, the ability to monitor success in maximum detail becomes increasingly important. DARWIN is a media management suite developed by Syzygy that supports online campaigns throughout every stage of planning, evaluation and optimisation. It gives our clients five proprietary tools that deliver a significant competitive advantage in display advertising and search engine marketing.

**ANALYSIS.
MONITORING.
OPTIMISATION.**

-  **DARWIN DASHBOARD**
-  **DARWIN INSIGHT**
-  **DARWIN MONITOR**
-  **DARWIN FORECASTER**
-  **DARWIN OPTIMISER**

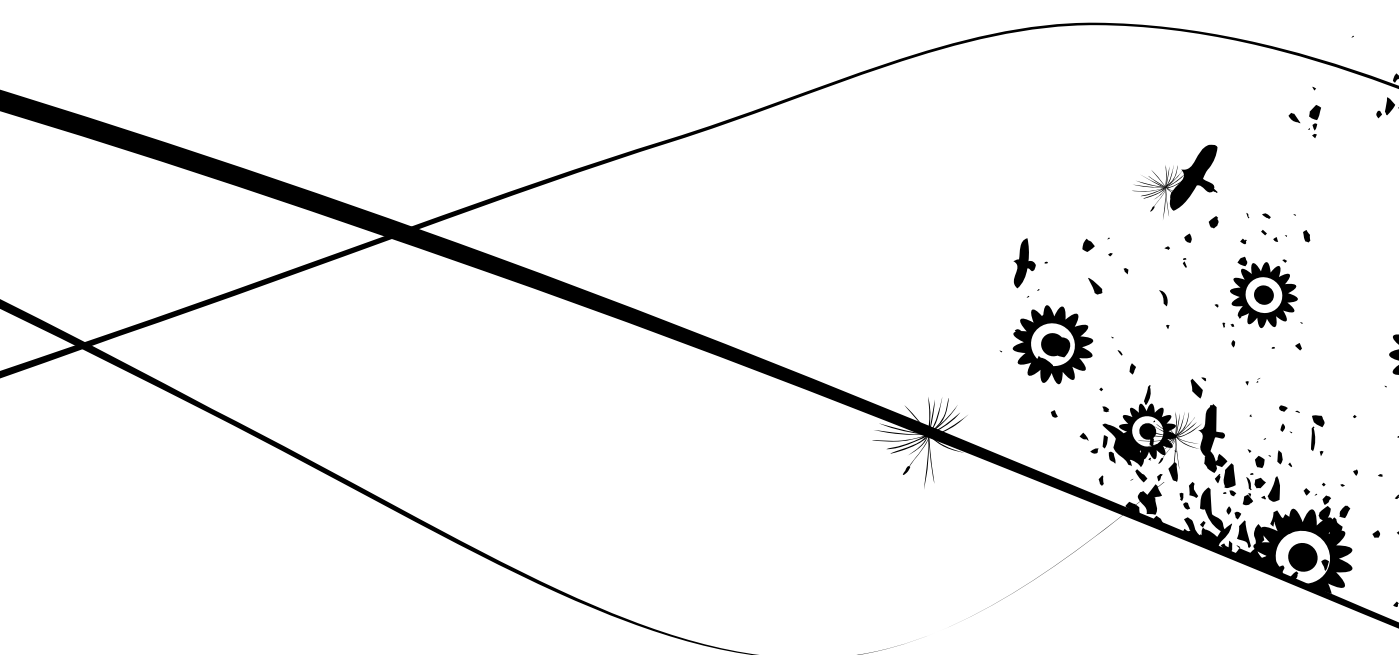
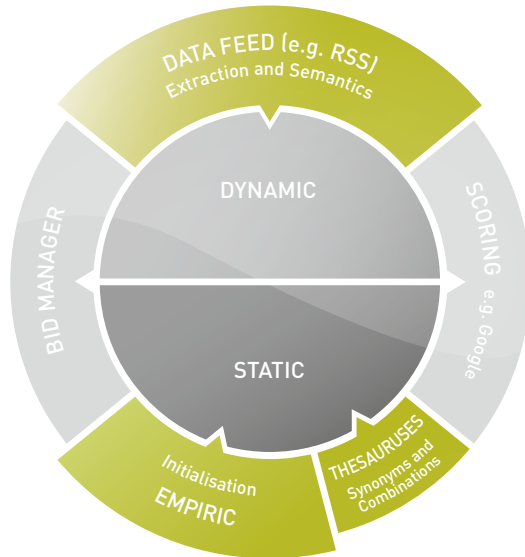
MEDIA MANAGEMENT

LONG TAIL VISIBILITY

Selecting the right key words is one of the most important aspects of search engine marketing. Popular search terms are expensive and do not always lead to the anticipated success. Many people are unaware that there is a "long tail" here too – words which are inexpensive and together attract a lot of traffic. DARWIN Insight renders this long tail visible.

DYNAMIC SEARCH VOLUMES

DARWIN Optimiser is another key aid to success because it allows dynamic search volumes to be leveraged. With its help, relevant buzzwords making the rounds in the media for a specific industry or in the Internet community can be added to a portfolio of key words. This ensures you are as up-to-date as possible by including the key words that users are searching for particularly often at that specific time.





CASE STUDY If you claim to deliver greater success, you need to be able to “walk the talk”. The DARWIN Suite certainly has the right credentials. Shortly after being launched at omd – online-marketing-düsseldorf 2008 – we received one of the most coveted awards in the industry: the IMA award in the category “Best Use of Search Marketing”.

PROOF OF SUCCESS.

REACHING OUT WITH SKY

We won with a breaking news campaign for UK news portal Sky. Based on news and RSS feeds, we used DARWIN Optimiser to compile up-to-the-minute portfolios of key words for delivery to search engines within seconds. Accompanying deep links directed users straight to relevant articles. The portal benefited from the online community’s hunger for news while positioning itself as a specialist for the very latest news.

PIONEERING WORK

Our approach broke new ground in terms of technology, with the jury underlining the solution’s distinctiveness and high level of innovation. The jury for the e-consultancy innovation award clearly saw things the same way: in December 2008, they recognised the same campaign with an award for “Innovation in Paid Search”. **Our client was also able to measure the project’s success, with the breaking news campaign delivering 400% more traffic than the control group.**

WWW.UNIQUEDIGITAL.NET

BASIC SHARE FACTS

ISIN	DE0005104806
WKN	510480
Symbol	SYZ
Reuters	SYZG.DE
Bloomberg	SYZ:GR
Stock exchange centres	XETRA, Berlin, Dusseldorf, Frankfurt, Hamburg, Hannover, Munich, Stuttgart
Total number of shares	12,078,450 bearer shares without par value
Thereof own shares	25,000
Market capitalisation	mEUR 35,75 (Basis: closing price EUR 2.96 on 12/30/2008)
Freefloat	65.2%
Freefloat (market capitalisation)	mEUR 23.3
Indices that include Syzygy's shares	CDAX, DAXsector All Software, DAXsector Software, DAXsubsector All IT-Services, DAXsubsector IT-Services, Prime All Share, Technology All Share
Industry group	IT-Services

STOCK STATISTICS 2008

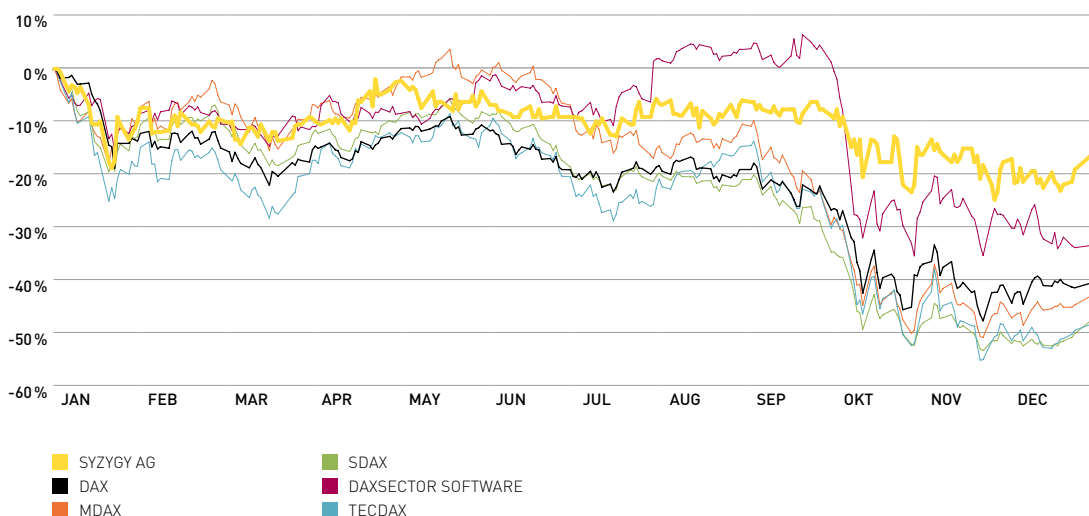
Ranked in TecDAX-Index as per 12/31/2008	Position 78 (market capitalisation) Position 109 (exchange transaction)
Ordinary dividend	EUR 0.10 (06/02/2008)
Average daily turnover (shares)	12,840 (thereof 9,020 XETRA)
Xetra closing price as per 01/02/2008	EUR 3.47
Xetra closing price as per 12/30/2008	EUR 2.96
Highest closing price 2008	EUR 3.47
Lowest closing price 2008	EUR 2.60

DESIGNATED SPONSOR

HSBC Trinkaus & Burkhardt AG

ANALYSTS

Cosmin Filker
(GBC AG)
Philipp Leipold
(GBC AG)
Thorsten Renner
(GSC Research)



THE STOCK MARKET IN 2008

Although many experts were still fairly optimistic in late 2007 and forecast that the DAX would close slightly higher at the end of 2008, the effects of the US property crisis sent stock exchanges into a downward spiral. For the second time in just a decade, a stock market bubble burst and shook the entire global financial and economic system. A constant flow of bad news – including unexpected write-downs by Hypo Real Estate and the collapse of US investment bank Lehman Brothers – led to record losses for German securities and indices.

The DAX closed the year at 4,810 points, down 40.4 per cent and nearly as dire as the record -44 per cent fall seen in 2002. Other members of the DAX family shared a similar fortune: the MDAX, SDAX and even the TecDAX, which had risen by an impressive 28 per cent during the previous year, registered losses of over 40 per cent year-on-year. The DAXsector Software (formerly Prime Software), which includes Syzygy's shares, performed only marginally better, with losses of 32 per cent following plunging stock prices in September.

SYZYGY SHARE PRICE

Given the often dramatic falls in share prices, Syzygy's shares performed well over the course of the year. Although the stock followed the general pattern of the major indices, it did so at a significantly higher level.

News of big write-downs of securities at various financial institutions in early 2008 also affected Syzygy. Our shares started the New Year at EUR 3.47 and reached an interim low on January 22, closing at EUR 2.81. By the end of the month, however, the price partly recovered, with movement until mid-April then being sideways. Following significant rises in the second half of April, an annual high of EUR 3.39 was reached on May 2. The subsequent falls in the share price compared to the opening figure of EUR 3.47 were predominantly in single digits.

After Lehman Brothers went into insolvency, share prices slumped dramatically from mid-September 2008. Syzygy's shares were once again able to demonstrate their stability: while the MDAX, SDAX and TecDAX lost up to half their value at times, Syzygy shares reached their lowest value for the year at the end of November, falling to EUR 2.60 and losing 25 per cent. The Company's stock performed significantly better than the DAXsector Software, which lost up to 37 per cent of its value.

By year-end the share price bounced back and closed at EUR 2.96 on December 30, 17 per cent down on the previous year. By comparison, the major indices lost between 32 per cent (Daxsector Software) and 48 per cent (TecDax) of their value.

DIVIDENDS

The Annual General Meeting on May 30, 2008 approved an ordinary dividend of EUR 0.10 per share for the 2007 financial year. This was paid on June 2, 2008.

SHAREHOLDER STRUCTURE

As at December 31, 2008, the shareholder structure had changed slightly compared to the year before. The WPP Group increased its holding from 24.8 per cent to 29.6 per cent in November 2008. Marco Seiler's shareholding remained unchanged at 5.2 per cent. Syzygy AG held 0.2 per cent of the shares, which left almost 65 per cent in free float.

INVESTOR RELATIONS

Syzygy AG pursues a transparent, prompt information policy and attaches great importance to an ongoing, comprehensive dialogue with shareholders, investors, financial journalists and interested members of the public.

In order to showcase the Group and its business model, representatives of the management team again attended capital market conferences in 2008 and conducted numerous individual discussions. For example, Syzygy AG participated in the 6th Small Cap Conference, the German Equity Forum (both held in Frankfurt) and the capital markets conference in Munich. After the Munich event, Börsenradio Network (a financial radio station) broadcast an interview with Finance Director Erwin Greiner.

As part of switching to HSBC Trinkaus as designated sponsor, research contracts were also re-awarded. Since October 2008, the Syzygy Group has been analysed regularly by GBC AG and GSC Research GmbH.

All notifications of directors' dealings and threshold disclosures are summarised in the notes to the consolidated financial statements, starting on page 70. Furthermore, the Investor Relations section of our website at www.syzygy.net offers the opportunity to find out about events relating to the capital market and the Group in both German and English.

In addition to quarterly and annual reports, the "Annual Document" can also be found there, which includes an overview of all the information published by Syzygy AG during the previous financial year.

DEAR SHAREHOLDERS,

The Supervisory Board once again continuously monitored the work of the Management Board and provided support and advice throughout the past financial year. This included monitoring actions taken by the Management Board in terms of their legality, regularity, appropriateness and commercial viability. The Management Board reported to the Supervisory Board regularly in writing or verbally, providing up-to-date, comprehensive information about recent developments as well as the economic and financial situation of the Group and its subsidiaries. The Supervisory Board was involved in all important decisions affecting the Syzygy Group.

The state of business was discussed at every meeting of the Supervisory Board. The Management Board fully complied with its duty to provide information. Reports provided by the Management Board met the legal requirements with regard to both content and scope, and also satisfied the Supervisory Board's information needs. The Supervisory Board requested and received additional information where necessary. The Supervisory Board critically examined the information and reports provided, assessing them with regard to plausibility.

MEETINGS AND ATTENDANCE

A total of five ordinary meetings of the Supervisory Board were held together with the Management Board in the 2008 financial year, on February 25, March 19, May 29, September 23 and October 30, 2008. There was also continual dialogue between the Management Board and Supervisory Board between these dates. In particular, the Management Board provided regular written reports about business performance and other important events. All members were present at these five meetings either in person or took part by telephone and

all important events were discussed and the necessary decisions made. The operational performance of the individual companies and the Group as a whole was discussed regularly. In addition to reporting in line with legal requirements, the following topics in particular were discussed in detail at the meetings:

- budgetary and financial planning as well as dividend policy
- strategic direction of the Syzygy group
- acquisition of new clients
- personnel appointments for key positions
- brand architecture for online marketing/renaming GFEH as "uniquedigital"
- competitive situation
- share price

MEMBERSHIP AND COMMITTEES

The Annual General Meeting on May 30, 2008 discharged the members of the Supervisory Board and Management Board in relation to the 2007 financial year. There were no changes in the membership of the Supervisory Board during the 2008 financial year.

Once again, the Supervisory Board did not consider it necessary to form committees in the year under review as the Supervisory Board still consists of only three people.

CORPORATE GOVERNANCE

On December 16, 2008, the Supervisory Board and Management Board published the declaration of conformity with the German Corporate Governance Code in accordance with Article 161 of the German Stock Corporation Act (AktG). This declaration is based on the current version of the Code dated June 6, 2008. Syzygy AG continues to broadly comply with the principles of the Code.

The remuneration report, which sets out the basis for remunerating the Management Board and Supervisory Board of Syzygy AG, as well as disclosing the amount of remuneration and how it is structured, was published together with the declaration of conformity.

Details can be found in the section on corporate governance in this annual report on page 27 as well as in the notes from page 69.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS, APPROPRIATION OF NET PROFIT

Frankfurt-based BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, the auditors appointed at the Annual General Meeting, audited the annual financial statements, the consolidated financial statements and the management report for the 2008 financial year on behalf of the Supervisory Board and granted an unrestricted auditor's certificate in each case. The annual financial statements were prepared in accordance with the provisions of the German Commercial Code (HGB) and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). All documents relating to the financial statements, audit reports and the Management Board's proposal regarding the appropriation of profits were provided to all members of the Supervisory Board in a timely manner for their deliberations.

After carefully reviewing all documents, the Supervisory Board received detailed information on the financial statements from members of the Management Board at its meeting of March 27, 2009. The auditors also attended, presenting the key aspects and results of their checks and being available to answer any questions. The Supervisory Board was thus able to verify that the audit had been correctly conducted and the audit reports properly prepared. On completion

of its own checks and taking the audit reports into consideration, the Supervisory Board raised no objections and thus approved the annual and consolidated financial statements. The Supervisory Board also approved the Management Board's proposal regarding the appropriation of net profit.

The Supervisory Board thanks the members of the Management Board and all employees of the Syzygy Group for their commitment. We look forward to continuing to work together and wish you every success for the current financial year.



Michael Mädler
Chairman of the Supervisory Board

Corporate governance entails responsible management and supervision of publicly listed stock corporations, close and trusting cooperation between the Management Board and Supervisory Board, and due consideration of shareholders' interests through transparent and prompt communication.

The Transparency and Disclosure Law, coming into force on July 26, 2002, supplemented the German Stock Corporation Act (AktG) with Article 161. Thus, the Management and Supervisory Boards of listed companies are required to submit an annual declaration of conformity concerning the German Corporate Governance Code. The Code presents recommendations ("shall") as well as suggestions ("should", "can") aiming to increase corporate transparency.

The code was amended again on June 6, 2008. The current version serves as the basis for the 2008 declaration of conformity.

Already in the past, Syzygy AG publicly avowed its willingness to abide by nationally and internationally accredited standards of fair and responsible corporate governance. In its first declaration in 2002, Syzygy AG officially recognised the principles, as they are stipulated in the German Corporate Governance Code (GCGC). With a few exceptions, Syzygy AG continues to comply with the required principles.

REMUNERATION REPORT

The remuneration report is a major element of the Corporate Governance Report. It clarifies the principles behind remuneration of the Management Board and Supervisory Board of Syzygy AG. Furthermore, it discloses the total remuneration as well as its structure.

The remuneration system for the Management Board is specified by the Syzygy AG Supervisory Board. The overall remuneration package comprises:

- performance-unrelated remuneration
- performance-based remuneration
- other benefits.

The performance-unrelated remuneration is paid each month as a basic salary. The performance-based remuneration is paid in the form of a share in profits at the end of each quarter on the basis of budget specifications laid down by the Supervisory Board.

Remuneration of the Supervisory Board is regulated in Article 6 [8] of the Syzygy AG Articles of Association and dates from a resolution of the Annual General Meeting dated June 4, 2003. In addition to being reimbursed his expenses, each member of the Supervisory Board receives remuneration consisting of a fixed and a variable component. The level of the variable element varies depending on the performance of the Syzygy share. The members of the Supervisory Board do not receive any share options or other share-based remuneration.

Additional information about remuneration of the executive bodies can be found in the notes starting on page 69. The annual declarations of conformity, remuneration reports and relevant basic information are permanently available on the website at www.syzygy.net under Investor Relations.

**GERMAN CORPORATE GOVERNANCE
DECLARATION 2008**

Pursuant to Art. 161 of the German Stock Corporation Act (AktG), the Management and Supervisory Board of Syzygy AG hereby declare:

I. The recommendations of the German Corporate Governance Code (GCGC) (published by the Federal Ministry of detailing the recommendations of the government commission "German Corporate Governance Code" as amended on June 6, 2008) are and will not be complied with in the following case:

(1) The recommendations concerning the Supervisory Board establishing committees with sufficient expertise (section 5.3.1 GCGC), an audit committee (Section 5.3.2 GCGC) as well a nominating committee (Section 5.3.3 GCGC) were not applied, since the Supervisory Board consists of only three members.

II. Except the above, Syzygy AG complies with the recommendations and suggestions of the German Corporate Governance Code, as amended on June 6, 2008.

Bad Homburg, December 16, 2008

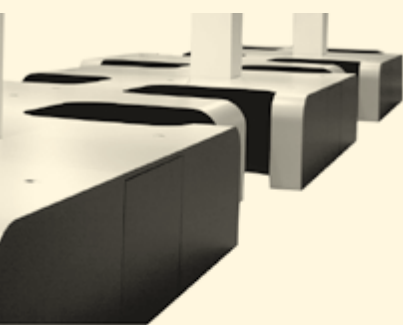
The Management and the Supervisory Board
Syzygy AG



FINANCIAL STATEMENTS 2008

CONTENT

30	/	MANAGEMENT REPORT
42	/	CONSOLIDATED BALANCE SHEET
43	/	CONSOLIDATED INCOME STATEMENT
44	/	CONSOLIDATED STATEMENT OF CASH FLOWS
45	/	STATEMENT OF CHANGES IN EQUITY
46	/	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
78	/	INDEPENDENT AUDITORS' REPORT
79	/	FINANCIAL CALENDAR



For an overview of the financial figures 2008
please see the preface pages.

GENERAL

The following 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 management report is based have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial year corresponds to the calendar year.

BUSINESS ACTIVITIES AND STRUCTURE OF THE GROUP

Syzygy is a European agency group for interactive marketing with some 300 employees. The Group consists of Syzygy Aktiengesellschaft and its six subsidiaries: Syzygy Deutschland GmbH, Syzygy UK Ltd, unquedigital GmbH (formerly GFEH – Gesellschaft für elektronischen Handel), Unique Digital Ltd, Mediopoly Ltd and – since January 15, 2008 – design studio Hi-ReS! London Ltd.

Syzygy AG acts as a management holding company. As operating entities, the subsidiaries are responsible for providing consultancy and other services. With branches in Frankfurt, Hamburg and London, the subsidiaries offer large European companies an integrated portfolio of corporate Internet solutions, from strategic consulting to project planning, concepts, design and technical realisation. Syzygy's services are complemented by search engine marketing and online media planning. Syzygy thus enables its clients to use the Internet both as a powerful communications and sales medium and as a tool for extending and improving their interaction with customers, business partners and employees. The Group's business focus is on the automotive, telecommunications/IT, retail and consumer goods, financial services and media and entertainment industries.

GENERAL ECONOMIC SITUATION

Due to the escalating effects of the US property crisis, the global economic climate deteriorated significantly during the 2008 financial year. Although most European economies started 2008 relatively well, in some cases economic performance fell sharply from the second quarter.

In Germany, where exports are traditionally a key factor, gross domestic product (GDP) increased by 1.5 per cent in the first three months of the year compared to the previous quarter. Declining demand from foreign markets then caused the economy to cool noticeably from April onwards, with GDP falling by 0.5 per cent in both the second and third quarters. In the final quarter of the year, gross domestic product shrank by a further 2.1 per cent. Following the boom year of 2006 (+3 per cent) and robust performance of 2.5 per cent in 2007, economic growth halved in 2008 to just 1.3 per cent compared to the prior year. This was significantly below the forecast of the ifo institute, which as late as June 2008 was still predicting growth of 2.4 per cent.

The subprime crisis had an equally dramatic impact on the UK economy. Following slight growth in the first quarter and a flatlining second quarter, subsequent months saw negative growth of 0.7 per cent, with a further weakening in the fourth quarter (-1.5 per cent). For the year 2008 as a whole, UK GDP rose by 0.7 per cent compared to 2007, down from 3.0 per cent growth in the prior year.

ONLINE ADVERTISING MARKET

Statistics for Germany and the UK show that the online advertising market performed well despite the downturn, bucking the general trend. While the advertising market as a whole stagnated or even shrank, the online segment continued to outperform, although growth was more subdued than in the past.

A key reason for the growing success of the Internet as an advertising channel is the web's increasing importance within the media mix to which consumers are exposed: more powerful hardware and software, faster data connections, cheaper flat-rate tariffs and the interactive opportunities offered by Web 2.0 mean that the Internet is becoming more user-friendly and compelling all the time. The depth and breadth of content available benefits every demographic in virtually every area of life. And the Internet's emergence as a mass medium is far from over – user numbers are still rising, as is the amount of time individuals spend online each day.

The ARD / ZDF online study 2008 demonstrates that at 97.2 per cent, young people in Germany aged 14 to 19 are practically all online and for them the web is already the lead medium. This age group spends an average of 120 minutes a day online, which is longer than they spend watching television. A survey by the German Association for Information Technology, Telecommunications and New Media (BITKOM) found that 84 per cent of young people cannot imagine life without the Internet. In addition, older generations are also becoming more familiar with the World Wide Web. In 2008, one in four Germans aged over 60 (26.4 per cent) used the Internet at least occasionally. The "internet facts 2008 – III report summary", published by the AGOF (Online Research Study Group), gives almost identical user numbers.

In the UK, the Office for National Statistics reported comparable figures: here too, the web is part of everyday life for 93 per cent of 16- to 24-year-olds, while 26 per cent of the over-65s who participated in the study had used the Internet during the past three months. In both countries, there is therefore still considerable growth potential among older people.

Because the Internet has become an all-round medium capable of meeting information, entertainment and communication needs alike, the World Wide Web is becoming increasingly attractive to advertisers. The medium is also highly transparent which, unlike other advertising channels, allows the success of individual activities to be monitored with a high degree of precision. This boosts the attractiveness of the Internet to marketing managers, especially in times of economic crisis.

As in previous years, spending on online advertising rose significantly in 2008. For Western Europe, ZenithOptimedia reported a 21 per cent increase in online advertising expenditure to USD 49.9 billion.

Statistics from the German Online Marketing Group (OVK) show a rise of 25 per cent to EUR 3.6 billion for Germany. At the same time, the online channel's share of the advertising budget is expanding: in 2008, 14.8 per cent of gross advertising expenditure related to the web, up 10 per cent on just three years previously.

PERFORMANCE AND SITUATION OF THE GROUP

SALES GROWTH

The Syzygy Group was able to leverage the opportunities presented by the dynamic online advertising market and translate them into commercial success. Syzygy exceeded its forecasts for 2008 in spite of the euro's strength against sterling.

In addition to net sales, this annual report also provides gross sales figures, with the latter including transitory costs for the two online marketing subsidiaries.

Gross sales rose from EUR 58.6 million in 2007 to EUR 81.1 million. This increase of 38 per cent was attributable partly to organic growth and partly to the acquisition of Unique Digital Ltd, which was first included in the consolidated financial statements and fully consolidated from April 1, 2007.

Net sales were up 16 per cent to EUR 31.7 million. The organic growth is due to increased business from existing clients, as well as attracting new clients like Jägermeister and DeBeers, for whom Syzygy Group companies performed a significant volume of work.

In terms of regions, the UK segment experienced particularly dynamic growth. Driven by the acquisitions of Unique Digital and Hi-ReSI, net sales rose 29 per cent to EUR 16.9 million. The German subsidiaries generated growth of 8 per cent to reach EUR 15.4 million. The EBITA margins of 22 per cent for both Germany and the UK show the high level of profitability of both segments.

In the secondary segment, where reporting is by business area, 26 per cent of net sales were generated in online marketing, with 74 per cent relating to the Design & Build segment.

Sales distribution by sector was broadened due to acquisitions and gaining new clients.

With a share of 39 per cent (prior year: 40 per cent) of total net sales, the automotive industry remains strongly represented within the Syzygy's Group portfolio. The importance of clients in telecommunications and IT remained virtually unchanged at 15 per cent (prior year: 16 per cent). As in the prior year, the financial services sector accounted for 8 per cent of net sales.

The retail segment was extended to include consumer goods and thus now covers clients in the food industry who were previously categorised under "Other". The rise in the proportion of sales for this segment from 8 to 15 per cent is therefore partly due to modifying the category and partly to gaining new clients.

In view of the fact that our portfolio of clients is now more diversified, media and entertainment has been introduced as a new sector in this annual report. In the year under review, this industry accounted for 4 per cent of sales – up 2 per cent on the previous year.

Clients not belonging to any of these five core areas accounted for around a fifth of the Group's sales (19 per cent).

The Syzygy Group generated 57 per cent of net sales from its ten largest clients in the year under review, three percentage points down on 2007. The trend towards broadening the Group's client base thus continued in 2008.

FOREIGN CURRENCY EFFECTS

The strength of the euro against sterling had a significant negative impact on the Syzygy Group's organic growth. In 2008, sales were converted at an average rate of exchange of EUR 1.26, whereas in the prior year the average rate of exchange was EUR 1.46 to the pound. If the exchange rate had remained constant, net sales would have been eight percentage points higher and sales growth would have amounted to 24 per cent.

OPERATING INCOME (EBITA) AND EBITA MARGIN

Due to a very strong fourth quarter, which exceeded expectations, operating income jumped 53 per cent in the 2008 financial year to EUR 5.2 million (prior year: EUR 3.4 million). Syzygy has thus boosted its earnings dramatically in the past two financial years and achieved a sustained rise in operating income over the past five years.

The Syzygy Group's high level of profitability is reflected in the EBITA margin, which increased significantly by four percentage points to 16 per cent as a function of improved operating income.

OPERATING EXPENSES AND FIXED-ASSET DEPRECIATION

The cost of sales as a percentage of net sales was virtually unchanged over the prior year at 67 per cent.

In the year under review, the Group spent EUR 2.4 million on sales and marketing activities to acquire new clients and to raise its service profile, up 11 per cent on 2007. These activities included participating in trade shows and developing a new corporate design for the two online marketing subsidiaries, which have been operating under the "uniquedigital" brand since September 2008.

General administrative expenses remained at the previous year's level of EUR 3.3 million.

Other operating income totalling kEUR 469 relates to income from subletting and the effects of foreign currency translation.

FINANCIAL INCOME

Due to the acquisition of Hi-ReSI, payment of an ordinary dividend and a very substantial cash position in the first quarter of 2007, which was not reduced until a special distribution was paid in February, the level of liquid funds available in 2008 was on average lower than in 2007. As a consequence, financial income decreased by 23 per cent to kEUR 964 (prior year: EUR 1.2 million).

The yield on average liquid assets held amounted to just under 4 per cent.

Investment strategy remains conservative and geared towards long-term income. Liquid funds have been invested with an eye to risk diversification, with a strong focus on investment-grade corporate bonds. The average residual maturity for all securities is six years.

In order to be able to meet future payment obligations from operating cash flow, new investments predominantly have short terms or are overnight deposits. As a result, the proportion of liquid assets increased considerably by EUR 3 million to EUR 11 million. At year-end, the portfolio structure consisted of 42 per cent short-term investments, 41 per cent corporate bonds and 17 per cent bearer bonds.

INCOME BEFORE TAX

High operating income of EUR 5.2 million more than compensated for the decrease in financial income, leading to a clear increase in income before tax. It rose to EUR 6.1 million, thereby exceeding the previous year's earnings of EUR 4.6 million by 33 per cent.

Syzygy has been able to improve its earnings structure significantly in recent years by markedly boosting its operating profitability, while financial income was down due to special distributions and investment. The ratio of operating income to income before tax increased to 84 per cent in 2008, compared to 73 per cent in 2007 and 38 per cent in 2006.

NET INCOME, INCOME TAXES, EARNINGS PER SHARE

After income taxes of EUR 1.9 million, net income amounted to EUR 4.3 million (prior year: EUR 3.2 million). Taking minority interests of kEUR 637 into account, earnings per share were EUR 0.30.

CASH FLOW

At year end, operating cash flow was EUR 9.5 million compared to EUR 2.7 million in the prior year. Increased net income of EUR 4.3 million and a significant reduction in receivables of EUR 1.4 million (despite sales growth) had an especially positive impact. In addition, accounts payable increased by EUR 1.2 million in line with sales performance. Operating cash flow was also improved by a rise in advance payments by clients of EUR 1.8 million, depreciation of EUR 0.7 million and an increase in tax liabilities.

NET ASSETS AND FINANCIAL POSITION

Total assets of the Syzygy Group increased by 10 per cent from EUR 55.3 million to EUR 60.7 million in the period under review.

The key factor behind this significant growth is the rise in goodwill from EUR 13.5 million to EUR 18.1 million. This stems from acquiring 80 per cent of the shares in Hi-ReSI, exercising an option on the remaining 49 per cent of shares in unquedigital GmbH, as well as future payment obligations arising from the acquisitions (options and earn-outs).

Relocating the two operating units in Hamburg in shared office space and making improvements/adding fixtures as a tenant at corporate headquarters in Bad Homburg led to a rise in fixed assets of 25 per cent to EUR 2.1 million.

The increase in liquid funds and securities from EUR 24.2 million to EUR 26.2 million was solely due to operating cash flow and likewise contributed to growth of total assets.

With regard to liabilities, increased goodwill is reflected in other liabilities, which amounted to EUR 12.6 million on the balance sheet date, up 53 per cent on 2007.

Accounts payable changed in line with sales growth and amounted to EUR 10.8 million, representing a rise of 13 per cent.

The disproportionate increase in liabilities and provisions compared to equity meant that the equity ratio fell to 52 per cent at year-end. In 2007, the figure was 62 per cent.

Total investments of EUR 4.8 million relate primarily to the additions to goodwill and software and hardware to optimise internal infrastructure.

EMPLOYEES

The number of employees continued to rise during the course of 2008 as a result of both organic growth and acquisitions.

As at December 31, 2008, the Syzygy Group employed a total of 276 people, 23 per cent more than at the end of 2007.

Thirteen of these staff were employed at Syzygy AG, while Syzygy Deutschland GmbH had 91 staff (up 12 per cent), including 12 based in Hamburg. The number of employees at Syzygy UK grew by 18 per cent during the year to a total of 98.

The two online marketing subsidiaries unikedigital GmbH, Hamburg, and Unique Digital Ltd, London, had a total of 60 staff (prior year: 49) divided equally between the two locations. Hi-ReS! brought 16 employees into the Group, with this figure falling to 14 by year end.

Broken down by region, 135 people were employed in Germany and 141 by the UK companies. An average of 261 people worked for the Syzygy Group during the year, six of whom were trainees.

To optimise capacity utilisation, an average of 20 freelance employees was brought in during peak periods, mainly in the design department. Based on these figures, revenue per employee was kEUR 113, down on the previous year's level of kEUR 119.

In terms of employees by function, there were no significant changes compared to the previous year: around a fifth of employees worked in technology-related roles (21 per cent), project management (21 per cent) and online marketing (19 per cent), with 17 per cent working in design. 13 per cent of employees worked in administration and 9 per cent in strategy consulting.

REMUNERATION REPORT

The remuneration report is an important element of the Corporate Governance Report. It outlines the principles behind remuneration of the Management Board and Supervisory Board of Syzygy AG.

REMUNERATION SYSTEM FOR THE MANAGEMENT BOARD

The remuneration system for the Management Board is laid down by the Syzygy AG Supervisory Board. The overall remuneration package comprises the following components:

- non performance-related remuneration
- performance-based remuneration
- other benefits.

The non performance-related remuneration is paid each month as a basic salary. Performance-based remuneration includes two components: the first component is paid on the basis of achieving corporate targets defined in the yearly planning and decided upon by the Supervisory Board. An additional bonus is paid after the end of the financial year if particularly high above-target growth is achieved, coupled with high profitability.

There was no share-based payment in the form of share options in the 2008 financial year as all outstanding options expired and no new options were granted.

The members of the Management Board receive other benefits in the form of private use of a company car and payment of contributions to accident insurance.

COMMITMENTS IN THE EVENT OF TERMINATION

The Management Board of Syzygy AG has no claim to retirement benefits. If an employment contract is terminated prematurely, a severance payment is made in line with legal obligations, being the amount of the outstanding, appropriate on-target salary for the remainder of the contract period.

Where necessary, a postcontractual competition prohibition of 12 months may be agreed following premature termination of the contract. In this case, the Management Board member will receive compensation of 50 per cent of his or her most recently received average contractual payments.

Details of the remuneration of the Management Board for the 2008 financial year can be found in the notes to this report.

REMUNERATION OF THE SUPERVISORY BOARD

Remuneration of the Supervisory Board is set out in Article 6 (8) of Syzygy AG's Articles of Association and dates from a resolution passed by the Annual General Meeting on June 4, 2003. In addition to being reimbursed expenses, each member of the Supervisory Board receives remuneration consisting of a fixed and a variable component. The fixed remuneration amounts to EUR 15,000. This fixed remuneration increases by EUR 5,000 if the Company's market capitalisation has risen by at least 20 per cent in the financial year concerned. The capitalisation figures used for this purpose are based on the mean closing price of the stock in the XETRA trading system on the Frankfurt Stock Exchange during the first five trading days of a financial year and during the first five trading days of the subsequent financial year. Supervisory Board members who have not been in office for the whole of the financial year are remunerated on a pro rata basis.

The members of the Supervisory Board do not receive share options or any other sharebased remuneration.

**DISCLOSURE RELATING TO ACQUISITION
IN ACCORDANCE WITH ARTICLE 315 [4]
OF THE HANDELSGESETZBUCH
(HGB – GERMAN COMMERCIAL CODE)**

The common stock of Syzygy AG amounts to EUR 12,078,450 and is divided into 12,078,450 ordinary no-par value bearer shares. Different classes of shares were not formed.

Syzygy shares are not subject to restrictions on transferability. Syzygy AG is not aware of any restrictions relating to the exercise of voting rights or to the transfer of Syzygy shares.

On the balance sheet date, Syzygy AG held 25,000 treasury shares, which grant the Company no voting rights or other rights.

The WPP Group notified the Company that it holds a total of 29.6 per cent of the shares. It should additionally be noted that the Chairman of the Management Board of Syzygy AG holds 5.2 per cent of the shares.

None of the Syzygy AG shares issued carry special rights.

Syzygy AG does not exercise voting control in the case of employees with an interest in the capital.

The requirements for appointment and dismissal of members of the Management Board are in accordance with Article 84 of the Aktiengesetz (AktG – German Stock Corporation Act). Syzygy AG's Articles of Association also stipulate that the Management Board must be composed of at least two people. Changes to the Articles of Association can only be made by the Annual General Meeting, in line with Article 119 of the

AktG. The Articles of Association, together with Article 179 of the AktG, permit the Supervisory Board to agree changes to the Articles of Association which only concern the wording.

The Annual General Meeting's resolution of June 30, 2006 authorises the Management Board to increase the common stock of Syzygy AG, with the agreement of the Supervisory Board, by up to EUR 6,000,000 in the period to June 30, 2011 by issuing new no-par value shares against cash contributions or contributions in kind.

The Annual General Meeting's resolution of June 3, 2004 authorised the Management Board to increase the common stock of Syzygy AG, with the agreement of the Supervisory Board, by up to EUR 600,000 in the period to June 2, 2009 by issuing a total of 600,000 option rights for one Syzygy AG no-par value share each.

In line with the Annual General Meeting's resolution of May 30, 2008, the Management Board is authorised, within 18 months, to buy back treasury stock up to a total of 10 per cent of the common stock via the stock exchange or via a public offer to buy directed at all shareholders.

Syzygy AG has made no material agreements that would be triggered by a change of control.

No compensation agreements have been entered into with members of the Management Board or employees for the event of a takeover bid.

RISKS AND OPPORTUNITIES OF FUTURE BUSINESS DEVELOPMENT

Different risk categories are distinguished when identifying individual risks. Risks are identified, quantified and qualitatively assessed across the Group using a common management, planning and reporting system. The following report covers the risks that could have a material impact on the Group's net assets, financial position and results of operations.

The information currently available shows no indications of risks that would jeopardise the continued existence of Syzygy AG and its subsidiaries as a going concern. Risk factors relate to overall economic trends, the nature of the service sector as well as to the speed with which the market for Internet services is changing.

ECONOMIC RISK

The state of the economy is the main factor that determines companies' willingness to invest in advertising and marketing campaigns. A downturn can lead to reduced order volumes and thus to a corresponding drop in sales. Any capacity adjustments which may be necessary are not immediately effective and involve restructuring costs.

OPERATING RISK

Approximately 57 per cent of the Syzygy Group's sales are generated from its ten largest clients. Losing any one of these clients cannot be compensated for immediately, if at all. In such an event, it is usually not possible to reduce expenses accordingly at short notice.

Syzygy's sales are not protected by long-term contracts. Sales are mostly generated on the basis of individual contracts that cover a limited period, so any planning activity based on future sales inevitably involves a high degree of uncertainty.

Sales are predominantly based on fixed price agreements, meaning that unforeseeable losses may be incurred if the calculated project budget is unexpectedly exceeded. Syzygy also accepts the standard warranty and liability commitments for projects, which can lead to follow-on costs for each project.

The services Syzygy performs have public impact, so any defects in quality in the execution of one of its projects may cause widespread damage to Syzygy's image. This kind of damage has the potential to have a significantly negative impact on future business development.

PERSONNEL RISK

The Group's performance depends to a very significant extent on the performance of its employees. Because of their specific skills, some individuals are particularly important. If the Group is unable to retain this high calibre of employee, or continuously attract and retain new, highly qualified employees, Syzygy's success could be at risk.

CURRENCY RISK

Syzygy generates around half of its sales in the UK, so exchange rate fluctuations between sterling and the euro may affect sales and annual net income positively or negatively in the event of deviation from the rate used for planning purposes. Syzygy does not enter into hedging transactions because both net income and costs are typically calculated in sterling. Syzygy is thus only exposed to foreign exchange risk in terms of the amount of its annual net income.

INVESTMENT RISK

Investment strategy for liquid funds is geared towards long-term income. Liquid funds are therefore invested in corporate bonds and other fixed-interest securities in a manner designed to ensure risk diversification. All fixed-interest securities are subject to interest rate and default risk. A rise in long-term interest rates has a negative effect on the performance of such securities, while a decline has a positive impact. Syzygy minimises default risk by selecting investment-grade securities and counters interest rate risk by investing in varying maturities.

RISKS FROM ACQUISITIONS

Acquisitions are part of Syzygy's growth policy. The success of acquisitions depends on how well the new acquisition can be integrated into the existing structure and how successfully Syzygy achieves the desired synergies. If an acquisition cannot be successfully integrated, the possible decrease in value of the acquired company would result in extraordinary impairment losses relating to goodwill.

OUTLOOK

At the time of preparing this annual report (March 2009), it was impossible to reliably predict when and how the global economy will recover from the effects of the property and financial crisis. Having said that, economic experts assume that the European economy will experience a recession in 2009.

The EEAG (European Economic Advisory Group) expected GDP in the Eurozone to shrink by 1.4 per cent, with Germany being particularly hard hit by the economic downturn due to its dependency on exports, experiencing negative growth of 2.2 per cent. The Ifo Institute and the German Federal Ministry of Economics and Technology came up with similar figures, at -2.2 per cent and -2.25 per cent respectively.

For the UK, the EEAG is forecasting a contraction in GDP of -1.5 per cent. The British Chamber of Commerce goes further, predicting negative growth of -2.8 per cent.

The market for online advertising will not be immune to the recession, but forecasts regarding the extent of the impact vary widely. While ZenithOptimedia sees spending on online advertising in Germany increasing by 1.2 per cent, estimates by the German Online Marketing Group (OVK) are much more optimistic at 10 per cent, with the market worth a total of EUR 4.03 billion. At the time of preparing this report, no up-to-date figures for the British market were available. It is expected, however, that spending will develop slightly positively in the UK as well.

There is, however, a consensus that online advertising will continue to be a driver of growth within the advertising market. The desire for greater transparency and more accurate measurement of advertising activities make web-based performance marketing particularly attractive in times of crisis.

Syzygy therefore remains convinced that, in the medium and long term, the market for Internet solutions is one of the most attractive growth markets in the professional services sector.

Syzygy considers itself to be very well positioned in this market, since the Group covers the entire Design & Build sector as well as online marketing. Online marketing offers particularly high growth potential. Syzygy's acquisition of unquedigital GmbH in Hamburg (formerly GFEH) and Unique Digital Ltd, London, has strategically strengthened its position in this area. By acquiring London-based design studio Hi-ReS! – winner of numerous creative accolades – in January 2008 and appointing creative directors for the two Syzygy companies, the Group has also hugely strengthened its design product. This combination of technological expertise, creative excellence and professional project management enables Syzygy to develop and implement challenging Internet projects at the highest level for major clients.

In spite of the difficult general economic setting, it is expected that Syzygy Group will continue to grow in the current financial year.

MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

There were no material events after the balance sheet date.

Bad Homburg, March 25, 2009
SYZYGY AG

The Management Board

CONSOLIDATED BALANCE SHEET

ASSETS	NOTE	2008	2007
		EUR'000	EUR'000
Non-current assets			
Goodwill	(3.1)	18,127	13,480
Fixed assets, net	(3.2)	2,103	1,676
Other non-current assets	(3.3)	435	695
Total non-current assets		20,665	15,851
Deferred tax assets	(3.4)	110	116
Current assets			
Cash and cash equivalents	(3.5)	10,991	8,024
Marketable securities	(3.5)	15,223	16,155
Accounts receivable, net	(3.6)	11,251	12,692
Prepaid expenses and other current assets	(3.7)	2,505	2,421
Total current assets		39,970	39,292
Total assets		60,745	55,259

EQUITY AND LIABILITIES		2008	2007
		EUR'000	EUR'000
Equity			
Common stock*	(3.8.1)	12,078	12,078
Additional paid-in capital	(3.8.3)	18,385	18,385
Own shares	(3.8.4)	-116	-116
Accumulated other comprehensive income	(3.8.5)	-5,382	-983
Retained earnings	(3.8.6)	6,921	4,496
Minority interest	(3.8.7)	0	639
Total equity		31,886	34,499
Deferred tax liabilities	(4.7)	139	0
Current liabilities			
Accounts payable and accrued expenses	(3.10)	10,751	9,513
Customer advances		2,153	402
Tax accruals and liabilities	(3.11)	3,237	2,623
Other current liabilities	(3.12)	12,579	8,222
Total current liabilities		28,720	20,760
Total liabilities and equity		60,745	55,259

* Contingent Capital EUR'000 1,121 (Prior year: EUR'000 1,121).
The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT



		2008	2007
	NOTE	EUR'000	EUR'000
Gross sales	(4.1)	81,123	58,576
Net sales	(4.1)	31,707	27,351
Cost of revenues		-21,244	-18,888
Sales and marketing expenses		-2,442	-2,200
General and administrative expenses		-3,327	-3,307
Other operating income/expense, net	(4.2)	469	416
Operating profit		5,163	3,372
Financial income, net	(4.6)	964	1,245
Income before taxes and minority interest		6,127	4,617
Income taxes	(4.7)	-1,860	-1,404
Net income		4,267	3,213
Income share to other shareholders		637	639
Income share to shareholders of Syzygy AG		3,630	2,574
Earnings per share from total operations (basic in EUR)	(5.1)	0.30	0.21
Earnings per share from total operations (diluted in EUR)	(5.1)	0.30	0.21

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	2008	2007
	EUR'000	EUR'000
Net income	4,267	3,213
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
– Depreciation on fixed assets	694	708
– other non-liquidity relative effects	491	0
Changes in operating assets and liabilities:		
– Accounts receivable and other assets	966	-6,833
– Customer advances	1,740	158
– Accounts payable and other liabilities	974	3,930
– Tax accruals and payables, deferred taxes	416	1,509
Cash flows provided by operating activities	9,548	2,685
Proceeds from sale of fixed assets	16	162
Changes in other non-current assets	260	-567
Investments in fixed assets	-1,036	-1,379
Purchases of marketable securities	-3,217	-1,809
Proceeds from sale of marketable securities	1,945	22,771
Investments in financial assets	0	-19
Acquisition of consolidated companies	-1,938	-4,859
Cash flows used in investing activities	-3,970	14,300
minority shareholders	-1,276	-60
Capital increase from employee stock option plan and other	0	192
Treasury stock	0	959
Dividend	-1,205	0
Capital reduction	0	-18,052
Cash flows from financing activities	-2,481	-16,961
Total	3,097	24
Cash and cash equivalents at the beginning of the year	8,024	5,982
Changes from consolidation	55	2,018
Exchange rate differences	-185	0
Cash and cash equivalents at the end of the year	10,991	8,024

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

STATEMENT OF CHANGES IN EQUITY



	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	OWN SHARES	COMPRE- HENSIVE INCOME	OTHER COMPRE- HENSIVE INCOME	RETAINED EARNINGS	MINORITY INTEREST	TOTAL EQUITY
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
January 01, 2007	12,060	17,994	-858		-121	1,922	60	31,057
Net income				2,574		2,574		2,574
Foreign currency trans- lation adjustment				-95	-306			-306
Net unrealized gains on marketable (net of tax)				-760	-556			-556
Treasury stock		217	742					959
Direct cost of IPO		129						129
Capital increase from employee stock option plan	18	45						63
Minority interest							579	579
December 31, 2007	12,078	18,385	-116		-983	4,496	639	34,499
January 01, 2008	12,078	18,385	-116		-983	4,496	60	34,499
Net income				3,630		3,630		3,630
Foreign currency trans- lation adjustment				-2,686	-2,686			-2,686
Net unrealized gains on marketable (net of tax)				-1,713	-1,713			-1,713
Dividend						-1,205		-1,205
Purchase of minority interests							-639	-639
December 31, 2008	12,078	18,385	-116		-5,382	6,921	0	31,886

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPLES AND METHODS

1.1 GENERAL

The consolidated financial statements of Syzygy AG ("Syzygy", "Syzygy Group" or "Company" in the following) for the 2008 financial year have been prepared in accordance with the principles of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in the applicable version of December 31, 2008 – as they are to be applied in the European Union and in line with the supplementary regulations of Article 315a of the Handelsgesetzbuch (HGB – German Commercial Code).

1.2 BUSINESS ACTIVITY

Syzygy is a European agency group for interactive marketing. Syzygy AG acts as a management holding company, while the subsidiaries are responsible for the consultancy and service sides of the business as operating entities. With branches in Frankfurt, Hamburg and London, the subsidiaries offer large European companies a holistic service spectrum of corporate Internet solutions, from strategic consulting to project planning, conception and design to technical realisation. Syzygy's range of services is supplemented by search engine marketing and online media planning. Syzygy thus enables its customers to use the Internet as a high performance communication and sales medium and to improve and extend their interaction with customers, business partners and employees. The Company's business activity focuses on the sectors automotive, financial services, telecommunications / IT, commerce and consumer goods as well as media & entertainment.

1.3 SCOPE OF CONSOLIDATION

The consolidated financial statements are based on the annual financial statements of the companies consolidated in the Group, which were prepared in accordance with the uniform provisions of the IFRSs. The reporting dates for these companies correspond to the reporting date for the Group.

In addition to Syzygy AG, the following companies were included in the consolidated financial statements and fully consolidated as at December 31, 2008:

- (1) Hi-ReS! London Ltd., London, United Kingdom
- (2) Mediopoly Limited, Jersey, United Kingdom
- (3) Syzygy Deutschland GmbH, Bad Homburg v.d.H., Germany
- (4) Syzygy UK Limited, London, United Kingdom
- (5) unikedigital GmbH (formerly Gesellschaft für elektronischen Handel mbH), Hamburg, Germany
- (6) Unique Digital Marketing Ltd., London, United Kingdom

On January 15, 2008, Syzygy AG acquired 80 per cent of the shares in the company named under (1), Hi-ReS! London Ltd. and reached control of the financial and corporate policy. This company is incorporated into the consolidated financial statements and fully consolidated as of January 1, 2008.

In detail, the acquisition led to an increase in liquid assets of kEUR 55, an acquisition of accounts receivable of kEUR 131 and fixed assets of kEUR 43.

Accounts payable of kEUR 26 and other liabilities totalling kEUR 65 were also acquired. The purchase price of kEUR 1,850 previously paid will increase within the scope of earn-out clauses if defined income targets are achieved between 2008 and 2011. On the basis of current planning, the Company is recording an earn-out liability of kEUR 1,346, which is recognised in the Group under "Other liabilities" and which therefore raises goodwill accordingly. Moreover, a mutual option exists for the acquisition of the additional 20 per cent in 2015, whose exercise is classified to be likely and therefore results in a liability of kEUR 293. This results in goodwill of kEUR 3,207 less CTA of kEUR 337 as well as the recognition of brand equity of kEUR 191 less CTA of kEUR 40 and a backlog of kEUR 36. The acquisition costs of kEUR 1,850 were paid in cash with the result that the cash outflow totalled to kEUR 1,795. Since first consolidation, the Company has generated net sales of kEUR 1,625 and net income of kEUR 328.

1.4 PRINCIPLES OF CONSOLIDATION

The assets and liabilities included in the consolidated financial statements have been reported in line with the standardised accounting and measurement guidelines applicable to Syzygy in accordance with IFRS.

The capital is consolidated in accordance with IFRS 3 using the purchase method. The investment book values are offset against the subsidiary's share of equity at the time of acquisition. For this purpose, assets, liabilities and contingent liabilities are shown at their current fair value. The residual difference is reported as goodwill under intangible assets. In line with IFRS 3, existing and purchased goodwill is not amortised, but rather tested for impairment at least once a year in accordance with the regulations of IAS 36 using a single-stage test procedure.

Regarding the elimination of inter-company accounts, receivables and payables between all consolidated subsidiaries are offset. The differences arising from the elimination of inter-company accounts are recognised in the profit and loss accounts and are reported in "Other operating income and expenses".

Considering the consolidation of expenses and revenues, the inter-company revenues are charged against the corresponding expenditures.

Due to the type of business and the structure within the Group, the determination and elimination of interim results was omitted.

If valuation allowances have been recognised in individual financial statements for the shares of consolidated companies or for intercompany receivables, these are reversed within the scope of consolidation.

The income tax effects are taken into account and deferred taxes are recognised in the consolidation procedures affecting income.

1.5 USE OF ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with IFRS requires the management to make estimates and assumptions that may affect the reported amounts of assets, liabilities and financial obligations at the reporting date and the amounts of income and expenses during the reporting period. Estimates were especially required when evaluating provisions and receivables from work in progress. Actual results could differ from those estimates. Assumptions and estimates are always made on the basis of the up-to-date information available at the time in question. If the outcome deviates from expectations, the relevant items will be adjusted if necessary.

1.6 FOREIGN CURRENCY TRANSLATION

The notion of the functional currency is applied to the translation of financial statements of consolidated companies prepared in foreign currencies. Since the foreign subsidiaries are economically independent, in accordance with IAS 21, the assets and liabilities are translated using the exchange rate at closing date, whereas income and expenditures are translated at the average annual exchange rate. The resulting difference is charged against equity and does not affect income.

In the individual financial statements of the consolidated companies, which are prepared in local currency, monetary items in foreign currency are valued at the end of the year in accordance with IAS 21 using the exchange rate at closing date. Any resulting currency gains or losses directly affect income.

1.7 STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED, BUT NOT YET ADOPTED

The IASB has published the following standards, interpretations and amendments to the existing standards, although their application is not yet mandatory and those of Syzygy AG were not applied early to the consolidated financial statements as of December 31, 2008. The application of this IFRS requires that they be accepted by the EU within the scope of IFRS endorsement.

- The amendment to IAS 1 relating to the presentation of the financial statements must be applied for the first time for financial years which begin on or after January 1, 2009.
- The amendment to IAS 23 relating to the presentation of the financial statements must be applied for the first time for financial years which begin on or after January 1, 2009.
- The amendment to IAS 27 relating to the presentation of the financial statements must be applied for the first time for financial years which begin on or after July 1, 2009.
- The amendment to IAS 32 financial instruments – callable financial instruments and obligations arising from liquidation – must be applied for the first time for financial years which begin after December 31, 2008.
- IFRS 8 relating to operating segments must be applied for the first time for financial years which begin on or after January 1, 2009.
- IFRIC 13 relating to customer loyalty programmes must be applied for the first time for financial years which begin on or after July 1, 2008.

The amendments to IAS 1 and to IFRS 8 will lead to an extension of the disclosures in the notes to the financial statements. Syzygy AG is currently examining their effect on the consolidated financial statements. The initial application of all other provisions should not have a material impact on the presentation of the financial statements.

1.8 OTHER NOTES

Unless stated otherwise, the Company's consolidated financial statements will be presented in thousands of Euro.

Under the application of IAS 1, the balance sheets are sub-divided into non-current and current assets and liabilities. Those assets and liabilities which are due within one year should be regarded as current. Irrespective of their maturity, inventories and accounts receivable and payable are also regarded as current if they are not sold, consumed, or become due, within one year, but within the normal course of the operating cycle.

The income statement has been prepared in line with IAS 1.94 using the cost of sales method.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 INTANGIBLE ASSETS, GOODWILL, AND FIXED ASSETS

Intangible assets comprise goodwill, brand equity and software.

Intangible assets are accounted for in the balance sheets in accordance with IAS 38. Consequently, purchased intangible assets are recognised at cost and amortised using the straight-line method over a period of three years, if they have a certain useful life. Otherwise, there is no such amortisation.

Intangible assets which were taken over during acquisition of a company are measured at their fair value at the time of the acquisition in accordance with IFRS 3. Cases of impairment are treated as impairment losses. If assets which have already been amortised experience increasing fair values, these increases are recorded as reversals of impairment losses.

In line with IFRS 3 in connection with IAS 36 and 38, intangible assets with indefinite useful lives, such as goodwill from company acquisitions, are not amortised, but tested for impairment once a year in accordance with the regulations of IAS 36. Within the scope of the impairment test, the carrying amounts of the cash generating units underlying the goodwill are compared on December 31 with their recoverable amounts.

Syzygy defines the individual companies as cash generating units. The recoverable amount is determined using the discounted cash flow (DCF) method. Future cash flows to be discounted using the DCF method are determined using medium-term planning for financial and assets position and results of operations. If the carrying amount exceeds the recoverable amount according to the DCF method, the impairment has to be amortised to the recoverable amount.

Fixed assets include leasehold improvements and other equipment and are carried at cost less accumulated depreciation. Leasehold improvements are depreciated on a straight-line basis over their estimated useful life or the term of the lease, whichever is shorter. Operational and office equipment is depreciated on a straight-line basis, normally over a period between three to thirteen years.

If unscheduled impairment losses for fixed assets incur, a decision needs to be made in accordance with IAS 36 as to whether the fixed assets concerned are to be written down to their market value or fair value. This is the case if the net realisable value is lower than the carrying amount. If reasons for unscheduled write-downs of fixed assets – except for goodwills – cease to exist, the write-downs are reversed.

2.2 FINANCIAL INSTRUMENTS

Financial instruments include liquid assets, securities, and derivative financial instruments. Liquid assets include cash, current bank balances and interest bearing time deposits with maturities under 3 months.

Securities are carried at cost when first reported and subsequently measured at fair value. The current values of securities usually correspond to the market values on the financial markets. In accordance with IAS 39, marketable securities are classified as available-for-sale. Unrealised gains and losses are reported in the "Accumulated other comprehensive income" item, which is a separate component of equity. Exemptions include non-temporary impairment losses, interest determined using the effective interest method and gains and losses from foreign currency translation of monetary items, which are recognised in the income statement. If a financial asset is sold or shows impairment, the gains and losses previously accumulated in the revaluation reserve for financial investments are recognised in net income. Impairment on equities recognised in income in the past is not reversed in net income. Every increase in fair value is recognised directly in equity following impairment.

Changes in interest rates for fixed-income securities may lead to a fluctuation of market prices subject to duration. However, no interest rate hedges are concluded. Derivative financial instruments are accounted for at fair value and recognised in net income.

2.3 ACCOUNTS RECEIVABLE

Accounts receivable are reported at the time of sales recognition or the consideration submitted. Individual recognisable risks due to valuation allowances are taken into account. They are stated at their nominal value, if no allowances are necessary due to default risks. Receivables due within more than one year are discounted in line with market rates. Services from fixed-price projects, which are realised according to the percentage of completion method (POC) are also shown in accounts receivable (see also section 2.9 Revenue recognition).

2.4 TREASURY STOCK

Treasury stock is not presented as an asset, but reported as a deduction from equity. In this respect, the extent of the share buyback reduces equity. The total acquisition costs are therefore reported as an item to be deducted from equity.

Gains from the sale of treasury stock are allocated to additional paid-in capital, reported in equity and not affecting net income.

2.5 STOCK-BASED COMPENSATION

Syzygy applied a stock-based compensation plan for its employees with the objective of attracting and retaining personnel as well as promoting the success of the Group by providing the opportunity to acquire shares. In accordance with IFRS 2, the expenses for the stock option plan are to be recorded at fair value at the date of grant. The fair value of the Company's stock-based awards was estimated as of the date of grant using the Black-Scholes option pricing method.

2.6 DEFERRED TAXES

Deferred tax assets and liabilities are recognised for temporary differences between the valuations in the consolidated balance sheet in line with IFRS and the tax accounts.

Deferred tax assets and liabilities are shown separately in the balance sheets. Deferred taxes are stated at the statutory tax rates applicable at reporting date or for the future.

The carrying amount of the deferred tax assets is examined every year on the reporting date and is marked down if it is no longer likely that a taxable profit will be available, against which the deductible temporary difference can be applied.

2.7 ACCOUNTS PAYABLE AND OTHER PROVISIONS

In accordance with IAS 39, current liabilities are shown at the time of acquisition at the amounts to be paid, which approximates their market value or the amount to be paid. Non-current liabilities are determined according to the effective interest method by discounting the amount payable.

In accordance with IAS 37, accrued liabilities are only recorded, if an obligation to a third party is incurred, the claim is probable and the amount payable can be reliably assessed. In determining other provisions, all applicable costs are taken into consideration.

2.8 OTHER ASSETS AND LIABILITIES

Other assets and liabilities are recognised at their nominal value or amount payable.

2.9 REVENUE RECOGNITION

Syzygy generates sales from consulting and development services and from implementing advertising campaigns.

Sales from consulting services and from production of digital media content are realised when the services are rendered in accordance with the terms of the contractual agreement, the payment is reasonably assured and the budget is fixed or determinable.

Consulting services on a fixed-price basis are realised according to the percentage of completion method in line with IAS 18.

The percentage of completion of a project is calculated by the ratio of realised time units to all the time units planned for completion of the project. Adjustments are regularly made based on new forecasting. Provisions for estimated losses on contracts are established in the period such losses are determined.

With some projects, milestones are specified. Then, sales attached to a particular milestone are recognised when the Company has finished all duties related to the milestone and the client has accepted the performance.

The implementation of advertising campaigns comprises services in the area of online media or search engine marketing. Substantial costs are incurred for placing the advertising campaign at online portals. The invoice amounts are reported as gross sales in the income statement including the media purchases. Accordingly, the "Net sales" item shows the gross sales less costs for media purchases or search engine marketing. Sales are generated with the appearance of the campaign in question. Income from interest and comparable items are deferred on an accrual basis.

2.10 ADVERTISING EXPENSES

Advertising expenses are included in the income statement at the time they were incurred.

2.11 INCOME TAXES

The actual income taxes are determined on the basis of the national tax rules applicable in the countries in which the respective company operates. In accordance with IAS 12, the calculation of deferred taxes includes tax deferrals on different valuations of assets and liabilities in the accounts prepared for financial accounting purposes (IFRS) and the accounts prepared for tax purposes. Current and deferred taxes are recognised as an expense unless they are associated with items which are recognised directly in equity. In that case, the tax must also be recognised directly in equity.

2.12 EARNINGS PER SHARE

Earnings per share were calculated in accordance with IAS 33, and correspond to the total net income of the Group divided by the weighted average number of issued shares for the period. The acquisition of treasury stock reduces the number of outstanding shares accordingly.

In addition to the outstanding shares, all outstanding options which have not been exercised and whose intrinsic value during the reporting period was positive must be taken into consideration in calculating the diluted earnings. The intrinsic value is the difference between the fair value and the exercise price of an option. The number of additional shares to be taken into consideration from this is calculated by offsetting the proceeds generated by exercising the shares against the fair value of the shares. The difference between these two figures, expressed in number of shares at fair value, corresponds to the dilution effect which would have arisen if these options had been exercised.

3. NOTES TO THE CONSOLIDATED BALANCE SHEETS



3.1 GOODWILL

Reported goodwill of kEUR 18,127 arose from the acquisition of unikedigital GmbH (former GFEH), Unique Digital in London and Hi-ReSI. Goodwill includes the exercise of the option of the outstanding 20 per cent of Hi-ReSI as well as the earn-out liability to for Unique Digital and Hi-ReSI. The addition in 2008 amounted to kEUR 4,647. This corresponds to the difference between the acquisition costs of the company minus identifiable assets, liabilities and contingent liabilities of the company acquired. These figures were carried at fair value. An impairment test of goodwill on December 31, 2008 revealed that there was no need to recognise an impairment loss. The recoverable amounts of the units were determined using a medium-term business plan for the next 5 years in accordance with the DCF method. The most important assumptions underlying the determination of fair value include assumptions of growth rates, margin development and discount rate.

For the UK, the risk free interest rate was determined with 3.7 per cent in line with 30 year British gilts, a risk premium of 5.0 per cent and a Beta of 0.96 define a WACC (Weighted Average Cost of Capital) after tax of 8.5 per cent. The WACC before tax of 12.1 per cent results from taking the average tax rate of 30 per cent in the UK. The corresponding business plans are based on sales growth of 10 and 20 per cent p. a. respectively within the years 2010 to 2013.

In Germany, the risk free interest rate was determined with 3.6 per cent in line with 10 year government bonds, a risk premium of 5.0 per cent and a Beta of 0.96 define a WACC (Weighted Average Cost of Capital) after tax of 8.4 per cent. The WACC before tax of 12.5 per cent results from the application of the average tax rate of 31 per cent. The business plan stipulates sales growth of 20 per cent p. a. for the years 2010 to 2013.

3.2 STATEMENT OF CHANGES IN FIXED ASSETS FOR GOODWILL, INTANGIBLE ASSETS AND FIXED ASSETS

Fixed assets changed as follows in the 2008 financial year:

EUR'000	GOODWILL	INTANGIBLE ASSETS	LEASEHOLD IMPROVEMENTS	OPERATIONAL AND OFFICE EQUIPMENT	TOTAL
Cost January 1, 2007	3,243	510	817	3,183	7,753
Additions	10,237	251	124	1,229	11,841
Disposals	0	-4	-394	-685	-1,083
Net additions from Unique Digital	0	5	0	103	108
Exchange rate changes	0	-16	-13	-106	-135
Cost December 31, 2007	13,480	746	534	3,724	18,484
Accumulated amortisation, depreciation and write-downs January 1, 2007	0	413	722	2,399	3,534
Additions	0	82	63	563	708
Disposals	0	-4	-359	-568	-931
Net additions from Unique Digital	0	3	0	75	78
Exchange rate changes	0	-12	-5	-44	-61
Accumulated amortisation, depreciation and write-downs December 31, 2007	0	482	421	2,425	3,328
Carrying amount at December 31, 2006	3,243	97	95	784	4,219
Carrying amount at December 31, 2007	13,480	264	113	1,299	15,156

EUR'000	GOODWILL	INTANGIBLE ASSETS	LEASEHOLD IMPROVE- MENTS	OPERATIONAL AND OFFICE EQUIPMENT	TOTAL
Cost January 1, 2008	13,480	746	534	3,724	18,484
Additions	2,669	51	176	964	3,859
Disposals	0	-58	-40	-66	-164
Net additions from Hi-ReS!	3,344	232	0	105	3,681
Exchange rate changes	-1,366	-133	-27	-357	-1,883
Cost December 31, 2008	18,127	838	643	4,370	23,977
Accumulated amortisation, depreciation and write-downs January 1, 2008	0	482	421	2,425	3,328
Additions	0	96	42	556	694
Disposals	0	-58	-40	-54	-152
Net additions from Hi-ReS!	0	0	0	64	65
Exchange rate changes	0	-37	-4	-147	-188
Accumulated amortisation, depreciation and write-downs December 31, 2008	0	483	419	2,844	3,747
Carrying amount at December 31, 2007	13,480	264	113	1,299	15,156
Carrying amount at December 31, 2008	18,127	355	224	1,524	20,230

Intangible assets include a brand equity of kEUR 270, which arose as a result of the first consolidation of Unique Digital and Hi-ReS! and which is subject to an indefinite useful life. Operational and office equipment mainly refers to hardware and office fittings.

3.3 OTHER NON-CURRENT ASSETS

Other non-current assets include rent deposits of kEUR 435 (previous year: kEUR 695), which were completely attributable to Syzygy UK.

3.4 DEFERRED TAX ASSETS

Due to different valuations of Syzygy UK and Syzygy Deutschland GmbH's fixed assets and subject to valuation differences in the provisions, deferred tax assets amount to kEUR 110 (previous year: kEUR 116). The composition of deferred tax assets is presented in section 4.7 Income taxes.

3.5 FINANCIAL INSTRUMENTS

Cash, current bank accounts and interest-bearing time deposits with maturities under 3 months are shown in the table below:

EUR'000	2008	2007
Cash and cash equivalents	10,991	8,024

kEUR 78 is attributable to Hi-ReSI. Cash and cash equivalents are to be allocated to the valuation category "loans and receivables" in accordance with IAS 39.

The securities are classified as available-for-sale and therefore recognised at market value. As can be seen in the following table, their market value as at December 31, 2008 was kEUR 2,457 below acquisition costs (previous year: kEUR 744). The previous year's figure comprises unrealised share price gains of kEUR 26 and unrealised share price losses of kEUR -770. The unrealised results are reported under "accumulated other comprehensive income" item in the statement of changes in equity.

The securities portfolio's valuation depends upon the development of interest rates and the development of credit spreads. On average, the portfolio shows a duration of around 6.0, so that a change in such parameters of 0.5 per cent results in a corresponding change in the securities portfolio of 3.0 per cent. This means that if the credit spreads rise by 50 basis points at the same interest level, the value of the securities portfolio declines by around 3.0 per cent.

3.6 ACCOUNTS RECEIVABLE

These items comprise the following:

EUR'000	2008	2007
Accounts receivable	10,996	12,587
Unbilled receivables	255	105
	11,251	12,692

EUR'000	COST	UNREALISED GAINS	UNREALISED LOSSES	PERMANENT DEPRECIATION	2008 BOOK VALUE MARKET VALUE	2007 BOOK VALUE MARKET VALUE
Securities	17,776	0	2,457	85	15,223	16,155

The following table shows the maturities of securities as per December 31, 2008:

EUR'000	< 1 YEAR	1-5 YEARS	5-10 YEARS	INDEFINITE	TOTAL
Securities	501	4,148	10,574	0	15,223

Accounts receivable include receivables of kEUR 195 that are attributable to Hi-ReS!. Receivables of kEUR 255 (prior year kEUR 105) were reported in line with the percentage of completion method for services not yet billed. According to the percentage of completion method, sales of kEUR 255 (prior year: kEUR 105) were realised from projects which had not been billed as of the balance sheet date. According to IAS 39, accounts receivable fall under the "loans und receivables" valuation category.

The term structure of the receivables is as follows:
Of which not written down at the reporting date and overdue in subsequent time bands

EUR'000	0-90 DAYS	91-180 DAYS	181-360 DAYS	MORE THAN 360 DAYS
Accounts receivable				
as of December 31, 2008	9,570	1,681	0	0
as of December 31, 2007	12,692	0	0	0

3.7 PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets as of December 31, 2008 and 2007 consist of the following:

EUR'000	2008	2007
Tax receivables	1,587	1,451
Interest receivables	485	442
Prepaid expenses	330	384
Other	103	144
	2,505	2,421

Receivables with recognisable collection risks are provided for by adequate provisions, while uncollectable receivables are written off. In 2008 a provision for bad debts of kEUR 36 has been set aside at Syzygy Deutschland GmbH. In 2007, no such allowance has to be made.

All other assets are due within 12 months. The interest receivables which fall into the "loans und receivables" valuation category in line with IAS 39, represent realisable financial instruments and are therefore presented in the following term structure:

EUR'000	0-90 DAYS	91-180 DAYS	181-360 DAYS
Interest receivables			
as of December 31, 2008	205	214	66
as of December 31, 2007	262	127	53

Prepaid expenses include advance payments for rent, digital services and insurance.

3.8 EQUITY

3.8.1 COMMON STOCK

As of December 31, 2008, common stock comprised 12,078,450 no-par value bearer shares. These shares have a stated value of EUR 1.00; 25,000 of these shares belonged to treasury stock.

In 2007, common stock of the Company increased by kEUR 18 with the exercise of stock options.

The shareholders' structure of the Company at the reporting date was as follows:

in thousands	SHARES	PER CENT
WPP Group (UK) Ltd (directly and indirectly)	3,570	29.6
Marco Seiler	628	5.2
Free float	7,855	65.0
Treasury stock	25	0.2
	12,078	100.0

3.8.2 AUTHORISED AND CONTINGENT CAPITAL

At the Annual General Meeting on June 30, 2006, the resolution to possibly increase common stock was renewed. Accordingly, the Management Board is authorised, subject to the approval of the Supervisory Board, to issue additional ordinary no-par value bearer shares, which may be issued until the period ending June 30, 2011. The authorised capital totals kEUR 6,000. During the 2007 financial year, no such shares were issued.

Furthermore, the Management Board was authorised to issue a maximum of 1,200,000 additional shares (contingent capital) in conjunction with the employee stock-based compensation plan. In 2008 no options were exercised, in the previous year 18,550 options were exercised. Moreover, all outstanding options expired in 2008.

In the period under review, no further share options entitling the conversion into the same number of Syzygy shares were issued to employees of the Syzygy Group companies.

3.8.3 ADDITIONAL PAID-IN CAPITAL

In 2008, there have not been any effects which have changed the paid-in capital.

In 2007, additional paid-in capital increased by kEUR 45 due to the exercise of options. In addition, the gains from the sale of treasury shares of kEUR 217 were also charged directly to equity under "Additional paid-in capital".

3.8.4 TREASURY STOCK

On May 30, 2008, the Annual General Meeting authorised the Management Board to acquire a maximum of 10 per cent of the Company's outstanding shares until November 29, 2009. The treasury stock does not entitle the Company to any dividend or voting rights. The company is authorised to resell or call in treasury stock or to offer treasury stock to third parties in the course of acquiring companies.

3.8.5 ACCUMULATED OTHER COMPREHENSIVE INCOME

As per December 31, 2008, other comprehensive income amounted to kEUR -5,382 (previous year: kEUR -983) and can be attributed mainly to losses from currency translation (kEUR -2,686) recognised directly in equity and unrealised gains or losses from securities (kEUR -1,713).

3.8.6 RETAINED EARNINGS

Dividend distributions are based upon the distributable equity disclosed in the annual financial statements of Syzygy AG according to HGB (German GAAP). On May 30, 2008, the Annual General Meeting approved a dividend of EUR 0.10 and carried forward the retained earnings of kEUR 4,015. As of December 31, 2008, the financial statements of Syzygy AG recorded retained earnings of kEUR 3,409. The consolidated financial statements of the Group show retained earnings of kEUR 6,921.

3.8.7 MINORITY INTEREST

As of December 31, 2008, there is no minority interest shown as Syzygy AG acquired the outstanding shares of unikedigital in December 2008 and now owns 100 per cent of the shares. The outstanding shares of Hi-ReS! are shown as other liabilities as there exists a mutual option which is likely to be exercised. In the previous year, minority interest amounted to kEUR 639 which were fully attributable to other shareholders of unikedigital.

3.9 STOCK-BASED COMPENSATION

On September 13, 2000, the Company's shareholders approved an employee stock option plan. According to this plan, each stock option may be exercised in exchange for one share of Syzygy AG over a maximum of 7 years subject to vesting requirements.

In 2008, all 105,300 outstanding options expired so that there are no outstanding options any longer. Within the last financial year, no additional stock options were granted, nor were options exercised.

3.10 ACCOUNTS PAYABLE AND OTHER PROVISIONS

As at December 31, 2008 and 2007, accounts payable and other provisions consisted of:

EUR'000	2008	2007
Accounts payable	7,921	7,336
Other provisions:		
– Obligations towards other parties	1,961	1,505
– Personnel-related provisions	538	429
– Investor relations and financial reporting	331	243
	10,751	9,513

Accounts payable include kEUR 79 that are attributable to Hi-ReS!. Obligations towards other parties essentially concern outstanding invoices and customers' bonuses, personnel-related provisions, employee incentives and holidays. All accounts payable and other provisions are due within one year and are to be allocated to the valuation category "financial liabilities at costs".

Statement of changes in provisions as of December 31, 2008

EUR'000	BOOK VALUE JANUARY 1, 2008	USAGE	ALLOCATION	BOOK VALUE DECEMBER 31, 2008
Obligations towards other parties	1,505	-1,133	1,589	1,961
Personnel-related provisions	429	-429	538	538
Investor relations and financial reporting	243	-243	331	331
	2,177	-1,805	2,458	2,830

3.11 TAX PROVISIONS AND LIABILITIES

Tax provisions and liabilities are structured as in the following table:

EUR'000	2008	2007
British VAT	1,367	693
German income taxes	701	641
British income taxes	634	300
German VAT	535	989
	3,237	2,623

3.12 OTHER LIABILITIES

The components of other liabilities are detailed in the following:

EUR'000	2008	2007
Obligations from call options	5,853	4,660
Obligations from earn-out payments	5,048	1,953
Social security, salary and church taxes	373	331
Obligations from services not yet performed	277	266
Others	1,028	846
	12,579	8,056

The liability due to acquisition of unquedigital will be due in 2009. The earn-out obligation arising from the acquisition of Unique Digital, which is determined depending upon future operating income of 2009, becomes due in 2010. The earn-out obligation arising from the acquisition of Hi-ReS! matures in 2011, the mutual option to buy or sell the outstanding share will mature in 2015, latest. Other liabilities include an obligation from an interest rate swap of kEUR 90. The following table shows the maturities of other liabilities as per December 31, 2008:

EUR'000	< 1 YEAR	1-5 YEARS	5-10 YEARS	INDEFINITE	TOTAL
Other liabilities	7,238	5,048	293	0	12,579
Previous year	1,276	6,780	0	0	8,056

Other liabilities are allocated to the valuation category "financial liabilities at costs" except for the interest rate swap which was valued at market value in line with the valuation category "financial liability held for trading".

4. NOTES TO THE INCOME STATEMENTS



4.1 SALES AND SEGMENT REPORTING

The Company's businesses operate in the European market. The operating companies of the Syzygy Group are managed locally and, to a major extent, operate in their local markets independently. Syzygy reports on the primary segment in line with IAS 14 according to geographical criteria against this background. Furthermore, the two significant services Design & Build and Online Marketing are represented as secondary segments.

The holding company (Syzygy AG) serves all operating entities and is therefore segregated. The United Kingdom Segment comprises Syzygy UK Ltd., Unique Digital Marketing Ltd., Hi-ReS! London Ltd. and Mediopoly Ltd. The Germany Segment includes Syzygy Deutschland GmbH and unikedigital GmbH. The different segments apply the same accounting principles as the consolidated entity. Transactions between segments have been eliminated.

Primary segment as at December 31, 2008

EUR'000	GERMANY	UNITED KINGDOM	CENTRAL FUNCTIONS AND CONSOLIDATION	TOTAL
Gross sales	37,604	44,444	-925	81,123
Net sales	15,407	16,864	-564	31,707
Operating income (EBITA)	3,419	3,664	-1,920	5,163
Financial income	192	233	539	964
Net income	1,642	2,702	-77	4,267
Assets	19,271	24,094	17,380	60,745
Of which goodwill	8,842	9,285	0	18,127
Investments	1,761	5,758	21	7,540
Depreciation and amortisation	423	262	9	694
Segment liabilities	15,244	14,916	-1,440	28,720

Primary segment as at December 31, 2007

EUR'000	GERMANY	UNITED KINGDOM	CENTRAL FUNCTIONS AND CONSOLIDATION	TOTAL
Gross sales	37,045	21,568	-37	58,576
Net sales	14,331	13,057	-37	27,351
Operating income (EBITA)	3,043	1,500	-1,171	3,372
Financial income	111	157	977	1,245
Net income	2,270	1,219	-276	3,213
Assets	19,823	16,488	18,948	55,259
Of which goodwill	7,922	5,558	0	13,480
Investments	399	1,040	5	1,444
Depreciation and amortisation	435	266	7	708
Segment liabilities	12,207	7,391	1,162	20,760

The Design & Build business is essentially represented by Syzygy Deutschland, Syzygy UK and Hi-ReSI, while the online marketing services are performed predominantly by unikedigital GmbH and Unique Digital Marketing Ltd.

Secondary segment as at
December 31, 2008

EUR'000	DESIGN & BUILD	ONLINE MARKETING	CENTRAL FUNCTIONS AND CONSOLIDATION	TOTAL
Net sales	23,856	8,164	-313	31,707
Assets	12,457	31,172	17,116	60,745
Investments	4,696	2,823	21	7,540

Secondary segment as at
December 31, 2007

EUR'000	DESIGN & BUILD	ONLINE MARKETING	CENTRAL FUNCTIONS AND CONSOLIDATION	TOTAL
Net sales	20,922	6,466	-37	27,351
Assets	9,280	27,031	18,948	55,259
Investments	1,391	48	5	1,444

Syzygy generated 57 per cent (previous year: 60 per cent) of its sales with its ten largest customers.

4.2 OTHER OPERATING INCOME, NET

Other operating income consists of the following:

EUR'000	2008	2007
Foreign Exchange Rate gains	234	0
Sublease income	150	264
Employee usage of company cars	29	49
Release of provisions	0	103
Others	56	0
	469	416

4.3 COST OF PURCHASED SERVICES

The cost of purchased services mainly contains expenses for freelance workers and outsourced services:

EUR'000	2008	2007
Cost of purchased services	3,892	4,131

4.4 PERSONNEL EXPENSES

Personnel expenses, which are included in various items in the consolidated income statements, were as follows:

EUR'000	2008	2007
Salaries and wages	14,686	11,713
Social security	1,949	1,721
	16,635	13,434

In 2008, the average number of full-time employees in the Syzygy Group was 261 (previous year: 210 employees).

By the end of the 2008 financial year, the total number of Syzygy employees has risen to 276. The employees are distributed across the following functional areas within the Company:

Number of persons	2008	2007
Strategy / consulting / project management	83	73
Online marketing / online media	52	47
Technology	58	46
Design	48	33
Administration	35	28
	276	227

4.5 DEPRECIATION AND AMORTISATION

The depreciation and amortisation comprises the following:

EUR'000	2008	2007
Amortisation of intangible assets	96	82
Depreciation of fixed assets	598	626
	694	708

4.6 FINANCIAL INCOME

EUR'000	2008	2007
Interest and similar income	1,465	1,300
Earnings from sales of marketable securities, net	10	-123
Interest expense and similar expenses	-511	-178
	964	1,245

Earnings from sales of marketable securities comprise gains of kEUR 33 and losses of kEUR 23. Interest expenses and similar expenses include an interest rate swap income of kEUR 98. The decline in the financial income of 23 per cent is particularly a consequence of a correction in the accrued interest (kEUR -406).

In line with IFRS 7.20, the financial income or loss must be presented according to valuation categories:

The interest and similar income, as well as the earnings from the sale of securities amounting to kEUR 1,377 fall under to valuation category "available-for-sale" and kEUR 98 fall under to valuation category "financial liabilities" at fair value through profit and loss.

Interest expenses and similar expenses with kEUR 511 fall under the valuation category "financial instruments available for sale".

4.7 INCOME TAXES

EUR'000	2008	2007
Foreign income taxes	2,202	438
Domestic income taxes	571	1,072
Deferred taxes	87	-106
	1,860	1,404

In Germany, effective since January 1, 2008, a standard tax rate of 15 per cent is applicable. The tax rate amounts to 15.8 per cent including the solidarity surcharge of 5.5 per cent. The tax rate for community taxes was unchanged at 14.9 per cent with a community related parameter of 350 per cent in Bad Homburg. This leads to a combined statutory tax rate of 30.7 per cent in Germany.

Deferred tax assets and liabilities can be summarised as follows:

EUR'000	2008	2007
Deferred taxes (assets):		
Provisions	60	31
Fixed assets (Syzygy Germany)	43	40
Fixed assets (Syzygy UK)	7	53
	110	124
Deferred taxes (liabilities):		
Gains on Foreign exchange rate	92	0
Effects from first consolidation Hi-ReS!	47	0
Current assets (securities)	0	8
	139	8

The deferred tax assets at Syzygy AG result from non-tax deductible provisions. The deferred tax assets at Syzygy Deutschland are the result of different useful lives of the assets between IFRS and tax accounts.

Syzygy UK can be attributed to lower tax depreciation on capital goods in comparison to the IFRS balance sheet in United Kingdom.

The deferred tax liabilities result from foreign exchange gains in line with due date evaluation of liabilities, which are not accounted for tax purposes, as well as in line with the first consolidation of Hi-ReS!

Deferred tax assets have not been recorded for loss carry-forwards at Syzygy AG as the use of those are currently more unlikely to happen based on the business plan for Syzygy AG under consideration of the profitability of the including the tax effective entities. The tax effective loss carry forward amounts to kEUR 1,916, for the standard tax the relevant loss carry forward amounts to kEUR 1,691 and for community taxes the relevant loss carry-forward amounts to kEUR 2,154. The inclusion of deferred tax assets would have amounted kEUR 588.

Tax transfer:

EUR'000	2008	2007
Income before taxes	6,127	4,617
Tax-free income/expenses	116	0
Taxable income	6,243	4,617
Expected tax expense	1,918	1,814
Foreign tax rates differential	12	-148
Tax refunds	-128	-156
Effect on not accounted deferred tax assets for tax loss carry forward amounts	588	0
Effect on depreciation of securities non affecting net income	-526	0
Other	-4	-106
Tax charge	1,860	1,404

The differences from tax rates particularly result from higher trade tax per cent in Hamburg. In UK the standard tax rate amounts to 30 per cent.

4.8 NET INCOME/LOSS ATTRIBUTABLE TO MINORITY INTERESTS

Net income/loss attributable to minority interests amounts to kEUR 637 and falls to the former minority shareholders of unquedigital GmbH, who have received their minority interest for 2008 in line with an advance dividend.

5.1 EARNINGS PER SHARE

Earnings per share – diluted and basic – are shown in the following table:

	2008	2007
Weighted average number of shares (in thsd.)	12,053	12,022
Consolidated net income (EUR'000)	3,630	2,574
Earnings per share, basic and diluted (EUR)	0.30	0.21

5.2 CONSOLIDATED STATEMENTS OF CASH FLOWS

The consolidated statements of cash flows was developed in accordance with IAS 7 by applying the indirect method. In 2008, the operating cash flow amounted to kEUR 9.5 million (previous year: kEUR 2.7 million). In the period under review, the operating cash flow cannot be directly derived from the balance sheet due to one-off items from the first consolidation of Hi-ReS! as well as from non-liquidity-related effects amounting to kEUR 491 which are based on correction of accrued interest in the amount of kEUR 406 and depreciation of securities in the amount of kEUR 85. The funds exclusively comprise liquid assets. Further information is given in the Group Management Report.

5.3 RISK AND CAPITAL MANAGEMENT

With regard to assets, liabilities and planned transactions, Syzygy is subject to risks arising from changes in currency and interest rates as well as the credit rating of bond issuers.

5.3.1 CURRENCY RISKS

Syzygy generates about half of its sales in the UK. Exchange rate fluctuations between pound sterling and the euro may, depending on price movements, affect sales and the annual net income positively or negatively in relation to

the budget. As at the balance sheet date, the assets and liabilities of the British companies are translated into the reporting currency and are therefore subject to a translation risk. Such risks are not hedged within the Syzygy Group. In the operating area, the Group companies conduct their activities predominantly in their respective functional currency. For this reason, Syzygy does not enter into any hedging transactions, because there is only a currency risk as great as net income, i.e. the cash flow to Syzygy AG. Syzygy also decided against hedging for this cash flow, since costs and benefits of such cash flow hedges do not appear suitable and the risk to the net assets, financial position and results of operations is regarded as insignificant.

IFRS 7 requires sensitivity analyses for the presentation of market risks which show the effects of hypothetical changes to relevant risk variables on the results and equity. It is therefore assumed that the portfolio as at the reporting date is representative of the year as a whole. The currency sensitivity analyses are based on the following assumptions:

The essential original financial instruments (liquid assets, receivables, marketable securities, accounts payable and other liabilities) are denominated immediately in the functional currency. Changes in exchange rate therefore have no effect on results and equity.

Interest income and expenses from financial instruments are also recognised directly in functional currency, so that there are no currency risks.

Syzygy is only exposed to a currency risk regarding the net income generated in foreign currency and associated distributions.

5.3.2 INTEREST RISKS

Syzygy is subject to interest risks regarding securities and an interest swap; conversely, there are no financial liabilities which can create an interest risk, and the liquid assets were invested at call money conditions.

Sensitivity analyses regarding the interest changes are to be presented in line with IFRS 7. Since Syzygy classifies securities of current assets as available-for-sale in line with IAS 39, interest changes have no immediate effect on the performance of the Company. Unrealised gains and losses are reported under the „Accumulated other comprehensive income item“, which is a separate component of equity.

As at the balance sheet date, around EUR 15.2 million were invested in a securities portfolio which indicates a duration of around 6.0. An interest change of 50 basis points with regard to the investments would result in a change in the fair value of the portfolio of around 3.0 per cent. This would lead to a change in the fair value of around kEUR 456. Increases in interest have a negative effect while decreases in interest have a positive effect on the development in the value of the portfolio.

5.3.3 CREDIT AND DEFAULT RISKS – RISK OF CHANGE IN CREDIT SPREADS

Syzygy is exposed to credit and default risks from operations and also regarding securities investments. In the case of securities, Syzygy reduces default risks by ensuring that an investment grade of at least BBB- is generally applicable in the case of new investments. All investments are continually monitored with regard to the development of their rating and the investment decision is reviewed. In general, a maximum item of EUR 2.0 million is received from one issuer. In the case of new investments with a BBB-, the positions amount to a maximum of EUR 1.0 million. All securities are also subject to price changes depending upon the change in the credit spread combined with the residual term. An extension of the credit spread in a risk class then leads to a corresponding price decrease depending upon the duration of a security. In the case of a duration of a securities portfolio of 6.0 and an extension of the average credit spread of 200 basis points, the value of the portfolio would decline by 12.0 per cent. This would lead to a change in the fair value of kEUR 1,824 for Syzygy.

In operations, the default risks are continuously monitored decentrally at the level of the companies. Syzygy works almost exclusively for large customers of outstanding credit rating and did not therefore post debt defaults. Neither is the receivables volume so large in the case of individual customers that they would cause extraordinary risk concentrations.

The maximum default risk is presented by the carrying amounts of the financial assets recognised in the balance sheet.

5.3.4 DERIVATIVE FINANCIAL INSTRUMENTS

Syzygy deploys derivative financial instruments for risk diversification and portfolio structuring to integrate variable interest rates corresponding to the market development in addition to fixed-interest bearing securities. In 2008 an interest swap was recognised in the income statement at a market value of kEUR 98 (prior year: loss of kEUR 146), which is due in 2011. The measurement depends upon the development of the DB FRB Euro index, whereby a maximum risk of kEUR 183 exists from the transaction.

5.3.5 CAPITAL MANAGEMENT

Syzygy's capital management primarily aims to finance both organic and inorganic growth and to ensure the continuation of the business in the operating companies. Syzygy aims to have an equity ratio within the target range of 60 per cent to 80 per cent, since this strengthens the competitiveness of a service enterprise such as Syzygy. Furthermore, it is the aim of the capital management to sustainably raise return on equity to over 10 per cent.

The key figures on capital management comprise the following:

EUR'000	2008	2007
Equity according to the balance sheet	31,886	34,499
Liabilities	28,859	20,760
Liabilities and equity	60,745	55,259
Equity ratio	52 %	62 %
Consolidated net income	4,267	3,342
Return on equity	13 %	10 %

Syzygy does not have financial liabilities, meaning that liabilities are characterised primarily by accounts payable, future obligations from the acquisition of companies and tax liabilities.

5.4 CONTINGENT LIABILITIES

In 2008 Syzygy put a guarantee to the amount of kEUR 250 related to new rental of office space in Hamburg and Bad Homburg.

In 2007, the company did not have any contingent liabilities requiring disclosure.

5.5 OTHER FINANCIAL OBLIGATIONS

The Group companies have concluded leasing and rental agreements for various facilities and vehicles. The future annual minimum payments from these agreements amount to:

EUR'000	2008	2007
Within 1 year	714	701
1 to 5 years	2,419	2,573
More than 5 years	25	0
Total	3,158	3,274

The total expenses for rent amounted to kEUR 1,526 in 2008 (previous year: kEUR 1,459). These expenses were set off by sublease income amounting to kEUR 150 (previous year: kEUR 264). The total of expected future sublease income on the basis of existing agreements amounts to kEUR 5. In 2008, kEUR 55 (previous year: kEUR 33) were spent on leasing obligations.

5.6 STATEMENT OF CONTROLLED INVESTMENTS

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

	SHARES	EQUITY	NET INCOME
	%	EUR'000	EUR'000
Hi-ReS! London Ltd., London, United Kingdom ¹	80	378	328
mediopoly Ltd., Jersey, United Kingdom ²	100	819	79
Syzygy Deutschland GmbH, Bad Homburg, Germany	100	383	1,185
Syzygy UK Ltd., London, United Kingdom	100	1,036	590
Unique Digital Marketing Ltd., London, United Kingdom	100	2,797	1,705
uniquedigital GmbH, Hamburg, Germany ³	100	382	1,642

1) With agreement dated January 15, 2008, Syzygy AG acquired 80 per cent of the shares in Hi-ReS! London Ltd. For consolidation purposes 100 per cent of equity has been taken into account as the existing Buy- and Sell-option is economically seen as forward deal.

2) mediopoly holds 100 per cent in Syzygy UK Ltd., which conducts the operating business in the UK. Therefore, the investment in Syzygy UK is indirect.

3) With agreement dated December 17, 2008 Syzygy acquired the outstanding 49 per cent of uniquedigital GmbH. On December 08, 2008, uniquedigital GmbH has made an advance dividend on the net income amounting to kEUR 1,300.

5.7 AUDITING COMPANY'S FEE

BDO Deutsche Warentreuhand AG auditing company received a fee of kEUR 96 (prior year kEUR 53) for auditing the annual and consolidated financial statements of Syzygy AG for the 2008 financial year. No further orders were awarded to BDO Deutsche Warentreuhand Wirtschaftsprüfungsgesellschaft.

5.8 INFORMATION ON ASSOCIATED COMPANIES AND PERSONS

The associated persons include the boards of Syzygy AG. With the exception of the remuneration to members of the Management Board and compensation to the Supervisory Board, no transactions were effected with associated parties in 2007 and 2008.

5.9 EXEMPTION ACCORDING TO ARTICLE 264 SECTION 3 OF THE HANDELSGESETZBUCH (HGB - GERMAN COMMERCIAL CODE)

Syzygy Deutschland GmbH avails itself of the exemption according to Article 264 Section 3 of the HGB (German GAAP).

5.10 SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date there have not been any subsequent events.

5.11 PARENT COMPANY BOARDS

5.11.1 MANAGEMENT BOARD

Marco Seiler

Chairman

Managing Director Syzygy Deutschland GmbH

Frank Wolfram

Management Board

Managing Director Syzygy Deutschland GmbH

The members of the Management Board do not hold any Supervisory Board or similar positions.

In 2008, the total remuneration of the Management Board amounted to kEUR 559. Marco Seiler received a basic salary of kEUR 220 and a variable salary of kEUR 66. Frank Wolfram had a basic salary of kEUR 210 and a variable portion of kEUR 63. The members of the Management Board received no options in 2008.

The remuneration report, as an integral part of the Corporate Governance Declaration since 2006, contains further explanations regarding the remuneration of the Management Board. The report can be downloaded from the Company's website at the IR section.

5.11.2 SUPERVISORY BOARD

Michael Mädler

Chairman

President J. Walter Thompson

Europe, Asia and Africa

Adriaan Rietveld

Deputy Chairman

General Managing Partner EsNet Ltd.

Supervisory Board UbiQ b.v. Rotterdam

Wilfried Beeck

CEO ePages Software GmbH

The Supervisory Board received total remuneration of kEUR 45 for 2008. This corresponds to a remuneration of kEUR 15 for each member of the Supervisory Board. In 2008, the remuneration has been exclusively fixed. Members of the Supervisory Board have no options for Syzygy shares. The remuneration report contains further explanations regarding the remuneration of the Supervisory Board.

5.12 DIRECTORS' DEALINGS

Management Board: Shares [Number of shares]	MARCO SEILER	FRANK WOLFRAM	TOTAL
as per December 31, 2007	622,279	5,500	627,779
Purchases	0	0	0
Sales	0	0	0
as per December 31, 2008	622,279	5,500	627,779

Management Board: Options [Number of options]	MARCO SEILER	FRANK WOLFRAM	TOTAL
as per December 31, 2007	0	38,000	38,000
Additions	0	0	0
Disposals	0	-38,000	-38,000
as per December 31, 2008	0	0	0

Supervisory Board: Shares [Number of shares]	MICHAEL MÄDEL	ADRIAAN RIETVELD	WILFRIED BEECK	TOTAL
as per December 31, 2007	0	10,000	91,938	101,938
Purchases	0	0	28,062	28,062
Sales	0	0	0	0
as per December 31, 2008	0	10,000	120,000	130,000

5.13 DISCLOSURES IN ACCORDANCE WITH ARTICLE 160 SECTION 1 NO. 8 OF THE AKTIENGESETZ (AKTG – GERMAN PUBLIC COMPANIES ACT)

FEBRUARY 14, 2008: CORRECTION OF THE PUBLICATION DATED FEBRUARY 12, 2008, IN LINE WITH ARTICLE 26 SECTION 1 CLAUSE 1 OF THE WERTPAPIERHANDELSGESETZ (WPHG – GERMAN SECURITIES TRADING ACT)

On February 12, 2008, WPP 2005 Ltd. (London, United Kingdom) and WPP Group plc. (London, United Kingdom) informed us regarding their share of voting rights in Syzygy AG, Bad Homburg v.d.H., Germany, according to Sections 21 et seq. WpHG (Wertpapierhandelsgesetz – German Securities Trading Act) with the following:

1. On February 5, 2008, WPP 2005 Limited's share of voting rights in Syzygy AG exceeded the threshold of 25 per cent and as of that date amounts to 25.0066 per cent (equivalent to 3,020,417 voting rights).

Of these, 24.76 per cent of the voting rights (equivalent to 2,990,982 voting rights) will be allocated to WPP 2005 Limited in accordance with Section 22 (1) Clause 1 No. 1 of the WpHG via the following subsidiaries controlled by WPP 2005 Limited, whose share of the voting rights in Syzygy AG amounts to 3 per cent or more:

1. WPP LN Limited
2. WPP Group (UK) Limited
3. WPP Spike Limited
4. WPP Sparky Limited
5. WPP Magic Limited
6. WPP Sparkle Limited
7. Line Exchange Limited
8. Thistleclub Limited
9. Readysquare Limited
10. Eaton Square Limited
11. WPP Dutch Holdings Limited
12. WPP 2323 Limited
13. WPP 2318 Limited
14. WPP Marketing Communications Spain Limited
15. Lexington International BV
16. Arbour Square BV
17. WPP Luxembourg Europe S.à.r.l.
18. Vincent Square Holding BV
19. WPP Marketing Communications Germany BV
20. Diebitz Stöppler Braun & Kuhlmann Werbeagentur GmbH

2. On February 5, 2008, WPP Group plc's share of voting rights in Syzygy AG exceeded the threshold of 25 per cent and as of that date amounts to 25.0066 per cent (equivalent to 3,020,417 voting rights).

Of these, all 25.0066 per cent of the voting rights (equivalent to 3,020,417 voting rights) will be allocated to WPP Group plc in accordance with Section 22 (1) Clause 1 No. 1 of the WpHG via the subsidiary under its control, WPP 2005 Limited, and the aforementioned subsidiaries controlled by WPP Group plc named under Item 1 (numbers 1 to 20), whose share of the voting rights in Syzygy AG amounts to 3 per cent or more.

NOVEMBER 27, 2008: THRESHOLD DISCLOSURE ACCORDING TO § 26 (1) WPHG (GERMAN SECURITIES TRADING ACT)

On November 25, 2008, we were notified of the following: on November 19, 2008, WPP plc's share of voting rights in Syzygy AG, Im Atzelnest 3, Bad Homburg v. d. H, Germany, exceeded the threshold of 25 per cent and as of that date amounts to 29.56 per cent (equivalent to 3,570,273 voting rights).

The voting rights will be allocated to WPP plc via the following subsidiaries controlled by WPP plc, whose share of the voting rights in Syzygy AG amounts to 3 per cent or more:

WPP Group plc; WPP 2005 Limited; WPP LN Limited; WPP Group (UK) Limited; WPP Spike Limited; WPP Sparky Limited; WPP Magic Limited; WPP Sparkle Limited; Line Exchange Limited; Thistleclub Limited; Readysquare Limited; Eaton Square Limited; WPP Dutch Holdings Limited; WPP 2323 Limited; WPP 2318 Limited; WPP Marketing Communications Spain Limited; Lexington International BV; Arbour Square BV; WPP Luxembourg Europe S.à.r.l.; Vincent Square Holding BV; WPP Marketing Communications Germany BV; Diebitz Stöppler Braun & Kuhlmann Werbeagentur GmbH

THRESHOLD DISCLOSURE ACCORDING TO § 26 (1) WPHG (GERMAN SECURITIES TRADING ACT)

On November 25, 2008, we were notified of the following: 1. on November 21, 2008, WPP Air 1 Limited, Dublin, Ireland, share of voting rights in Syzygy AG, Im Atzelnest 3, Bad Homburg v. d. H, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% and as of this date amounts to 29.56% (equivalent to 3,570,273 voting rights). Pursuant to section 22 para. 1 sentence 1 No. 1 WpHG, 29.56% of voting rights (equivalent to 3.570.273 voting rights) are to be attributed to WPP Air 1 Limited.

The voting rights will be attributed to WPP Air 1 Limited via the following controlled subsidiaries, whose share of voting rights in Syzygy AG amounts to 3% or more:

WPP Air UK; WPP UK Holdings Limited; WPP Ireland Holdings Limited; WPP 2008 Limited (former: WPP Group plc); WPP 2005 Limited; WPP LN Limited; WPP Group (UK) Limited; Lexington International BV; Arbour Square BV; WPP Luxembourg Europe S.à.r.l.; Vincent Square Holding BV; WPP Marketing Communications Germany BV; Diebitz Stöppler Braun & Kuhlmann Werbeagentur GmbH

2. On November 21, 2008, WPP Air UK, Dublin, Ireland, share of voting rights in Syzygy AG exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% and as of this date amounts to 29.56% (equivalent to 3,570,273 voting rights). Pursuant to section 22 para. 1 sentence 1 No. 1 WpHG, 29.56% of voting rights (equivalent to 3.570.273 voting rights) are to be attributed to WPP Air UK.

The voting rights will be attributed to WPP Air UK via the following controlled subsidiaries, whose share of voting rights in Syzygy AG amounts to 3% or more:

WPP UK Holdings Limited; WPP Ireland Holdings Limited; WPP 2008 Limited (former: WPP Group plc); WPP 2005 Limited; WPP LN Limited; WPP Group (UK) Limited; Lexington International BV; Arbour Square BV; WPP Luxembourg Europe S.à.r.l.; Vincent Square Holding BV; WPP Marketing Communications Germany BV; Diebitz Stöppler Braun & Kuhlmann Werbeagentur GmbH

3. On November 21, 2008, WPP UK Holdings Limited, Dublin, Ireland, share of voting rights in Syzygy AG exceeded the thresholds of 3%, 5%, 10%, 15% and 20% and as of this date amounts to 22.69% (equivalent to 2,740,912 voting rights). Pursuant to section 22 para. 1 sentence 1 No. 1 WpHG, 22.69% of voting rights (equivalent to 2,740,912 voting rights) are to be attributed to WPP UK Holdings Limited.

The voting rights will be attributed to WPP UK Holdings Limited via the following controlled subsidiaries, whose share of voting rights in Syzygy AG amounts to 3% or more:
WPP Ireland Holdings Limited; WPP 2008 Limited (former WPP Group plc); WPP 2005 Limited; WPP LN Limited; WPP Group (UK) Limited

4. On November 21, 2008, WPP Ireland Holdings Limited, Dublin, Ireland, share of voting rights in Syzygy AG exceeded the thresholds of 3%, 5%, 10%, 15% and 20% and as of this date amounts to 22.69% (equivalent to 2,740,912 voting rights). Pursuant to section 22 para. 1 sentence 1 No. 1 WpHG, 22.69% of voting rights (equivalent to 2,740,912 voting rights) are to be attributed to WPP Ireland Holdings Limited.

The voting rights will be attributed to WPP Ireland Holdings Limited via the following controlled subsidiaries, whose share of the voting rights in Syzygy AG amounts to 3% or more:
WPP 2008 Limited (former: WPP Group plc); WPP 2005 Limited; WPP LN Limited; WPP Group (UK) Limited

5. On November 21, 2008, WPP 2008 Limited (former: WPP Group plc.), London, UK, share of voting rights in Syzygy AG fell below the threshold 25% and as of this date amounts to 22.69% (equivalent to 2,740,912 voting rights). Pursuant to section 22 para. 1 sentence 1 No. 1 WpHG, 22.69% of voting rights (equivalent to 2,740,912 voting rights) are to be attributed to WPP 2008 Limited (former: WPP Group plc).
The voting rights will be attributed to WPP 2008 Limited via the following controlled subsidiaries, whose share of voting rights in Syzygy AG amounts to 3% or more:
WPP 2005 Limited; WPP LN Limited; WPP Group (UK) Limited

6. On November 21, 2008, WPP 2005 Limited, London, UK, share of voting rights in Syzygy AG fell below the threshold of 25% and as of this date amounts to 22.69% (equivalent to 2,740,912 voting rights). Pursuant to section 22 para. 1 sentence 1 No. 1 WpHG, 17.90% of voting rights (equivalent to 2,161,639 voting rights) are to be attributed to WPP 2005 Limited.

The voting rights will be attributed to WPP 2005 Limited via the following controlled subsidiaries, whose share of voting rights in Syzygy AG amounts to 3% or more:

WPP LN Limited; WPP Group (UK) Limited

7. On November 21, 2008, WPP LN Limited, London, UK, share of voting rights in Syzygy AG fell below the threshold of 20% and as of this date amounts to 17.90% (equivalent to 2,161,639 voting rights). Pursuant to section 22 para. 1 sentence 1 No. 1 WpHG, 17.90% of voting rights (equivalent to 2,161,639 voting rights) are to be attributed to WPP LN Limited.

The voting rights will be attributed to WPP LN Limited via the following controlled subsidiaries whose share of voting rights in Syzygy AG as of this date amounts to 3% or more:

WPP Group (UK) Limited

8. On November 21, 2008, WPP Group (UK) Limited, London, UK, share of voting rights in Syzygy AG fell below the threshold of 20% and as of this date amounts to 17.90% (equivalent to 2,161,639 voting rights).

9. The voting rights in Syzygy AG of WPP Spike Limited, WPP Sparky Limited, WPP Magic Limited, WPP Sparkle Limited, Line Exchange Limited, Thistleclub Limited, Readysquare Limited, Eaton Square Limited, WPP Dutch Holdings Limited, WPP 2323 Limited, WPP 2318 Limited, WPP Marketing Communications Spain Limited, all situated in London, UK, fell below the thresholds of 5% and 3% on November 21, 2008, and as of this date amounts to 0% (equivalent to 0 voting rights).

5.14 DECLARATION ON THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH ARTICLE 161 OF THE AKTG

The declaration of compliance according to Article 161 of the AktG was issued on December 16, 2008 and is available to all shareholders on the Company's website.

5.15 DATE OF THE AUTHORISATION FOR PUBLICATION

The Management Board approved the consolidated financial statements on March 25, 2009.

Bad Homburg v.d.H., March 25, 2009

The Management Board



Marco Seiler

Frank Wolfram

RESPONSIBILITY STATEMENT ACCORDING TO §37Y WPHG I.C.W. §37W (2) NO. 3 WPHG (TRANSLATION)

"To the best of our knowledge, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the Group's development and performance of its position, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining months of the financial year, in accordance with German proper accounting principles of interim consolidated reporting."

Bad Homburg v. d. H., March 25, 2009

Syzygy AG

The Management Board

INDEPENDENT AUDITORS' REPORT

TRANSLATION OF THE GERMAN AUDITORS' REPORT

We have audited the consolidated financial statements prepared by Syzygy AG, Bad Homburg v. d. Höhe comprising the balance sheets, the income statements, statements of changes in equity, cash flow statements and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January 2008 to 31 December 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) German commercial law are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. We conducted our audit of the consolidated financial statements in accordance with § 317 German commercial law and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal

control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) German commercial law and give a true and fair view of the net assets, financial position and results of operations the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 25, 2009
BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Dr. Rosien
Auditor

sgd. ppa. Werner
Auditor

FINANCIAL CALENDAR 2009 OF SYZYGY AG



FIRST QUARTER TRADING UPDATE

April 30, 2009

GENERAL ANNUAL MEETING 2009

May 29, 2009

INTERIM HALF-YEAR STATEMENT

July 31, 2009

SMALL CAP CONFERENCE, FRANKFURT

August 31, – September 2, 2009

THIRD QUARTER TRADING UPDATE

October 29, 2009

GERMAN EQUITY FORUM, FRANKFURT

November 9-11, 2009

MKK – MUNICH CAPITAL MARKET CONFERENCE

December 8-9, 2009

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